

South Korea as a Defense Industrial Partner

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Feature Articles

K-Defense Strategy: Beyond Defense Exports Toward Sustainable Global Partnerships **Kang Eunho**

Japan and South Korea: Defense Industrial Partners or Competitors?
— A Japanese Perspective **Hideshi Tokuchi**

Australia-Korea Defense Industry Collaboration: Missing Opportunities **Bill Paterson**

Korea at the Heart of America's Maritime Statecraft **Hunter Stires**

From Supplier to Strategic Industrial Partner?
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Korea Corner

Rethinking Defense Manpower Policy in an Era of Demographic Decline **Kim Jaeseong**



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Introduction

LEE Jaehyon
Editor-in-Chief

South Korea has rapidly emerged as a major player in the global defense industry. As conflicts intensify, military expenditures rise, and countries seek to modernize their armed forces, South Korean defense companies have expanded their presence across a growing number of markets. From artillery and armored vehicles to aircraft and naval platforms, South Korea is increasingly viewed as a serious defense industrial partner.

Much has been written about the factors behind this success, including competitive pricing, rapid production and delivery, and a willingness to pursue technology transfer and local production. However, there has been comparatively less analysis reflecting on the lessons learned from recent export campaigns, both successful and unsuccessful, and across the full spectrum of capability domains. There has also been insufficient attention to how the factors shaping South Korea's defense partnerships vary across countries and regions, and what these differences mean for how South Korea approaches individual

markets. The perspectives of South Korea's defense partners are important in understanding how procurement decisions are made, where Korean companies have succeeded or fallen short, and what partners expect from future cooperation.

This issue of the *Asan Security Quarterly* examines South Korea's defense industry from both Korean and partner-country perspectives. Kang Eunho, former Minister of South Korea's Defense Acquisition Program Administration (DAPA), opens the issue by considering how South Korea can move beyond arms exports toward becoming a leading partner in international defense cooperation. Hideshi Tokuchi, former Japanese Vice Minister for Defense and president of the Research Institute for Peace and Security (RIPS), examines South Korea–Japan defense industrial cooperation, emphasizing the importance of sustained political leadership. Bill Paterson, former Australian Ambassador to South Korea, assesses Australia–South Korea defense industrial cooperation and calls for a longer-term approach that builds on their

complementary strengths. Hunter Stires, former Maritime Strategist to the U.S. Secretary of the Navy, examines South Korea's role in revitalizing the U.S. maritime industrial base, arguing that Korean shipbuilders should move beyond overseas production toward long-term investment, technology transfer, and industrial integration in the United States.

Other contributions take a broader regional perspective. Eric J. Ballbach, Korea Foundation Fellow at the German Institute for International and Security Affairs (SWP), examines how approaches to defense industrial cooperation with South Korea differ across Europe. Abdul Rahman Bin Yaacob, research fellow at the Rabdan Security and Defense Institute, highlights the distinct procurement needs and threat perceptions shaping South Korea's opportunities across Southeast Asia. Kristian Alexander, gulf security analyst, and Leonardo Mazzucco, PhD candidate at the Catholic University of the Sacred Heart of Italy, assess South Korea's growing defense partnership with the Arab Gulf states, highlighting opportunities in air and missile defense, localization, and emerging maritime capabilities.

Together, these perspectives shed light on how South Korea can deepen existing partnerships, enter new markets, and sustain its growing role in the global defense industry. They also reveal important differences across countries and regions, underscoring the need for South Korea to tailor its approach to the distinct strategic priorities,

procurement requirements, and industrial expectations of individual partners. At the same time, one common thread in all of these articles is the importance of moving away from the buyer-seller mentality centered on the export of defense platforms. The next chapter for Korea's defense industry will be to pursue innovative co-development and co-production arrangements, partnering with defense businesses to pursue third-country opportunities, and harnessing emerging manufacturing technologies and processes to accelerate localization.

Turning to the Korea Corner, Kim Jaeseong, senior research fellow at the Korea Institute for Defense Analyses, provides an overview of South Korea's shrinking pool of military manpower amid demographic decline and examines potential policy responses to address the growing personnel shortage. We hope this issue offers a useful perspective on South Korea's evolving defense landscape and its growing role in international defense cooperation. We look forward to your continued readership and engagement.

Sincerely yours,

LEE Jaehyon
Editor-in-Chief
Asan Security Quarterly

FEATURE ARTICLES

K-Defense Strategy: Beyond Defense Exports Toward Sustainable Global Partnerships



KANG Eunho

Former Minister of the Defense Acquisition Program Administration (DAPA)

PROSPECT AND CONDITIONS FOR KOREA'S DEFENSE INDUSTRY

Korea's defense industry is increasingly being recognized not merely as an emerging supplier, but as a key player in the global defense market. In late 2021, South Korea secured a contract worth approximately KRW 1 trillion to supply K9 self-

propelled howitzers to Australia, followed by a contract worth approximately KRW 4 trillion to supply the Cheongung-II (KM-SAM II) air and missile defense system to the United Arab Emirates. In the second half of 2022, large-scale exports of major weapons systems—including the K2 main battle tank, K9 self-propelled howitzer, and FA-50

light combat aircraft—to Poland drew significant international attention.

More recently, Korea's stature has grown as Hanwha Ocean competed directly with TKMS, one of the world's leading submarine suppliers, for Canada's submarine suppliers, for Canada's submarine procurement program. At the same time, South Korea and the United States have discussed cooperation under MASGA initiative.¹ These developments have reinforced the view that K-defense has moved beyond the status of a temporarily successful emerging player.

Over the past five years, South Korea's defense export orders amounted to USD 3.0 billion in 2020, USD 7.3 billion in 2021, USD 17.3 billion in 2022, USD 13.5 billion in 2023, and USD 9.6 billion in 2024. In 2025, the figure rebounded to approximately USD 15.3 billion.² Although annual order volumes have fluctuated, it is clear that South Korea has developed the capacity to compete with the world's major defense-industrial powers.

The greatest competitive advantage of K-defense lies in the combination of technological capabilities and manufacturing capacity. South Korean companies can supply world-class weapons systems at relatively competitive prices while producing and delivering

contracted quantities within agreed timelines. While Europe's traditional defense-industrial powers reduced production facilities and workforces following the end of the Cold War, South Korea continued to maintain its research and development capabilities and production base in response to the persistent threat from North Korea. This foundation has been reinforced by corporate management innovation and the highly skilled manufacturing capabilities of domestic suppliers, enabling South Korea's defense industry to simultaneously meet demanding requirements for price, performance, and delivery schedules.

Will K-defense's existing strengths continue to make them competitive in the global defense market? Given the various forms of competitive pressure now emerging across the international defense industry, the increasingly intense competition among suppliers, and the changing character of future warfare, South Korea is unlikely to be able to overcome the challenges ahead by relying on its existing strengths alone. This article therefore seeks to identify the key obstacles that K-defense must overcome and propose measures to address them.

For the purposes of this article, "G4" refers to the group of the world's four leading defense-industrial countries³ that shape global supply chains and lead

¹ MASGA (Make America Shipbuilding Great Again) is a term proposed by South Korean Government during its tariff negotiations with the United States to describe bilateral cooperation between the two countries in the shipbuilding sector.

² The annual defense export order values are based on official figures released by South Korea's Defense Acquisition Program Administration (DAPA)

³ The "G4" of leading defense-exporting countries is not a fixed group and may change depending on factors such as export volume and technological capabilities. Based solely on the value of annual defense export orders in 2025, the G4 can be considered to comprise the United States, France, China, and South Korea.

international defense cooperation. The goal for South Korea is not simply to become a country that sells large volumes of weapons, but to evolve into a defense-industrial power that works with allies and partners to develop emerging defense technologies, shares production capabilities, jointly expands into global markets, and exercises meaningful influence over the international defense-industrial order. Defense export values and global market share are therefore meaningful only as outward indicators of the results generated by these broader efforts and activities.

The goal for South Korea is not simply to become a country that sells large volumes of weapons, but to evolve into a defense-industrial power that works with allies and partners to develop emerging defense technologies, shares production capabilities, jointly expands into global markets, and exercises meaningful influence over the international defense-industrial order.

INTENSIFYING COMPETITION AND THE CHANGING CHARACTER OF FUTURE WARFARE

The global defense market is undergoing rapid restructuring. Since the outbreak of the Ukraine war, European countries have been rebuilding their domestic defense industries while expanding joint

development, co-production, and joint procurement. As the “Buy European” approach gains momentum and NATO-centered supply chains become more firmly established, the European defense market is increasingly becoming organized around regional blocs, creating significant barriers to entry for K-defense. This trend is effectively limiting the very opportunities in which K-defense has traditionally been able to leverage its strengths, including price competitiveness and rapid delivery.

Recent international competitions illustrate this challenge more concretely. South Korea’s unsuccessful bids for submarine procurement programs in Canada and Poland demonstrate that K-defense’s existing strengths alone may not be sufficient to overcome the barriers to entry posed by a defense market increasingly organized around NATO and European suppliers. Major U.S. defense contractors are also unlikely to stand by as K-defense continues to expand its presence in the global market.

The demands of partner countries are also changing. Few countries today are interested in simply purchasing weapons systems. They increasingly demand local production, technology transfer, participation by domestic firms in supply chains, job creation, and long-term logistics and sustainment support. The success or failure of major defense deals therefore depends not only on the performance of the weapons systems themselves, but increasingly on a country’s comprehensive ability to combine financing, diplomacy, industrial cooperation, and supply-chain integration at the national level.

The character of warfare is also changing rapidly. The Ukraine war and conflicts in the Middle East have demonstrated that drones, artificial intelligence, satellite-based intelligence, electronic warfare, and cyber capabilities are increasingly shaping outcomes on the battlefield. The performance of individual platforms such as tanks, self-propelled howitzers, naval vessels, and combat aircraft is no longer sufficient on its own. Existing platforms must evolve into integrated manned-unmanned systems that connect them with drones and other unmanned systems, as well as space and cyber capabilities. Is K-defense prepared for these changes?

The success or failure of major defense deals therefore depends not only on the performance of the weapons systems themselves, but increasingly on a country's comprehensive ability to combine financing, diplomacy, industrial cooperation, and supply-chain integration at the national level.

AN URGENT NEED TO ACCELERATE THE DEVELOPMENT OF CUTTING-EDGE CORE TECHNOLOGIES AND REDESIGN MARKET STRATEGY

For the momentum of K-defense to remain sustainable, two major shifts are required. First, South Korea must build a healthy defense-industrial ecosystem through bold, high-risk technological development and mutually beneficial cooperation

between large corporations and small and medium-sized enterprises. The core technologies of future warfare cannot be secured simply through research and development that begins only after performance requirements have been formally established. In areas such as physical AI, defense semiconductors, drones and counter-drone systems, manned-unmanned teaming, electronic warfare, space, and cyber, South Korea needs a more ambitious approach to R&D that anticipates future threats and secures critical technologies before those requirements fully emerge.

Failure and trial and error are inevitable in the development of highly advanced technologies. If unavoidable setbacks in the R&D process are immediately treated as evidence of incompetence or misconduct, researchers and companies will have little incentive to take risks. What is needed is a portfolio-based R&D model in which meaningful success is recognized even if only one or two out of ten projects succeed, together with an innovation system in which bold experimentation is regarded as a normal and necessary part of technological progress. Legal and institutional safeguards should be established so that researchers and companies can pursue high-risk innovation without excessive fear of failure.

The direction of defense-industrial development should also shift away from vertical and horizontal integration centered on a small number of firms and toward the creation of a healthy ecosystem in which a diverse range of actors can fully exercise their technological capabilities and expertise. Rather than

relying on closed, conglomerate-centered industrial structures, South Korea should foster an environment in which innovative small and medium-sized companies can develop new technologies and critical components while collaborating flexibly with major corporations and research institutions. As the pace of technological change accelerates, closed structures dominated by particular firms are more likely to constrain innovation.

An open ecosystem that organically connects large corporations, mid-sized companies, startups, and research institutions is better suited to sustaining continuous innovation. The government and major defense firms should provide smaller and mid-sized companies with stable demand and sufficient opportunities for testing and evaluation so that they can accumulate technological expertise over the long term. What the government should cultivate is not individual firms, but the defense-industrial ecosystem itself. When the ecosystem becomes stronger, companies within it will also be better positioned to achieve sustainable growth.

The focus of research and development should likewise expand beyond complete platforms to include critical components and enabling technologies such as sensors and radars, engines and propulsion systems, semiconductors, and advanced materials. South Korea does not need to develop every technology independently, but it does need a national-level strategy that distinguishes between technologies that must be secured domestically and those that can be jointly developed with allies and

partners. Even where companies compete at the platform level, South Korea should be able to expand joint development and supply-chain cooperation with major global defense firms in critical components and subsystems.

Second, South Korea must shift its market strategy from one centered on simple arms sales to long-term industrial cooperation that enables both Korea and its partner countries to grow together. While expanding beyond its current concentration in Eastern Europe and the Middle East into Western Europe and Latin America, South Korea must also manage its relationships with existing partners with greater care and consistency. Support should continue well beyond the delivery of weapons systems, to include operations and maintenance, education and training, spare-parts supply, and capability upgrades. The assessments of early customer countries will provide the strongest foundation for establishing K-defense as a globally trusted premium brand.

South Korea should also consider deploying a Korean-style Defense Cooperation Group (K-DCG) to key partner countries, composed of experts from the government, military, and defense industry. The K-DCG could help resolve operational and maintenance issues on the ground, ensure follow-on logistics support and capability upgrades, and deepen cooperation through the joint development of emerging technologies and local production. South Korea should aim to become a long-term partner that helps strengthen both the defense

capabilities and defense-industrial base of its partner countries.

South Korean defense companies should likewise approach cooperation with allies and partners on the understanding that what comes after winning an individual contract is even more important than securing the contract itself. Cooperation should move beyond industrial arrangements designed merely to support a particular bid. Korean firms should seek sustained participation in the defense-industrial ecosystems and supply chains of key partner countries, while broadening cooperation to include the supply of critical components, joint research and development, maintenance, repair and overhaul (MRO), capability upgrades, and joint entry into third-country markets.

The time has come for Korean defense companies to transform themselves from firms that “manufacture in Korea and sell abroad” into truly global defense companies that “develop, produce, and expand into new markets together with partners around the world.”

BEYOND “DEFENSE EXPORTS” TOWARD MUTUALLY BENEFICIAL GLOBAL COOPERATION

It is time to move beyond the term “defense exports” itself. The word “exports” evokes a one-way transaction in which South Korea produces weapons and another country simply purchases them. Future international defense cooperation, however, should evolve into a mutually beneficial model that combines joint research and development, co-

production, joint entry into global markets, supply-chain participation, and follow-on logistics support. South Korea needs strategies tailored to the security environment and industrial base of each partner country, including appropriate models for local production and technological cooperation, while jointly bringing co-developed and co-produced weapons systems and critical components into third-country markets. Established defense-industrial powers should not be viewed solely as competitors. South Korea should compete vigorously where competition is necessary, while pursuing bold cooperation in areas where mutual interests align. The international defense market will increasingly become a complex arena in which competition and cooperation coexist.

ROK-U.S. defense-industrial cooperation will be one of the major pillars of this broader global cooperation. Entering the world’s largest defense market—the United States—is essential if K-defense is to join the G4. South Korea, however, should not insist solely on selling complete Korean weapons systems as finished products. Beginning with naval maintenance, repair, and overhaul and shipbuilding cooperation, the scope of cooperation should be expanded to include joint research and development, co-production, the supply of critical components, and joint entry into global markets. Beyond the United States, South Korea should also build sustainable frameworks for defense-industrial cooperation with NATO members and other key allies and partners by combining the respective strengths of each country.

THE NEXT THREE YEARS ARE NOT A GOLDEN TIME, BUT A CRITICAL TIME

K-defense's entry into the G4 is entirely possible. However, increasing the value of defense contracts should not become a policy objective in itself. The focus should instead be on challenging research and development that is willing to risk failure, a healthy ecosystem in which large companies and small and medium-sized enterprises can prosper together, securing core technologies and supply chains, maintaining the trust of existing partner countries, developing new markets, and advancing global cooperation.

South Korea has, in my assessment, roughly three years to act. The period before European defense companies fully restore their production capacity represents effectively the last strategic window for South Korea to establish itself within emerging global defense supply chains. It is a decisive period in which K-defense must move beyond the approaches that brought success in the past and redesign itself for a changing global defense-industrial order. How South Korea uses this period will determine whether it remains a country of temporary arms-sales success

or evolves into a sustainable G4 defense-industrial power that shares technology, production, and markets with allies and partners, helps shape the global defense-industrial order, and drives innovation in advanced technologies and manufacturing.

The next three years will also be a decisive period for South Korean defense companies to transform

themselves into global defense firms. They must establish themselves as indispensable to current partners, while closely cooperating with major European and U.S. defense companies to jointly develop, produce, and supply core systems. This must become the way in which K-defense companies survive in the

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future.

The future of K-defense depends not on how many weapons it sells, but on how many allied countries it can work with to jointly develop technologies, produce together, and jointly develop global markets. That is the path toward becoming a sustainable G4 member.

A



KANG Eunho

Dr. Kang Eunho is one of Korea's foremost authorities on defense acquisition and defense industry policy, with more than 30 years of distinguished public service. He served as the 11th Minister of the Defense Acquisition Program Administration (DAPA) and was the first official to be internally promoted to lead the organization. Since the establishment of DAPA in 2006, Dr. Kang has played a pivotal role in shaping and advancing Korea's defense acquisition system. Dr. Kang currently serves as Professor and Head of the Department of Advanced Defense Industry at Jeonbuk National University, where he also directs the Defense Industry Research Institute.

FEATURE ARTICLES

Japan and South Korea: Defense Industrial Partners or Competitors?—A Japanese Perspective



Hideshi TOKUCHI

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RECENT DEVELOPMENTS OF SOUTH KOREA-JAPANESE SECURITY COOPERATION

President Lee Jae Myung's "pragmatic diplomacy" has taken effect in the diplomatic relationship between South Korea and Japan. Shuttle diplomacy at the leaders' level has resumed, including visits to their respective hometowns this year. Personal

chemistry between Lee and Prime Minister Sanae Takaichi has been more cordial than previously feared.¹ In the bilateral summit meeting in Andong in May, the two leaders recognized the importance of Japan and South Korea taking the initiative in promoting peace and stability in the Indo-Pacific region, including maintaining and strengthening deterrence and response capabilities through the

¹ James Kim, "So Far So Good: first Year of the Lee Jae Myung Presidency," Korea On Point, June 20, 2026, https://koreaponpoint.org/articles/article_detail.php?idx=536.

Japan-U.S. alliance, the U.S.-ROK alliance, and their strategic coordination.²

In the background of this unusual move is intensified great-power rivalry. The security environment of both countries is becoming even worse today than it was four years ago, when Russia invaded Ukraine, and the situation is deteriorating rapidly. The three authoritarian revisionist countries, Russia, China, and North Korea, are strengthening their political, military, economic, and technological ties, though they are not a trilateral partnership comparable to the U.S., Japan, and South Korea. They continue to pose serious threats to South Korea and Japan. In the meantime, the United States, the only ally of both countries, is distracted from international partnerships. While deterring China from a position of strength will continue to be prioritized in the U.S. national security policy, there is no mention of North Korea in the Trump administration's National Security Strategy. Although the 2026 National Defense Strategy states that North Korea poses a direct military threat to South Korea as well as to Japan,³ it is uncertain how serious the Trump administration's resolve is to address the North Korean threat.

Witnessing the recent development of Japan's national security policy in light of this acute environment, a European observer recently stated that Japan is developing a networked security architecture that integrates its regional partners

around its alliance with the United States.⁴ The bilateral security partnership with South Korea and the Japan-U.S.-South Korea trilateral partnership are integral parts of this networked architecture.

Like-minded countries, including South Korea and Japan, must strengthen their operational capabilities by enhancing interoperability.

Both countries must work together to restore the rules-based international order built upon the principle of the rule of law.⁵ The pursuit of a rules-based order does not spring from nostalgia. It is the rules-based order that promotes predictability and stability, which lead to prosperity. However, international norms are not effective without the power of sovereign states to rectify unlawful acts of other countries. The power must be accompanied by the capability and capacity to engage in actual combat operations. It is more than a deterrent. It must be operational enough to contribute to the stability of the international order. No single country can achieve this. Like-minded countries, including South Korea and Japan, must strengthen their operational capabilities by enhancing interoperability.

² Ministry of Foreign Affairs of Japan, "Japan-ROK Summit Meeting," May 19, 2026, https://www.mofa.go.jp/a_o/na/kr/pageite_000001_01649.html.

³ Department of War, 2026NDS *National Defense Strategy: Restoring Peace through Strength for a New Golden Age of America*, January 23, 2026: 12, <https://media.defense.gov/2026/Jan/23/2003864773/-1/1/0/2026-national-defense-strategy.pdf>.

⁴ Celine Pajon, *Japan's Defense Industry Goes Global: Ambitions and Challenges*, IFRI Papers, Asie. Visions No. 149 (2025): 20, <https://www.ifri.org/en/papers/japans-defense-industry-goes-global-ambitions-and-challenges>.

⁵ Hideshi Tokuchi, "President Lee Jae Myung's Pragmatic Diplomacy and Japan-Korea Relations," *Korea On Point*, June 23, 2026, https://koreaponpoint.org/articles/article_detail.php?idx=538.

As the government of Japan anticipates future conflicts of attrition that will require large stockpiles of munitions and a resilient allied industrial base,⁶ defense industrial cooperation between the two countries, if realized, would have the potential to strengthen their interoperability. Industrial cooperation will not end just as a one-off event, but rather will likely be a long-term project, involving maintenance, repair, supply, and upgrades, and will contribute to elevating bilateral security ties to a higher level.

Although overall bilateral relations have improved markedly under the new leaders of both countries, expansion of the partnership cannot be taken for granted. In response to an interview with a Japanese media outlet in January, President Lee Jae Myung said, "It is not easy to cooperate in the military and security fields. But it is up to politics and the role of political leaders to resolve difficult issues. They should meet frequently to resolve such things amicably."⁷ In June, however, he said in a news conference that he had told Prime Minister Takaichi that, although a bilateral acquisition and cross-servicing agreement (ACSA) is practically necessary, the current public sentiment in South Korea makes it difficult to conclude an agreement with Japan. He also said that he had told the Japanese leader that he would be criticized if he talked about the matter in South Korea and asked the Japanese side to understand the situation.⁸ If a bilateral ACSA is

difficult to conclude with Japan, an "agreement concerning the transfer of defense equipment and technology" might be equally or more difficult.⁹

THE GROWING DEFENSE INDUSTRIAL BASE OF JAPAN

Japan aims to strengthen its comprehensive national power in accordance with the National Security Strategy of 2022. While the government of Japan is revising it at the end of 2026 to address the increasingly acute security environment, its strategic trajectory to enhance Japan's comprehensive national power is likely to remain unchanged, as it must be well prepared for a wide variety of warfare, from full-scale, all-out invasion to gray-zone contingencies that fall under the threshold of armed attack.

As part of its military efforts, Japan is trying to reinforce its defense production and technology bases as "defense capabilities themselves," which are "an indispensable foundation for ensuring stable research and development, production, and procurement of defense equipment in Japan."¹⁰ In the background of this recognition are serious conditions Japan's defense industry has been facing for years: cost increases due to technological advances; supply chain risks due to the complex and unstable international situation; and limited demand and unique specifications because Japan's Self-

⁶ Pajon, *Japan's Defense Industry*, 20.

⁷ "Japan-South Korea leaders agree on cooperation, 'shuttle diplomacy'," NHK World, January 13, 2026, <https://www3.nhk.or.jp/nhkworld/en/news/backstories/4523/>.

⁸ "South Korean president mentions need for acquisition pact with Japan," Japan Times, June 9, 2026, <https://www.japantimes.co.jp/news/2026/06/09/japan/politics/south-korea-president-japan-acsa-deal-mention/>.

⁹ Transfer of lethal weapons is limited to countries that have concluded international agreements mandating the use consistent with the U.N. Charter. There is no such agreement between South

Korea and Japan. (Cabinet Secretariat, Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and Ministry of Defense, "Revision of the Defense Equipment and Technology Transfer System," April 2026, 3, https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80430_bouei_kait_ei.pdf).

¹⁰ Cabinet Decision, National Security Strategy of Japan (Provisional Translation), December 2022: 21, <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>

Defense Forces are the only customer. These challenges led to low profitability and a negative outlook for business continuity and growth. Under these circumstances, some companies in Japan's defense industry are withdrawing from or downsizing defense business operations.¹¹ Accordingly, the Japanese government is trying to make the defense industry robust and sustainable by improving manufacturing process efficiency, reinforcing supply chain resilience, supporting business continuity, and facilitating defense equipment exports.¹²

As national defense is a critical mission concerning the survival of the sovereign state and its nationals, domestic production of defense equipment would be ideal. However, it is difficult for any one country to maintain necessary defense production and technology bases without international cooperation due to fierce competition in research and development and rapid technological progress.¹³ It is more important to bring expertise from like-minded countries together to deter attempts at altering the status quo by force and to maintain a stable international order.

Japan's new attempt to expand exports of defense equipment is part of its efforts to strengthen production and technology bases. It will help cement security partnerships with like-minded countries for the long term and work as an important policy tool to shape a desirable international security environment with those countries. It should not be

considered as a means to pursue the economic interests of private industry. It is a public requirement.

It is more important to bring expertise from like-minded countries together to deter attempts at altering the status quo by force and to maintain a stable international order.

PROSPECTS FOR A SOUTH KOREAN-JAPANESE DEFENSE INDUSTRIAL PARTNERSHIP

The defense industries of both South Korea and Japan are expanding arms production, reflecting the acute security environment for the two countries. According to a report released by the Stockholm International Peace Research Institute (SIPRI) in December 2025, South Korea's top four arms-producing and military services companies increased their revenues by 31% in 2024 from the previous year, and Japan's top five companies increased their combined revenues by 40%.¹⁴ The revenue of the four companies based in South Korea accounted for 2.1% of the SIPRI top 100's total, the tenth largest in the world, and that of the five companies based in Japan accounted for 2.0% of the top 100's total, the eleventh largest.¹⁵

Figures related to arms exports paint a different picture of these two countries. According to another

¹¹ Ministry of Defense, *Defense of Japan 2025* (2025): 459, https://www.mod.go.jp/j/press/wp/wp2025/pdf/DOJ2025_EN_Full.pdf.

¹² Ministry of Defense, *Defense of Japan*, 461-462.

¹³ Ministry of Defense, *Defense of Japan*, 461.

¹⁴ Lorenzo Scarazzato et al., "The SIPRI Top 100 Arms-Producing and military services companies, 2024," *SIPRI Fact Sheet*, December 2025: 7, https://www.sipri.org/sites/default/files/2025-11/fs_2512_top_100_2024.pdf.

¹⁵ Scarazzato et al., "The SIPRI Top 100," 3.

report released by SIPRI, South Korea is the ninth largest supplier of major arms in 2021-2025, while Japan is not even included in the top 25.¹⁶ The volume of South Korea's exports of major arms in the same period increased by 24% from 2016 to 2020.¹⁷ In 2025 alone, South Korea ranked fourth in arms export share, following the United States, France, and Israel. Behind this development is South Korea's "self-reliant national defense" concept, rooted in its history and geopolitical situation.¹⁸ Weapons and military equipment produced in South Korea are in great demand thanks to their reliability, speedy delivery times, and relatively low prices. In addition, the South Korean defense industry is expanding its offerings to the world market, from warships, artillery systems, and aircraft in the past to include armored vehicles, missiles, and air defense systems today.¹⁹

The South Korean government has taken the initiative to maintain and strengthen Korea's defense industry and arms exports for three reasons: declining U.S. defense commitments; the balance of military power, particularly in ground forces, being tilted toward North Korea in the Cold War; and the geographic location of Seoul in the vicinity of the military demarcation line.²⁰ This is very different from the security environment of Japan, but there are many things for Japan to learn from the policies and experience of South Korea in order to strengthen its defense industrial base.

Both South Korea and Japan highlight the importance of international partnerships on defense and technology today. Although there are limits on its technological level and domestic production rate, the South Korean defense industry has leveraged its strengths effectively in its arms exports. Japan must learn from Korea in this respect as well. However, South Korea's main arms export partners are Europe, the Middle East, Southeast Asia, and Latin America,²¹ whereas Japan's main partners are Southeast Asia and Australia, as shown in exports of Japanese frigates and destroyers. Japan has also been co-developing next-generation fighter aircraft with the U.K. and Italy (Global Combat Air Programme). Thus, there is some overlap in partners. Reportedly, South Korean defense industry officials are closely watching the possibility that Japan may emerge as a competitor, mainly in the field of warships.²²

However, partnership and competition are not mutually exclusive. In fact, Japan's Defense Minister Shinjiro Koizumi said in his press conference after meeting with South Korea's Minister of National Defense Ahn Gyu-Back in Japan in January 2026, "From the viewpoint of developing Japan-ROK defense cooperative relations in a future-oriented and mutually beneficial manner, we confirmed that discussions between defense authorities will be held to explore cooperation in advanced science and technology fields, such as artificial intelligence,

¹⁶ Matthew George et al., "Trends in International Arms Transfers, 2025," *SIPRI Fact Sheet*, March 2026: 2, https://www.sipri.org/sites/default/files/2026-03/fs_2603_at_2025.pdf.

¹⁷ George et al., "Trends in International Arms Transfer," 3.

¹⁸ Daisuke Shimizu and Akihiko Kaise, "S. Korea rising in goal to become a top 4 global defense exporter," *Asahi Shimbun*, May 23, 2026, <https://www.asahi.com/ajw/articles/16553731>.

¹⁹ Julian Ryall, "As the world rearms, South Korea aims to cash in," *DW*, July 16, 2026, <https://www.dw.com/en/as-the-world-rearms-south-korea-aims-to-cash-in/a-77950625>.

²⁰ Naoto Ogi, 韓国 防衛需給のギャップ・フィラー (South Korea: Gap Filler of Defense Demand and Supply) in *各国防衛産業の比較研究—自律性、選択、そして持続可能性* (Comparative Study of Defense Industries of Various Countries – Autonomy, Choice and Sustainability), ed. Sadamasa Oue et al. (Institute of Geoeconomics, 2023): 89-90, https://instituteofgeoeconomics.org/wp-content/uploads/2024/08/00_boueisangyo_page.pdf.

²¹ Ogi, 韓国, 93.

²² Shimizu and Kaise, "S. Korea rising."

unmanned systems, and outer space.”²³ Both ministers committed to continuing such discussions in the joint press statement after their meeting in Seoul in June 2026.²⁴

Cooperation between the two countries involving the transfer of Japan’s lethal weapons would not be feasible without concluding an agreement concerning the transfer of defense equipment and technology, but cooperation involving the transfer of non-lethal weapons would be possible without such a formal agreement.²⁵ Cooperation in dual-use technologies could also be more feasible. The possibility of military applications of green technologies would be worth exploring to lessen the logistical burden of refueling and increase the sustainability of military forces, adapting to climate change.

Japan’s defense industry has begun to grow in light of the country’s increasingly acute security environment, but it is still in the early stage of development. As it is a latecomer in international business, it faces several challenges, including its limited capacity for large-scale production.²⁶ However, there are a variety of lessons to learn from South Korea. As long as both countries remain proactive in strengthening their respective defense industrial and technological bases, there will be a chance for closer partnership. It will contribute to the institutionalization of bilateral security ties.

Political leadership is indispensable for international collaboration in the defense industry and technology, as it is deeply bound to the core of national defense. If both countries share the vision of an international order, the perception of security threats, and

the interest in sharing a defense industrial base, they will be able to generate great momentum to proceed, given the improved bilateral relationship at the leader level. This is not simply about economic benefits, but rather about how to shape the regional and international order together. Thus, the importance of strategic dialogue between the two countries could not be overstated.

As long as both countries remain proactive in strengthening their respective defense industrial and technological bases, there will be a chance for closer partnership

²³ Ministry of Defense, “Press Conference by Defense Minister Koizumi on Friday, January 30, 2026, at 03:58 PM,” January 30, 2026, <https://www.mod.go.jp/en/article/2026/01/18ae3e9d31d1517cff402ce994ab32cc223e8bca.html>.

²⁴ Ministry of Defense, 日韓防衛相共同ステートメント (Japan-South Korea Defense Ministerial Joint Press Statement), June 28, 2026,

https://www.mod.go.jp/j/approach/exchange/area/2026/20260628_kor-j_a.html.

²⁵ National Security Council, “(Provisional Translation) Implementation Guidelines for the Three Principles on Transfer of Defense Equipment and Technology,” 1-2, April 21, 2026, https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80421_bouei4.pdf.

²⁶ Pajon, *Japan’s Defense Industry*, 25.

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FEATURE ARTICLES

Australia-Korea Defense Industry Collaboration: Missing Opportunities



Bill PATERSON

Former Australian Ambassador to Korea

When Australian and Korean defense and foreign ministers undertake their biennial 2+2 meetings, first held in 2013, the emerging statements always highlight strategic alignment as the basis for a growing defense and security relationship. The warmth and breadth of the agreed statements is notable, but advances in the practical collaboration pledged on each occasion have been underwhelming, falling short when both countries

agree they face a shared and particularly challenging security environment. At a time when key NATO and other countries are acquiring large numbers of major platforms from Korea, driven by perceptions of U.S. unreliability and the immediacy of the threat landscape they face, Australia's engagement with Korea on acquisition and manufacturing is modest, intermittent, and patchy.

Korean defense specialist Yu Jihoon argues persuasively that "strategic convergence between

South Korea and Australia is accelerating, but defense industrial cooperation remains underdeveloped. [...] Seoul and Canberra have both the capacity and the imperative to build a resilient, complementary defense industrial partnership.”¹ But Korea is now committed to fulfilling European and Middle Eastern contracts, so arguably gives less priority to pursuing potentially smaller opportunities in Australia. Korea perhaps also detects an Australian predisposition to continue to choose U.S. platforms largely, despite cost overruns and delays, insufficient U.S. production, and queries about alliance reliability.

AUSTRALIA’S FALTERING DEFENSE INDUSTRIAL ENGAGEMENT WITH KOREA

In 2012, the outgoing Australian Labor government abruptly canceled a plan to acquire 30 Korean K9 self-propelled howitzers (SPH) and around 15 support vehicles. They were to be built in Australia by Hanwha Aerospace’s predecessor (Samsung Techwin). It was to be Australia’s first major defense acquisition from an Asian country, and its abrupt cancellation was badly received by Korea, which saw Australia as an unreliable partner. In a country where long-term relationships define the business culture, this was a particularly damaging decision.

Fortunately, the damage was later contained by a revival of the contract by Australia’s Coalition government in 2019.² Meanwhile, Korea’s then principal naval shipyard, DSME (now Hanwha Ocean), had been shortlisted for construction of two naval supply ships for the Australian navy. The contract was in due course won by Navantia of

Spain, but Korea, with big alternative orders emerging, moved on with minimal disappointment. The two Spanish-built ships, though, have had major mechanical problems, and Korean shipbuilders no doubt ruefully wonder how different it might have been.

Despite this background, Hanwha saw a major potential opportunity in Australia’s intention to acquire and build 450 infantry fighting vehicles (IFVs). They developed a prototype, the Redback, optimized for Australian conditions and won the contract in December 2023 against tough German competition. However, Australia’s 2023 Defense Strategic Review (DSR) later downsized the order to 129 vehicles and deferred any consideration of additional howitzer purchases.³

Although it was another disappointing outcome for Korea, with the Ukraine war demonstrating major changes to warfare and the utility of armor, it may inadvertently have been a sound realignment. The reasons for the downsized order, though, were principally budgetary, with major AUKUS commitments looming, rather than being doctrinal or driven by an overhaul of capabilities. The downsizing also crimped opportunities to develop a major defense industrial base in southern Australia and to become a potential export platform for armored vehicles—both objectives at the time of the original decision.

IS SHIPBUILDING ALSO TO BE A LOST OPPORTUNITY?

In 2025, Korean shipbuilders bid to construct a new generation of frigates for Australia’s navy, offering alternatives developed by both HD Hyundai and

¹ Jihoon Yu, “The case for South Korea-Australia defence industrial cooperation”, *ASPI Strategist*, Canberra, 31 July 2025.

² “Self propelled howitzers back on the cards”, *australian defence.com.au*, 14 May 2019.

³ *Defence.gov.au*, 24 April 2023.

Hanwha Ocean, pitted principally against a challenge from Japan's Mitsubishi Heavy Industries' Mogami frigate. Japan secured the contract. There is no question that the Mogami was evaluated highly, but it is unclear if Korean alternatives were given detailed consideration, given the political dynamic to strengthen bilateral defense engagement with Japan (and Australia's cancellation, years earlier, of potentially purchasing Japan's Soryu diesel-electric submarine).

At the same time, Hanwha Ocean moved to build a nine percent stake in Western Australian shipbuilder Austal.⁴ Austal is significantly expanding in order to participate in Australia's program to build major surface combatants. It also sees opportunities in repair, sustainment, and maintenance, with a U.S., U.K., and Australian submarine rotational force to be located near its main Australian shipyard in Perth. Hanwha Ocean's purchase of the Philly Shipyard in the United States and its success in obtaining U.S. Navy contracts, albeit still in less sensitive areas, along with Austal's existing shipyard in the U.S., was seen by Hanwha as a foundation for working with Austal while strengthening its U.S. profile.

Austal and some of its backers, rather than seeing an opportunity to welcome the capital, scale, and technological opportunities in working with one of the world's most advanced shipyards, responded negatively. Aside from regulatory approvals in both the United States and Australia, it's likely that one of Austal's principal concerns was that Japan would be reluctant, if not opposed, to work with a Korean company on the Mogami frigate. There is

undoubtedly some substance to this, while Austal is likely also mindful of issues with both the U.S. and Japan regarding access to and transfer of sensitive technologies.

Austal and some of its backers, rather than seeing an opportunity to welcome the capital, scale, and technological opportunities in working with one of the world's most advanced Korean shipyards, responded negatively.

Still, Hanwha Ocean proceeded with a full takeover bid for Austal while evaluations of bids for the frigate contract were underway - a risky bid when its competitors, HD Hyundai and Mitsubishi Mogami, remained in competition with Hanwha for the contract. When the takeover bid was rejected by Austal, citing regulatory uncertainty,⁵ Hanwha nevertheless sought to increase its ownership stake in Austal to 19.9 percent, a threshold which required approval from Australia's Foreign Investment Review Board (FIRB). After an unusually protracted review, FIRB approved the bid in December 2025, subject to a range of "strict conditions" limiting Hanwha's access to sensitive information and intellectual property.⁶ Hanwha Defense USA has now bid for Austal USA's operations, which suggests that Hanwha Ocean's priority, given the obstacles to full acquisition of Austal, is to expand its U.S.

⁴ "South Korea's Hanwha acquires 9.9% in Australia's Austal", The Korea Economic Daily, Seoul, 18 March 2025.

⁵ "Update on Hanwha and U.S. Regulatory Approval for Equity Holding in Austal", Austal Press Release, Perth, 10 June 2025.

⁶ Treasury.gov.au, Canberra, 12 December 2025.

footprint to facilitate entry into U.S. naval shipbuilding.⁷

WHERE TO NEXT: A CLOUDED FUTURE?

Despite the proclaimed promise of AUKUS Pillar Two (the component of the AUKUS agreement, aside from nuclear-powered submarines, to cooperate on new defense technologies), collaboration has moved slowly. Korea has expressed interest in cooperating, if not partnering, on aspects of the Pillar Two program. But there has been little obvious enthusiasm or concrete action, and Australia's plan to build domestic guided weapons and explosive ordnance manufacturing capabilities is, once again, focused principally on the United States and Norway.

Australia's emerging commitment to major unmanned systems is similarly focused on the U.S. – the Boeing MQ-28 Ghost Bat and Anduril's Ghost Shark. While these are leading-edge programs, they nevertheless continue to tie Australia to U.S. systems. Korea is moving forward in its research and development of autonomous systems and, given its applied research and rapid developmental record, capable competitors are likely to emerge. Australia has bought the U.S. HIMARS and GMLRS missile system, while Korea's Chunmoo multiple rocket launcher is increasingly being chosen by NATO countries as confidence in U.S. reliability and timely delivery has diminished. (On 17 June 2026, Korea signed an MOU with French company Thales to integrate the Chunmoo with Thales' X-Fire launcher to enhance long-range precision strike. Thales is a longstanding participant in Australian defense projects.)⁸ Australia has also offered Japan the opportunity to use Australian territory to test its

missiles. A similar offer to Korea could catalyze Australian interest in Korean capabilities.

Korea's Cheongung II missile may prove a sound and cheaper alternative to the short supply of U.S. Patriots. Faced with the need to rearm quickly and uncertain about U.S. commitment, NATO countries look to Korean companies for performance, competitive pricing, and shorter delivery times. Korea is responding by frequently entering joint ventures to embed with European partners.

For some partners, including Australia, Korean business practices, workplace culture, micromanagement, and transactional, rather than geostrategic, approaches can present challenges to further cooperation. There is a perception that Korea's focus is principally commercial, seeking to maximize its exports, but Korean firms are now under pressure to localize production, transfer technology, and, in some cases, such as Australia, to build a broader defense relationship.

There needs to be a stronger link between hardware acquisition and broader bilateral defense cooperation, but Korean policy sensitivities, particularly with regard to China, are limiting factors. And from Australia's point of view, Korean companies should work to better understand the complexity of Australia's procurement practices. Both Australia and Korea should examine joint opportunities to partner with European or other defense technology companies already familiar with Australia and its complex procurement pathways. This could work in both countries' interests. As a

⁷ Kim Eun-jung, Yonhap News Agency, Seoul, 11 August 2026. "Austal opens the door to long-time suitor's \$1.7b American carve out", Mark Wembridge, The Australian Financial Review, 11 August 2026.

⁸ "South Korea and France join forces on long-range missiles", Dylan Maskarov, The Defence Blog, defence-blog.com

longstanding U.S. ally, Australia's compatibility and interoperability of weapons systems with America is critical. But Korean weapons systems are similarly configured to be compatible with both the U.S. and NATO.

Looking ahead, Australia also needs to factor in the future of the Hanwha Defense Australia armored vehicle center near Melbourne. The sizable manufacturing facility will have largely completed its contracted production runs by the end of the decade, potentially leaving only a maintenance, repair, and sustainment role. As originally conceived, the facility was intended to become a potential export platform for the Redback infantry fighting vehicle and componentry for other programs. But interested NATO countries, for example, envisage larger production runs than Australia and also demand significant local production and cost competitiveness—factors that could work against expanding the facility's role. Nevertheless, the factory is potentially an important part of the Australian government's plan to develop supply chain resilience, local employment, and technology transfer, and it could be repurposed or expanded to produce, for instance, guided missiles, UAVs, space systems, and electronic warfare componentry for the Australian Defense Force.

CAN SOUTH KOREA AND AUSTRALIA MOVE BEYOND SENTIMENT TO ACTION?

In May 2024, the Australian and Korean ministers for defense and foreign affairs “agreed to explore ways to develop an enduring reciprocal defense cooperation framework to facilitate the increasing

sophistication and complexity of our joint activities and exercises.”⁹ In the over two years since this statement, it's hard to see that there has been any meaningful substance or momentum given to implementing the industrial aspects of this commitment. Both countries' militaries regularly exercise together in northern Australia and on the Korean peninsula, but growing familiarity has not translated into an Australian disposition to pursue Korean technology and hardware opportunities beyond the existing armored vehicle contracts.

Korea's record with NATO countries in northern Europe shows it is prepared to offer local production, skill development, and technology transfer, but is wary about widening this to closer strategic alignment or cooperation given its concern about China's reaction. Aside from selling hardware to NATO countries, Korea also does not wish to be drawn more closely into the Ukraine conflict, given North Korea's involvement and South Korea's proximity to Russia. Nevertheless, production outside Korea arguably provides an insurance policy in the event of war on the Korean peninsula. Dispersal of production centers is sound defense policy and assists in building closer bilateral defense relationships when Korea's chief threat, North Korea, is doing so with Russia, Iran, and China.

Korea looks to Australia for energy supply, particularly LNG, raw materials, and critical minerals, while Australia is reliant on Korea for refined petroleum products. These supply chains are, in both cases, strategically essential—as well as vulnerable—and are not without risks in a trade relationship. Protection of these supply chains and the increasingly contested sea lanes on which they

⁹ Joint Australia-Republic of Korea Ministerial Statement, 1 May 2024.

are dependent should be a key objective underpinning the bilateral security relationship.

This points to the desirability of developing much closer maritime security engagement and contingency planning, not least because the U.S.-Iran war has resulted in redeployment of naval assets from the Pacific to the Middle East, a point which suggests Hanwha's interest in shipbuilder Austal could help engage the Korean government in supporting efforts to secure the sea lanes and undersea cables linking both countries. Austal is strategically based in Western Australia, the source of Korea's imported iron ore and lithium, as well as a significant part of Korea's critical LNG imports.

Both countries need to generate a longer-term focus on the complementarity of their defense structures and the potential for closer integration, driven by recognition of geography, shared strategic alignment, commitment to regional security, values, and trust.

The uncertainty surrounding U.S. reliability and production, together with the massive changes to warfighting evident in the Ukraine and Iran wars, point to the need for greater defense self-reliance and to the urgency of action. Faced with the North Korean threat, South Korea has not only achieved this, it has become a major exporter and a regular participant in NATO and other defense organizations. Australian defense, by contrast, remains significantly underfunded and heavily

dependent on foreign technology and hardware, though it too has become a closer partner of NATO and has provided significant hardware to Ukraine.

Both countries need to generate a longer-term focus on the complementarity of their defense structures and the potential for closer integration, driven by recognition of geography, shared strategic alignment, commitment to regional security, values, and trust. As one analyst writes: "Australia's industrial resilience and self-reliance are strengthened not by pursuing an extreme conception of self-sufficiency but through deeper cooperation with allies and partners."¹⁰

This has to be generated and sustained by governments setting the priorities and delivering the commitments, signaling to industries and planners to move with confidence beyond existing political sentiment to a more robust defense engagement. It's in the interests of both countries, and it's overdue.

¹⁰ Madi Jones, "Australia's defence industry needs allies", ASPI Strategist, Canberra, 29 Jul 2026.

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FEATURE ARTICLES

Korea at the Heart of America's Maritime Statecraft



Hunter STIRES

Maritime Strategist to the 78th Secretary of the Navy

THE ORIGINS OF THE MARITIME STATECRAFT STRATEGY

While the United States remains the world's leading naval power, it has ceased to be a maritime power. This is unsustainable—history demonstrates that no great naval power has long endured without also being a great commercial maritime power.

This American predicament has deep roots and is self-inflicted, being the result of two foundational strategic errors committed in the 1980s and the

1990s. The first was the decision in 1981 to cut off the flawed but workable system by which the U.S. Government supported the U.S. commercial shipping and shipbuilding industries, which thereafter closed or moved abroad. The second was the decision in the 1990s to not only permit but actively encourage the consolidation of the defense industrial base. The result of these twin decisions has been the creation of a series of monopoly-monopsony relationships across every class of ship the U.S. Navy buys, the sole exceptions being

destroyers and attack submarines, which have duopolies. In the absence of either genuine market competition or a dual-use commercial and naval industrial base that healthier seapower ecosystems can draw upon to augment naval power, U.S. Naval shipbuilding performance over the past decades has predictably suffered.

Beginning in 2022, this author, together with Secretary of the Navy Carlos Del Toro and Senior Advisor to the Secretary of the Navy Steve Brock, began to conceptualize and implement a new strategy to ameliorate this situation. We came to call this strategy “Maritime Statecraft.” Our thesis: mobilizing investment in the United States by world-class commercial and naval shipbuilding firms from U.S. allies would inject much-needed competition into the U.S. shipbuilding marketplace, forcing legacy players to invest in modernizing their core enterprises rather than juicing their stock prices, while bringing new commercial and naval shipbuilding capacity online at the technological cutting edge.¹ With 90% of the world’s commercial ships being built in China, Korea, and Japan, the latter two being some of America’s most stalwart allies with highly capable and interoperable navies, it followed naturally that Korea and its shipbuilders would be indispensable to this effort.

It was immediately apparent to us that introducing competition to the U.S. naval shipbuilding market by simply outsourcing warship production overseas, whether to Korea or elsewhere, was not the right option, for a host of compelling reasons. Setting aside

the very real issues of technical security, longstanding prohibitions in U.S. law, and political imperatives, the foundation of the rationale against outsourcing naval shipbuilding is strategic: while Korean shipyards set the global industry standard, their geography makes their very large and highly targetable fixed facilities virtually indefensible against China, the United States’s most dangerous potential adversary. Ships win battles; shipyards win wars.² A fleet that is unable to replace its losses in combat is a spear point with nothing behind it. Every yard that would be worth outsourcing to in both Korea and Japan is ranged by China’s most plentiful and most producible classes of weaponry, with the Hudson Institute estimating in 2025 that the People’s Liberation Army can launch upwards of 2000 munitions per day against targets within 500 nautical miles of the Chinese mainland.³ Not only could China destroy Korean and Japanese yards by missile fire, but it could continue striking them with repeated large salvos to ensure they remained out of action for the duration of a conflict and a considerable period thereafter—an outcome which would directly serve China’s self-evident ambition to dominate the world shipbuilding market and the global maritime transportation system.

By contrast, while China could in theory strike U.S. yards with intercontinental-range weapons, the enormous cost of these weapons would greatly reduce their availability, particularly in light of the large salvo sizes required to successfully destroy a proliferated target like a shipyard. Moreover, given the long production timelines of intercontinental-range missiles, the U.S. shipyard could conceivably

¹ Steve Brock and Hunter Stires, “Maritime Statecraft and its Future,” *Center for International Maritime Security*, October 21, 2025. <https://cimsec.org/maritime-statecraft-and-its-future/>

² Hunter Stires, “Don’t Give Up the Shipyards,” *Defense One*, October 28, 2025. <https://www.defenseone.com/ideas/2025/10/dont-give-shipyards/409114/>

³ “America’s new plan to fight a war with China,” *The Economist*, August 14, 2025. <https://www.economist.com/international/2025/08/14/america-as-new-plan-to-fight-a-war-with-china>. Map annotated by the author for briefing, “The Maritime Statecraft Strategy: Past, Present, and Future,” April 2, 2026.

be repaired faster than China could produce a new salvo of weapons with which to reattack. As such, we reached the conclusion that “if we cannot and should not build ships in the world-class shipyards of our allies, we must bring our shipbuilding allies to us.”⁴

A fleet that is unable to replace its losses in combat is a spear point with nothing behind it ... Ships win battles; shipyards win wars.

This led us to the question of how to incentivize those players to invest in the United States. Investment dollars, like water, generally flow downhill, from high-cost markets to lower-cost ones. This means there is essentially no “natural” underlying economic business case for a world-class player from Korea to invest in the United States absent some other source of incentive or U.S. negotiating leverage. That incentive and source of U.S. leverage comes in the form of access to the very large U.S. Government shipbuilding market, which is restricted by law to shipyards in the United States. The U.S. Government market is a substantial carrot to attract investment: upwards of \$30 billion per year and the last shipbuilding market segment not yet dominated by the major global players in China, Korea, and Japan.

Given the underlying economic realities and the substantial costs inherent to shipyard investments, agreeing to open up access to the U.S. Government

market overseas would destroy the incentive for a global shipbuilder to follow through on investing in America. Why would a shipbuilder who already has a world-class shipyard at home expend the time, money, and effort to invest in a U.S. shipyard in the hope of gaining U.S. Government business tomorrow if the U.S. Government were to give its business overseas for nothing concrete in return today? Under these conditions, investment and outsourcing work at cross purposes, making compromise approaches illusory—if the United States wants investment, it cannot agree to outsource; if it agrees to outsource, it will not get investment, because the investment dollars will flow to lower-cost, higher-profit markets—which is to say anywhere and everywhere but America. The only way to ensure incentives are appropriately aligned so companies follow through on their investment commitments is to stand firm on the negotiating position that America builds its warships only in America, while holding the door open wide for world-class players from Korea and elsewhere to bring their talents to U.S. shores as quickly as possible. This is the essence of the approach we put into action, with robust results.

THE U.S. OPENING TO SOUTH KOREA

After messaging our intent across a series of speeches by Secretary Del Toro at Columbia University, Harvard University, and a series of major U.S. naval conferences, the first step in implementing the Maritime Statecraft strategy was to make direct contact with the leaders of Korea’s leading shipbuilding firms.⁵ We arranged for these

⁴ Brock and Stires, “Maritime Statecraft and its Future.”

⁵ Secretary of the Navy Carlos Del Toro, “A Maritime Nation: American Naval Primacy to Meet the Challenges of the 21st Century,” Speech at Columbia University, December 8, 2022. Text: [https://www.navy.mil/Press-Office/Speeches/display-speech/Article/3240877/secnav-delivers-remarks-at-columbia-](https://www.navy.mil/Press-Office/Speeches/display-speech/Article/3240877/secnav-delivers-remarks-at-columbia-university/)

[university/](https://www.youtube.com/watch?v=UH_wLu1KkME). Video:

https://www.youtube.com/watch?v=UH_wLu1KkME. Secretary of the Navy Carlos Del Toro, “Naval Diplomacy in an Era of Great Power Competition: A Renaissance in Maritime Statecraft,” Speech at the Harvard Kennedy School, September 26, 2023. Text: <https://www.navy.mil/Press->

engagements to take place during Secretary Del Toro's official visit to Korea in February 2024. We prioritized the CEOs of firms that both set global industry standards in commercial shipbuilding while also building respected warships—a small competitive set. In Korea, this led us to Dong Kwan Kim of Hanwha and Kisun Chung of HD Hyundai. Secretary Del Toro met with these leaders immediately upon landing in Seoul, and followed up by touring each company's principal shipyard two days later. The message conveyed was a straightforward one: invest in America.⁶

The response was swift. In May 2024, just a few months after Secretary Del Toro's visit, Hanwha announced it had reached a \$100 million deal to purchase the Philly Shipyard, a transaction it successfully closed in December 2024. Hanwha declared its intention to invest \$5 billion to modernize the yard's facilities with its cutting-edge technologies and more than double the workforce to increase production from less than two ships per year to as many as twenty ships per year, serving both commercial and naval markets.⁷ This is exactly what we hoped would happen. Hanwha also took a 19.9% stake in Austal, a U.S. and Australian naval

shipbuilder with several significant naval contracts across both surface ship and submarine programs.⁸ Integrating Hanwha's globally industry-leading capabilities into Austal's operations will almost certainly offer valuable benefits to that shipbuilder, both in the United States and Australia.

HD Hyundai moved to create valuable technical and educational exchanges, most notably through a partnership we brokered between HD Hyundai, Seoul National University, and the University of Michigan, the latter being the last major research university in the United States that teaches naval architecture from undergraduate through post-doctorate levels.⁹ HD Hyundai has moved more deliberately in approaching a possible shipyard investment, preferring the prospect of taking a minority ownership position in conjunction with a majority U.S. owner while serving as the primary operational partner in a shipyard. Though a minority stake with a primary operational role would minimize HD Hyundai's expenditure of its own capital, and an 80.1% U.S. ownership would eliminate the requirement for review by the Committee on Foreign Investment in the United States (CFIUS), HD Hyundai's proposed structure

Office/Speeches/display-speech/Article/3538420/secnav-delivers-remarks-at-harvard-kennedy-school/ Video: <https://www.youtube.com/watch?v=ujPrMssETwI>. Secretary of the Navy Carlos Del Toro, Keynote Address, Surface Navy Association 36th National Symposium, January 10, 2024. Text: <https://www.navy.mil/Press-Office/Speeches/display-speech/Article/3641949/secnav-del-toro-delivers-remarks-at-the-surface-navy-association-36th-national/>. Secretary of the Navy Carlos Del Toro, Keynote Address, WEST Conference February 15, 2024. Text: <https://www.navy.mil/Press-Office/Speeches/display-speech/Article/3677940/secnav-del-toro-delivers-keynote-address-at-west-2024/>

⁶ "Secretary of the Navy Del Toro Meets with Leaders of HD Hyundai and Hanwha in the Republic of Korea, Tours Shipyards," *Department of the Navy Press Release*, February 28, 2024. <https://www.navy.mil/Press-Office/Press-Releases/display-pressreleases/Article/3690336/secretary-of-the-navy-del-toro-meets-with-leaders-of-hd-hyundai-and-hanwha-in-t/>

⁷ "Hanwha announces \$5 billion Philly Shipyard investment as part of South Korea's commitment to US shipbuilding growth," August 27, 2025.

⁸ Han Ye-Na, "Hanwha Secures 19.9% Stake in Austal, Becomes Top Shareholder," *Chosun Daily*, December 12, 2025. <https://www.chosun.com/english/industry-en/2025/12/12/SPZAT3PLJJAHIJOG36MD7QBSUM/>

⁹ Nicole Panyard, "Trilateral Partnership to Train U.S. Shipbuilding Experts," University of Michigan Department of Naval Architecture and Marine Engineering press release, July 23, 2024. <https://name.engin.umich.edu/2024/07/23/trilateral-partnership-to-train-u-s-shipbuilding-experts/> Secretary of the Navy Carlos Del Toro, Farewell Address to the Naval War College, January 17, 2025. <https://www.navy.mil/Press-Office/Speeches/display-speech/Article/4033695/secnav-nwc-farewell-address/>

is more complex than the considerably more straightforward 100% ownership structure Hanwha pursued for its investment into the Philly Shipyard—which was cleared by CFIUS in the first 45-day review period. In this case, the simpler arrangement moved forward with speed while the more complex approach still has yet to materialize.

CONTINUITY AND CHALLENGE IN U.S. MARITIME STATECRAFT

Maritime Statecraft has demonstrated notable staying power across the political transition, with the second Trump administration adopting and continuing most of the major elements of the strategy created by its predecessor. The second Trump administration's executive orders on shipbuilding have consistently emphasized the core precepts of the Maritime Statecraft strategy, namely injecting market competition into the U.S. shipbuilding industry through foreign direct investment by world-class shipbuilders in the United States, while curbing the abusive practices of incumbent U.S. players of investing in stock buybacks and dividends instead of their core businesses at a moment when their major programs are underperforming. As the saying goes, the mark of a good idea in Washington, DC is when the other political party joins in claiming that idea as its own. Likewise, both the United States and Korean governments built on the accomplishments of the Maritime Statecraft strategy in crafting the Make American Shipbuilding Great Again proposal in recent tariff negotiations, with a nominal commitment of \$150 billion in Korean investment into the U.S. shipbuilding industry.

There is, however, one critical area of divergence which could run the whole enterprise aground. A small, but well-placed faction within the second Trump Administration has begun pushing the idea of a “bridge strategy,” which proposes to “temporarily” outsource the first few ships in a multi-ship block buy in exchange for a promise to invest in a U.S. shipyard to “onshore” production later.¹⁰ Despite their high stations, the proponents of this idea consistently fail to grasp that their proposed structure surrenders, at the outset of a deal, the U.S. Government's best leverage to ensure a global shipbuilder actually follows through on that subsequent investment commitment—investments that the U.S. Government would be actively taking steps to disincentivize—leaving the U.S. Government totally dependent on the continuing goodwill of the foreign partner to carry forward an expensive and difficult endeavor. Indeed, their proposed structure actually incentivizes a foreign shipbuilder to renege on their promises.

In endeavors of this magnitude, contractual commitments are far less important than ensuring incentives are aligned such that all parties fulfill their commitments because they themselves want to. As it would be far more profitable for a global shipbuilder to serve the U.S. market from their world class yards at home, the Trump administration's proposal to outsource the first two ships of a block buy in exchange for a promise of investment in the United States would create a situation in which a shipbuilder's lowest cost, highest profit option would be to say whatever they would need to say to get the block buy order, build the first two ships profitably at home (setting up a hot production line in the process), and then either slow-walk the U.S.

¹⁰ Tweet by @russvought, August 18, 2026:
<https://x.com/russvought/status/2089831370323537960?s=20>.
Tweet by @HunterStires, August 18, 2026:

<https://x.com/HunterStires/status/2089886194771345679?s=20>

investment or genuinely try to invest and fail, before presenting the U.S. Government with a classic “offer it can’t refuse” to build all of the ships in the block order overseas. No contract structure can inoculate the U.S. Government against this risk: it is impossible to force someone to persist in an expensive and long-term investment that they wish to exit. The United States would thus be left even worse off than it started, having incentivized capital to flow into shipyards abroad while squandering valuable time and having potentially suffered a further shipyard failure at home.

There is ample opportunity to deepen shipyard and secondary supplier investments in the United States, which will be energetically encouraged by future administrations of both parties.

However, Congress as an institution is smarter and more strategically minded than it is often given credit for. Accordingly, the Trump administration’s outsourcing proposals have run into robust resistance in the Legislative Branch. In June 2026, the Republican-controlled House Armed Services Committee voted overwhelmingly to adopt a Democratic amendment to the National Defense Authorization Act that would prohibit the use of funds to procure battle force ships from shipyards outside the United States, with the Senate Armed Services Committee embracing a similar measure. Likewise, in August 2026, Senator Susan Collins, the Republican chair of the powerful Senate Appropriations Committee, came out publicly and

forcefully against the Trump administration’s proposals of outsourcing naval shipbuilding under the guise of a bridge strategy.¹¹ With three of the four major committees in the defense legislative process taking positions against outsourcing naval shipbuilding and the Trump administration’s broader political power and popularity on the wane across the board, it is highly unlikely that this ill-considered proposal will get far.

Importantly, none of this should be read as a lack of appetite for investment by world-class shipbuilders in the United States. On the contrary: the longevity of the Maritime Statecraft strategy across two administrations of very different political persuasions should be read as a sign that the United States is committed to creating an American maritime renaissance over the long haul. For Korean shipbuilders, this means there is ample opportunity to deepen shipyard and secondary supplier investments in the United States, which will be energetically encouraged by future administrations of both parties. Korean policymakers and industrial leaders would be wise to orient their strategies around making dual-use naval and commercial shipyard investments in the United States as quickly as they can and working with the U.S. government to develop and implement an appropriate mix of financial incentives, commercial subsidies, and naval contracts that will help ensure the long-term economic viability of these ventures.

¹¹ Tweet by @SenatorCollins, August 14, 2026:
<https://x.com/SenatorCollins/status/2088347602060538084?s=20>

The longevity of the Maritime Statecraft strategy across two administrations of very different political persuasions should be read as a sign that the United States is committed to creating an American maritime renaissance over the long haul.

THE NEXT CHAPTER IN U.S. MARITIME STATECRAFT: MULTILATERAL DIPLOMACY

Looking ahead, a key opportunity for government involvement will be in the diplomatic realm. A major factor in China's naval rise has been its rapid expansion in global commercial shipbuilding market share at the expense of Korea and Japan, backed by Beijing's extensive state subsidies.¹² Some of the largest purchasers of Chinese-built ships are European shipping firms, which rely on the freedom of the sea guaranteed by U.S. and allied naval power for their businesses to operate. Ironically, these European shipowners are increasingly under pressure from Chinese shipping firms, which are now their fastest-growing competitor in the container shipping market. A central focus of our engagements with European shipping firms during our implementation of the Maritime Statecraft strategy was bringing their attention to the connection between these two phenomena—that whatever discount Chinese shipyards were offering European shipowners relative to Korean or Japanese shipyards, Chinese shipyards were almost certainly offering a bigger discount to Chinese shipowners. As

such, the European shipping firms were and are directly fueling the rise of their largest and fastest-growing competitors in the global shipping market. This, in turn, is fueling the rise of the People's Liberation Army Navy and the China Coast Guard, which now pose the principal threat to U.S. and allied naval mastery and the freedom of the sea today.

The United States identified a possible solution to this situation when it implemented port fees on Chinese-built ships, which would impose commensurate costs on Chinese shipbuilding and raise revenue that would finance rebuilding the U.S. maritime industry that had been harmed by China's anticompetitive practices. Notably, China appears to have viewed these U.S. port fees as sufficiently threatening as to be worthy of a concerted response. Not only did it respond with its own reciprocal port fees on U.S. commercial ships, but Beijing also raised the issue to the level of head-of-state diplomacy at a bilateral meeting between President Trump and Chairman Xi at Busan in late 2025. Xi offered, and Trump astonishingly accepted, a mutual one-year "pause" on their respective port fee regimes, despite the gross disparity between the number of affected ships on each side—with China in effect offering to stop taxing a U.S. commercial fleet numbering in the low hundreds of ships while the United States agreed to stop taxing over ten thousand Chinese-built and flagged ships. While Trump's assent to such a lopsided agreement is almost inexplicable, the remarkable diplomatic effort Beijing expended to dispose of the U.S. port fees is indicative of their potency, particularly if implemented by an international coalition. Implemented by the United States unilaterally, these fees would principally serve to encourage global shippers to redeploy their

¹² "Report on China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance," Office of the U.S. Trade Representative, January 16, 2025.

<https://ustr.gov/sites/default/files/enforcement/301Investigations/USTRRReportChinaTargetingMaritime.pdf>
Brock and Stires, "Maritime Statecraft and its Future."

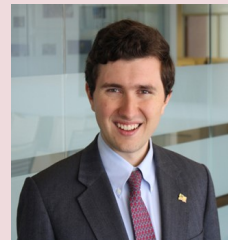
Chinese-built ships to trade lanes that did not call U.S. ports, most notably the China-Europe trade. But if implemented as a multilateral regime that included the European Union and key democratic maritime allies among its parties, the port fees would raise revenues for all to invest into their shipping and shipbuilding industries, thus wresting back market share at China's own expense.¹³

A step further would be a multilateral agreement among the United States, its major shipbuilding and seafaring democratic allies in Korea, Japan, the Philippines, and Australia on the front lines of the Chinese naval threat, and the European Union—home to most of the world's major shipowners—to ban purchases of new construction merchant ships from Chinese shipyards by their respective citizens and firms. Just as it would have been heretical for a Western shipowner to purchase a ship from a yard in the Soviet Union as that country menaced the security of the Western alliance during the Cold War, so too should it be unthinkable, and perhaps formally illegal, for a Western shipowner to purchase a ship from a yard in China as that country menaces the security of the United States and its democratic allies at sea today. Naturally, Korea, Japan, and the Philippines would be the most immediate beneficiaries of such a measure. While a unilateral diplomatic approach to the European Union along these lines by any one country would likely be rebuffed as self-serving, a multilateral approach would deliver leverage and opportunity greater than the sum of its parts.

Korea, like the United States, is functionally an island power. Each of our countries' relationship with the

sea is foundational. The sea is fundamental to our respective geography, our history, our economy, and our security. For Korea and America, maritime power is our birthright. Working together, the nations that produced Yi Sun Sin and Alfred Thayer Mahan can respectively safeguard and reclaim their birthright from the continental dictators who seek to take it away.

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¹³ Hunter Stires, "America Should Stick to its Guns on Port Fees for Chinese Ships," Center for Maritime Strategy *The MOC*, November 12, 2025.

<https://centerformaritimestrategy.org/publications/america-should-stick-to-its-guns-on-port-fees-for-chinese-ships/>

FEATURE ARTICLES

From Supplier to Strategic Industrial Partner? How Europe Assesses Defense Industrial Cooperation with South Korea



Eric J. BALLBACH

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South Korea's rise as one of the world's leading defense exporters has altered Europe's defense industrial landscape. Prior to Russia's full-scale invasion of Ukraine in 2022, South Korean defense products occupied only a niche position within European procurement strategies. Since then, however, Korea has become one of the most visible non-European defense suppliers on the continent. The landmark Polish procurement of K2 main battle

tanks, K9 self-propelled howitzers, FA-50 light combat aircraft, and Chunmoo multiple launch rocket systems symbolized a broader transformation in European procurement priorities: speed of delivery, production capacity, affordability, and willingness to transfer technology became as important as platform performance. Yet, Europe's defense industrial priorities and procurement strategies are changing from urgent acquisitions toward a more comprehensive and longer-term

strategy that involves the (collective) rebuilding of its defense technological and industrial base, industrial resilience, and technological sovereignty, among others. This shift fundamentally changes how European countries assess South Korea—not simply as a supplier capable of filling capability gaps, but as a potential long-term industrial partner. From a European perspective, therefore, the key question is whether Korea can successfully transition from being an efficient exporter into becoming an embedded partner within Europe's evolving defense industrial ecosystem.

EUROPE'S CHANGING DEFENSE INDUSTRIAL PRIORITIES

European defense procurement has undergone a profound transformation over the past four years. The immediate post-2022

objective was to replenish depleted inventories and rapidly expand military capabilities.¹ To that end, European nations have, to varying degrees, significantly increased their domestic defense spending since Russia's invasion of Ukraine—especially after almost three decades of neglect of the defense industry and military expenditure.² In this strategic environment, South Korea's comparative advantages were obvious: Korean manufacturers could deliver modern systems at a reasonable price and within politically relevant timelines. A crucial factor has contributed to this dynamic, i.e., the

inability of the U.S. defense industrial ecosystem to keep up with the supply-demand curve. Historically, the United States was the major supplier of defense equipment to Europe; however, because its defense industrial ecosystem could not meet demand, South Korea was able to (at least partially) fill the vacuum, catering to the rising demand gap and emerging as a trusted partner.

However, defense industrial priorities in Europe have evolved since 2022, with three interrelated

objectives increasingly shaping procurement decisions:

First, Europe is increasingly treating the rebuilding of its defense technological and industrial base as a collective political project, not just a set of national

procurement decisions. After decades of underinvestment, the sharp rise in defense spending has been matched by a stronger push to Europeanize industrial effort, reduce duplication, and preserve interoperability across NATO forces.³ The European Union (EU) has become a central institutional driver of that shift because it can both regulate the market and mobilize money to shape it. The European Commission describes the European Defense Industrial Strategy (EDIS) as a vision for European defense industrial policy to 2035, aimed at strengthening the European defense industrial base, improving responsiveness, and mainstreaming a

The key question is whether Korea can successfully transition from being an efficient exporter into becoming an embedded partner within Europe's evolving defense industrial ecosystem.

¹ Koenig, Nicole, Leonard Schütte, Natalie Knapp, Paula Köhler, Isabell Kump, and Jintro Pauly. *Defense Sitters: Transforming European Militaries in Times of War*. Munich: Munich Security Conference, Special Edition of the Munich Security Report, June 2023. <https://doi.org/10.47342/LIHA9331>.

² Fiott, Daniel. "The Fog of War: Russia's War on Ukraine, European Defence Spending and Military Capabilities."

Intereconomics: Review of European Economic Policy 57, no. 3 (2022): 152–156.

³ Uk, Yang, and Daniel Fiott. "Manufacturing Defence: Europe, the Republic of Korea and Defence Industrial Cooperation." CSDS Policy Brief 35/2024, November 26, 2024. <https://csds.vub.be/publication/manufacturing-defence-europe-the-republic-of-korea-and-defence-industrial-cooperation/>.

defense-readiness culture across EU policies. The European Defense Industry Program is designed to bridge emergency wartime measures and a more structural long-term approach, while the European Defense Industry Reinforcement through common Procurement Act, EDIRPA, and related instruments such as Security Action for Europe (SAFE) are intended to incentivize joint procurement, industrial cooperation, and faster scaling of production capacity.⁴ In political terms, these initiatives signal a consensus that defense production should happen increasingly within Europe, even though partners outside the EU remain important.⁵ The emphasis is thus on building a more integrated European industrial ecosystem that can support rearmament, reduce fragmentation, and keep critical capabilities under European control.

Second, governments across Europe are increasingly placing resilience at the top of their defense industrial strategy. The war in Ukraine has made clear that modern deterrence and sustained combat operations depend not only on advanced platforms, but on the ability to keep them operational over time. That has elevated questions of supply-chain security and the geographic diversification of production. In this environment, procurement is assessed by the strategic value of where systems are manufactured, how quickly output can be expanded in a crisis, and whether critical components can be sourced without major disruption. As a result, European governments are increasingly favoring suppliers and partnerships that can contribute to local production. Resilience has thus become a core criterion of defense cooperation.

The emphasis is thus on building a more integrated European industrial ecosystem that can support rearmament, reduce fragmentation, and keep critical capabilities under European control.

Third, technological sovereignty has become a central political objective. While complete strategic autonomy remains unrealistic, many European governments seek greater control over critical technologies, system maintenance, ammunition production, and R&D. European states thus increasingly want cooperation that preserves control over intellectual property and final integration, which makes local production, licensed manufacture, joint ventures, and technology transfer especially important.

DIFFERENT EUROPEAN REGIONS— DIFFERENT EXPECTATIONS?

Despite a push toward greater Europeanization, Europe's defense market is far from homogeneous, as countries differ substantially in industrial capabilities and procurement strategies.

Eastern Europe: Capability and Industrial Catch-Up

Eastern Europe has become the most receptive region for South Korean defense manufacturers because its governments arguably face the sharpest immediate security threat from Russia. As such, following the outbreak of Russia's war against

⁴ Genini, Davide. "Restructuring the EU's Defence Industrial Base amid Geopolitical Shifts." *Maastricht Journal of European and Comparative Law* 32, nos. 5–6 (2025): 530–551 [540].

⁵ Lee, Chung Min. "South Korea as a Rising Defence Exporter: Challenges and Opportunities." Research Paper. International

Institute for Strategic Studies, December 11, 2025.
<https://www.iiss.org/research-paper/2025/12/south-korea-as-a-rising-defence-exporter-challenges-and-opportunities/>.

Ukraine, rapid expansion of military capabilities was particularly crucial for Eastern European states. However, in this region, South Korean firms are not judged only as suppliers of ready-made equipment, but as partners that can help rebuild national defense industries.

Poland is the clearest example of this model.⁶ Since 2022, Warsaw has combined emergency rearmament with an explicit ambition to strengthen its own defense-industrial base, and the Korean industry has been willing to offer speed, scale, and industrial cooperation. The result has been a relationship that goes well beyond procurement, including technology transfer, local assembly, licensed production, and the gradual creation of Polish maintenance and manufacturing capacity around Korean systems. Poland's agreements with South Korean suppliers (Hyundai Rotem, Hanwha Aerospace and Korea Aerospace Industries) have therefore become a benchmark for how defense-industrial cooperation can serve both immediate military needs and long-term industrial goals.

The K239 Chunmoo deal is especially illustrative because it pairs operational urgency with local production commitments, including launcher manufacture in Poland and a joint venture with WB Group for missile production.⁷ The same pattern is visible in the tank and artillery programs, where the K2 and K9 families are being adapted for Polish production and support arrangements. For Warsaw, the value of cooperation with South Korea lies not

only in the systems themselves, but in the prospect of gaining access to production know-how, spare-part supply, and the industrial base needed to sustain high-intensity forces over time.

Though on a smaller scale, Romania follows a similar logic. Its 2024 K9 agreement includes industrial cooperation and local participation, and Hanwha has since begun building a production facility intended to support assembly, integration, testing, maintenance, and wider life-cycle support in Romania.⁸ Bucharest's objectives extend beyond buying equipment: it strives for technology transfer, local assembly, workforce development, and the integration of Romanian firms into broader supply chains. Other Central and Eastern European states share the same basic impulse, even if at a smaller scale. For them, South Korea is appealing not simply because it can supply capable weapons quickly, but because it often links procurement with industrial participation and future localization.

Northern Europe: Integration and High-End Technology

The Nordic countries represent a very different model of defense-industrial cooperation with South Korea. Finland, Norway, Sweden, and Denmark already have advanced procurement institutions, mature defense industries, and a strong emphasis on interoperability within NATO. As a result, they are not looking for industrial catch-up; instead, they assess Korean systems through the lens of long-term life cycle support, integrating into existing command

⁶ Paik, Wooyeal. "The Korean Defense Industry Enters the European Security Theater: An Analysis of Korea-Poland Arms Deals." Research Paper no. 140. Institut de Recherche Stratégique de l'École Militaire, February 22, 2024. https://www.irsem.fr/storage/file_manager_files/2025/03/nr-irsem-140-paik.pdf.

⁷ Jung, Min-kyung. "Hanwha Aerospace, WB Group Form Joint Venture to Produce Chunmoo Rockets in Poland." *The Korea*

Herald, September 3, 2025.

<https://www.koreaherald.com/article/10567483>.

⁸ Serban, Alex, and Yu Jihoon. "South Korea–Romania Industrial Cooperation." *RealClearWorld*, April 17, 2026. https://www.realclearworld.com/2026/04/17/south_korearomania_industrial_cooperation_1177338.html.

structures, high readiness rates, Arctic performance, and the ability to sustain operations across allied territory. In this context, Korean equipment is attractive not simply because it is competitively priced or quickly delivered, but because it has proven adaptable to Nordic operational requirements and can be embedded into broader logistical and maintenance frameworks.

The success of the K9 in Norway and Finland has been especially important because it has created a basis for more systemic integration, with industrial collaboration gradually replacing one-off procurement as the main measure of success. The cooperation between Hanwha Aerospace and Norway illustrates this logic particularly well, as the acquisition of South Korean Multiple Launch Rocket Systems, self-propelled howitzers, Ammunition Resupply Vehicles, and a Logistics Support Vessel led to a broader collaboration on future warfare technologies such as AI, unmanned systems, and missile-related capabilities. At the same time, the joint Nordic use of K9 systems has created practical incentives for interoperability and logistics coordination, including more flexible spare-parts transfers between Norway and Finland.⁹ Sweden's growing engagement with South Korean defense industrial firms points in the same direction.

Baltic States: Strategic Reliability

The Baltic states are small procurement markets, but their strategic importance makes them highly influential in shaping how South Korean firms assess Europe. Estonia, Latvia, and Lithuania prioritize deterrence, rapid reinforcement, and alliance credibility, meaning they judge suppliers by political reliability, delivery certainty, and the ability to sustain operations in a crisis. For South Korean firms, this creates a market in which credibility matters as much as capability: a supplier that can deliver quickly and support systems over time is far more attractive than

one offering marginally better specifications but weaker responsiveness.

Estonia illustrates the logic particularly well. Its earlier K9 purchases gave it a first-generation Korean artillery relationship, and its more recent move toward the K239 Chunmoo reflects a broader effort to acquire

deep-strike capabilities while diversifying suppliers on NATO's eastern flank. Tallinn has shown interest in industrial participation and local value creation, suggesting that smaller Baltic states too increasingly want procurement to reinforce domestic capacity rather than simply deliver finished equipment. Estonia signed a \$342 million contract to buy six Chunmoo multiple rocket launchers, with Hanwha declaring it will invest 20 percent of the total procurement value in Estonian industry.

Western European States

Western Europe presents the most demanding environment for South Korean defense firms because it combines large, technologically advanced

In this context, Korean equipment is attractive not simply because it is competitively priced or quickly delivered, but because it has proven adaptable to Nordic operational requirements and can be embedded into broader logistical and maintenance frameworks.

⁹ Hill, John. "Norway and Finland Simplify Mutual Transfer of K9 Artillery Systems." *Army Technology*, December 8, 2023.

<https://www.army-technology.com/news/norway-and-finland-simplify-mutual-transfer-of-k9-artillery-systems/>.

defense industries with strong political expectations about sovereignty, local value creation, and industrial control.¹⁰ In Germany and France in particular, Korean suppliers cannot merely rely on price, speed, or battlefield performance alone. They must show that they can contribute to Europe's own industrial revitalization by embedding production, sharing technology, and supporting long-term co-development. This is especially important in a region where procurement choices are increasingly shaped by the desire to strengthen European supply chains, preserve critical know-how, and reduce dependence on non-European suppliers.

The clearest indication of this shift is that Korean firms are increasingly entering the market through partnerships with major European primes. Hanwha's cooperation with France's Thales on integrating Chunmoo missiles into the X-Fire launcher shows how Korean capabilities can be inserted into a European launch architecture designed for both domestic use and export.¹¹ Likewise, LIG Defense & Aerospace's collaboration with German defense giant Rheinmetall reflects a broader attempt to link Korean missile technology with European air-defense ecosystems, combining South Korean medium- and long-range systems with German short-range capabilities in a layered

architecture for the European market.¹² These are clearly efforts designed to align Korean technology with European industrial and operational priorities.

Against this background, Hanwha Aerospace is planning substantial investments in Germany by establishing production facilities and partnerships with the German security and defense industry and regional suppliers.¹³ Korea Aerospace Industries has deepened cooperation with Germany's Diehl Defense to integrate Diehl's IRIS-T short-range air-to-air missile onto KAI's KF-21 Boramae and FA-50/T-50 aircraft.¹⁴ In Western Europe, too, the most successful Korean partnerships in the region are likely to be those that offer local production, joint development, and a credible role for European firms in integration, maintenance, and future upgrades.

Southern European States

Compared to the ties Korea has built in Poland or parts of Northern Europe, Southern Europe's defense-industrial relations with South Korea are not yet as advanced or institutionalized, but they are becoming increasingly important. Spain is currently the clearest Southern European case. In March 2026, Indra and Hanwha Aerospace signed an agreement to jointly develop self-propelled artillery systems for

¹⁰ Ballbach, Eric. "The K(orea)-Factor in the Zeitenwende: South Korea and the Rebuilding of Germany's Defence Industrial Base." SWP Comment 2026/C 04. Berlin: Stiftung Wissenschaft und Politik (SWP), January 28, 2026. <https://www.swp-berlin.org/publikation/the-korea-factor-in-the-zeitenwende>.

¹¹ Heining, Gerhard. "Thales und Hanwha kooperieren bei weitreichender Präzisionsartillerie [Thales and Hanwha Partner on Long-Range Precision Artillery]." *Europäische Sicherheit & Technik*, June 19, 2026. <https://esut.de/2026/06/meldungen/71980/thales-und-hanwha-kooperieren-bei-weitreichender-praezisionsartillerie/>.

¹² Kim, Yoon-gu. "LIG D&A, 독일 라인메탈과 합작회사 추진 ... 유럽시장 공략 [LIG D&A, Pursuing a Joint Venture with Germany's Rheinmetall... Targeting the European

Market]." *Yonhap News Agency*, June 16, 2026. <https://www.yna.co.kr/view/AKR20260616053000003>.

¹³ Stenglin, Wilhelmine, and Robert Wallenhauer. "Rüstungsindustrie: Wie der südkoreanische Defense-Riese Hanwha sich in Europa etablieren will [Defense Industry: How South Korean Defense Giant Hanwha Plans to Establish Itself in Europe]." *Table.Briefings*, May 17, 2026. <https://table.media/security/analyse/ruestungsindustrie-wie-der-suedkoreanische-defense-riesen-hanwha-sich-in-europa-etablieren-will>.

¹⁴ Chang Dong-woo. "KAI partners with German arms maker over weapons capabilities of S. Korean jets." *Yonhap News Agency*, February 19, 2024. <https://en.yna.co.kr/view/AEN20240219004700320>.

the Spanish Armed Forces based on the K9 platform.¹⁵ The deal thus also goes well beyond mere procurement: it is designed to involve Spanish industry in hull manufacturing, mission-system integration, and domestic production capacity, aligning rearmament with industrial policy as well as operational modernization. This is significant because it shows that even in European markets that have not yet been penetrated, South Korean companies aim at gaining a foothold through joint development rather than direct exports.

CONCLUSION

ROK-Europe defense industrial relations are currently entering a new phase. While the first wave of cooperation was propelled by Europe's urgent need to replenish depleted stocks after 2022, Europe's defense-industrial priorities shifted toward expanding production capacity, strengthening supply-chain resilience, promoting joint procurement, and achieving long-term defense industrial readiness through sustained public investment and strategic industrial partnerships. This shift does not reduce the attractiveness and importance of Korea's defense industry for Europe. Rather, they redefine the terms under which cooperation is expected to succeed. For Korea, this more sovereignty-driven environment is thus both a constraint and an opening. While purely export-based relations will be more complicated, new pathways are created for South Korean firms to position themselves as embedded partners through co-production, joint ventures, local investment, and long-term sustainment.

For South Korea, this means to both remain a competitive supplier while transitioning into a trusted, long-term contributor to Europe's defense industrial resilience

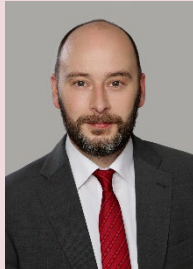
As European industrial policy is becoming more protective, with EU funding and procurement frameworks increasingly favoring intra-European production and partnerships, European governments are placing greater emphasis on reciprocity, expecting joint development, shared production, and selective technology collaboration rather than one-directional transfers. As Korean firms are seen simultaneously as indispensable partners and direct competitors, a deeper industrial integration becomes a strategic necessity—especially as Brussels plays a greater role in European defense and evolving EU instruments such as SAFE reinforce a model that privileges European value creation while maintaining conditional openness to third-country participation. For South Korea, a deeper industrial integration means to both remain a competitive supplier while transitioning into a trusted, long-term contributor to Europe's defense industrial resilience. Successfully aligning commercial strategies with Europe's evolving regulatory and political priorities will determine whether this partnership matures into a durable pillar of European security and Korea's global defense competitiveness.

¹⁵ Kim, Ji-hwan. "한화, 스페인 기업과 신형 K9 자주포 공동 개발 ... 수주전 '막판 스퍼트' [Hanwha Jointly Develops New K9 Self-Propelled Howitzer with Spanish Company, Final Push for

Contract]." *Chosun Biz*. March 26, 2026.

<https://biz.chosun.com/industry/company/2026/03/26/JL4TVYYQBCRVFP7ALSOYRG454/>.

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FEATURE ARTICLES

Keeping the Edge: How South Korea Can Stay Competitive In Southeast Asia's Defense Market



Abdul Rahman Bin Yaacob

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Southeast Asia has emerged as one of the world's most competitive defense markets, attracting suppliers from across Asia, Europe, and North America. For its part, South Korea's defense firms have established a growing presence in the region, with its defense firms securing contracts with several Southeast Asian states. This expanding footprint reflects South Korea's ability to offer capable and

relatively cost-competitive platforms. Yet sustaining this momentum will become increasingly difficult as competition intensifies.

South Korean defense firms are no longer competing solely with the traditional suppliers, the United States, Russia, and China. They have to compete with an increasingly diverse group of established European manufacturers, including Germany and Sweden, as

well as emerging exporters such as Japan and Türkiye. Success in Southeast Asia will therefore require more than competitive products. South Korean firms will need a nuanced understanding of the region's diverse security environments, procurement priorities, and industrial ambitions. By identifying gaps left by other suppliers and offering more flexible forms of defense cooperation, South Korea can move beyond transactional arms sales and establish itself as a credible long-term defense partner for Southeast Asian states.

South Korean firms will need a nuanced understanding of the region's diverse security environments, procurement priorities, and industrial ambitions.

SOUTH KOREA'S ROLE IN SOUTHEAST ASIA

South Korean defense firms are well positioned to capitalize on the changing dynamics of Southeast Asia's defense market. As Russia's market share declines due to sanctions, supply chain disruptions, and maintenance challenges, alternative suppliers are increasingly sought. However, it is challenging for the United States and China to fully capture Russia's share of the Southeast Asian arms market. American arms exports remain constrained by export restrictions, high costs, and political conditions. Several Southeast Asian states view the import of China-manufactured weapon systems and platforms

with caution because of territorial disputes in the South China Sea and, to a lesser extent, concerns about the quality of the export versions of these platforms.¹ This situation enables other players, such as South Korea, an opportunity to gain market share in Southeast Asia.

South Korea has been a significant supplier in the Southeast Asian arms market. Between 2020 and 2025, the region accounted for over 25% of South Korea's total arms exports, underscoring its importance as a key market for South Korean defense firms.² Indonesia, Malaysia, the Philippines and Vietnam have all acquired South Korean defense equipment, including fighter aircraft, submarines, frigates, armored vehicles, artillery and trainer aircraft. Seoul's growing success in Southeast Asia is underpinned by a compelling combination of advanced defense technology, competitive pricing, reasonable delivery timelines, and to some extent, a willingness to offer technology transfers and industrial partnerships.

Defense-industrial cooperation has generally remained more limited but expanding. Through projects such as the KF-21 fighter program and naval cooperation, Indonesia has developed a considerably deeper defense-industrial relationship with South Korea than most other Southeast Asian states. South Korea has transferred maritime defense technologies, enabling Indonesia to launch its first locally assembled diesel-electric submarine in 2019, marking a significant milestone in the country's indigenous naval shipbuilding capability.³

¹ Rahman Yaacob, "Southeast Asia's arms suppliers, by the numbers," *The Interpreter*, January 21, 2025, <https://www.lowyinstitute.org/the-interpreter/southeast-asia-arms-suppliers-numbers>

² Data obtained from Stockholm International Peace Research Institute (SIPRI) Arms Transfer Database, <https://armstransfers.sipri.org/ArmsTransfer/ImportExport>

³ Janes, "Indonesia moves third Nagapasa submarine to alternative site for long-delayed launch," March 29, 2019,

In addition to the submarine program, South Korean shipyard Daesun Shipbuilding & Engineering has partnered with PT PAL to manufacture the Makassar-class Landing Platform Dock (LPD) for the Indonesian Navy.⁴ Malaysia has acquired 18 F-50 Block 20 Korean combat aircraft, with 14 to be assembled locally.⁵

However, defense-industrial cooperation also carries risks. The KF-21 program illustrates how financial disputes and technology-security concerns can complicate joint development. Indonesia initially committed to 20% of development costs but later negotiated a substantial reduction, while alleged technology leakage involving Indonesian engineers triggered a South Korean investigation.⁶ These challenges highlight the difficulties of managing cost-sharing and technology transfer between a South Korean defense firm and a foreign entity.

Overall, South Korea's defense engagement with Southeast Asia remains largely focused on platform sales, with limited industrial cooperation in areas such as local production, technology transfer, and MRO (maintenance, repair, and operations). This presents an opportunity for South Korean firms to use arms sales as a gateway to deeper, longer-term industrial partnerships, strengthening their market presence and competitiveness across the region.

SOUTHEAST ASIA IS NOT ONE DEFENSE MARKET

<https://www.janes.com/defence-intelligence-insights/defence-news/indonesia-moves-third-nagapasa-submarine-to-alternative-site-for-long-delayed-launch>

⁴ Army Recognition, "PT Pal Cuts First Steel for Indonesian Navy - TNI AL - Sixth Landing Platform Dock," May 2, 2017.

<https://www.armyrecognition.com/archives/archives-naval-defense/naval-defense-2017/pt-pal-cuts-first-steel-for-indonesian-navy-tni-al-sixth-landing-platform-dock>

⁵ Defence News, "Malaysia inks light combat jet, maritime patrol aircraft deals," May 25, 2023,

Southeast Asia should not be regarded as a single, homogeneous defense market. Each state has distinct strategic environments, threat perceptions, defense priorities, operational requirements and procurement practices. Terrain plays an important role too. Maritime states generally prioritize naval, maritime surveillance, and coastal defense capabilities, while mainland states tend to place

Overall, South Korea's defense engagement with Southeast Asia remains largely focused on platform sales, with limited industrial cooperation in areas such as local production, technology transfer, and MRO

greater emphasis on territorial defense and land-based systems. Even within these broad categories, requirements differ significantly. Indonesia and Singapore are two examples of maritime Southeast Asian states with different approaches to arms procurement.

Singapore, given its small population, prioritizes technologically advanced systems and qualitative military superiority.⁷ On the other hand, Indonesia's defense procurements are driven by the need to avoid overreliance on a single supplier, as

<https://www.defensenews.com/global/asia-pacific/2023/05/25/malaysia-inks-light-combat-jet-maritime-patrol-aircraft-deals/>

⁶ Asia News Network, "Two Indonesians probed in suspected leak of fighter jet tech in South Korea," March 18, 2024, <https://asianews.network/two-indonesians-probed-in-suspected-leak-of-fighter-jet-tech-in-south-korea/>

⁷ Michael Raska, "Singapore's smart army," *East Asia Forum*, May 2, 2014, <https://eastasiaforum.org/2014/05/01/singapores-smart-army/>

well as the ambition to develop local defense-industrial capabilities.⁸ These differences mean that South Korean firms cannot rely on a one-size-fits-all approach.

Mainland and Maritime Southeast Asia

At a broader regional level, Southeast Asia can be divided into two strategic sub-regions: mainland and maritime Southeast Asia. They have different threat perceptions and security considerations. In the case of maritime Southeast Asia, and to some extent Vietnam, a major concern is protecting and defending their maritime interests. They prioritize naval modernization, maritime domain awareness, and air power to protect their extensive coastlines, sea lines of communication, and exclusive economic zones. Brunei, Malaysia, the Philippines, and Vietnam have competing maritime claims with China and Taiwan in the South China Sea. Indonesia is not a claimant in the South China Sea disputes. Still, China claims the waters around the Indonesian Natuna Islands, located at the southern end of the South China Sea.⁹ Singapore's position as a maritime hub and reliance on maritime trade

pushes the small island state to maintain a small but modern navy.¹⁰

Concerns over maritime security and stability prompted several Southeast Asian maritime states, including Vietnam, to focus on strengthening their air and maritime capabilities. The Philippines, and now Indonesia, have acquired Indian-built BrahMos anti-ship missiles.¹¹ Malaysia, with assistance from the United States, has built up its maritime domain awareness in the eastern Malaysian states of Sabah and Sarawak, which are geographically closer to the contested South China Sea.¹²

On the other hand, mainland Southeast Asian states such as landlocked Laos and Myanmar, where an insurgency against the military junta is ongoing, focus more on domestic security, where the role of the army is significant.¹³ Cambodia and Thailand, which were involved in deadly military clashes along their land border in 2025, are focused more on building up their land forces as a critical component to enforce their land claims. In July 2026, Cambodia received 39 Chinese-made T-59D tanks out of the 93 units it had ordered.¹⁴ Thailand continued to

⁸ Roundtable with a group of Indonesian senior military officials, May 2024. See also Alfin Febrian Basundoro, "In contested region, Indonesia diversifies arms imports," *The Strategist*, September 10, 2025, <https://www.aspistrategist.org.au/in-contested-region-indonesia-diversifies-arms-imports/>

⁹ Rahman Yaacob, "Prabowo's China challenge around the Natuna Islands," *The Interpreter*, October 25, 2024, <https://www.lowyinstitute.org/the-interpreter/prabowo-s-china-challenge-around-natuna-islands>

¹⁰ Singapore's Ministry of Defence, "Fact Sheet: Safeguarding Singapore's Maritime Trade and Industry," April 19, 2018, https://www.mindef.gov.sg/news-and-events/latest-releases/19apr18_fs/. See also Defense News, "Indonesia drops KF-21 co-production plans, eyeing stock warplanes instead," July 6, 2026, <https://www.defensenews.com/global/asia-pacific/2026/07/06/indonesia-drops-kf-21-co-production-plans-eying-stock-warplanes-instead/>

¹¹ Brahmos Aerospace, "India delivers first batch of BRAHMOS missiles to Philippines," April 19, 2024,

<https://www.brahmos.com/brahmos-in-media/114>. See also Naval News, "Indonesia Signs BrahMos Missile Deal with India", July 7, 2026, <https://www.navalnews.com/naval-news/2026/07/indonesia-signs-brahmos-missile-deal-with-india/>

¹² Rahman Yaacob, "Malaysia's Silent Military Buildup on Borneo", *The Diplomat*, June 10, 2025, <https://thediplomat.com/2025/06/malysias-silent-military-buildup-on-borneo/>.

¹³ Lao News Agency, "Under Party Leadership, the Lao People's Army Advances Toward a Modern, Professional Force", January 8, 2026, <https://kpl.gov.la/En/detail.aspx/detail.aspx?id=96423>; BBC News, "Millions opposed military rule in Myanmar. Is their dream of a revolution over?", July 31, 2026, <https://www.bbc.com/news/articles/ckgd3k7xe39o>.

¹⁴ The National Interest, "Cambodia Is Buying Dozens of Chinese Tanks. Thailand Isn't Too Worried," June 14, 2026, <https://nationalinterest.org/blog/buzz/cambodia-buying-dozens-of-chinese-tanks-thailand-isnt-too-worried-ps-061426>,

upgrade its armored fleet and artillery capabilities, acquiring VN1 8×8 wheeled armored vehicles from China.¹⁵ In addition, the Royal Thai Army has received 17 Stryker armored vehicles from the United States in early 2026 and is considering acquiring American-made M142 High Mobility Artillery Rocket System (HIMARS).¹⁶ Cambodia and Thailand will likely continue investing in their land forces, given ongoing land border disputes.

Threat Perceptions

Southeast Asian states do not share a common assessment of the regional security environment. While some increasingly view China as their principal external security challenge, others remain more concerned with neighboring states or internal threats such as separatist-led insurgencies.¹⁷ China's military build-up, the U.S.-China rivalry, and territorial disputes with China and neighboring states are other factors driving Southeast Asian states' arms procurement programs.¹⁸

As Beijing continues to expand the size and capabilities of the People's Liberation Army-Navy (PLAN), many Southeast Asian countries seek to strengthen their defense capabilities to protect their security and maritime interests, especially for maritime Southeast Asian states and Vietnam. China is expected to field about 435 warships by 2030,

compared to fewer than 300 ships in the US Navy.¹⁹ China's growing maritime capabilities have heightened concerns in many capitals throughout Southeast Asia, which are further affected by their maritime disputes with China in the South China Sea. These differing strategic priorities shape military capability development and procurement choices.

A PARTNER OF CHOICE

South Korea could emerge as one of the principal beneficiaries of the trends and challenges mentioned above. However, there are a few factors that the South Korean government and defense firms could consider to secure their position as preferred defense partners for Southeast Asian states.

Air and Maritime Domains

Southeast Asia's arms procurement patterns have been heavily skewed towards the air and maritime domains. Between 2010 and 2025, roughly 75% of the USD 36 billion spent on imported arms and weapon platforms was allocated to air and naval platforms and munitions.²⁰ Thus, these domains offer significant opportunities for South Korean defense firms to expand their presence and develop longer-term partnerships in the region.

¹⁵ Asean Military Review, "Thai Army Buying 1 Billion Baht Worth of Armored Vehicles from China," January 16, 2026, <https://www.asianmilitaryreview.com/2026/01/thai-army-buying-1-billion-baht-worth-of-armored-vehicles-from-china/>

¹⁶ The Nation, "Thai army receives 17 Stryker vehicles from US after Hanuman Guardian joint exercise," March 20, 2026, <https://www.nationthailand.com/news/general/40064053>; see also Defence Security Asia, "Thailand Moves Toward HIMARS Acquisition After Border Rocket Attacks, Reshaping Southeast Asia's Strategic Deterrence Balance," June 23, 2026, <https://defencesecurityasia.com/en/thailand-himars-acquisition-southeast-asia-strategic-deterrence/>

¹⁷ These points were raised during a Lowy Institute's workshop, Coordinating in Crisis: Indo-Pacific Security Workshop, held

from 10-11 June 2026 in Sydney, Australia. The author moderated two panels on Southeast Asian threat perceptions.

¹⁸ Rahman Yaacob, Gatra Priyandita, Sylvia Laksmi, "Southeast Asia's security landscape: Lessons for the ADF," *Occasional Paper, Australian Army Research Centre*, 2023, https://researchcentre.army.gov.au/sites/default/files/op_17_southeast_asia_s_security_landscape_lessons_for_the_adf.pdf

¹⁹ US Congress, "China Naval Modernisation: Implications for U.S. Navy Capabilities—Background and Issues for Congress," April 24, 2025, <https://www.congress.gov/crs-product/RL33153>

²⁰ Data obtained from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, <https://www.sipri.org/databases/milex>.

The maritime domain is particularly promising, with regional states in various stages of upgrading their naval platforms—frigates, corvettes, submarines, patrol vessels, maritime surveillance systems, and coastal defense capabilities, including land-based anti-ship missiles. With tensions in the South China Sea showing little sign of abating and much of Southeast Asia's economic prosperity dependent on secure maritime trade, South Korean defense firms could focus on assisting regional states to improve their maritime domain awareness. LIG Nex1 Maritime Surveillance Radar-II, which could be mass-produced and deployed along the coast, offers an attractive option for large archipelagic states such as Indonesia and the Philippines, or those with long coastlines such as Malaysia and Vietnam.

A few Southeast Asian states still lack air defense capabilities. The Cheongung-II air-defense system, which has proven itself on the battlefield in the Middle East, has the potential to be marketed to Southeast Asian militaries seeking to establish credible air defense capabilities. Malaysia and the Philippines are potential markets, given that they operate or will operate Korean-made FA-50 combat aircraft.

Drones, Unmanned Platforms & Loitering Munitions

Another area of interest in Southeast Asia is the development of drones and unmanned platforms. The 2025 Cambodia–Thailand border conflict demonstrated the growing importance of unmanned systems in Southeast Asian military

operations, with drones being used extensively for surveillance, targeting, and strike missions.²¹ Indonesia, given its vast archipelagic geography, is also seeking to expand its use of drones and unmanned underwater platforms to enhance maritime surveillance and conduct naval patrols more efficiently.²² Singapore, meanwhile, is developing loitering munitions as part of its broader effort to strengthen precision-strike and distributed warfare capabilities.²³ These developments point to growing regional demand for relatively affordable, flexible unmanned systems, creating opportunities for South Korean firms with expertise in drones, autonomous systems, sensors, and precision weapons.

Commit to the entire life cycle of the platform

Southeast Asian militaries place considerable value on suppliers that remain engaged long after delivery. Reliable after-sales support, including training, maintenance, software upgrades, spare parts and technical assistance, is critical to keeping equipment operational throughout its service life. This creates opportunities for South Korean firms to establish regional MRO facilities to support platforms such as the FA-50 light combat aircraft operated by or being acquired by Malaysia and the Philippines. MRO facilities for naval platforms are a promising possibility, given that the Philippines, Thailand, and Vietnam operate South Korean-built vessels. Regional MRO hubs could reduce downtime, repair costs, and reliance on overseas support while ensuring faster access to technical assistance and

²¹ Jonathan Tenhove, "Drone Warfare and Escalation Risks on the Thailand - Cambodia Border", *Bloomsbury Intelligence and Security Institute (BISI)*, March 17, 2026, <https://bisi.org.uk/reports/drone-warfare-and-escalation-risks-on-the-thailand-cambodia-border>

²² Antara News, "Indonesia plans drones, unmanned subs for efficient naval patrols", April 16, 2026,

<https://en.antaranews.com/news/412513/indonesia-plans-drones-unmanned-subs-for-efficient-naval-patrols>.

²³ Defence Security Asia, "ST Engineering Unveils EagleStrike Loitering Munition at Singapore Airshow 2026, Redefining Tactical Warfare in the Indo-Pacific," February 2, 2026, <https://defencesecurityasia.com/en/st-engineering-eaglestrike-loitering-munition-singapore-airshow-2026/>

spare parts. This approach would create the impression that South Korean systems are sustainable and offer value for money in the long run.

Southeast Asian militaries place considerable value on suppliers that remain engaged long after delivery. Reliable after-sales support, including training, maintenance, software upgrades, spare parts and technical assistance, is critical to keeping equipment operational throughout its service life.

Developing Long-Term Institutional Partnerships

Many Southeast Asian states are increasingly seeking to move beyond being passive consumers of imported defense materiel and platforms. Their objective is to develop greater domestic industrial capacity and reduce exposure to disruptions or political uncertainties within external supply chains. Malaysia's naval modernization program illustrates the risks associated with such dependence. Norway's cancellation of the Naval Strike Missile sale to the Royal Malaysian Navy in May 2026, despite Malaysia having reportedly made most of the payment, underscores the vulnerability of defense procurement to supplier-side decisions.²⁴

South Korean defense firms can differentiate themselves through deeper defense partnerships beyond industrial ones. Beyond industry-to-industry cooperation, Seoul could partner with Southeast

Asian defense institutions to develop internships and exchange programs, including Malaysia's Armed Forces Defense College, Singapore's Temasek Defense Systems Institute, and Indonesia's Defense University. Such initiatives would build professional networks, strengthen institutional trust, and give Korean firms greater insight into regional operational and procurement needs.

CONCLUSION

South Korea's success in Southeast Asia will ultimately depend on whether it is seen not merely as an arms supplier, but as a trusted long-term strategic partner. By supporting local industrial development, providing dependable lifetime support, and pursuing deep-dive partnerships beyond just industry-to-industry, Seoul can secure a lasting competitive advantage in the Southeast Asian arms market.

²⁴ The Straits Times, "Malaysia rebukes Norway over cancelled missile deal; calls out global 'hypocrisy' on war crimes," May 31, 2026, [https://www.straitstimes.com/asia/se-asia/malaysia-](https://www.straitstimes.com/asia/se-asia/malaysia-rebukes-norway-over-cancelled-missile-deal-calls-out-global-hypocrisy-on-war-crimes)

[rebukes-norway-over-cancelled-missile-deal-calls-out-global-hypocrisy-on-war-crimes](https://www.straitstimes.com/asia/se-asia/malaysia-rebukes-norway-over-cancelled-missile-deal-calls-out-global-hypocrisy-on-war-crimes)

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FEATURE ARTICLES

Beyond Cheongung-II: Korea's Gulf Defense Opportunity



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As the 2026 U.S.-Iran conflict spilled over throughout the region, several Arab Gulf states faced Iranian missile and drone attacks, while the conflict placed the wider Gulf Cooperation Council (GCC) under heightened aerial and maritime security pressure. Despite high interception rates, Iran's month-long air campaign has exposed two related problems for the sustainment of Gulf air-defense

architecture. First, sustained missile and drone barrages depleted magazine depth, compelling Gulf capitals to replenish stockpiles and expand air defenses rapidly. Traditional Western suppliers, however, have struggled with production bottlenecks.¹ Washington, which remains their anchor security guarantor, has faced its own supply constraints, particularly for Patriot PAC-3 and THAAD (Terminal High Altitude Area Defense)

¹ *The Economist*, "What happens when the West runs out of interceptor missiles," August 18, 2026,

<https://www.economist.com/international/2026/08/18/what-happens-when-the-west-runs-out-of-interceptor-missiles>.

interceptors.² Second, swarm and saturation attacks exposed vulnerabilities in the layered air-defense network of the Arab Gulf states. While dedicated systems for upper-, middle-, and lower-altitude defense remain essential, the scale of incoming threats has increasingly stretched individual batteries, underscoring the importance of greater redundancy across and within each defense layer.

These constraints point to three imperatives for Gulf defense planning. First, the Arab Gulf states need surge capacity in layered air defense, with interceptors and sensors available in quantity on short timelines to backfill depleted stocks. Second, they need solutions to protect the coastal and offshore infrastructure, from tankers transiting the Strait of Hormuz to logistics terminals and shipping lanes, from a growing host of threats, including sea mines, unmanned systems, and missiles. Third, Gulf capitals need to prioritize industrial localization and after-sales support over finished-product deliveries alone, giving them greater control over manufacturing, maintenance, and stockpile replenishment timelines.

WHERE KOREA DELIVERS

Korea's Gulf defense footprint remains uneven. While the UAE and Saudi Arabia have emerged as

Seoul's principal defense partners in the region, Korean engagement with Qatar, Kuwait, Bahrain, and Oman remains considerably more limited, where established U.S. and European suppliers continue to occupy much of the defense market. The UAE and Saudi Arabia therefore provide the clearest indication of how Korea's defense role in the Gulf could evolve.

The clearest evidence of Korea's value for these countries is the operational performance of its systems under fire. Two Cheongung-II (M-SAM II) medium-range surface-to-air missile batteries operated by the UAE reportedly achieved a 96 percent interception rate during the early phase of Iran's missile campaign.³ The performance prompted both the UAE and Saudi Arabia to seek accelerated deliveries.⁴ Abu Dhabi purchased ten M-SAM II batteries in 2022,⁵ followed by a similar order from Riyadh in 2024.⁶ Seoul appears to have responded, at least for the UAE, with delivery of its third battery reportedly beginning in March 2026.⁷ Combat-proven capability, combined with ROK willingness to expedite deliveries, has cemented Korea's credibility as a responsive supplier at a time when Gulf states face growing demand for interceptors.

² Natalie Oliverio, "Iran war depleted US Patriot missile stockpiles, creating readiness challenges, experts say," *Defense News*, July 30, 2026, <https://www.defensenews.com/news/your-military/2026/07/30/iran-war-depleted-us-patriot-missile-stockpiles-creating-readiness-challenges-experts-say/>.

³ Park Ung, "UAE seeks faster delivery of Korean air defense system after reported 96% hit rate," *The Korea Times*, March 6, 2026, <https://www.koreatimes.co.kr/southkorea/defense/20260306/uae-seeks-faster-delivery-of-korean-air-defense-system-after-reported-96-hit-rate>.

⁴ Jung A-im, "Saudi, UAE Urge Faster M-SAM Deliveries from South Korea," *The Chosun Daily*, April 13, 2026, <https://www.chosun.com/english/world-en/2026/04/13/KWUCIXCNK5CTPDESS6AQFJG2E/>.

⁵ Brian Kim, "South Korea inks largest arms export deal with UAE for missile interceptor," *Defense News*, January 18, 2022, <https://www.defensenews.com/industry/2022/01/18/south-korea-inks-largest-arms-export-deal-with-uae-for-missile-interceptor/>.

⁶ *Korea JoongAng Daily*, "Saudi Arabia buys Korea's Cheongung-II missiles for \$3.2 billion," February 6, 2024, <https://www.koreajoongangdaily.com/korea/saudi-arabia-buys-koreas-cheongung-ii-missiles-for-32-billion/11620629>.

⁷ Kim Seung-yeon, "UAE sends military planes to S. Korea to transport Cheongung missile systems," *Yonhap News Agency*, June 12, 2026, <https://en.yna.co.kr/view/AEN20260612009100315>.

Manufactured by a consortium led by LIG Defense and Aerospace (D&A), a Cheongung-II battery comprises four launchers, each carrying eight missiles, alongside a multifunction radar and fire-control systems, for a total loadout of 32 interceptors. Based on hit-to-kill technology, the M-SAM II system provides a middle-layer solution optimized against ballistic missiles at altitudes of approximately 15-20 kilometers.⁸

Beyond performance, three factors strengthen Korea's appeal to Gulf buyers. First, price and delivery speed. Korean-made systems are generally cheaper than comparable Western alternatives, while offering competitive operational performance.⁹ This reflects both scale and depth of the ROK defense-industrial base.¹⁰ Cheongung-II interceptors cost roughly US\$1.1 million each, compared with approximately US\$3.7 million for a PAC-3 missile.¹¹ This cost differential is strategically relevant in a high-tempo conflict, such as the one faced by the Gulf capitals, where capable interceptors and sufficient stocks against prolonged saturation attacks are critical. The Cheongung-II, therefore, offers an attractive, combat-proven combination of cost, capability, and replenishment potential.

Second, technology transfer and co-production. The ROK-Egypt K9 howitzer agreement, which includes licensed production and technology transfers,¹² illustrates the industrial model Gulf capitals increasingly seek to replicate, an area where Seoul displays openness to cooperate.¹³ Rather than purchasing finished products, Gulf buyers are likely to assess Korean offers against American and European alternatives on their capacity to advance local manufacturing and technology absorption, as part of their broader ambitions to lower long-term dependence on foreign suppliers.

Korea's combination of industrial depth, competitive costs, and willingness to support customers beyond delivery offers a potential advantage in a defense market increasingly defined by sustainment as much as procurement.

Finally, maintenance and sustainment. Korean defense firms have increasingly built a reputation for follow-through on maintenance, repair, and overhaul

⁸ Gabriel Dominguez and Dae Young Kim, "RoKAF receives first Cheongung-II M-SAM battery," *Janes*, November 26, 2020, <https://www.janes.com/defence-intelligence-insights/defence-news/rokaf-receives-first-cheongung-ii-m-sam-battery>.

⁹ Lami Kim, "Mind the air-defence gap: South Korea's burgeoning role in air and missile defence," *IJSS*, March 27, 2026, <https://www.ijss.org/online-analysis/military-balance/2026/03/mind-the-air-defence-gap-south-koreas-burgeoning-role-in-air-and-missile-defence/>.

¹⁰ Wooyeal Paik, "South Korea's Emergence as a Defense Industrial Powerhouse," *French Institute of International Relations*, No. 139, February 2024, <https://www.ifri.org/en/papers/south-koreas-emergence-defense-industrial-powerhouse>. Chung Min Lee, "South Korea as a Rising Defence Exporter: Challenges and Opportunities," *IJSS*, December 11, 2025, <https://www.ijss.org/research-paper/2025/12/south-korea-as-a-rising-defence-exporter-challenges-and-opportunities/>.

¹¹ Lee Yoon-jung, "Cheongung-II fuels global demand as countries seek Patriot alternative," *Chosun Biz*, May 18, 2026, <https://biz.chosun.com/en/en-industry/2026/05/18/VEOYRJE2WFGKPN DATBM45H35X1/>.

¹² *Hanwha Aerospace*, "Hanwha Defense signs contract with Egypt for K9 artillery solution," February 3, 2022, <https://www.hanwhaerospace.com/eng/media/newsroom/view.do?seq=277>.

¹³ Ju Hyung Kim, "South Korea and the Middle East's Defense Localization Drive: A New Strategic Fit," *The Washington Institute for Near East Policy*, October 30, 2025, <https://www.washingtoninstitute.org/policy-analysis/south-korea-and-middle-east-s-defense-localization-drive-new-strategic-fit>.

(MRO) support,¹⁴ a category in which reliable after-sales support is critical for long-term operational reliability of complex systems. This is particularly relevant for Arab Gulf states, which are expanding their inventories while also seeking to build greater domestic sustainment capacity.¹⁵ For buyers facing decades-long lifecycles, the ability to provide training, spare parts, maintenance, and technical support in a timely fashion may ultimately matter as much as the initial acquisition price. In this respect, Korea's combination of industrial depth, competitive costs, and willingness to support customers beyond delivery offers a potential advantage in a defense market increasingly defined by sustainment as much as procurement.

WHERE KOREA FALLS SHORT

Against the region's requirements, however, South Korea shows concrete shortcomings. The ROK defense industry's strengths come with structural constraints that might collide with Gulf expectations. First, production capacity and capability maturity remain uneven. The Cheongung-II consortium reportedly produces only about eight batteries a

year,¹⁶ a rate that could prove insufficient if global demand surges,¹⁷ let alone alongside Korea's own requirements.¹⁸ For Gulf planners weighing ROK as a hedge against U.S. and European bottlenecks,¹⁹ a second supplier that cannot readily scale offers only a partial solution. Korea's wider missile-defense portfolio reflects different stages of development. The Hanwha-LIG D&A's L-SAM, an upper-tier anti-ballistic system comparable to THAAD, entered mass production in 2025,²⁰ but operational deployment is not expected until 2027. LIG D&A has only recently begun producing flight-test missiles for the KSAM-II, a ship-to-air interceptor intended to replace the U.S.-made SAM-2, with development continuing through 2030.²¹ The K-SAAM-Haegung ("Sea Bow"), by contrast, already offers an indigenous short-to-medium-range shipborne air-defense option.²² Drone-interceptor capabilities, arguably the most urgent requirement given the character of the Iran conflict, remain nascent, with the Defense Acquisition Program Administration (DAPA) launching a program for countering

¹⁴ Park Sung-woo, "Korean defense firms target MRO market to boost long-term revenues and competitiveness," *Chosun Biz*, June 16, 2025, <https://biz.chosun.com/en/en-industry/2025/06/16/FQ7OVGDKISCNZHVNZ44B4ISJ3E/>

¹⁵ Albert Vidal Ribe, "Challenge for the Gulf states: rearming after the war," *IJSS*, May 12, 2026, <https://www.ijss.org/online-analysis/online-analysis/2026/05/challenge-for-the-gulf-states-rearming-after-the-war/>.

¹⁶ *The Korea Times*, "South Korea faces export-readiness trade-off amid Gulf defense push," April 29, 2026, <https://www.koreatimes.co.kr/southkorea/defense/20260429/south-korea-faces-export-readiness-trade-off-amid-gulf-defense-push>.

¹⁷ Bahk Eun-ji, "Rising defense exports test supply chain resilience," *The Korea Times*, July 24, 2026, <https://www.koreatimes.co.kr/southkorea/defense/20260724/defense-export-boom-tests-supply-chain-resilience>.

¹⁸ Kim Ji-hwan, "South Korea deploys Cheongung II to bolster layered missile defense," *Chosun Biz*, August 3, 2026,

<https://biz.chosun.com/en/en-policy/2026/08/03/HUKHAGH6PNESHEWEBQI3JELOPI/>.

¹⁹ Francesco Salesio Schiavi, "Beyond the U.S. Umbrella: Gulf States and the Diversification of Air Defense After Iran," *Arab Gulf States Institute*, April 28, 2026, <https://agsi.org/analysis/beyond-the-u-s-umbrella-gulf-states-and-the-diversification-of-air-defense-after-iran/>.

²⁰ *Hanwha Aerospace*, "Hanwha Aerospace awarded L-SAM contract to bolster Korea's long-range air and missile defense," November 28, 2025, <https://www.hanwhaaerospace.com/eng/media/newsroom/view.do?seq=587>.

²¹ Eunhyuk Cha, "LIG D&A Begins Assembly of Prototype KSAM-II Missiles for ROK Navy," *Naval News*, July 27, 2026, <https://www.navalnews.com/naval-news/2026/07/lig-da-begins-assembly-prototype-ksam-ii-missile-rok-navy/>.

²² *K Defense News*, "K-SAAM 'Haegung' Breaks Into Global Naval Air Defense Market," April 26, 2026, <https://kdefensenews.com/m/view.php?idx=1184&mcode=>.

medium-sized suicide drones in May 2026.²³ Gulf capitals keen on diversifying suppliers through the ROK, therefore, need to distinguish between systems that are combat-proven and available today and those whose value rests on expected future capability.

Second, Korean systems increasingly carry a political-entanglement risk. Seoul's arms-export model was historically premised on separating defense sales from the geopolitical consequences of their use. That separation has become harder to sustain.²⁴ ROK-made interceptors gained combat validation by shooting down Iranian missiles,²⁵ indirectly drawing Seoul into a regional conflict it has no independent stake in and limited diplomatic leverage over Tehran. How South Korea navigates this exposure, including retaliation risks against Korean nationals, companies, and shipping, remains an unresolved variable in its relationship with Arab Gulf states.

Third, industrial fragmentation can undermine program execution. Rivalry between HD Hyundai

Heavy Industries and Hanwha Ocean delayed the KDDX destroyer program by roughly two years and contributed to Korea's failure to make Australia's SEA 300 frigate shortlist, whereas Japanese and German competitors arrived with unified national offers.²⁶ Canada's recent submarine contract going to Germany's TKMS rather than Hanwha reinforced the same pattern.²⁷ DAPA's February 2025 "One Team Korea" memorandum, under which HD Hyundai leads surface-combatant exports while Hanwha Ocean focuses on submarines, was intended to address this problem.²⁸ Hanwha has since brought 11 Korean firms into its Saudi submarine bid,²⁹ signaling greater coordination is possible. Yet, the two companies continue to compete in third markets,³⁰ suggesting that export competition remains.

Korea's longer-term competitiveness will also depend on how seamlessly its systems can integrate with the predominantly U.S.- and European-origin

²³ Kim Hyun-soo, "DAPA launches project to develop hard-kill interceptor drones to counter 'suicide drones,'" *Yonhap News Agency*, May 22, 2026, <https://en.yna.co.kr/view/AEN20260522002700315>.

²⁴ Nima Khorrami, "South Korea's Arms Exports Are Now Involved in the Iran War," *The Diplomat*, March 19, 2026, <https://thediplomat.com/2026/03/south-koreas-arms-exports-are-now-involved-in-the-iran-war/>.

²⁵ Park Ung, "Korean air defense system in UAE downs Iranian missile," *The Korea Times*, March 4, 2026, <https://www.koreatimes.co.kr/southkorea/defense/20260304/korean-air-defense-system-in-uae-downs-iranian-missile>.

²⁶ Kim Hyun-bin, "Rivalry between Korean shipbuilders at center of delayed next-gen destroyer project," *The Korea Times*, April 16, 2025, <https://www.koreatimes.co.kr/southkorea/defense/20250416/rivalry-between-korean-shipbuilders-at-center-of-delayed-next-gen-destroyer-project>. Park Jae-hyuk, "Fears grow over shipbuilding rivalry disrupting naval vessel exports," *The Korea Times*, November 12, 2024, [https://www.koreatimes.co.kr/business/companies/20241112/f](https://www.koreatimes.co.kr/business/companies/20241112/fears-grow-over-shipbuilding-rivalry-disrupting-naval-vessel-exports)

[ears-grow-over-shipbuilding-rivalry-disrupting-naval-vessel-exports](https://www.koreatimes.co.kr/business/companies/20241112/fears-grow-over-shipbuilding-rivalry-disrupting-naval-vessel-exports).

²⁷ Kim Min-Young, "Korea loses Canadian submarine bid to Germany's TKMS," *Korea JoongAng Daily*, July 7, 2026, <https://www.koreajoongangdaily.com/business/korea-loses-canadian-submarine-bid-to-germanys-tkms/12758000>.

²⁸ *Naval News*, "Korean Shipbuilding Giants Join Forces in Naval Export Market," February 25, 2025, <https://www.navalnews.com/naval-news/2025/02/korean-shipbuilding-giants-join-forces-in-naval-export-market/>.

²⁹ *Naval Today*, "Hanwha Ocean links up with South Korean firms to pursue submarine projects in Middle East," February 10, 2026, <https://www.navaltoday.com/2026/02/10/hanwha-ocean-links-up-with-south-korean-firms-to-pursue-submarine-projects-in-middle-east>.

³⁰ Kim Nam-hee, "Korean shipbuilders vie for Thai frigate deal, eye Southeast Asia gains," *Chosun Biz*, June 26, 2026, <https://biz.chosun.com/en/industry/2026/06/26/306635YARJGPHBHNQ6TJWML7BI/>.

For Gulf buyers, Korean suppliers represent more of a complement to, rather than an automatic substitute for, established Western partners.

buyers, Korean suppliers represent more of a complement to, rather than an automatic substitute for, established Western partners.

THE NAVAL OPENING

The procurement logic and modernization trajectories the Gulf navies call for caution about how far ROK ambitions in the naval market can realistically extend. The market for principal surface combatants is already saturated.³¹ Most Gulf capitals have implemented, or recently completed, large-scale acquisitions from leading shipbuilders in the U.S., France, Italy, Spain, and Turkey. These contracts extend platform delivery to include sailor training, maintenance and sustainment, upgrades, and industrial cooperation, cementing broader politico-military relationships.³² Built over decades, this combination of political trust, operational

sensors, command networks, and platforms already operated by Gulf militaries. The broader implication is not that Korea is an unreliable supplier, but that its value proposition varies significantly by capability and program. For Gulf

familiarity, and industrial collaboration gives incumbent suppliers a significant advantage. Arab Gulf states have little incentive to unwind these ties simply to introduce another partner unless the latter can close a clear capability or industrial gap.

Adding a new principal combatant fleet type also entails new training pipelines, logistics and spare-parts chains, maintenance infrastructure, and fleet-integration requirements. For Gulf navies operating fleets composed of multiple foreign-origin platforms, another combatant type can further increase the sustainment burden. These conditions considerably narrow the addressable market for new foreign suppliers. Among the Arab Gulf states, Saudi Arabia has the greatest potential bandwidth for additional principal combatants, particularly if it accelerates the replacement of its four Badr-class corvettes and four Al Madinah-class frigates, in service since the 1980s. The UAE may also seek to replace its aging fleet of fast-attack and patrol crafts, but these requirements are more likely to be addressed through domestic shipbuilding, chiefly the EDGE Group's Abu Dhabi Ship Building. Saudi Arabia, therefore, represents the most plausible Gulf market for new high-tonnage units in the near term. The key question, however, is not simply whether Riyadh wants new ships, but whether it seeks a new foreign supplier.

A more significant opening could lie in Saudi Arabia's long-standing gap in underwater warfare.

³¹ Kévin Thievon, "New Ambitions at Sea: Naval Modernisation in the Gulf States," *IISS*, June 5, 2023, <https://www.iiss.org/research-paper/2023/06/new-ambitions-at-sea-naval-modernisation-in-the-gulf-states/>.

³² Leonardo Jacopo Maria Mazzucco, "Targeted Acquisitions, Major Commissions: The UAE's Dual Approach to the Naval Defense Sector," *Arab Gulf States Institute*, April 27, 2023, <https://agsi.org/analysis/targeted-acquisitions-major-commissions-the-uaes-dual-approach-to-the-naval-defense-sector/>. Albert Vidal, Ribe, "Qatar Embarks on Major Naval

Expansion," *Arab Gulf States Institute*, August 8, 2023, <https://agsi.org/analysis/qatar-embarks-on-major-naval-expansion/>. Leonardo Jacopo Maria Mazzucco, "Kuwait's Naval Modernization Push," *Arab Gulf States Institute*, August 27, 2025, <https://agsi.org/analysis/kuwaits-naval-modernization-push/>. Albert Vidal Ribe, "Shopping for Sea Power: Saudi Arabia's Naval Transformation," *ISPI*, October 3, 2025, <https://www.ispionline.it/en/publication/shopping-for-sea-power-saudi-arabias-naval-transformation-217520>.

Riyadh is reportedly considering submarines, with talks involving Italy's Fincantieri and South Korea's Hanwha Ocean.³³ A submarine force would provide covert sea-denial and sea-control capabilities in contested regional waters, adding a stealth layer of defense further afield. However, for a navy with no submarine history, developing an effective underwater force would require substantial investment in specialized training, infrastructure, maintenance, doctrine, and operational culture. These barriers could discourage Riyadh from proceeding, but they also create an opening for a supplier able to offer a comprehensive capability package. For Seoul, therefore, the more promising naval opportunity may not be competing head-on for another surface-combatant sale, but addressing capability gaps where Gulf navies have yet to establish comparable procurement and industrial relationships. For Gulf capitals, this would reduce the costs of introducing a new supplier while giving them greater diversification vis-à-vis conventional providers.

Besides submarines, the ROK may have a comparative advantage in the mission set the Iran conflict has highlighted as both underdeveloped and increasingly strategic: distributed, uncrewed defense of shipping lanes and fixed energy infrastructure

against sea mines, drones, and missiles. This gap is one most Gulf navies are still trying to close through a diversified network of suppliers and industrial partners.³⁴ Korean companies, including LIG D&A,³⁵ Hanwha Systems,³⁶ and HD HHI,³⁷ are advancing unmanned systems and AI-enabled technologies for maritime security missions, including ISR, mine-hunting, and close-range protection. LIG D&A and Hanwha have also established cooperation with the U.S. company Anduril,³⁸ which has recently expanded its ties with the Emirati defense giant EDGE.³⁹ This overlap could provide a useful basis for ROK-UAE industrial cooperation, allowing Seoul to plug into defense-industrial networks that Abu Dhabi is already developing rather than establishing entirely new ones.

For Seoul, the more promising naval opportunity may not be competing head-on for another surface-combatant sale, but addressing capability gaps where Gulf navies have yet to establish comparable procurement and industrial relationships

³³ Korean JoongAng Daily, "Korean shipbuilders to square off next in Saudi Arabia, Thailand and Greece," July 24, 2026, <https://www.koreajoongangdaily.com/business/korean-shipbuilders-to-square-off-next-in-saudi-arabia-thailand-and-greece/12787858>.

³⁴ Sascha Bruchmann and Albert Vidal Ribe, "The Gulf Cooperation Council states' uninhabited and autonomous capabilities," *IISS*, November 28, 2024, <https://www.iiss.org/online-analysis/online-analysis/2024/11/the-gulf-cooperation-council-states-uninhabited-and-autonomous-capabilities/>.

³⁵ "Maritime Warfare," *LIG D&A*, accessed August 20, 2026, <https://www.ligdefenseaerospace.com/eng/business/oceanList.do>.

³⁶ "Unmanned Maritime System," *Hanwha Systems*, accessed August 20, 2026,

https://www.hanwhasystems.com/en/business/defense/naval/marine_index.do.

³⁷ HD, "Unmanned Vessels Cutting Through the Seas: Where Do We Stand?," February 25, 2025, <https://www.hd.com/en/newsroom/media-hub/press/view?detailsKey=3444>.

³⁸ Anduril, "Scaling Autonomous Surface Vessels with the World's Best Ship Builders for US Navy," April 20, 2026, <https://www.anduril.com/news/scaling-autonomous-surface-vessels-with-the-world-s-best-ship-builders-for-us-navy>.

³⁹ Anduril, "EDGE Group and Anduril to Form UAE-US Joint Venture to Develop Autonomous Systems," November 13, 2025, <https://www.anduril.com/news/edge-group-and-anduril-to-form-uae-us-joint-venture-to-develop-autonomous-systems>.

While a saturated surface-combatant market limits the ROK's ability to displace entrenched suppliers, Seoul could instead carve out a niche in the still-developing market for unmanned and AI-enabled maritime capabilities, offering Arab Gulf states systems and co-development options tailored to the swarm and saturation-attack environment demonstrated by the Iran conflict.

FROM AIR DEFENSE TO MARITIME SECURITY

For Gulf security going forward, surface combatants and missile defense should be understood as complementary responses to the same threat environment, rather than substitutes. This is particularly important for the smaller Arab Gulf states, whose limited territorial depth leaves little margin to absorb aerial threats and makes ship-based interception a critical additional layer of air defense.

Layered missile defense, where Korea has already proved itself, remains critical against saturation attacks. For the Gulf states, therefore, closing air-defense capacity gaps against swarm tactics and replenishing interceptor stockpiles remain the most urgent near-term priorities. Whether growing interest in Korean-made systems translates into procurement contracts will ultimately rest on Seoul's capacity to close this gap by scaling up Cheongung-II production and accelerating L-SAM development. Naval capabilities provide an indispensable complementary defense layer. Despite retaining blue-water ambitions, Gulf navies will remain focused on sea control and protection close to home waters, providing an additional air defense layer

through ship-based interceptors. As the market for principal surface combatants is already saturated, capacity to absorb new Korean offerings is marginal. New contracts are likely to emerge only where ROK companies can offer a clear capability, commercial, and localization advantage over entrenched suppliers.

FROM PROCUREMENT TO PRODUCTION

Beyond procurement, local manufacturing offers another route to facilitate adequate interceptor inventories and rapid replenishment. This option, however, is viable only where the domestic defense-industrial base is sufficiently mature to absorb technology and sustain complex production. The UAE is further along this path, with cooperation with South Korea increasingly moving beyond procurement toward local production and sustainment.

The foundations were laid in November 2025, when the Emirati defense company Calidus and LIG D&A agreed to establish a joint venture to manufacture missiles in the UAE.⁴⁰ Although the missile to be produced has not been specified, the venture is likely to focus on Cheongung-II interceptors alongside the co-development of new air-defense solutions. This was followed in February 2026 by an MOU between EDGE and DAPA establishing a framework for design-to-production cooperation.⁴¹ In May, the Tawazun Council for Defense Enablement, the Emirati authority responsible for defense industrial development, and LIG D&A expanded this

⁴⁰ WAM, "Calidus, LIG Nex1 sign strategic partnership to manufacture missiles in UAE," November 23, 2025, <https://www.wam.ae/en/article/bmv1ypq-calidus-lig-nex1-sign-strategic-partnership>.

⁴¹ EDGE, "EDGE and Republic of Korea's DAPA Advance Major Defence Cooperation," February 27, 2026, <https://edgegroup.ae/news/edge-and-republic-koreas-dapa-advance-major-defence-cooperation>.

relationship further by agreeing to establish a UAE-based global defense manufacturing hub.⁴²

Together, these initiatives could give the UAE both greater access to Korean technology and a growing role in manufacturing, sustaining, and eventually developing Korean-origin systems locally. Cooperation is also expanding into emerging capabilities. LIG D&A and U.S. AI company Palantir have agreed to develop integrated air-defense and unmanned-system solutions for the UAE,⁴³ creating potential complementarities for Korean-Emirati industrial cooperation. Saudi Arabia has likewise reportedly discussed local production of Korean systems with LIG D&A,⁴⁴ although talks over the K-LOGIR (“Poniar”) surface-to-ship guided rocket remain considerably narrower in scope. The UAE, therefore, provides the clearest test of whether Korean defense cooperation can evolve from selling systems to strengthening local production and sustainment capacity.

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⁴² WAM, “Tawazun, Korean LIG D&A sign MoU to establish global defence manufacturing hub in UAE,” May 5, 2026, <https://www.wam.ae/en/article/c025vmo-%60tawazun-korean-lig-da-sign-mou-establish-global>.

⁴³ LIG D&A, “LIG Nex1 and Palantir sign MOU for collaboration on the development of an integrated air defense network and unmanned system solutions,” March 25, 2026,

https://www.ligdefenseaerospace.com/eng/news/nex1newsNewsView.do?bbs_no=7360.

⁴⁴ Jérôme Brahy, “Saudi Arabia discusses local production of Poniar guided rockets with South Korea.” Army Recognition Group, January 12, 2026, <https://www.armyrecognition.com/news/army-news/2026/saudi-arabia-discusses-local-production-of-poniar-guided-rockets-with-south-korea>.

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Korea Corner

Rethinking Defense Manpower Policy in an Era of Demographic Decline



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The Republic of Korea (ROK) Armed Forces seek to maintain a force of approximately 500,000 personnel. Actual end strength, however, has fallen to around 450,000, or 90% of the desired capacity. As a result, personnel shortages are now directly felt in frontline units.

Korea's total fertility rate (TFR) fell sharply from 6.0 children per woman in 1960 to 1.08 in 2005, 0.84 in

2020, and approximately 0.80 in 2025.¹ Korea is the only OECD member with a TFR below 1.0 and continues to record the world's lowest rate. Moreover, changes in fertility take approximately 20 years to affect the pool of military-age manpower. Therefore, the size of the cohorts available over the next two decades is already fixed by the population that has been born. The contraction of the military

¹ OECD (2024), Society at a Glance 2024: OECD Social Indicator.

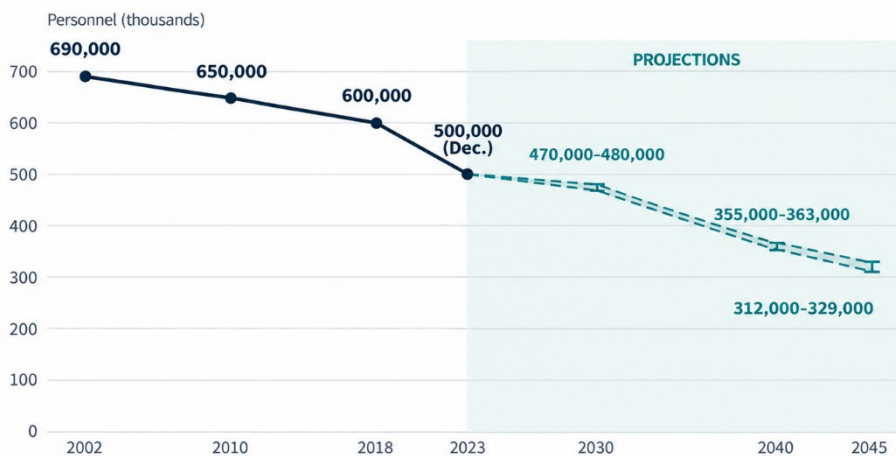
Statistics Korea. (2026). Vital statistics of Korea: Births by region [Data set]. Korean Statistical Information Service.

manpower pool is therefore not a forecast; it is a predetermined constraint.

In August, President Lee Jae Myung called for the introduction of selective volunteer military service and for defense reform that would transform the

South Korea's Standing Military Personnel

Reported figures and projections, 2002–2045



Source: User-supplied graphic, citing the Korea Institute for Defense Analyses (KIDA).

Notes: Includes officers, warrant officers, noncommissioned officers, and enlisted personnel.

Dashed bounds and shading show the stated projection ranges. Lines connect selected years only.

Figure 1 South Korea's standing military personnel, 2002–2045. ²

The May 2026 amendment to the National Defense Reform Act, scheduled to take effect on November 20, 2026, removes the statutory numerical targets for standing force size, the ratio of officers and Noncommissioned officers (NCOs), and reserve forces, instead providing that these be set flexibly by Presidential Decree in line with available resources and threat assessments (Articles 25-27). In their place, it mandated expanded use of female personnel (Article 16) and maximized the use of civilian resources (Article 17).

armed forces into a smart, elite force centered on advanced equipment and technology. These measures should not be treated as a collection of separate personnel initiatives. Together, they signal a structural shift in which defense manpower must become a primary variable in force design. The Ministry of National Defense (MND) response focuses on three solutions: longer utilization of military personnel, substitution by civilian resources for suitable functions, and expansion of the recruiting base through greater participation by women.

² Source: Adapted from Hyo-joo Son, “‘병력 절벽’ 현실로 ... 여군 확대·보충역 감축·마른수건 짜기,” *Dong-A Ilbo*, updated December 11, 2023, <https://www.donga.com/news/Opinion/article/all/20231210/>

122564604/1. Original data attributed to the Korea Institute for Defense Analyses (KIDA).

First, the personnel management model is shifting from 'mass accession and short-term utilization' to 'long-term utilization.' The selective volunteer service system retains conscription while granting entrants the option to serve in technology-intensive NCO billets. Selection of some 3,000 personnel is planned as early as next year. To address the sharp decline in NCO recruitment and career-progression bottlenecks within the middle grades, the government is also considering the creation of an additional NCO rank and a corresponding amendment to the Military Personnel Management Act. As the share of personnel serving beyond the mandatory term increases, proficiency accumulates, which aligns with a force restructuring that reduces overall strength while raising the proportion of skilled personnel.

Second, the use of civilian resources is broadening. Because the standing force is set to contract substantially, civilian employees and outsourcing must be applied according to mission type and unit conditions in order to sustain defense sufficiency. The purpose of contracting out is not cost reduction but the concentration of uniformed personnel on combat missions. Beginning with a pilot project in installation security next year, non-combat functions will be transferred in phases, and a Framework Act on the Operation of Private Military Companies is being prepared to regulate wartime mission execution and the legal status of contractor personnel.

Third, the targets for female personnel are being reset. This reflects the contraction of the applicant base rather than policy. A decline in applicants for officer and NCO commissions has left the 2023-2027 plan short of its target of some 29,000, and no target or guidance yet exists for the period beyond 2027. The

2028-2032 comprehensive plan is recalibrating appropriate target ratios by service, rank, and branch. These three measures are typically presented as discrete tasks within the personnel domain. Yet as the continued decline in junior-cadre application rates (despite improved compensation) demonstrates, incentive-based measures have clear limits when the applicant base itself is contracting.

The restructuring of defense manpower is not a matter of individual personnel policy or improved compensation. It entails a paradigm shift in force design encompassing the conscription system, force structure, education and training system, career management, and the circulation of manpower between the military and society. The selective volunteer service system is an alteration of the conscription system; the creation of a new NCO rank is a redesign of career management. The use of civilian resources redraws the boundary between functions the military retains and those it procures from society, and the expansion of female personnel is inseparable from the availability of suitable assignments. None of these is self-contained within a personnel directorate.

Defense manpower has long been treated as a dependent variable. Force structure and force requirements were determined first, and manpower was computed to fill that frame. The sequence held while resources were ample. It must now be inverted. Reestablishing defense manpower as a central variable of force design, and on that basis pursuing a comprehensive redesign of force structure, force employment, and the conscription system, is critical for defense manpower policy in an era of demographic decline. Demography is a predetermined future. What remains within our control is the speed of institutional and policy reform.

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