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WELCOMING REMARKS
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RICHARD ARMITAGE: Well, good morning, ladies and gentlemen. For those of you who were expecting John Hamre, I’m sorry to disappoint you. He’s only about six inches taller and he has a full head of hair. But I’m Rich Armitage. I’ve been a trustee at CSIS for a number of years. And I’m very happy to be here for several different reasons.

But first of all, let me acknowledge the presence, for which we’re honored, of Minister Wang of DAPA, Secretary Fahey, assistant secretary for acquisition in the Pentagon, and our senior fellow Andrew Hunter.

The program this morning is going to be quite straightforward. After I’ve welcomed you all appropriately Mr. Hunter will make some remarks about the series of workshops that we had yesterday. And then we’ll have Minister Wang and Assistant Secretary Fahey make some of their remarks. Then we’ll look forward to Q&A from the audience. But let me tell you why I’m particularly happy about being here today. It is not a secret that the relationship between the Republic of Korea and the United States today is not as good as we would want. It’s troubled. It's troubled for a lot of reasons. We’ve got the perennial North Korean problem. We’ve got the problem of the U.S. demand for quite a sizable amount of money for the stationing of U.S. forces. We’ve got the problems that emanated from the GSOMIA, the reversal of the decision of which was much welcomed here in Washington. But for a whole host of reasons our relationship is certainly not the way I’d want it. And since you’re here, I suspect the relationship is not the way you want it either.

So the extent that we can follow up on what I think was John Hamre’s original idea of developing a very mature partnership for our defense industries, this is a way that we can start to repair and rebuild this relationship which, in my mind, desperately needs it. John Hamre’s original idea was that we’ve seen, as he expressed it to me at the time, was we’ve had several generations. First generation of our cooperation was the Republic of Korea as a buyer of U.S. military equipment and technology. The second was as a coproducer. I was telling our colleagues about a story. I negotiated something called the ROKIT, the ROK indigenous tank, with the Republic of Korea in 1983. So we’ve had this technology cooperation and coproduction or some time. But John Hamre’s idea was to have this third generation. And this is of two mature partners working together to better Republic of Korea defense capabilities, the United States defense capabilities, and to be a supplier for other friends around the globe.

So to the extent we are successful in doing that, I think we’ll be much more successful in our own operations. So let me, again, welcome you this morning, welcome our distinguished guests, and thank you all for your attendance. And I’ll turn it over to the senior fellow at CSIS, Andrew Hunter. (Applause.)
ANDREW HUNTER: Well, thank you, Secretary Armitage. And thank you all very much for coming here. And thank you especially to the minister for coming so far to join us today. We’re so privileged to have you here, and very excited to hear your remarks. And thank you also to Secretary Fahey. Thank you very much for joining us. Not quite as long a trip, but just as exciting to have you and to hear your remarks.

Let me first make a couple of administrative notes. Those of you who are regular attendees know that we always like to do a security announcement at the start of our events. If for some reason we were to need to leave this business I would be your security officer and give you direction on where to go, either out the way you came in or out the back. But we don’t anticipate any interruptions this morning. And let me also say that we’re very grateful for the sponsorship for this morning’s event, which was provided by DAPA and by DTAQ as well. So thank you very much for that.

We’re glad that that support was able to have this morning’s event, as well as the discussions yesterday that I’m going to spend a little time telling you about so that you get a sense of some of the practical measures that could potentially be considered to implement this new generation of partnership between U.S. defense industry and the ROK defense industry that Secretary Armitage mentioned is an objective that’s been discussed here at CSIS with DAPA and DTAQ, and is something that we think is an exciting opportunity for both U.S. industry and Korean industry to be partners on the global defense marketplace going forward – even closer partners than has been the case over the proceeding seven decades where they had worked together.

So yesterday we had three workshop sessions with participation from government officials, former and current, and industry officials from both the United States and Korea, on both sides. DAPA and DTAQ both acted as well. And the goal of those sessions was to explore how this deeper partnership can be taken forward, both from a business-to-business set of relationships and in the government-to-government cooperation, and then the ways in which those two channels of communication can also be knitted together to achieve this deeper level of partnership.

And over the course of that discussion, I – one of the things we wanted to do was to get a grasp, get our arms around kind of the universe of measures that would be – which would help advance us to that goal, and then also to get a sense of prioritization. What are the things that are most important, most significant, and perhaps most readily open to being done in the near term? So a sense of prioritization of measures that could be taken to help deepen the partnership.

And there were, I think, sort of four main categories that I felt like the various things we talked about that needed to happen fell into. And the first big category of measures that we talked about was access to
information. And this runs the gamut of information, but most critically it has to do with the government requirements on both sides and the dialogue about requirements. Fundamentally defense capabilities – the most important thing they do is they meet a military need, a government requirement for capability. And there are many of these that are common between the U.S. and Korea, and have been, obviously, for decades, that we’ve worked together to satisfy.

But as we go to a deeper partnership it’s even more critical that this dialogue about the true nature of government requirements be even more closely connected, and also critical for, for industry’s perspective, that they get early insights into what these requirements are, so that they can shape their partnership towards meeting those needs at an early stage, and not have to reverse engineer the partnership in after plans have already been established.

This is also – in terms of access to information – there’s a lot of challenges for both companies in the U.S. working in Korea and companies in Korea seeking to work in the United States for getting visibility for what their capabilities are, and what their products can do for the government customers, so that they can understand how those products might meet their needs. So visibility of products was another key access to information area that we felt needed to be worked on.

In terms of practical measures, there was discussion about the dialogue that happens between the U.S. and Korea on a regular basis, and the security consultations, and specific meetings in that that relate to industrial cooperation. And some of those meetings have been ongoing. Some of them have somewhat lapsed in the last decade, haven’t been as regular and haven’t been as intense. And so an early measure seems to be that we could reinvigorate those dialogues and ensure that committees and subcommittees that focus on the industrial base are established and active in discussing these measures as a – as an excellent step on the government-to-government side. And they can work on these access to information issues, as well as on the policy issues.

The next big category of areas that we discussed were government-to-government partnership policies. And here, you know, there’s a lot of dialogue – there’s a lot of agreements already between the United States and Korea. But there – you know, there’s always kind of a fabric or a framework of multiple agreements that cover industrial cooperation. And the U.S. has many of these relationships around the world with a number of partners. Everyone is a little different, and the mix of agreements is a little different.

In the case of Korea, one of the things that’s notably lacking is a reciprocal trade MOU, reciprocal defense trade MOU. Such an MOU, where it is in place between the U.S. and other countries, has a significant impact on the U.S. acquisition system because it opens up different
avenues for cooperation, particularly with respect to Buy America Act issues and other sourcing requirements within the U.S. system. So that seemed like – that’s probably a longer-term initiative to understand developing a defense MOU relationship, but one that could have profound impacts on the partnership and would definitely set a new foundation. There’s already been some progress in the last several years.

Korea has made a number of adjustments in its offset policy, on its side of the policy equation, that have moved us towards a situation where rather than it being something that’s very transactional for U.S. industry, participating in Korea, they’re evolving their policy towards more of a partnership approach, where what’s being incentivized is partnership between the U.S. and Korean industry rather than simply a specified number of contracts to produce work in certain areas. So a longer-term, more strategic partnering relationship. And there’s even more that can be done in that area.

And another key, in terms of the government-to-government dialogue, had to do with technology roadmaps, and really understanding where the comparative advantage lies between the two industries, and how we can target investment so that those capabilities are brought to the fore, and both sides have an understanding of where the investment is going and where it’s going to be targeted that will further this deeper partnership.

The other third huge category of activity is on business-to-business partnering. And there’s a lot of this that’s already happened. U.S. companies and Korean companies have been working together for decades. And there are many significant relationships that have been established already, a lot of them through the offset process for systems developed in prior years. But again, this is – this is kind of the core relationship that will need to mature to get to that next generation, deeper level of partnership. Some of the ideas that were brought forward is a need to understand and differentiate where there are key Korean capabilities that are world class, and areas where Korean industry can take the lead, from those areas where U.S. industry is – may be less open to that sort of partnership. And so we can really clarify opportunities for investment and opportunities for partnership.

Another key insight that was brought forward is the differentiation in the global market. On the one hand, regionally for sales to the U.S. and NATO, if you look at the data for sales that are actually happening from the U.S. to Korea and vice versa, and global sales, it’s pretty clear that the U.S. and Korea are – although they’re operating in similar markets – have different advantages in the global marketplace. And things look a little different for sales to the U.S. and NATO countries versus sales to the rest of the world and the advantages that each side has there. And then third big piece in the business-to-business discussion is opportunities to link to the commercial sector and adjacent marketplaces, adjacent to the defense
sector, especially when it comes to commercial aviation, the sustainment of systems, and in electronics.

And the last big area that we talked about are things that I would characterize simply as market realities. Obviously a huge piece of this is the threat that all of this partnering is designed to counter. That always has to be first and foremost in the mind. Cybersecurity is a huge issue for industry on both sides and is an area still that we are working to get our arms around and has a lot of need for dialogue. And then there’s simply changes in industry that are happening broadly across the economy. The need for automation and more advanced production technologies, that this partnership creates the opportunity for both sides to take a step forward in the marketplace in those areas.

So those are really the big issues that were identified in yesterday’s discussion. I think there’s a lot of opportunity and an agenda for progress going forward, which was exciting for those of us who were part of the dialogue. And I really look forward to hearing from our senior leaders with their vision. And I will just briefly introduce them and call them to the stage.

So we have with us Minster Wang, who is the minister of the Defense Acquisition Program Administration. He is a long-serving leader in Korea. Prior to his – excuse me. Let me just say briefly DAPA is the central organization within the Korean Ministry of National Defense that supports the procurement, acquisition of all of their defense capabilities, includes sectors within it that also do technology control and ensure the protection of critical technologies within Korea. So he has an extremely broad mandate and responsibility in doing all that and has been doing it capably and well since August of 2018, when he was appointed minister by the president of Korea. Prior to his current position, he was the – served as the auditor general in Korea. So he has a sharp eye out for ensuring efficiency and effectiveness in procurement decisions.

Also, as I mentioned, joining us this morning in Secretary Kevin Fahey. He is the assistant secretary of defense for acquisition. He is the primary advisor to the secretary of defense and to the undersecretary of defense for acquisition and sustainment for all matters pertaining to the acquisition of weapons systems, technology, and just about everything else. I always like to say from toilet paper to tanks, and everything in between. And prior to his current position, Kevin was a senior leader in the United States Army, civilian leader in the acquisition space. I had the privilege to work with him reasonably closely at various points in time when he led the acquisition of networking technology for the Army, but also even more significantly the acquisition of combat vehicles, and MRAPs. And he was a key cog in making that tremendously valuable and important effort to support U.S. forces engaged in combat operations work.
And so, without any further ado, please let me call Minister Wang to the podium to deliver his remarks. (Applause.)

(Note: Minister Wang’s remarks are provided through an interpreter.)

MINISTER WANG: Honorable Richard Armitage and Mr. Andrew Hunter, thank you very much for your warm welcome. And I would like to also express my sincere gratitude to all the distinguished participants for being present here. It is my great honor to deliver my keynote speech on this meaningful occasion of the CSIS-DAPA conference, where we will discuss the way forward for security and defense industrial cooperation.

This year’s conference is divided into two days with a private session and a public session held each day. During yesterday’s private session, representatives of the ROK and U.S. government, as well as leading defense industry from both countries gathered at the CSIS to find better ways for cooperation and defense industry. It was a pleasure to hear that the participants of the two countries had a constructive discussion where they reviewed previous cases of defense industrial cooperation between the two countries while gathering ideas about a way forward for our relationship.

The ROK-U.S. alliance, which was forged in blood during the Korean War, has continued to mature under the principle of reciprocity. As the relationship continued to evolve, we have witnessed remarkable changes in how we collaborate, especially in the area of defense acquisition and defense industries. The partnership now has transformed from a relationship where Korea unilaterally purchased U.S. weapons, to a mature relationship where the ROK supplied parts and components to U.S. system integrators through offset arrangements. In the 1950s, when the Korean War broke out, the ROK was not capable of producing weapons on its own.

However, the country transformed itself to an economic and technological powerhouse just in half a century. This was also the case for its technological capability in national defense, ranging from rifles, to aircrafts and submarines, Korea has become capable of developing and producing state-of-the-art weapons systems with its own technologies. On the other hand, the security environment surrounding the ROK-U.S. alliance has been evolving very rapidly. Many emerging threats, including proliferation of WMD and cyberattacks have become diverse weapon nature to become more transnational and unconventional, while countries all across the world are aggressively building up their military capabilities by either developing or acquiring advance weapon system.

The security landscape in Northeast Asia has further instigated instability in the region. To keep pace with such changes in the region, it is high time to consider new ways of cooperation between the ROK and the U.S. The discussion we will have today on our partnership is also a discussion on the vision that we must have in the near future, considering the rapidly evolving security environment and advancements in technology. That is why I believe today’s conference holds
profound implications to the ROK-U.S. Once again, I would like to extend my sincere appreciation to the CSIS for preparing this precious opportunity.

The history of the ROK alliance, which lasted for more than 60 years, clearly demonstrates a need for maintaining the long-enduring relationship. During a bilateral meeting held in Seoul last November that involved senior officials of the two countries, the ROK and U.S. reaffirmed that the alliance is the linchpin of security in Northeast Asia. Furthermore, during the summit meeting between President Moon Jae-in and President Donald Trump, the two leaders have agreed to pursue harmonious cooperation between Korea’s new southern policy and U.S. Indo-Pacific strategy. They also assess that the ROK-U.S. alliance has become a comprehensive alliance that strengthens cooperation and not only security but also economic and global issues.

Taking a closer look at our partnership in key areas, especially in the economic sector, the total trade volume in goods and services between the two countries has recorded $167 billion in 2018. As Korea is the seventh-largest trade market to the U.S., and the U.S. is the second-largest trading partner of the ROK, the two countries continue to work closely to further strengthen the relationship. What’s more, investment by Korean industries in the U.S. has been rising, with ROK companies investing $3.1 billion for building a petrochemical plant, and $1.67 billion to build an electronic car battery plant in the U.S.

In the area of science and technology, the Ministry of Information, Communication, and Technology of the ROK and the Department of Homeland Security of the U.S. signed a memorandum of understanding on cooperation in science, technology, and communications technology with the aim of promoting substantial cooperation in the form of joint research between relevant organizations of the both countries. As the ROK-U.S. alliance has become broader in scope, not just limited to security but also covering many other areas, it is imperative that we take a closer look at our partnership in defense industries, which will strengthen cooperation in a multitude of areas, including security, science and technology, and industry.

Also, in the defense industry the two countries have engaged in a considerable amount of trade of defense articles. While 80 percent of ROK’s foreign weapon purchases are U.S. origin, $2.36 billion worth of weapons systems have been acquired through either foreign military sales or domestic commercial sales. There are several ongoing programs to acquire major weapons systems, including F-35s or KF-16, large attack helicopters and maritime patrol aircrafts. Depending on how we collaborate, however, there are unlimited potentials for deepening and widen the current partnership that can go beyond growth and the quantity of defense trade.

First, defense industrial cooperation is one of the most effective ways of countering emerging security threats. Through such partnerships, both countries can not only acquire cutting-edge weapons with lower costs and risks, but also enhance interoperability that serves as a backbone of the allied capability. Also, weapons systems are an integration of highly-advanced science and technology
in a time where we are experiencing rapid advancements in sophisticated technologies such as artificial intelligence, autonomy, robotics, and big data, which will become the game-changers in warfare. It is quite obvious that defense industrial cooperation has to go side-by-side with cooperation on science and technology.

Lastly, cooperation in defense industry can further strengthen the industrial and economic partnerships between the two countries by enabling local production and stimulating investment. As we work together in defense industry, such cooperation could become a highly effective strategy that transforms the alliance into a comprehensive relationship in connecting areas of security, science and technology to economy and industry. To take advantage of defense industrial cooperation as a means for facilitating cooperation in a multitude of areas, it is critical we transform how we cooperate in defense industries. That is why DAPA and the CSIS decided to have discussions on third-generation partnership on defense industrial cooperation, the next stage of our cooperation for this year’s conference.

ROK-U.S. third-generation partnership is a concept envisioned by Dr. Hamre in 2018 – October of 2018. This idea of cooperation involves an extended partnership where our two industrial bases and companies partner in a wide range of things, from joint research and development and joint production to joint sales and joint marketing. I believe this is a concept that contains Dr. Hamre’s deep insight about the environment and changes surrounding the two countries, as a recognize that Dr. Hamre has a profound understanding of Korea and the ROK-U.S. alliance. I also believe that the cooperation should grow further in a way that supports this new concept. Defense industrial engagements between Korea and U.S. started with a generation one partnership, which was a simple process of Korea buying U.S. weapon system. It was followed by generation two, which was more of FMS purchases with parts and components supplied by Korean industries to U.S. prime contractors under offset arrangements.

There were a few cooperative R&D efforts that were mostly driven by government research institutes. One good example could be the joint research effort to develop technologies required for developing 2.75-inch rockets, also known as K-LOGIR, in the 2000s. Also in this year, the ROK and U.S. agreed to begin working on joint research projects for core technologies in the areas of ground, wireless, laser, and communication network technologies, through a bilateral meeting called the ROK-U.S. Technological Cooperation Subcommittee, also known as TCSC. Although there are, again, very few joint programs for developing a full-fledged program, the ROK and U.S. did successfully develop T-50 advanced trainer aircraft through the partnership driven by technology transfer. Despite failure to win the contract for the advanced trainer program, T-50 has been exported to a number of third countries.

Among all these cooperative efforts, some of them partially fulfill the requirements of the third-generation partnership, which are joint R&D, joint production, and joint sales. It was, however, unfortunate that most of the joint programs never reached the level of systems development and were not
performed on an equal footing, which shows that there is much more room for improvement in terms of how we cooperate. It is my belief that the topics we discussed throughout the two days of the conference will form the basis of the third-generation partnership in defense industry, while being a good first step for further strengthening our relationship. The ROK government’s current security policy prioritizes acquiring advanced weapons systems on the one hand, and securing weapons development capability on the other, under the aim of building smarter and stronger armed forces based on the state-of-the-art technologies the ROK continues to aggressively push forward with policies to promote defense science and technology development.

This is well represented by the government’s budget that has authorized a record amount of national defense budget, amounting to $42 billion for 2020. Around $34.5 billion was invested in force improvement program which is spent on acquiring advanced capabilities and nurturing defense industrial base, while $14 billion is to be allocated for next year. According to ROK’s 2020 to 2024 mid-term defense plan released in August this year, the government will authorize force improvement budget amounting to $87.2 billion for next five years. While R&D costs accounted for 7 percent of total national defense budget in 2019, ROK plans to further expand its investment in advanced weapons systems to 10 percent of the defense budget by 2033, as prescribed in the 2019 to 2033 defense science and technology promotion policy.

Instead of simple quantitative growth in investment, ROK has been pursuing to develop cutting edge technological weapons systems as it continues to work toward drawing a road map that focuses on eight strategic technology areas including autonomy, AI-based surveillance and reconnaissance, hyper-connected intelligent command and control. With the government’s strong willingness to making considerable investment in such areas, we expect to see more opportunities for cooperation that will bring synergy to partnership between ROK and U.S. industries. Furthermore, the efforts to harmonize respective R&D acquisition and the industrial policies should be the key to the success of our third-generation partnership efforts.

The ROK and U.S. should closely coordinate to minimize any inefficiency that may arise through the process of joint development. It is true that Korea has maintained a protectionist policy to support the growth of domestic industries, while remaining to be a closed market that is mainly driven by requirements of its own armed forces. It also lacked institutional approaches to support cooperative R&D programs with international partners. And in the perspective of the United States, the most important factors when reviewing potential partners who will share advanced technologies and cost burden would be confidence in the partner nation’s technological capability and ability to safeguard critical technologies. To overcome this institutional and environmental obstacles or gaps, the ROK is heading towards bringing overarching reforms to Korea’s acquisition process that would open up possibility of engaging in international cooperation, even from the stage of preliminary research of an acquisition program.
It is also working to create an open environment that is favorable to R&D programs and defense industry by making full use of guidelines that support cooperative R&D efforts. The ROK government also placed top priority on defense technology security, which is directly connected to mutual trust and benefit of the alliance, to modernize our policies in safeguarding critical technologies. As part of efforts to better safeguard defense science and technology, DAPA established a new office dedicated to technology security back in 2014, as part of its restructuring effort and enacted the Defense Technology Security Act in 2015.

All such measures have brought institutional reforms that would enable more effective and full-fledged protection of defense technology. There are also bilateral and global events hosted by the ROK every year, including the ROK-U.S. Defense Technology Security Consultative Mechanism, DTSCM, an international defense technology security conference under the aim of building a world-class technology security mechanism. Lastly, to realize the very first case of successful third-generation partnership, the two countries must work closely to find ways to harmonize their respective policies while discovering areas for cooperation as well as common requirements that would help build a willing partnership. This would require mutual understanding of acquisition priorities and plans by both of our nations.

Alongside with ROK’s commitment on making policy and institutional reforms, the U.S. should also do its part to lower any legislative or institutional barriers for the purpose of realizing the third-generation partnership. While discussions on such issues could be done through bilateral venues, it is my hope to take this conference as an opportunity to initiate an official dialogue between the two nations. There is a famous saying, quote, trees with deep roots do not sway, unquote, in an old Korean poem. While the two countries have been experiencing major developments in recent months, some have experienced – or, expressed, rather – their concerns of the relationship. I think, however, that the ROK-U.S. alliance is like a tree with deep roots. The alliance, which is deeply rooted in the mutual trust, will not sway, regardless of any surrounding circumstances. And the two countries will soon be able to produce abundant leaves and fruits based on those firm roots.

I’m confident the defense industrial partnership that we have discussed today and yesterday would become the driving force to growing much stronger roots of the alliance. When the two countries engage in defense industrial partnership based on their competitive advantages in technology, the alliance would allow us to maintain an absolute advantage over adversaries, while improving readiness and preparedness of the alliance. And I have no doubt that the partnership will contribute to building peace not only in the Korean Peninsula, but also in Northeast Asia.

Thank you so much for your attention. (Applause.)

KEVIN FAHEY: Good morning, everybody. It’s an honor to be here, participate in the continuing of a – you know, a long relationship with the Republic of Korea. You know, I’m
honored to be part of this. And I see there’s huge opportunities to continue our relationships and improve relationships. And, you know, the good news with following the minister is I have a lot of similar things to talk about. And I do welcome the minister to the United States.

As you probably all know, is our partnership with the Republic of Korea is front and center with our National Defense Strategy. You know, I’d be remiss – I always start – we’re always focused on our National Defense Strategy. And if you think about what it is, in every aspect the Republic of Korea is part and parcel to it, because as you know in a lot of our operations, they are a partner, and a coalition partner, critical to how effective we are.

You know, our three lines of effort obviously being lethality and readiness, strategic partnerships and alliances – which we’re here to talk about a lot – and then third, which I think is also critical to what we’re talking about today, and that is reform, right? And if you think about it, there’s nothing always – in every country, reform always tends to talk a lot about acquisition. But as the minister talked about, there’s a lot of reform. And part of it is policy, right? How do we make sure that our policies support what we’re trying to do? And I think there is no area that we believe has a bigger opportunity than our international aspects of what we’re trying to do.

You know, South Korea has been and will continue to be a valued strategic partner. We have a deep, long relationship. And I’ll tell you, you know, as you heard, so I had a 34-year Army career. I retired for a couple years, and then I was a – you know, I guess at a weak moment I agreed to come back. You know, sort of like the minister. But I’ve been involved in almost every relationship, right? Government-to-government relationship, government-to-industry relationship, part of an industry-to-industry relationship. And when you talk government-to-industry, it’s both ways, right?

And I think that, you know, as we go forward the opportunities are unlimited, right? I mean, you look at current programs like the F-35, where not only the production but, you know, the awarding of the maintenance repair in Omaha to South Korea. And, you know, look at – when we look at our capabilities today and into tomorrow, a big part of cooperation is interoperability, because we are – our plan is to never fight alone. We will always fight with our coalition partners. And so having a common programs and having common capabilities is really important. In many instances, you know, it could be, you know, I think when we look to the future, you know, co-development is where we need to start.

And I’ll talk a little bit more about that, because if you look at some of the future technologies, and I’ll talk about them, even in the United States we tend to think about a technology that is the same way we look at old technologies. But in some instances in the future, we got to look at what is the concept of operation of these technologies. So I think cooperation starts when you look at new technologies like hypersonics. You’re starting in how do we look at a joint capability requirement and a joint concept of operation capability. And then you
look at, you know, what would be our coproduction or, what I would call, our integrated supply chain of those future technologies?

You know, and so my view is in today’s world when you look at what we’re trying to do, is in a lot of instances when you start with new technologies we sometimes don’t look at the industrial base early enough in the program, and so when we get into the production of those programs sometimes we haven’t looked at the integral industrial base. So I think that’s a huge opportunity. And, you know, I think, you know, in my perspective, as we look for the future opportunities is how do we look at a collective strategic objective, right as – in areas that we both have a capability need, right, and we both have a concept of operation of how we’re going to use it.

I think you know in the Department of Defense we really have two focuses that are not separate, but they’re together. One is, how do we accelerate technologies? And I know the minister met with Dr. Griffin, who’s the undersecretary of defense for research and development yesterday. And I think most of you know our ten technology areas, which do change on occasion. But today they’re, you know, hypersonics; you know, directed energy; you know, command, control and communication, which has been our technology requirement for will be in the future; space, both offense and defensive; cybersecurity, which I’ll talk more about; artificial intelligence, machine learning, we put those together; missile defense, which there’s probably no capability that we look that we need to be cooperative on that kind of activity; quantum sign-ins and computing; microelectronics is probably as much an industrial base issue as it is a technology issue, right; and then autonomy.

And then the second thing that we’re focused on in the department, which I think is part and parcel, is then how do we speed acquisition, right? And if you look at the things that we look at as speeding acquisition is – a lot of it does go to reform and policy, and how do we do better? And in almost every instance, which I guess I wasn’t paying as much attention to until the job I have, is as much as it’s a Department of Defense thing, it’s across the federal government, right? I mean, there are other agencies – you know, whether it be the office of management and budget, or the Department of State, that they all have to be together on most of the instances, when we’re looking at how do we do better?

And then you look at other areas that we’re focused on, as the minister talked about, is how do we improve the overall contracting procurement processes. And then you know, as you tell, I talk about it a lot, is how do we collectively, across the world, have what we call a resilient and secure industrial base, right? And I’ll talk a little bit more about that. And then the other people – other place we look at is how do we make sure we train our people to do the job.

So I think a good example of the other kinds of things we got to think about is this idea about how do we secure our industrial base, right? You’ve – probably a lot of you have heard that in the United States we’re on this path to how do we certify our industry to say that they’re cyber compliant? And if you think about it, that’s not just a United States thing, because that’s an industrial base thing,
right? So as we have joint partners across the industrial base, how do we make sure that we all have a secure industrial base? And if you think about it, is one of the things that tends to be – one of those things that we ought to pay attention to is the intellectual property, and how do we collectively develop things and protect them across the industrial base?

So that, as you know, tends to be – cybersecurity tends to be an all-encompassing thing that I think we could work together, both from an industrial base perspective, weapon system resiliency, and then obviously in the operations that we conduct. You know, the – I believe, if you think about it, I’ve been around, as I told you, a long time, because I don’t think we’ve ever been more focused on how do we do better in international opportunities, right? And that when you have a strong partner, like we do in the Republic of Korea, it makes it a huge opportunity. It’s still not easy, but it’s easier than it had been, as far as how do we work with the policy people and the different federal agencies.

And I’ll tell you, within the Department of Defense, looking at international programs and international partnerships is now encouraged, where before it was – what I was saying – it wasn’t discouraged, but it wasn’t considered part of people’s focus. One of my bosses, the undersecretary of defense for acquisition and sustainment, Ms. Lord’s priority is whenever we do things, how do we make sure we think from the beginning of a weapons system – how do we make it an international cooperative program, right? So how do we make things, ensure things are exportable, or we are in a joint development opportunity?

You know, again, I really do think, you know, our opportunities are plentiful. I do think that one of the things that we should think about is what is the high priority, critical areas that we collectively have a capability need that we will be working in a cooperative engagement. And, you know, one that’s easiest to talk about is, like, integrated air and missile defense, right, and especially in the area. So how do we look at where we have a joint capability needs into the future? How do we start an early development? To include, what are the concept of operations, right, on how we would use that technology? And then I think, as we look at those technologies, and then we look at what it would look like from a United States-Republic of Korea integrated industrial base capability, to base – to best apply that capability, I think would be a huge opportunity.

Some of the concerns I have in a lot of instances is we have a tendency to look at everything and anything, and we never get to progress. And so I always tend to have this idea of theory of constraints, right? Pick the things that you think are probably the most of capability that we both need, especially in the area of operations that we’ll be working together, and see how do we start those technologies, and then concept of operations, and then how we would have an integrated industrial base to support it. So I do think that the opportunities are huge. I do believe that under the current administration international partnership is a high priority. You know, I was going to point out, as you think about it, when we got our new secretary, Secretary Esper, and new chairman, General Milley, almost immediately one of the first places they visited with Korea,
because it is such an important strategic alliance. And, as you know, they just committed to continuing that relationship well into the future.

So, with that said, I look forward to your questions. (Applause.)

HUNTER: Well, thank you, gentlemen, both of you, for those remarks. Very interesting stuff. And I look forward to having the opportunity to give you a couple of questions, if not three questions, before we turn to our audience. I think it’s really quite interesting. We’ve had the privilege to host conferences here at CSIS in cooperation with DAPA for a number of years now. And I think this may be the point at which the conversation about defense industrial cooperation is maybe the most advantageous one that we could be having right now. As is mentioned, you know, there’s a lot going on in the world. Korea has been – the Korean Peninsula has been a focal point of security thinking for an intense attention for a number of years.

And that’s been true now for a while, but it really seems like maybe the biggest opportunity for deepening the relationship right now may be in the defense industrial cooperation area. It’s a huge priority, Kevin, as you mentioned, for the administration to expand the U.S. industrial cooperation around the world. And I think there’s huge opportunities with the maturing of the Korean defense industry, their emergence as a major player in the global defense market, for that to be – for there to be a lot of progress in this area.

So my first question kind of follows up, Kevin, on a point you hit towards the end of your remarks, and that the minister also hit, about identifying the key areas that look most ready for deepening bilateral cooperation. I think missile defense was mentioned potentially as one. And I know in previous sessions that we’ve had there’s been a focus between the two countries on autonomy and autonomous systems as an area of opportunity. During some of the discussions yesterday, there was also mentioned the attractiveness of the Koreans’ advanced capabilities, and display technologies, and all the applications that that might have. But I would start by asking the two of you for your thoughts on what you see as really ripe opportunities for deepening cooperation. And, minister, if you would like to start.

MIN. WANG: Well, thank you very much for your question, Mr. Hunter. Regarding bilateral cooperation, there will be many areas and we can think of many modes of cooperation. But yesterday I visited Pentagon and Assistant Secretary Dr. Griffin for R&D, and we talked about science and technology and its role in our country’s defense industry. And we struck a lot of chords when we talked about these issues. Given our current technological advantage, there are some urgent matters that we should pay attention, but the entire world is facing the same fourth industrial revolution, which is evolving very fast.

So this fourth industrial revolution-related technologies is sort of like winner-takes-all type of technology. So whoever advances the fastest will take the entire share. So we need to cooperate in this rapidly evolving areas. And it will be more meaningful for our cooperation. Dr. Griffin mentioned to me several
things. First was microelectronics area. This is not just related to the defense areas, but it can also extend into private industry. And Korea also is paying a lot of attention to these microelectronics. And Dr. Griffin was well aware of Korea’s potential in this area. The second one is supersonic. As you all know, this will be very important for missile defense and et cetera.

Lastly, we agreed that miniature satellites as a group type – group format, that’ll be a very important thing. But this is of high interest amongst DAPA. And we are looking at many vendors with high technologies. This is not well so much known to the world, but we are currently having the fourth projects in the Middle East regarding this miniature satellite. I’m sure there’ll be other areas regarding platform-based projects. But we need to feel the urgency in promoting these projects. And these will be the core technologies. And we need to expedite our cooperation in these areas. I hope this helps and hope this answers your question. Thank you.

MR. FAHEY: Yes. Just to add, you know, I wrote down some items, and some of them are exactly as the minister talked about, is, you know, probably first and foremost microelectronics is something that is today, right? And so it’s a technology of how do we do it in the future, but it’s a today’s problem. So I think that’s a huge opportunity. I would – and they’re sort of related but not really, right – so there’s the whole idea of command, control, and communications, right? I mean, and what I would throw in there is the whole concept of 5G, right? I mean, we all know that that technology is here today. We all know that China to a large extent is – without a doubt – the more prevalent.

And so I think as a cooperative opportunity is what are the things that we would have to do? And that’s both a technology and an industrial base thing, to make sure that we are in control of our command, control, and communication. A few of the other ideas – you know, in today’s environment and in the future I always put cyber in there, right? If you think about cyber, as I spoke, it’s everything from how do we protect our industrial base to how do we make our weapons systems resilient and how do we – I mean, I think the third part of it, which is the cooperative opportunity, is how do we operate in a contested environment? And I would say that’s both in a cyber arena and in the electronic warfare arena, because both of them are technologies that advance fast. And we know that our adversaries keep advancing.

And then I do believe, just in the nature of the opportunities of us, how we work together today, the whole idea of integrated air and missile defense is a key one which has a lot of technologies which obviously the miniature satellites could be part of that whole picture. And then the last would be artificial intelligence, machine learning, and autonomy I sort of put together. As we are both advancing that and working together – because I think a lot of our ability to advance the technology fast is how quickly we learn from what we do, right? So those are the areas where I think there are good opportunities that are here to work on and will be into the future.
MR. HUNTER: Well, thank you very much for that. (Coughs.) Excuse me. Do you see opportunities for other partners working together with the U.S. and Korea? So in other words, not just a bilateral cooperation but building on that bilateral cooperation with other relationships both nations have around the world to add to that partnership and to expand it outside of just the bilateral relationship. So I’m thinking a little bit in yesterday’s dialogue, there was some discussion about work that Korea has underway with Australia, which is also obviously a huge partner of the United States and one that we’re working closely with, even on some of the technologies that you both just mentioned. Mr. Minister.

MIN. WANG: Yes, of course. Our two nations’ cooperation is important, but multilateral cooperation will be possible. And of course, there should be some conditions that should be set and be satisfied that we pursue common values. And those nations and partners will also full commit to protecting national security-related technologies. When it comes to the example of F-35, it’s a successful case where only those trustworthy partners can take part. However, from the perspective of the ROK I don’t think we are fully ready to expand our cooperation with the many different nations at this moment. When it comes the KF-X, our next-generation fighter, we are producing it in joint partnership with Indonesia. And it is going very well. So as Mr. Hunter pointed out, whether it’s trilateral or multilateral I think it’s feasible down the road and it might happen down the road. And I agree. Thank you.

MR. FAHEY: I would just add, I agree wholeheartedly with the minister. I think there’s absolutely opportunities to do that. And I think in some instances when you work on what is the code development, you might see that there’s opportunities where you go into what is the integrated industrial base, that maybe between the United States and the Republic of Korea we don’t have the most resilient industrial base for that technology, that we bring in other partners to fill those areas that were most critical. And probably 5G is one of those things that having a multinational opportunity could be key.

MR. HUNTER: Minister, you brought up the cooperation or the work that Korea’s doing with Indonesia. And one of the, I’d say, full realizations of the vision of a next-generation partnership is the idea that the U.S.-ROK partnership isn’t just a matter of us selling to each other but is a matter of being partners in the global defense market. And do you see other opportunities? Indonesia’s a good example, I think, because that next-generation fighter I think grew out of the T-50, which is a partnership between the U.S. and Korea. Do you see other opportunities either in the technology space, other products or technologies, that the U.S. and the ROK could partner on in third-country markets? Or just other countries that you see as natural partners that fit with both the U.S. and Korea, and our industrial bases?

MIN. WANG: Yes. I fully agree with your question. What we’re discussing today, which is third generation defense industrial cooperation, was brought up by Dr. Hamre last fall. And when I heard that, I just fully agree with it. And I started, even though small, I just started right away. So far we’ve been saying that the second-generation defense industrial cooperation, but for T-50 we incorporated some of
the U.S. technologies. And we are advancing into the third countries with this product. Of course, U.S. and ROK relation in cooperation may materialize and more efficiently in other countries. And I think it is always possible for us to go into – or advance into a third country with our cooperation. Thank you.

MR. FAHEY: You know, I agree. You know, you think about it. And sometimes the complexities of coming up with a joint development and production program, in a lot of instances it’s the – it’s the timing of need, right? If you think about it even within the United States across services, you know, sometimes the Army wants something before the Marine Corps, even though it’s the same capability. So that’s where, when I talked about picking the few where we both know that we have a capability need now and into the future, and then how do we do the concept of operations together? And then instead of building the development program, and then figure out the integrated industrial base, the challenge on that is the timing of both of us needing the capability at the same time. That’s part of the complexity of it.

MR. HUNTER: I’d like to turn now to our audience for questions. We got a good group today. If you have a question, please raise your hand. We’ll bring a microphone around. Tell us who you are and ask a brief question. We’ll start here in the front.

Q: Chris Macrae, EconomistAsia.net.

So I was lucky. In 2017 I went to the first summit that Moon Jae-in spoke to an international audience. And it was on basically futures of technologies for places and cities, not specifically defense. But what was amazing was all the sorts of exhibits there, you know, I haven’t seen stuff as advanced as that, apart from possibly sometimes at MIT. So I was wondering if there Koreans could maybe sort of square the circle. How do we link what citizens and defense can do? I mean, one thing that stood out absolutely amazingly is the ability to build technology suburbs for up to half a million people in two or three years, but to be a sort of complete 5G IR-4 space. And so that – you know, that has advantages for citizens, it has advantages for technology, defense, everything. So just wondering if there’s a way to square that circle so we understand all these important futures from everyone’s point of view.

MR. HUNTER: Yeah. That’s a great question. I know the last week we had the Reagan National Defense Forum. And a lot of events around that that many of us attended. And there was a lot of discussion about the connectedness. And those who follow the discussions in the United States, the chief of staff of the Air Force has talked extensively about how in the future the systems that talk to each other are the systems that are going to make a difference. And those that don’t will be very much less relevant in the future. So this idea of kind of connectedness, the Internet of Things, which is maybe the one buzzword we haven’t yet hit, so I’m going to throw it on the table. I would love to hear the panelists talk about how they see that connectedness playing into the systems of the future, and the possible partnership here.
MIN. WANG: As for me, I work at DAPA and I am here as a representative of this Korean agency. And may sound a very broad vision. But I think this kind of question can be better answered by a person who has a broad overview. But as a government official, allow me to share my personal view. Of course, I believe the future direction of society should be geared towards moving forward for the welfare of humankind. Of course, defense is important. But effectiveness and welfare and the efficiency are all important. So the integration should be pursued in consideration of all that. And we put it as ubiquitous city, in Korean terminology, and all local autonomies will build small or medium-scale cities that have AI system fully built in. And I think it can even fully blossom to larger scale down the road. So when it comes to the general idea, I fully agree with you. Thank you.

MR. FAHEY: You know, I would add, you know, you think about it – you specifically said the Internet of Things, right? So there’s a lot of opportunity there. I mean, you don’t – you don’t go a day without hearing about the government’s cloud opportunities, right? So what you see then in a lot of instances the commercial technology is available, and then we got to figure out how do we apply it for our need. You know, cloud being a great example. The security requirements of the Department of Defense or a military operation, and then how do you make sure that it’s always available, no matter where you go?

But there’s other – you think about it, like cyber, right? When we look at the things we’re looking at in cyber, a lot of it is stuff that the banking industry or the health community already does a lot of those things. So there are commercial – you know, 5G is commercial by definition. You know, I think autonomy – if you look at autonomy, the commercial guys are ahead of us. And it’s more about how do we apply it to our applications. You know, and it’s becoming more and more.

You look at space, right? I mean where we, the Department of Defense, used to always be paying for everything in space, and today you have commercial companies like Blue Origin and SpaceX that we absolutely want to take advantage of, right? So I think as you look forward, a lot of these technologies – you’re probably not going to see a lot of commercial applications of hypersonics, right, shooting bullets a long way. But obviously space is a perfect area where you see commercial, and a big area that will help us.

Q: Good morning. John Anderson from AT&T.

So as a telecom carrier we do a lot of business internationally in South Korea with the telecoms there – SK, KT, LG U+. And one of the things that they are sensitive to in our defense networks is the NDAA and restrictions on building networks that have some sort of part or infrastructure that is utilizing Chinese manufactured and owned infrastructure and hardware. How does DAPA reconcile this sort of advice and advisement on divestment from using the Chinese manufacturing infrastructure from their need to protect the sort of trade relationships and commercial relationships with China at the same time?
MR. HUNTER: You know, so this gets at — you know, it’s interesting, the minister brought up that the rules for U.S. acquisition system in some cases aren’t always the same as the rules that the Korean industry plays by. And so we have in the last couple of years adopted as statute in the U.S. policy that certain specifically identified Chinese companies and telecommunications equipment aren’t allowed to be part of a U.S. network, and certainly very much so if it’s a defense-related network. So I guess the question then, minister, for you, would be to what extent does DAPA focus on the presence of Korean tech – or, I’m sorry – Chinese technology in your networks? And what are the rules around that? And is there a possibility of having a common approach for the U.S. and Korea there?

MIN. WANG: No, sorry, the interpretation has some lag, so I had to wait on the – she’s done with it. So for as far as the Chines goes, I cannot just pick on China. But whoever the country is, the security is directly related to the country and their national security, and the platforms related to that are very important and they all want to have domestic components for that. If they can – they cannot have 100 percent of domestic components, then they need to find some other country who can be interoperable with it, such as U.S. or something. So they need to have this interoperability to cooperate in this area. So for Korean weapon system, I don’t think there’ll be any other country that much, except for the U.S. It’s mostly U.S. So that should answer your question. Thank you.

MR. HUNTER: Kevin, do you want to talk about it?

MR. FAHEY: Honestly, I got to follow the law. So, you know, the law on that has made it pretty easy for the United States in what we do, right?

MR. HUNTER: Easy on what to do, but is it easy to do it?

MR. FAHEY: Put it this way, it’s easy to do what the law says, right? And that’s from the future on is to now allow the purchase of certain Chinese products. What’s not so easy to do is how do you police what you’ve already got, right? And that’s part of the effort, right? And then, you know, as the minister said, part of that, part of the problem is understanding the risk associated with what it is. Yeah. so.

MR. HUNTER: The gentleman closer to you.

Q: Good morning. I’m Hyun-Kyoo Shin, Maeil Business Newspaper in Korea.

First of all, thank you for having this kind of meaningful conference today. I have a quick question to Assistant Secretary Fahey. Recently the U.S. is calling on South Korea to significantly increase its defense costs. So if South Korea increases its share do you plan to do something to improve its military defense capabilities? For example, the missile range limit could be increased further from 800 kilometers or the nuclear agreement could revised, too, so that South Korea has nuclear powered submarine, like that. How do you think about it? Thank you.
MR. FAHEY: That’s an easy question. (Laughter.) So what I would say is, you know, most of the questions you asked are outside of the Department of – you know, a lot of those are treaty things and stuff like that. But we will continue to work with the – you know, the Republic of Korea to figure out how do we do the best for the operations there. And we – as you know, as we as the United States government now are relooking at almost everything as far as the treaties and compliance, and all those kinds of things. And as you know, one of our highest priorities is the modernization of the nuclear triad, right? So I think all those things are important.

MR. HUNTER: Right here.

Q: Hi. George Root, Juliet Marine Systems.

One of the things I don’t think we’ve talked much about today is the maritime environment. And certainly Korea’s a maritime country and with a lot of maritime threats. Even more than you might think, given the proximity of some of our joint enemies to South Korea. I’m wondering, is there areas where we could coordinate our development activities, particularly within the CONOPS that the undersecretary has referred to earlier?

MR. HUNTER: Thank you for that question. I just wanted to add, one of the things that came up in yesterday’s discussion is that the Republic of Korea is what I would characterize as a shipbuilding superpower as well. And that shows up in their defense exports. They have a real comparative advantage in the area of shipbuilding and maritime systems. So I’d ask the panelists to speak to the potential for cooperation in that area.

MIN. WANG: As Mr. Hunter pointed out, Korea when it comes to the shipbuilding industry, we stand at top in terms of its capabilities. We have more than one company that does its job extremely well, in that industry, as you know very well, the submarines that we didn’t have in the past are being successfully developed. And we are even exporting some of them to other nations. So if your question is confined to the shipbuilding partnership opportunities between our two nations, I think there will be a golden opportunity. There will be almost a boon for us to tap into. If we can utilize that to further enhance our weapon system I think it would be a great opportunity. I would wholeheartedly welcome that kind of opportunity. Thank you.

MR. FAHEY: I think that in the maritime there’s huge opportunities, not only from a shipbuilding perspective but, if you think about it, everything that goes on the ship, right? Whether it be the missiles, the radars, the – you name it, right? I mean, I think there’s a huge opportunity when you look at shipbuilding, building the ship is a piece of it. Integrating all the components on it is as big a piece, if not a bigger piece. And I think – so I think the opportunities would be huge in the maritime.

MR. HUNTER: We’re very heavily loaded on the right side. And that’s fine. In the back.
Q: (Through interpreter.) Hello. My name’s Hyung-bae Park (sp) from LIG Nex1.

Our company is involved in Korean business and development. And we’re receiving many of the components and parts from the U.S. regarding this aspect. We have a very good and solid relationship with the U.S. But regarding export license, it takes a long time and causes a lot of hardship. So to strengthen cooperation between the two countries, I wonder if there any way to improve on this export licensing and time it takes. Thank you.

MR. HUNTER: I know that’s been a huge initiative of the administration, starting from the earliest days and initiated directly by the president to expand exports of U.S. defense-related products and to streamline processes for that. I know that, Kevin, it’s not really your day-to-day job, but I know you’ve at least seen that happening, and get some thoughts on it.

MR. FAHEY: Yeah. What I would say is that it has been a – what I would tell you, it is a high priority. It is something that they’re looking at, is how do we improve the export-import which is – as you know, there’s a lot of pieces to that, right? One of it is – you know, part of it is what can you export and import. So one of the things that we’ve done from an acquisition, Department of Defense perspective is when you come up with a new requirement, one of the things you have to address upfront is exportability of the equipment, because you know in a lot of instances in the past we don’t address that until it gets to the point that it’s in production, and then there’s things in that item that may or may not be exportable.

So part of the challenge is, one, designing to be exportable, which is a big priority. And then the other is we have been working with the other federal agencies that – when we talk about cooperation with not only international partners, one of the huge pieces of the National Defense Strategy is how do we work better across the federal department so that we can do better in the export business, right? And we are looking at all kinds of ways to improve that.

MR. HUNTER: Hold on. They’ll get the mic to you.

Q: Yes. Emanuel Pastreich at The Asia Institute.

I had a question about basic science and also in engineering. In terms of extremely expensive facilities for fabrication, are there plans for how, say, Korea and the United States could sort of combine their resources for basic science, and also for engineering research at the universities and research institutes?

MR. HUNTER: OK, so you’re talking more on the S&T side, not so much on, like, a foundry or more production –

Q: Well, it could include that. Of course, there are some extremely expensive new technologies. I mean, I guess in my own field, which is technology for nat defense, I’ve seen it’s become increasingly a burden – (off mic).
MR. HUNTER: Yeah. And that’s an interesting question. I think in previous conference we’ve also talked a little bit about the opportunities for cooperation between universities in addition to the opportunities for cooperation between industry. So I think the gist of the question is there’s some very high capital-intensive investments that are required for basic research and for some advanced manufacturing capabilities. And do you see an opportunity for some joint investment in that area as part of this initiative?

MIN. WANG: If I understood your question correctly, of course G-to-G joint research, not only that but industry-industry, and industry to R&D, and college to college, a wide array of co-research and co-development opportunities should be explored and should be possibly, especially in the context where current technology is not coming out of a silo but it’s more coming out of a wide array of different things. So I think this integral approach is something that we got to positively review. And I fully agree with you in that regard.

MR. FAHEY: (Off mic) – add, right? So that was sort of some of the things I was talking about earlier. When you look at something like hypersonics, right, because we the United States government don’t have a good industrial base. So if you look as something like that as being cooperative development program. Part of what my vision would be is we’d also look at what is the industrial base infrastructure in both countries to make it, you know, viable. I think there’s quite a few examples of that, right, is when you start building it up, what are the capabilities across the countries and where would you invest to come up with an integrated supply chain.

And you know, just to further – you know, we do have quite a large cooperation with the Republic of Korea from not only industry-to-industry and college-to-college. Within the Department of Defense there’s all kinds of exchange programs that we have where they work in our labs and we work in their labs.

MR. HUNTER: And one thing maybe to add to that, from yesterday’s conversations, is – and it was referenced actually in the minister’s speech about the level of direct foreign investment happening both directions in the alliance. But in the groups that we had discussing yesterday industry on both sides are making pretty substantial investments in new manufacturing capabilities that are tying into advanced supply chains. There was a discussion about 787 advanced manufacturing facilities that have been built in Korea. And I know there’s also a lot of Korean investment currently coming into facilities in the U.S. on the defense side as well.

Here.

Q: Good morning. Michael Kim (sp).

I helped negotiate the U.S.-Korea FTA. And have also been part of the implementation. (Coughs.) Excuse me. So one of the things I’m wondering about is what is the role of the FTA? I realize that the defense articles is not part of it, but I have been on one of the U.S.-Korea FTA committees where we were
helping one of our U.S. companies who was exporting military technology to Korea and involved classified technologies. Nevertheless, the Korea customs service was asking for this information. I think there’s some kind of disconnect. And I’m wondering what is, like, the Korea interagency doing in terms of resolving these types of issues that are holding U.S. exports? Thank you.

MIN. WANG: Well, this is the most difficult question that I got today. I haven’t thought about the relationship between the FTA and defense material due to this clear line of security. Although I’m taking questions from the floor, but even when I go to National Assembly and the question, if there’s any sensitive issue we send it to some closed session and nonrelevant people will be kicked out of the floor at the National Assembly hearing. So I haven’t prepared my answer regarding these lines of questions that might confuse you or might not be accurate. So I would like to limit my answer to here. Thank you and sorry.

MR. HUNTER: I will say that, again, in yesterday’s discussion there was talk about how a reciprocal defense MOU could potentially facilitate defense trade. The United States has such MOUs with a range of other countries. I think the focus in yesterday’s dialogue was on an R&D MOU that might serve as a facilitator. Not exactly a free trade agreement, per se, but definitely would facilitate more open trade. Has implications within U.S. law for some of the domestic sourcing requirements.

I think we have time for just one more question. I’m sorry, let’s have this one in the back. Sorry.

Q: (Through interpreter.) Good morning. I am reporter Chung-moon Lee (sp) with JoongAng Daily in Korea.

As it was asked before, when it comes to military burden sharing I have a question. When it comes to military burden sharing or SNA, this is being discussed between our two nations. And related to that discussion the military purchase that Korea got from U.S. is quite significant when we consider that as a significant contribution to military burden. And I would like to hear from Mr. Secretary, what’s your personal view? And as the negotiation goes ahead, if increased purchase of military articles or more burden?

MR. HUNTER: So as was pointed out, and I know has been a highlight of some of our previous conferences, that there’s been substantial purchases of U.S. equipment by Korea. And that sets up obviously long-term partnerships not only in development, production, but also in sustainment. And we see that in the data as well. So, Kevin, if you could talk a little bit about what you see as the future prospect for Korean purchase of U.S. equipment, and how you do that.

MR. FAHEY: You know, so the way I would look at it, right, so obviously as we develop out systems most of our stuff would be available for purchase. But I think your idea is more of how would it be reciprocal, right? And that’s where I believe is – the best thing to do is when you have an early-on program that identifies, hey, here – it tends to be, in my opinion, a timing of need, right? And when the both
countries need things at the same time, and the stated development is what it is, then it’s easier to come to an agreement that would be, you know, what could be considered an offset, right? And then that’s where you could come to agreement about how do both countries’ industrial bases capitalize on that cooperative agreement, right, because – and every one’s different.

As we talked about earlier, is sometimes it’s a department – a nation-to-nation thing. And that’s where we tend to be able to sort of at least mold the agreement. In some instances, it’s industry-to-industry, where the industries decide on how they could best work together. And then in a lot of instances it’s government-to-industry in both directions. You know, as our industry either sells it as a direct sale or a foreign military sale. And so that’s why I think there’s so many different opportunities. What would be determine what would be the offset is what – how is the opportunity originally constructed and when was it constructed? I think in many instances the earlier you have the agreement, the better it is to have the right agreement across the board, from an industry perspective and a department perspective.

MR. HUNTER: Well, thank you very much for that answer. And I really appreciate both of you giving us so much time and answering so many questions. Many more, actually, than I anticipated we would get in. So I very much appreciate your willingness to do that. I’m really struck as we’ve heard this discussion about the kind of mutual spirit of goodwill and cooperation that we had at the table, and that was true also in our discussions yesterday. Tremendous opportunities, I think, in this deeper new generation partnership. So thank you for highlighting that and giving us that leadership perspective. And I want to thank everyone for coming today. And please join me in appreciation of our panelists with your applause.

(Applause.)

(END)