

Up in Arms: Europe 's Arming of South Korea and its implications for Peace in East Asia

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1) Introduction

Analysts use stark words in describing the Korean Peninsula — ‘one of the most explosive powder kegs in the world’ or ‘the most dangerous place on earth.’ Such frightening images have deep roots in reality. During the Cold War, the Korean people lived directly under the shadow of a threat of cataclysmic conflict breaking out on Korean soil between the then two global superpowers, the US and the Soviet Union. ‘In no corner of the world were the two principal Cold War antagonists more directly in confrontation than on the Korean Peninsula’, though the latter was usually seen as a mere flashpoint beyond the European epicenter. 2 If the subsequent fall of the Berlin Wall initially raised hopes that demilitarisation would spread to the Korean Peninsula, it did so in vain. Instead, while talking about the end of the Cold War, the US government has proven unwilling thus far to break its old Cold War habits in the region. In addition, the Korean sub-system proved to have its own complex dynamic of conflict, independent of these external events, however momentous. 3 Today, with South Korea still ensnared in the US’ web of geo-political influence, but with a new and potentially promising opening for ending the Cold War on the peninsula in the offing, ‘the border that divides Korea, known without irony as the Demilitarised Zone’, remains ‘the most heavily fortified frontier in the world.’ 4

Tensions on the Korean Peninsula remain quite high, a fact that is helping to fuel an arms race there that needs no help, but instead is spiraling out of control, perhaps even toward ‘nuclear breakout.’ 5 While tensions fuel the Asian arms race, country by country arms build-ups in turn raise tensions further, which in turn works to justify further arms build-ups, and so on. If fears of a devastating war on the Korean Peninsula in the new millennium remain real and deep for many, there are others who, in the meantime, have begun to thrive in this tense post-Cold War environment. The South Korean defence establishment, along with counterparts in the US and Europe, have been among the main beneficiaries of South Korea 's relatively large (and growing) military budget despite the East Asian financial crisis, and defence industry restructuring because of the same crisis, in the late 1990s. Indeed, the country became one of the leading conventional arms recipients worldwide in the 1990s, and clearly intends to maintain that dubious status in the immediate future. Meanwhile, it also appears poised to become a high-tech arms supplier of some importance in the new millennium as well — a development that does not bode well for peace on the Korean

Peninsula, nor in Asia more generally or even other ‘hot spots’ acquiring such weapons.

On the eve of the third Asia-Europe Meeting (or ASEM III) in Seoul, one striking aspect of the ongoing arms build-up in South Korea today is the growing importance of the European defence industry’s share. Previously dominated to an overwhelming extent by the US, arms flows to Asia in general and to South Korea in particular are seeing increasing, though still limited contributions from European countries, especially France, the UK, Germany and the Netherlands. These countries’ direct contributions to a military build up in South Korea can be seen in various forms, and European interest in investing in South Korea’s burgeoning defence industry is on the rise too, creating indirect opportunities for European companies to expand export markets and sell arms to impoverished countries or pariah states. Equally important, this European push to add its weight to the arms build-up in South Korea in particular, threatens to undermine recent initiatives between the two Koreas to reconcile and move toward peaceful reunification. Taking off from the basic premise that an arms build-up in South Korea can lead to conflict on the Korean Peninsula and in Northeast Asia more generally, this article looks into factors driving the current European arms flows to South Korea, and its implications for the challenge of building peace there.

2) Focus on South Korea: Basic Facts, Figures, and New Developments

South Korea’s Rise as a Major Conventional Arms Recipient in the 1990s

Throughout the 1990s, South Korea made a rapid climb to become one of the world’s leading arms recipients by the end of the decade. In the period 1990-1994, it ranked 17th on the list of 50 leading recipients of major conventional weapons. By the period 1994-1998, it had moved up to the fifth position, this despite the country’s major currency crisis in 1997 that led to a defence budget crunch and caused delays in procurements.⁷ Today, South Korea ranks as the fourth largest recipient of major conventional weapons, after Taiwan, Saudi Arabia, and Turkey (see Table 1). More generally, South Korea’s recent ascent into the top five arms recipients worldwide helps to underscore the fact that ‘since World War II, the location of the main export markets has changed from Europe (1950s-70s) to the Middle East (mainly in the 1980s) and Asia (1990s, especially since 1995).’⁸

Table 1. Transfers of Major Conventional Weapons to the Leading Recipients, 1995-1999¹

Recipients	USA	Russia	France	UK	FRG	Neths	China	Other	Total
Africa	176	899	272	42	26	1	80	982	2478
Americas	1540	612	518	1297	528	213	--	3088	7796
Brazil	175	--	68	834	266	1	--	220	1564
Others	1365	612	450	463	262	212	--	2861	6232
Asia	20996	9888	6362	1822	1161	574	1566	5003	47372
China	--	3346	197	16	--	--	--	435	3994
India	--	3469	80	217	136	369	--	366	4637
Indonesia	6	--	35	682	539	14	--	55	1331
Japan	4250	--	--	45	8	--	--	40	4343
Kazakhstan	--	816	--	--	--	--	--	--	816
South Korea	4904	203	267	76	454	51	--	56	6011
Malaysia	523	690	43	686	--	19	--	613	2574
Myanmar	--	86	--	--	--	--	621	--	707
Pakistan	360	122	527	3	--	40	345	1476	2873
Singapore	1122	28	49	17	--	58	--	466	1740
Taiwan	8716	--	5154	--	--	--	--	86	13936
Thailand	1042	--	13	8	22	25	448	836	2394
Viet Nam	--	858	--	--	--	--	--	62	920

Others	73	270	--	72	--	--	152	528	1096
Europe	10648	1829	984	657	1888	607	19	2192	18824
Greece	2491	248	118	16	722	366	--	130	4091
Finland	2244	206	30	3	--	1	--	29	2513
Italy	569	--	4	368	43	--	--	--	984
Spain	900	--	149	82	135	10	--	112	1388
Switzerland	1672	--	--	--	--	--	--	--	1672
UK	532	--	37	--	25	--	--	332	926
Others	2240	1375	646	188	963	230	19	1507	7250
Middle East	19570	1396	3589	3520	2339	842	548	1453	33257
Egypt	4379	143	2	--	10	196	--	11	4741
Israel	2348	--	47	--	510	--	--	--	2903
Kuwait	1588	207	314	538	--	--	--	75	2722
Qatar	--	--	828	270	--	35	--	1	1134
Saudi Arabia	6659	--	96	1988	--	--	--	550	9231
Turkey	3533	142	491	74	1815	33	--	373	6461
UAE	234	542	1679	193	4	525	--	91	3268
Others	829	362	132	457	--	53	548	496	2798
Oceania	511	--	4	4	90	--	--	905	1514
Other	1	--	1	--	52	--	--	18	72
Total	53443	14628	11731	7343	6085	2239	2212	13633	111314

Source: SIPRI arms transfers database, SIPRI Yearbook 2000.

Breaking down the data on South Korea by supplier, the United States remains the most important supplier of arms to South Korea during 1995-1999. The US led the arms trade to South Korea with a trend-indicator of 4,904, for an 81 percent share of the total. Meanwhile, South Korea stood as one of the largest recipients of arms from the US during this same period, ranking third only after Taiwan and Saudi Arabia. A distant second in arms supplies to South Korea was the Federal Republic of Germany, with a trend-indicator of 454 or 7.5 percent of the total for that period. France followed with 267 or a 4 percent share of major conventional weapons delivered to South Korea during 1995-1999. Russia was next with a value of 203 or about a 3 percent share, and the United Kingdom and the Netherlands captured a little more than and a little less than 1 percent share, respectively.

Despite the US' still overwhelming dominance in the global arms trade in general and its 'special' relationship with South Korea in particular, the four major European weapons supplier countries, France, Germany, the UK and the Netherlands — referred to here collectively as 'Europe' — still managed to get 14 percent of the arms trade to South Korea during the 1995-1999 period (see Table 2). Meanwhile, among Asian countries, South Korea figured as the third largest recipient of major conventional weapons in 1995-1999 from these same four countries combined: in terms of Europe-Asia arms flows, South Korea ranked third after Taiwan (#1) and Indonesia (#2). More generally, among all countries receiving arms from Europe, South Korea ranked as the tenth largest (see Table 3).

Table 2. Transfers of Major Conventional Weapons from Europe to the Leading Asian Recipients, 1995-1999.

Recipients	FRANCE	UK	FRG	NETH	Total
ASIA	6,362	1,822	1,161	574	9,919
1. Taiwan	5,154	--	--	--	5,154
2. Indonesia	35	682	539	14	1,270
3. South Korea	267	76	454	51	848
4. India	80	217	136	369	802
5. Malaysia	43	686	--	19	748
6. Pakistan	527	3	--	40	570
7. China	197	16	--	--	213
8. Singapore	49	17	--	58	124
9. Thailand	13	8	22	25	68
10. Japan	--	45	8	--	53

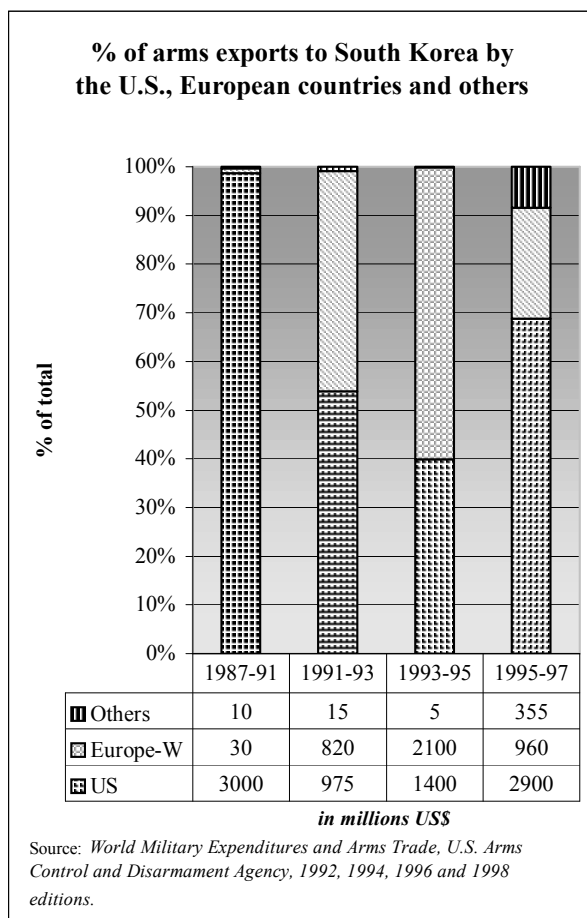
Source: Table 7.1 SIPRI Yearbook 2000

Table 3. Transfers of Major Conventional Weapons from Europe to Leading Recipients, 1995-1999.

Recipients	FRANCE	UK	FRG	NETH	Total
1. Taiwan	5,154	--	--	--	5,154
2. Turkey	491	74	1,815	33	2,413
3. UAE	1,679	193	4	525	2,401
4. Saudi Arabia	96	1,988	--	--	2,084
5. Indonesia	35	682	539	14	1,270
6. Greece	118	16	722	366	1,222
7. Brazil	68	834	266	1	1,169
8. Qatar	828	270	--	35	1,133
9. Kuwait	314	538	--	--	852
10. South Korea	267	76	454	51	848
11. India	80	217	136	369	802
12. Malaysia	43	686	--	19	748
13. Pakistan	527	3	--	40	570
14. Israel	47	--	510	--	557
15. Italy	4	368	43	--	415
16. Spain	149	82	135	10	376
17. Egypt	2	--	10	196	208
18. Singapore	49	17	--	58	124
19. Thailand	13	8	22	25	68
20. UK	37	--	25	--	62
21. Japan	--	45	8	--	53
22. Finland	30	3	--	1	34

Source: Table 7.1 SIPRI Yearbook 2000

New Trend: Increasing European Military Flows to South Korea?



In contrast to previous decades, a new trend appears to have emerged in the 1990s marked by decreasing US share and increasing European share of the arms trade to South Korea. Although the US is likely to retain its status as the most important

supplier to South Korea in the near future, the overall trend seems to be that its relative importance is on the decline compared to Europe (see the graph below). According to one source, ‘the US market share for Seoul’s overseas defence procurements eroded from over 90 percent in 1991 to roughly 75 percent by the decade’s close. The willingness among European companies to transfer technology has been a key factor in this shift.’⁹ During the period 1993-96, the European Union (EU) was responsible for 26.6 percent of all arms trade to Asia. As will be discussed further below, there are signs that European defence interests are intent on increasing their share of the South Korean market in the future.

Types of Europe-to-South Korea Military Flows

To date, the weapons trade between Europe and South Korea is characterized by two broadly distinct types of flows to the latter. The first broad type involves flows in military technology, where European suppliers link up with South Korean manufacturers under three basic production arrangements: (i) supply of external technology or parts of specific weaponry, (ii) building weapons systems under a foreign license, or (iii) engaging in co-production of weapons. Through such arrangements, a large number of European companies have supplied a wide range of state-of-the-art weapons systems that have contributed to South Korea’s push to modernise its military in recent years (see Tables 4 and 5).¹⁰

Table 4. Military Technology Flows: European Participation in ROK Arms Build-Up By Weapons Systems

Basic production arrangements			
	Weapon type	Comments	Sources
Supply of external technology or parts	KTX-2	Avionics from GEC-Marconi	Jane’s All the Worlds Aircraft (JAWA) 1998/99
	KTX-1	Involvement of European companies in development process (see table 5)	JAWA 1998/99
	KDX Destroyers	Equipped with technology of a number of companies. (see table 5)	Jane’s Fighting Ships (JSF)1999/00
	Korean Infantry Fighting Vehicle	Some parts exported from European companies to South Korea (see table 5)	Jane’s Armour and Artillery (JA&A) 1998/99
	Main Battle Tank (MBT) K1A1	Some parts exported from European companies directly to South Korea (see table 5)	Jane’s Armour and Artillery (JA&A) 1998/99
	Flying tiger self propelled anti-aircraft gun	Some parts exported to Korea by European companies (see table 5)	Jane’s Armour and Artillery (JA&A) 1998/99
	Self propelled 155 mm howitzer ‘Kooryong’	Some parts sold to Korea by European companies (see table 5)	JDW 09/06/99, p. 34.
License production	Surface Air Missile, Pegasus	Build on the French Thomson-CSF Crotale NG	SIPRI 1998
	Main Battle Tank (MBT) K1A1	Tank build on license of General Dynamics (then Chrysler Defense). Several parts produced on European licenses (see table 5)	Jane’s Armour and Artillery (JA&A) 1998/99
	Fuses for grenades	Produced by Hyop-Chin (up to 60,000) on license of Signaal-USFA	Letters Hyop-Sin and Signaal USFA May-June 1990.
	Korean Infantry Fighting Vehicle	Several parts produced on European licenses (see table 5)	Jane’s Armour and Artillery (JA&A) 1998/99
Co-production of weapons	AT-2000 training aircraft	DASA developed training aircraft. Hyundai manufacturers tail unit and parts of the centre and rear fuselage	JAWA 1998/99, International Defense Review (IDR) June 1997, p. 19
	Combat data system KDX destroyers	BAeSEMA/Samsung	JSF 1999/00

Table 5. Military Technology Flows: European Participation in ROK Arms Build-Up by Company

Country	Company	Weapon type	Sources
France	SIFM	K1A1 main battle tank (MBT) roof mounted sights (L)	JA&A 1998/99
	Thomson CSF	Pegasus missiles (aboard KDX-class)	SIPRI 1998
	MATRA(-BAe)	Mistral surface to Air missiles: 984 (1992) and 1294 (1997)	SIPRI 1998
Germany	HDW	Up to 9 submarines 209-class I build in Kiel others at Deawoo Okpo wharf.	SIPRI 1995 and 1998
	MAN	K1A1 MBT engines	JA&A 1998/99
		Korean Infantry Fighting Vehicle (KIFV) diesel engines	JA&A 1998/99
	MTU	K1 Recovery vehicle, chassis based on Leopard MBT and subsystems	JA&A 1998/99
	Rhein Aviation	F-406 Caravan II Light aircraft (also headed under France)	World Defence Almanac 98/99; SIPRI 1998.
	STN Atlas Elektronik	Torpedoes, sonars and weapon control for 209-class submarines	JSF 1999/00
		Sonars for KDX-class destroyers	JSF 1999/00
ZF	K1A1 MBT transmission system	JA&A 1998/99	
Italy	Oto Breda	127 mm guns KDX destroyers, Po Hang class corvettes, Ulsan-class frigates	JSF 1999/00
Netherlands	Parker Hannifin	KTX-1	JA&A 1998/99
	HSA	Goalkeeper guns, surface search radar and fire control for KDX destroyers, Ulsan- frigates, Po Hang corvettes.	JSF 1999/00
	Signaal USFA	Fuses (see table 4)	idem
Switzerland	Oerlikon Contraves	Flying Tiger anti-aircraft gun 30 mm	JA&A 1998/99
UK	Air Log	Kooryong self propelled propulsion system and discussion on the same system for modified M109A2 155 mm howitzer	JA&A 1998/99
	BAe	20 Hawk training aircraft	SIPRI 1994
	BeASEMA	KDX-2000, combat data system in co-operation with Samsung	JSF 1999/2000
	Dunlop	KTX-1	JAWA 1998/99
	Fairley Hydraulics	KTX-1	JAWA 1998/99
	GEC-Marconi	KTX-2: avionics	JAWA 1998/99
	(MATRA) BAe	Sea Skua anti-surface-missiles	SIPRI 1991
	Vickers	K1A1 MBT (bridge laying version) designed and produced prototype and sold launching system and bridges	JA&A 1998/99
	Westland	12 (1988) and 13 (1997) ASW helicopters.	SIPRI 1991 and 1998

In addition, European companies have recently begun to set their sights on increasing military investments in South Korea. One example of this type of military flow is the agreement signed last October 1999 between French giant Thomson-CSF (Paris) and Samsung Electronics (Seoul), South Korea 's leading defence contractor, to form a 50-50 joint venture in electronics, which reportedly includes South Korea 's ongoing short-range air defence missile system program.¹¹ The deal involves the acquisition by Thomson-CSF of fifty percent of the defence business of Samsung.¹² Another example is the recent negotiation between the South Korean government, industry officials, and leading US and European defence companies over the purchase of an equity stake in Korean Aerospace Industries Ltd. (KAI). KAI is a new defence company created last October 1999 out of the 'mega-merger' of South Korea 's leading aerospace conglomerates — Daewoo Corp., Hyundai Heavy Industries Co. Ltd., and Samsung Aerospace Industries Ltd. As of May 2000, only one US-European joint bidder, Boeing Co. and BAE Systems, was still in the running in what has been touted as a 'winning deal' expected to catapult the South Korean aerospace industry into the global top ten.¹³ By August 2000, the US-British team had already been selected as the preferred partner and was reportedly engaged in negotiating a 35 percent stake in return for US\$ 170 million.¹⁴

Emerging Ambitions as Important Arms Supplier

Finally, the ongoing arms build-up since the end of the Cold War, of an unprecedented scale in Asia in general and in South Korea in particular, has coincided with the latter's rising ambitions to establish itself as an important arms supplier to the developing world. To give an idea of the strategic vision behind these ambitions, the vice president of the Korean Institute for Defence Analysis and a long-time adviser to Defense Ministry officials on industrial and acquisition matters, Dong-Joon Hwang, was quoted last year as saying that 'South Korea should pattern its defence industrial sector after Israel, which has developed a successful niche market in defence and aerospace subsystems.' 15 South Korea's arms exports have been shifting away from mainly ammunition and parts, to high-priced, high value-added military ships and vehicles, missile parts and precision equipment as well (see Table 6).

Table 6. South Korean Weapons Exports: Some Examples

Customer	Weapon type	No.	Order date	Delivery date	Comment	Sources
Bangladesh	OPV (or frigate), Madhumati	1	1995	2001		<i>Military Balance (MB) 98/99</i>
	Sea Dolphin Fast Attack Craft	2	-	2000	Donated by RoK navy	<i>Jane's Defence Weekly (JDW) 26/04/00</i>
Brazil Not finalised.	155 mm M109A2 series	-	-	-	No US approval for sale, worth US\$ 160 million. US approval needed because 40% of vehicle is US technology.	<i>JDW 02/07/97</i>
Cambodia	Financing elite airborne unit					<i>JDW 21/07/99</i>
India	OPV, Sukanya class	7	1987	1990-97	3 build in Korea and 4 in India.	<i>SIPRI 98 Jane's Fighting Ships (JSF) 1999/00</i>
	Drones	?	?	?	See under Japan	<i>JDW 01/03/97</i>
Indonesia	FAC Dagger-class	4	1975	1979/80	Fitted with Bofors (Swe) and Rheinmetall (Ger) guns and French (Thomson CSF), Italian (Selenia) and Dutch weapon-technology.	<i>JFS 1999/00</i>
	Trucks and armoured personnel carriers				Barter deal for IPTN CN-235	<i>JDW 28/04/99</i>
Iran	Participation in multi-purpose satellite project		1998		Together with China, Mongolia, Pakistan and Thailand	<i>Defense News 10/08/98</i>
Japan	Installation of drone	1	1997		Supply a shipborne sonar dome for the Asagiri class frigate. Installation will be made in co-operation with Mitsubishi Heavy Industries.	<i>JDW 01/03/97</i>
Malaysia	armoured personnel carrier, KIFV	47		1995	Deal worth \$29.3 m.; incl. APC/CP version	<i>MB 97/98, SIPRI 96</i>
	armoured personnel carrier, KIFV	22	1994	1994	Incl. 2 ARV, 1 APC/Command post and 1 ambulance version.	<i>SIPRI 95</i>
Philippines	FAC	6		15/6/95	Fitted with (Emerson Electric (US) and Bofors (Swe) guns.	<i>JFS 1999/00</i>
	OPV, Peacock-class	3	1996	1997	Ex-RN	<i>MB 98/99, ADJ 7/1997</i>
	Patrol boats	12		1997	EX-US	<i>UN Register on conventional arms.</i>
	Fighter ground attack, F-5A	5	1997	1998	Ex-ROK. In MB 97/98 it is stated that 3 F-4A are sold most probably during the same deal as mentioned here.	<i>MB 98/99, SIPRI 1996 JDW 26/04/00</i>
Venezuela	10,000 ton-class, logistics support ship	1		1999	\$57-million	<i>Korea Herald 02/14/2000</i>

The country's reputation as a major arms recipient is of course well established. Less well known is its still limited, but growing status as an important arms supplier as well. In terms of volume of sales, one source placed South Korea in the same category as India, Iran and Norway at US\$ 50-100 million.¹⁶ More revealingly however, another source showed that Korea in fact exported arms worth US\$ 60 million in 1997, followed a year later by a substantial jump to US\$ 157 million in 1998.¹⁷ According to Defence Ministry data, arms sales went from a modest US\$ 45 million in 1996 and US\$ 58 million in 1997, to US\$ 147 million in 1998. The 1998 exports reportedly included a 2,000-tonne frigate worth US\$ 100 million to Bangladesh. Notably, as recently as 1996, 77.8 percent of the population in Bangladesh stood below the international poverty line of US\$ 2 a day, according to the World Bank's World Development Report 2000-2001, which should cast serious doubts over the appropriateness of such a sale.¹⁸ Moreover, the Ministry reported earlier this year that South Korean weapons exports amounted to US\$ 197 million in 1999, said to be the largest amount ever in over a decade. The 1999 exports, which went to twenty Southeast Asian and Latin American countries, included a 10,000-tonne class logistics support ship worth US\$ 57 million to Venezuela.¹⁹ The amount is expected to be even higher this year.

The current government has been instrumental in promoting this new arms exports direction in an effort to revive a defence industry hard hit by the 1997 economic crisis. One measure taken last year to help the ailing industry was to press leading defence conglomerates to merge and to grant the new company, KAI, a virtual monopoly of government defence contracts, in the framework of a five-year military modernisation plan worth 81.5 trillion won.²⁰ While KAI appears to be headed (at least in the short term) toward heavy dependence on South Korean government funds and contracts, its promoters insist that the company will be able to make strides in the export market. Critics however doubt whether there is a large enough market for the kinds of weapons systems Korea hopes to develop through KAI. Among KAI's future projects is the KTX-2 trainer/light fighter, now being developed by Samsung and Lockheed Martin. While the Samsung/Lockheed team intends to sell 'hundreds' of KTX-2s abroad, other industry experts have suggested that the US, the intended market, is unlikely to need any new trainers until the year 2040.

In addition, KAI has figured in another controversy that only seemingly pits economic against military needs. In March 1999, it was reported that the government was ordering twenty new KF-16 fighters as a stopgap production measure in order to ensure that KAI could avoid a situation where it has 'no new orders and [would] have to settle for the role of subcontractor for foreign companies.' Industry elites, Samsung in particular, voicing concerns about the costs of a lull in defense production before the start of the KTX-2 programme, had been lobbying the government to order more KF-16s so that its production lines would remain busy. In particular, Samsung was said to have been 'propagating' the argument that doing so would enable the country to avoid the 'enormous costs' of idle lines or a shutdown, and thus avoid lay-offs as well. But according to at least one US military procurement expert, 'continued KF-16 production doesn't make much sense economically or militarily.' Economically, it makes no sense because the KTX-2 programme is still in the developmental stages and it is therefore inherently uncertain just when it will be ready for production, implying that even if the extra KF-16s were produced it still may not lead to

continuously open production lines. Militarily, producing more KF-16s would run counter to the 'low and high' principle in air force fleet composition by overstocking the Korean fleet with too many cheaper type aircraft with only close-range coverage. Notwithstanding such concerns, however, it was Samsung's 'mighty clout' that predictably won the day. 21

Despite such unresolved questions and controversies, the South Korean government has been pulling out the stops to develop its arms export industry. Much of their focus has been on lining up buyers from the developing world, mainly in Asia and Latin America. In early May this year, a government-sponsored weapons exhibition center was opened at the War Memorial in Yongsan with an official ceremony attended by Defence Minister Cho Seong-tae and other 'defence-related officials and businessmen.' The new center is expected to become a 'must-see' venue for wooing potential foreign buyers of South Korean weapons products. Some 200 models of South Korean-developed weapons went on display, including K9 self-propelled howitzers, K1A1 tanks, KT-1 basic training aircraft, T-50 advanced training aircraft, vessels, and hi-tech electronic warfare devices.²² One news account of the weapons showroom opening quoted the head of the defence ministry's international cooperation affairs as saying that 'such efforts fall in line with the ministry's policy of grooming related officials as defence materials 'salesmen',' clearly revealing the close tie-up between the South Korean government and the domestic defence industry in a concerted effort to make the country a leading arms supplier.²³

South Korea's current arms export ambitions can also be seen in the government's intensified efforts to secure bilateral agreements on 'defence industry cooperation' with a wide range of countries in recent years. Gleaned from recent newspaper accounts, the partial list below helps to give an idea of just how intent the government has been in this endeavor to boost the country's sagging defence industry by boosting weapons exports:

January 1999 — visit by French Defence Minister on 'issues of bilateral security concern,' noting that 'France hopes its 'Rafale' jet fighter, produced by Dassault, will be selected for Korea's next-generation fighter program, while state-run DCN is seeking to participate in a submarine project for the Korean Navy.'²⁴

June 1999 — Memorandum Of Understanding (MOU) with the Netherlands signed for cooperation in defence industry, to exchange information on design and production of weapons and equipment, and to cooperate in export of weapons to third countries. 25

June 1999 — initial agreement with the Philippines to expand political and military cooperation, including personnel exchanges and joint sea rescuer operations, ROK weapons manufacturers' plans to participate in modernisation of the Philippine Navy; also, ROK ready to 'hand over retired military equipment' to the Philippines. 26

October 1999 — summit meeting between South Korean President Kim Dae-jung and Venezuelan President Hugo Chavez (first meeting of the two countries' heads of state ever), to discuss how to foster trade and investment ties; also, South Korea is bidding for various business projects in Venezuela, including defence industry schemes. 27

October 1999 — visit of Vietnamese vice defence minister, tour of Republic of Korea (ROK) defence manufacturers. 28

November 1999 — signed several agreements with Turkish defence minister, including one on defence industry cooperation; 29 the signing in Turkey is followed up with a Turkish delegation to Seoul in January 2000, for talks on defence industry cooperation, a tour of ROK weapons manufacturers; 30 further talks conducted last May 2000 as well. 31

December 1999 — talks with Mongolian Defence Minister, with visits to ROK defence manufacturers; also talks with Venezuelan vice defence minister, signs MOU on defence industry cooperation; and in addition to munitions support vessels already exported, also wins orders to undertake maintenance of Venezuelan Air Force planes. 32

April 2000 — defence officials say they will reach US\$ 250 million in arms exports this year, and expect to sign defence industry cooperation agreements with Bangladesh, Australia and Brazil, and quality assurance and technology data exchange agreements with Thailand, Venezuela, Israel and France. 33

May 2000 — nine days of talks on defence industry cooperation with three Southeast Asian countries (Indonesia, the Philippines, Thailand), which along with Malaysia and Latin American countries are cited by a defence official as Korea 's 'primary export destinations.' 34

September 2000 — four-day talks with Israeli military officials, expected to sign MOU on R&D cooperation and for exchanges of technology data and scientists. 35

In addition to grooming defence officials and personnel to be arms salesmen to developing countries, the South Korean government has also turned to the US for help. During the recent Security Consultative Meeting (SCM) between South Korea and the United States last June 2000, one Korean official was reported as saying, 'At the SCM subcommittee meetings, we will ask the US side to expedite the process of obtaining government approval for South Korean exports of defence materials to third countries, [to] step up its handling of export license procedures and [to] improve the existing Foreign Military Sales (FMS) System.' 36 The same official also said that Korea would ask for US 'support' for third-country exports of T-50 supersonic advanced trainers, an aircraft being jointly developed by KAI and the US company Lockheed Martin. While it is clear from government pronouncements and efforts as well as from industry data that South Korea is making its move into the supply side of the arms trade, what is less clear is how successful such a move will actually turn out to be according to the South Korean defence establishment 's expectations.

South Korea 's Expanding Defence Budget

In South Korea, national expenditures on defence typically reach more than 20 percent of the overall annual budget, though this decreased slightly in 1998 and 1999, probably as a result of the currency crisis (see Table 7). The persistent Cold War climate on the peninsula and US hawkish pressures has certainly contributed to the maintenance of a defence-oriented budget. When President Kim Dae-jung considered

reducing defence spending in response to the economic crisis, he was restrained from doing so by US Defence Secretary William Cohen, who said ‘I believe any reduction [of the budget] at this time would send the wrong signal, and [would] enhance and escalate tension on the Korean Peninsula. We hope that the people of South Korea will recognize this and maintain the same level of commitment.’ 37 Since then, it has been military business as usual on national budget matters in South Korea.

Notably, the South Korean national defence budget for 2000 has been set at 14.44 trillion won. 38 This represents a 5 percent increase over last year’s budget of 13.75 trillion won. Some details of the 2000 defence budget include the following:

- personnel, 9.10 trillion (up 6.8 percent)
- investment on military force improvement projects, 5.34 trillion (up 2.2 percent):
 - intelligence and surveillance capabilities, 231.3 billion for 19 projects
 - strike and retaliation capabilities, 1.45 trillion for 38 projects
 - procurements:
 - 103.6 billion for purchase of KF-16 jets
 - 20 billion for purchase of Russian kilo-class submarines

Table 7. Government and Defence Budgets by Fiscal Year (FY)

Government and Defence Budgets by FY (unit: billion won, %)						
Classification	1994	1995	1996	1997	1998	1999
Government budget	43,250.0 (13.7)	51,881.1 (20.0)	58,822.8 (13.4)	66,707.4 (13.4)	75,582.9 (13.3)	83,685.2 (10.9)
Defence budget	10,467.5 (9.4)	11,507.0 (9.9)	12,736.0 (10.7)	14,350.5 (12.7)	14,375.5 (0.2)	14,336.8 (*0.3)
MND budget	10,075.3 (9.3)	11,074.4 (9.9)	12,243.4 (10.6)	13,786.5 (12.6)	13,800.0 (0.1)	13,749.0 (*0.4)
Military manpower administration Budget	107.4 (8.0)	116.1 (8.1)	138.8 (19.6)	159.9 (15.2)	159.0 (*0.6)	142.2 (*10.5)
Combat and Maritime Police budget	284.8 (10.6)	316.5 (11.1)	353.8 (11.8)	404.1 (14.2)	416.5 (3.1)	445.6 (7.0)
Defence budget to GNP/GDP (%)	3.24	3.05	3.04	3.17	3.20	
Defence budget to government budget (%)	24.2	22.2	21.7	21.5	19.0	17.1
* Based on the general account supplementary budget () represents increase rates over the previous year Source: http://www.mnd.go.kr/mnden/emainindex.html						

Equally important, the defence budget for the next five years, set at 81.5 trillion won, also forecasts steady increases of 5-6 percent annually for the next five years, and ‘expenditures are forecast to amount to around 2 percent of total gross domestic product (GDP).’39 Some 26.73 trillion has been targeted for 320 different force improvement programmes, including:

- 2.12 trillion, attack helicopter programme (2002-2009)
- 100 billion, unmanned reconnaissance vehicle programme (2001-2002)
- unspecified cost, KDX-III destroyer programme (2001-2010)
- unspecified cost, FX next generation fighter programme (2001-?)
- 2 trillion, surface-to-air missile programme (2000-2010)

At the same time that the defence budget keeps growing larger, the process of budgeting and awarding defense contracts has not become any more open to public

scrutiny, and thus remains a 'target of criticism for lacking transparency and fairness'⁴⁰ Indeed, in May this year, an investigative report by the South Korean newspaper JoongAng Ilbo revealed how deals over government defence contracts were being greased by personal relationships and bribes, in what is widely known as the 'Linda Kim scandal'. A follow-up report by the same newspaper a few weeks later noted that 'Even though the entire nation is talking about Linda Kim and the alleged illegal lobbying scandal, the agency in charge of weapons procurement [Ministry of Defence] is still swamped by a 'secret lobby'.' Notably, 'There is no official lobbying system in Korea. However, there is also no law to prevent secret lobbying,' and so it is not surprising that even local lobbyists admit that 'not all systems with the lowest price and the highest quality are purchased.' For example, in the run-up to the Ministry's selection of firms to handle its four main 'modernisation' projects by September 2001, contending company's lobbyists are said to be 'working around the clock,' deployed by companies to use such unseemly methods as personal relations and political influence, to try to pull an official decision in their favor.⁴¹ Such an informal system for awarding defence contracts most certainly drives the price of the current arms build-up even higher, adding to the social costs as well.

Interestingly, one new argument being used by Defence Ministry officials to justify the defence budget increases this year (and in subsequent years) is that the country must prepare for a possible US troop withdrawal. For the first time ever, the Defence Ministry began raising the issue in early 2000 of the consequences of a US troop withdrawal last March 2000, saying 'Korea needs to gradually assemble a substitute force capable of defending the nation in the event of a withdrawal of US forces stationed here.'⁴² This dramatic public statement may be partly intended to assuage growing popular resentment of the US military presence in South Korea. Simmering resentment of US troops stationed in the country has since gained even greater visibility with the plight of the villagers of the coastal town of Maehyang-ri, who suffered injuries and damage to homes on 8 May 2000 after a US Air Force A-10 aircraft, en route to a training range near Kunsan from Osan Air Base, dropped six 500-pound bombs into the nearby sea after developing engine trouble. Preceded by a string of health and environment-related complaints and numerous unsuccessful efforts by local villagers to dialogue with the government over other problems associated with the nearby US military base, the Maehyang 'incident' has since galvanized a national movement calling for the closure of the base altogether.⁴³

A Triple Paradox?

Alone, these developments — South Korea's rise as a major conventional arms recipient in the 1990s, increasing military flows of various types from Europe to South Korea, South Korea's emerging ambitions as an important arms supplier in Asia and beyond, and its ever expanding defence budget — should deepen existing concerns among peace activists in South Korea, Asia and Europe. Put in proper social and historical context such dramatic developments point to something illogical (at best) going on. One international security analyst writing for *Jane's International Defense Review* a few months ago noted the 'paradox' of 'an arms build-up of unprecedented scale in much of Asia' in a period of 'relative stability' since the end of the Cold War, saying that 'in a sense, this has been driven by prosperity more than any perceived threat.'⁴⁴ Looking at South Korea, this analysis may be partly right in the sense that something above and beyond actual security threats appears to be

driving the renewed arms build up there. After all, the perceived security threat from the North has been there for the last fifty years, and while the nature of the North Korean military arsenal has changed, so have the social, economic and political dynamics of inter-Korean relations.⁴⁵ But the analysis is partly wrong in the sense that South Korea is still climbing out of the hole it fell into during the 1997 financial crisis, when it received a US\$ 57 billion IMF-led bailout package. At the moment, the sellers' search for profits and defence industry stability, more than buyers' prosperity seems to be the main anchor of this paradox.

Indeed, these new developments in South Korea point to a situation that tentatively might be described as the military-industrial establishment 'running amok' — a useful phrase coming from the US via its former colony, the Philippines, which usually refers to a man with a gun or a bolo who has suddenly gone wild and out of control. Invariably, when such incidents are reported in the newspapers, many innocents get slaughtered before the person who has run amok is cornered, disarmed, and/or killed himself. This imagery of a well-armed creature out of control seems to fit the scene that emerges when one reads of the plight of the relatively defenseless villagers of Maehyang-ri, who for years now have been struggling to regain control of their land and lives. Yet an alternative scenario is slowly emerging. Because of both the Korean government's and the US government's failure to respond sincerely and humanely to the gradually escalating demands of the Maehyang-ri villagers, their plight has galvanized the peace movement in South Korea, leading to its increased visibility nationally and internationally in recent months. In addition, Korean activists have also organized protest efforts in response to the dumping of formaldehyde in the Han River by the US Armed Forces in Korea, and an impressive effort to change the direction and substance of the Mutual Defense Treaty between the US and South Korea (SOFA). Given these popular initiatives toward peace, this is the second side of a multi-faceted paradox — the unprecedented arms build-up in South Korea is occurring precisely at a time when popular sentiment appears to be gaining momentum in the opposite direction. The growing contradiction between government action and popular opinion perhaps reveals the relatively stronger political influence of the transnational military-industrial elite.

Indeed, in an era where elite transnational economic forces are on the offensive, and local civil societies increasingly find themselves up against such powerful transnational alliances (that may include their own governments), a military-industrial establishment run amok in South Korea is serious business. In the particular context of Asia-Europe relations, the arms build-up — and an expanding European role in it — comes at a time of a purported 'rediscovery of each other after a relatively long period of neglect' as supposedly embodied by ASEM, first conceived as a multi-planked bridge between Asians and Europeans.⁴⁶ This then is the third leg of the paradox currently unfolding in Asia, with South Korea taking the lead. The point here is that the dubious plank of 'defense industry cooperation' (apparently, code words for 'increased — in this case, European — involvement in arming South Korea to the hilt') appears to be taking the lead in defining a new era of Europe-Asia relations. If this is true, it poses an even bigger challenge to those already concerned about making ASEM an effective instrument for peace and development.

3) Explaining Europe's 'Push': Supply Side Factors

Declining Markets, Increased Competition, and Dubious Intent

What are the factors pushing Europe's ongoing weapons push into South Korea? In general, these are the same factors that Ehito Kimura identified as driving up post-Cold War arms flows to Asia in general. 47 The two most important factors are declining domestic markets in the major industrial states (US, European nations, and the former Soviet Union) and increased competition among arms dealers from these countries since the end of the Cold War. Declining domestic markets is pushing traditional arms dealers to target developing countries (with or without high growth it seems), while increased competition among them to increase arms sales overseas and to acquire overseas partners encourages the adoption of more intensive and creative marketing approaches. Interest in the Asia region has been particularly intense because, 'Despite the economic nosedive experienced by many countries in the region two years ago, 'everyone recognizes the tremendous economic growth potential is still there' and 'international companies wishing to enter the Asian market need to move quickly, before potential partners are snapped up by the competition.' 48

While some analysts would add 'hostile intent' on the part of the major arms exporting countries as a third major factor driving up arms flows to Asia, in the case of the European military-industrial establishment, it is difficult to see or trace any specific indications of hostile intent. Hostilities shifted long ago from between European and Asian countries, to either between or within Asian countries themselves. With respect to Europe-Asia relations, what is perhaps more likely is that under the abovementioned circumstances, European dealers are eagerly looking for new sales opportunities in regions such as the Asia Pacific that are 'distracted by low intensity conflict and potential war.' 49 But intentions alone do not make outcomes. Even if their intentions are not (yet) hostile, European arms dealers' actions in South Korea may still end up having hostile consequences. European responsibility will certainly be heavy if (or when) the current South Korean arms build-up leads to escalation of hostilities and outbreak of conflict in the Korean Peninsula, even if it doesn't have to pay the price that Koreans will have to bear. In addition, the development of the South Korean arms export industry may well be helping to expand European sales opportunities even further (while neatly circumventing possible public criticism at home), since many Korean-made weapons depend on European parts and technology as well.

Take for example the recent sale of an expensive, South Korean-made naval ship to Bangladesh this year. The 2,300-tonne vessel contains a Mirador electro-optic observation, tracking and fire control system made by the Dutch company Thomson-CSF Signaal (based in Hengelo, the Netherlands), a subsidiary of the French company Thomson-CSF. According to industry reports, the Mirador system 'is a passive observation and tracking sensor' that 'provides video information to the combat direction system for visual classification and identification of targets,' and whose 'tracking and fire-control functions include automation acquisition and tracking, prediction and filtering, ballistic calculations, naval gunfire support and offset aimpoint firing.' 50 Does the rise of 'world weapons' such as this portend an era of even less transparency and accountability? 51 It would be interesting to know to what extent, in this case, the Dutch, Bangladeshi, and South Korean publics, are aware of such expensive and costly deals and the roles their governments are playing in concluding them. Indeed, in an era of 'world weapons,' how to hold international

arms dealers accountable for the consequences of their actions, particularly in relation to situations marked by widespread poverty, 'low intensity' conflict, or high-tension conflict potential, is a major challenge for peace activists today.

Opportunity to Challenge US Dominance

Meanwhile, amidst declining markets and increasing competition, an additional factor that is helping to boost arms flows, particularly military investment flows, from Europe to South Korea is the opening of the latter to foreign investors in the wake of the 1997 Asian financial crisis. The 1997 crisis put the military-defence establishment's very survival at stake. The impact of the 16 percent drop in the real value of the won in 1997 alone, was especially great on the military sector elite because 73.4 percent of all government purchases abroad that required dollars involved Ministry of Defence purchases.⁵² The crisis also meant the indefinite postponement of numerous military procurement and military development programmes because of funding problems.⁵³ While the defence budget was trimmed, strong pressure was also put on some of South Korea's most influential defence companies, described by one analyst as 'hemorrhaging red ink,' to participate in a government-led industry restructuring plan, originally intended it seems to reduce domestic competition and dependence on government funds. In the defence industry, this 'Big Deal' plan as it was dubbed, led to the mega-merger that gave birth to KAI, and an all-out search for foreign investors for the new company.⁵⁴

Notably, while some of the biggest defense companies are now part of KAI, others like Korean Air (KAL) have been left out in the cold. According to a news report that came out last February, KAL had refused to merge its aircraft division into KAI 'on the grounds that it has maintained a profit-making trend since 1996 and will continue to do so with its backlog orders.' For this refusal, KAL is likely to get frozen out of any future Defence Ministry orders of helicopters. Indeed, with KAI, not only are the big chaebol defence manufacturers slated to get exclusive control of future government orders, but also its foreign partners are expected to be given preference in government selection of next-generation products.⁵⁵

Against this evolving backdrop, the opening of South Korea's defence industry to foreign investors and its ongoing search for ways to lessen its dependence on US arms exports have combined to attract European companies looking for opportunities to challenge US dominance in the global arms trade. According to a former Pentagon international cooperation official, 'Equity investment is a good way for European firms to challenge what had been US dominance in a number of regional markets.'⁵⁶ The particular shape of the South Korean market, relative to its other Asian counterparts, may be providing encouragement to European companies intent on competing with the US.

First, among the leading Asian arms importers, South Korea has been dominated to a lesser extent by the US, making it perhaps relatively easier to try to gain a foothold there. In recent years, according to another source, the US has reportedly held 67 percent of the weapons market in South Korea, compared to 81 percent in Taiwan and 100 percent in Japan. Second, while government support for defence industries in general in most Asian countries has lessened with the economic crisis, the signs in South Korea are that the government will continue to provide substantial support to its

defence industry in the coming years. The clearest signals to this effect can be seen in the ongoing revival of its long-term military modernization programme, and relatedly, its active involvement in the defence industry mega-merger that led to the creation of KAI late last year. If, as one analyst has noted, ‘Western corporate executives realise due to the structure of the regional market, a strategic partnership could bring strong market preference in an individual country,’ then South Korea certainly holds the most promise at the moment.⁵⁷

A Closer Look at European Interest in KAI

Korea Aerospace Industry Inc. (KAI) originated in a government-directed corporate merger plan to revive and streamline the defense industry. Under the plan, Daewoo, Hyundai Heavy Industries, and Samsung Aerospace, would share equally in 45 percent of the new company, while foreign investors are targeted to own at least 30 percent. The remaining equity would be owned by the Korea Development Bank and other ‘quasi-governmental concerns.’ European interest in the new company early on was driven in part by a desire to compete with US companies, such as Lockheed Martin, which had already entered the Korean defence industry. As early as 1998, top officials from the German firm DASA visited South Korea ‘to study the possibility of an equity participation in the new entity.’⁵⁸ But by late 1999, DASA as well as Dassault, a French firm, had been eliminated from the competition. In March 1999, the three leading aerospace conglomerates had begun another round of meetings with some of the biggest names in the global arms trade, including Aerospatiale Matra (Paris, France), British Aerospace (Farnborough, England), Boeing (Seattle, Washington), and Lockheed Martin (Bethesda, Maryland).⁵⁹ But instead of US versus Europe, the competition had developed by December 1999 into one pitting two different US-European aerospace alliances — the US-British Boeing/ BAE and the US-French Lockheed Martin/ Aerospatiale Matra — against each other.⁶⁰

KAI has been guaranteed ‘exclusive status in the provision of fixed-wing aircraft and helicopters for military needs,’ a fact which provided ample stimulus to foreign investor interest.⁶¹ The British firm BAE had been keen to ‘carve out a niche in Asia after being shut out of the European market as the result of a Franco-German alliance.’⁶² Great Britain however was slower to get out of the gate, compared to the French (through Thomson-CSF), in entering South Korea. In initially separate bids, both Boeing and BAE expressed a willingness to merge their two bids. The British are perennial spoilers in efforts on the European continent to define a common European defence and security policy, insisting instead that any such effort takes place within the framework of an Atlantic alliance — that is, one which includes the United States. It is not surprising then that the first merged bid to emerge in the fight for KAI was a US-British one. Meanwhile, in addition to its early entry into the South Korean defence industry via the Thomson-CSF/ Samsung joint venture in October 1999, France hopes to expand this beachhead. The ‘Rafale’ jet fighter by Dassault, part of the Lockheed Martin/ Aerospatiale Matra team, is still in the running for Korea’s next-generation fighter program, and France is interested in the Korean submarine program as well. But the French apparently have been worried that they will not be given a fair chance in the bidding process, since the subject came up in a summit between the South Korean and French leaders last March 2000.⁶³

European versus US Motivations

Unlike the United States, which is motivated in its arms sales and investment interests in South Korea by a complex combination of strategic and commercial reasons, Europe's motivations hinge primarily on the economic side. Even with the end of the Cold War in Europe, US strategic interests in maintaining its past relationship with South Korea persisted. Historically, South Korea, along with Japan, has been a key ally of the US in East Asia. Flanked by South Korea and Japan, and supported as well by a web of bilateral ties with numerous lesser countries in Southeast Asia, the US' main strategic concerns in the region historically have been to stabilize the Korean Peninsula and to contain China, the most important regional power in this part of the world. The US thus perceives itself as playing a strategic power balancing and stabilizing role on the Korean Peninsula and in Northeast Asia in general, in addition to a similar role in Southeast Asia. As John Feffer has succinctly put it, 'According to the mainstream US security debate, the US is a Pacific power, key areas in Asia fall into the realm of US national interest, and the US military must play a constabulary role in the region to prevent war.'⁶⁴ In addition to the commercial value of doing so, arming South Korea and integrating itself into the latter's defence industry is also construed as part of the effort to ensure that South Korea remains a reliable partner in maintaining US hegemony in the region. In recent years, the logic of US national interest has also been the main motivating force behind the US defence establishment's proposed TMD project for the region, though so far, for fear of its potential impact on its relations with China, the South Korean government has managed to resist becoming entangled in such a plan.

By contrast, Europe does not (yet) harbor expansionist or 'great power' ambitions in East Asia, nor do the most important arms trading countries of Europe have such a strongly articulated and suspicious foreign policy vis-à-vis China as the US'. Indeed, at least two European countries (France and the UK) are currently selling arms to China, unlike the US. Compared to the US then, Europe is motivated to sell arms to South Korea and invest in its arms industry by a relatively more simple set of concerns that are basically economic or commercial in nature. In general, the main economic reasons for selling arms abroad are varied. For supplier states in general, the motivation to sell arms abroad has to do with supporting one's own national economy. Arms exports help to preserve jobs and provide foreign currency, while generating revenues from the sale of surplus equipment as well. Exporting arms also may be encouraged in order to support national armed forces, through reduced continuity in national defence-related research and development and arms production, as well as reduced acquisition cost per item for weapons produced domestically. In addition, from the companies' perspective, selling arms abroad helps to keep production going and to maximize profits. In short, in the relative absence of any substantial 'strategic national interest' or 'great power' ambitions, Europe's arming of South Korea has evolved chiefly, if not exclusively, along economic or commercial lines, though such an approach may well be pulling the European side into a much deeper and more messy quagmire than they are prepared to acknowledge, much less be held accountable for.

4) Explaining South Korea's 'Pull':

Demand Side Factors: Persistent Security Concerns

Among the main factors that explain South Korea's current 'pull' in terms of arms flows from Europe is its ongoing security concerns. Chief among these of course is its relationship with the North, which, though continuing to evolve in perhaps an unexpected direction today, remains captive to an extremely troubled past. Writing a few years ago, South Korean analyst Chung-in Moon perhaps captures well the dilemma that still exists today:

'The Korean conflict poses an existential dilemma to Koreans. The fear of war is real and deep. Haunting memory of the Korean War, spiraling arms races, and sporadic flare-up of acute tensions have cultivated a sense of perpetual insecurity in the hearts of Koreans. Escaping from the fear of war is imperative, but it has not been easy. Previous efforts to suppress the Korean conflict through the logic of military deterrence have driven North and South Korea in to the trapping structure of a vicious cycle of actions and reactions. Consequently, arms races have become further intensified, military tensions heightened, and mutual distrust deepened. Alternative ways of regulating the Korean conflict through confidence-building measures, arms control, and disarmament were foreign to Koreans.' 65

What is striking today is that despite the increased importance and recent momentum of inter-Korean reunification talks, South Korea's defence establishment (backed up by the US government) appears intent on keeping the peninsula locked in a dangerous arms race. 66

Defence Ministry officials have certainly been vigilant in playing the North Korea card to justify its current budget increases. Earlier, when the North Korean government announced in early 1999 for example that it would allocate 14.5 percent of its US\$ 9.38 billion national budget for defense purposes, the South Korean Defence Ministry quickly came out with a statement in the press that the real figure was probably more like 30 percent, implying that the threat from the North was much greater than could be gleaned from its budget figures. In addition, a Defence official was quoted as saying that 'The continued large investment into the North's defence despite record budget reductions and massive starvation among its people is a strong warning to the South to remain vigilant against a potential attack.' 67

Indeed, the North Korean factor today figures prominently in official explanations of the large South Korean defence budget, despite recent steps forward in the reunification discussion and despite talk of a possible US troop pullout. South Korea officials are usually said to be worried about continued incursions along South Korea's coast by North Korean spies, the Taepodong missile North Korea fired over Japan in August 1998 and the US' refusal in the past to grant South Korea's desire to acquire its own longer-range retaliatory missile capability. Many may still be worried about what is typically referred to as North Korean President Kim Jong-il's 'unpredictable' leadership, though after the June 2000 summit meeting between the two leaders, such an argument clearly holds less weight than before, since Kim Jong-il came across in public as much more warm and engaging, politically astute and pragmatic, than expected. Meanwhile, the Defence Ministry has recently argued that South Korea's military strength is just 79 percent of North Korea's — a situation, they say, the five-year defence improvement plan is intended to remedy: 'If the five-

year defence plan proceeds well, the figure will rise to 88 percent in 2004 and 93-94 percent in 2007. The two Koreas could be brought on par in military capabilities in 2010.’⁶⁸ At least for the South Korean defence establishment, the logic of arms build-up and reunification go hand-in-hand — a strategic point made clear in an article by South Korean Minister of National Defence Cho Seong-tae published in the Korea Herald on December 13, 1999:

‘The ROK Armed Forces’ most immediate task is to keep up a solid defence posture against any North Korean threat. As a credible and premier asset behind the ROK government ’s engagement policy toward North Korea, our military shall continuously contribute to deconstructing the lasting shadow of the Cold War dynamic, the source of insecurity on the Peninsula.

It is this rock solid defence posture against which the ROK government ’s unswerving and active contact with North Korea should be understood. It is understood that changing the closed and belligerent North Korea and paving the way for peaceful reunification is no easy task. Despite difficulties on political, diplomatic, and — most of all — economic fronts, North Korea has not ceased developing weapons of mass destruction and has intentionally heightened tensions.

As the ‘Yonpyong Naval Battle’ in June 1999 amply demonstrated, our military ’s firm resolve and watertight defence posture, as well as the highly coordinated ROK-US combined defence capability, will leave no room for North Korea to provoke us. This is the key policy instrument toward North Korea, which will eventually be used to bring it into the reconciliation and reunification processes.’

In the meantime, in case the Korean Peninsula situation alone is not enough of a reason to enlarge the budget in the coming years, defence officials also say that the new force improvement programme ‘is intended to maintain war deterrence capabilities against North Korea and brace for uncertain threats in Northeast Asia’ as well. ⁶⁹ In particular, of course, the South Korean military is worried about possible future threats from China, and about the military potential of Japan. A 1995 study released by the Ministry of Defence cited arms build-ups by unspecified surrounding powers as one specific concern on the part of the South Korean defence establishment that (it felt) justified future budget increases. This additional strategic concern beyond the Korean Peninsula — the perceived threats from China and from Japan, along with securing access to important sea lines of communications (SLOCs) — is reflected in efforts to expand its military capabilities through specific acquisitions under the mammoth five-year military modernization programme. Specifically, it has been busy ‘acquiring submarines, destroyers, advanced fighter aircraft and airborne early warning and control aircraft to advance its regional interests.’ ⁷⁰

Quest for Diversification of Arms Sources

The dovetailing of their respective national strategic concerns has certainly contributed to the binds that keep South Korea tied to the US as a source of arms flows historically. In recent years, however, these ties have been showing signs of fraying, if not loosening, thereby creating more room for maneuver for Europe ’s arms dealers. Not only have the terms of this historical relationship come under increasing fire from a new generation of South Korean civil society (as reflected in

the Maehyang-ri struggle), but the South Korean defence establishment itself at times finds itself chafing under defence-related restrictions imposed by the Americans. It is well known, for example, that South Korea has long wanted to develop its own long-range retaliatory missile capability to match that of the North's. The US so far has prevented them from taking such a dramatic step, preferring instead to stand by an informal agreement between the two allies that cedes control over South Korean missile development to the US, though it was recently reported that South Korean officials expect a deal with the US before the end of the year which will allow the country to develop missiles with a 300-km range. 71

One way in which the US seeks to impose its will upon South Korea in this regard is through US-South Korean arms trade matters. Just this September, the US reportedly imposed a selective ban on the export of its weapons to South Korea, in part because of an US arms dealer's complaint that Korea was exporting K440 Claymore mines to Singapore that were based on US technology. 72 While the technology control angle in itself appears to be the primary reason in this case, it was not too long ago that the US also suspended exports of crucial missile parts to Korea 'as a 'leverage' in its future missile talks with Seoul, causing serious delays in the production of missiles and torpedoes and hampering Korea's defense preparedness.' The news report about this incident goes on to quote a former US government official (requesting anonymity) as saying that 'The issue is that the US government, in order to gain the upper hand in these talks and to emphasize how they control things, is delaying its approval on certain technologies until they get their way at the talks.' 73 Both incidents help to underscore the fact that as long as Korea remains heavily dependent on US weapons and military technology, it also remains vulnerable to such manipulation. But while the US may still have the upper hand for now in its relations with South Korea, the very fact that it continues to use this kind of influence may be contributing to an ongoing push by South Korea to look to Europe for alternative sources of military hardware and technology.

South Korea's arms diversification trend, which actually began in the late 1980s and really took off in the 1990s, first developed 'mainly due to difficulties in obtaining technology from US suppliers.' According to one source, 'The diversification strategy became evident [in 1992], when the US market share for South Korean overseas defence purchases slid to 46 percent from the traditional level of about 90 percent.' 74 The country's ongoing quest for diversified sources of military technology and investment, meanwhile, combined with Europe's search for new markets to produce a powerful, though still limited, Europe-South Korea flow. Indeed, European dealers in particular have proven more willing to transfer weapons technology than the US, enabling them to chip away in recent years at US dominance in arms flows to Asia. South Korea is in fact the best example of a larger trend of seeking diversification in arms flows according to one analyst, who points out that 'the willingness among European companies to transfer technology has been a key factor' in the erosion of the US market share for South Korean defense procurements from 90 percent in 1991 to just 75 percent by the end of the decade. 75 While most of South Korea's bigger defence programmes have been characterized by licensed production with US partners, a desire to reduce dependence on the US has led to increasing purchases of weapons systems or subsystems from European suppliers. 76 Nine German Type 209 submarines are being built under a licensed production arrangement (with six delivered by the end of 1998), while some examples of South Korean-made weapons

produced with European involvement include an armoured recovery vehicle developed with MaK of Germany and an armoured vehicle launched bridge developed with Vickers Defence Systems of the UK.

South Korea 's Special Treatment: 'Virtuous Circles' or Vicious Cycles?

Stepping back a moment from the issue of Europe-South Korea arms flows, it is interesting to note that in the context of increasing intervention by the IMF in the global arms market in the late 1990s, South Korea managed to escape any serious IMF scrutiny of large weapons procurement programmes. Whereas the IMF stepped in to veto 'big ticket military acquisition programs' by Romania and Indonesia, it has not done so in the case of South Korea. Instead, 'In South Korea, beneficiary of a US\$ 57 billion IMF-led bail-out package, the organization has criticized inappropriate government funding of chaebols... But thus far it has refrained from singling out large, costly indigenous naval destroyer and trainer aircraft development programmes by Seoul-based Samsung and Daewoo.' 77 It has been suggested that the main reason why South Korea — or rather, its military-defence establishment — has been given such special treatment by the IMF may have to do with the 'real and imminent military threat' (from the North, that is) facing the country. It has further been suggested that reviving the domestic defence industry will provide 'direct and indirect' social benefits, such as employment. But behind these arguments (in themselves, open to debate), is a United States government anxious to maintain its traditional hold on developments in the region in an era of change.

Public statements made by the US Secretary of Defence William Cohen on a tour of Asia this past month are instructive. Predictably, Cohen stressed that the North Koreans have not 'in any way diminished their military capability,' but instead have 'increased their state of readiness' and been moving more forces 'forward-deployed.' Using this 'data,' Cohen was keen to emphasise the continued need for South Korean vigilance against the North and the continued need for US forces on the peninsula and in the region, despite recent inter-Korean reunification talks initiatives:

'There is a great expectation on the part of many in South Korea that the initiative begun by President Kim Dae-jung will prove beneficial to the ultimate goal of reconciliation, but I also noted that it cannot be a one way street. It cannot be a case where there is a lack of reciprocity. The North cannot take the position that the only basis for discussion will be whether or not economic aid continues to flow north, so that it can rebuild its economy without some corresponding reduction in military tensions...

This engagement policy of President Kim Dae-jung is the correct one. We support him and we also know that there has to be, over a period of time, some indication on the part of the North Koreans that they are prepared to reduce tensions, and that means that they will have to find some confidence building measures that they will take in parallel step with their South Korean counterparts to reduce those military tensions if there is going to be a peaceful reconciliation...

[Recent North Korean military moves] have to be taken into account even as the South is reaching out with a gesture of peace, that President Kim Dae-jung

understands absolutely that he must maintain a strong military deterrent and that means a strong relationship with the US...

I think the same is true for Japan. Obviously, anytime that you have a presence of American Forces, there are bound to be some impositions on the local community. We understand that. I think that the Japanese people have been very patient, very understanding. Sometimes they don't see, because of the end of the Cold War, that there is a need to remain strong and vigilant, that there is a need to have the kind of training that takes place in order to make sure that if Japanese or American forces are ever called upon to take action, that they be fully trained, prepared, and ready to go to combat, that takes a lot of training. That does cause some burdens for the local population to bear. Its understandable, but I think also is a result of the leadership here and the leadership in South Korea. That leadership understands that the US must continue to play an important role in the security and stability of the Asia Pacific region.' 78

Putting the onus solely on the North to reduce military tensions, Cohen conveniently ignores the role played by the US and its allies historically and at present in continuing to build up tensions in the first place. In talking about the end of the Cold War, he likewise glosses over the fact that the Cold War has not come to an end in Korea and Northeast Asia, and that by sticking to old habits, the US is increasingly perceived as an obstacle to ending tensions and hostilities in the region. Given the heavy US-sponsored — and now European-assisted — arms build-up in South Korea since the late 1990s, Cohen's rhetoric appears aimed more at impeding inter-Korean reconciliation efforts than helping them, and at shoring up the Cold War in Asia, not dismantling it.

Completely ignoring such details, the US Defence Secretary talked instead about what he calls the 'virtuous circle.' Basically, where security and stability prevails, investment flows in. Where investment flows in, prosperity is possible. Where prosperity increases, security and stability deepens. But this so-called 'virtuous circle' is broken by instability, which causes investment to flow out, which then moves prosperity beyond reach, to the point where security and stability is threatened. According to Cohen, it is none other than the US (which in his distorted view provides the basic security in the region) that allows the 'virtuous circle' to flower. But this is ludicrous, at best. A closer look at the South Korean case suggests that what Cohen calls the 'virtuous circle' is really a vicious cycle — where the perception of insecurity is cultivated, military technology and investment flows in, which helps to strengthen the domestic military-industrial elite, and in turn gives greater momentum to the cultivation of a perception of insecurity, prompting more calls for more arms and more military investment from abroad, and so on.

What is new here is that European arms dealers and governments — in spite of the possibility and mandate to build real bridges of peace and development between Europe and Asia through ASEM — are increasingly becoming parties to this vicious cycle. And it's a vicious cycle indeed, one that ensnares the Korean people in a dangerous arms race and threatens to narrow the space that has opened up in recent months toward reconciliation and possibly North-South reunification on popular terms in the future, by reinforcing the power of a transnational military-industrial elite, accountable to no one. Through increased flows of military technology and

investment, Europe's hand in perpetuating this horrible and dangerous situation has become exceedingly clear, begging those who see the Asia-Europe Meeting as a potential opportunity to break with the past, to take action. But just how to go about breaking the vicious cycle of militarization in order to strengthen the inter-Korean peace process and reunification talks is the main challenge for Europeans and South Koreans alike.

5) Conclusion

Europe's Arming of South Korea...

The end of the Cold War in Europe, has in fact contributed to creating the conditions on the supply side of the equation for beefing up European arms flows to South Korea in particular and to East Asia in general. The end of the Cold War in fact in Europe has decreased demand and increased competition among European arms dealers and between them and their counterparts in the US, prompting them to search for new markets, primarily in South Korea and East Asia. Meanwhile, whether intended or not, an 'end of the Cold War' mentality in Europe has been harnessed to serve the purposes of not ending the Cold War on the Korean Peninsula. There, the persistence of the Cold War in fact has served to maintain the US-led demand side conditions for arms build-ups and the continuation of a dangerous arms race. The persistence of the US government's hawkish habits have helped to spur the arms race on the peninsula and to revive the military-industrial elite, whose survival depends on maintaining Cold War conditions.

The IMF-led response to the East Asian financial crisis obviously did not weaken the South Korean chaebols, especially those with significant economic interests in military matters. Instead, the path taken out of the crisis has created the conditions for stabilizing the domestic defense industry and tightening its links to the national defence establishment. The justification for its revival and strengthening are ready-made — provided by the persistence of the Cold War on the peninsula (thanks to the US), and reinforced by the interests of those for whom the Cold War is over (namely, Europe and its arms dealers). These developments however have also coincided with the relative weakening of old ties between the Defence Ministry and Washington, though only on the terms of the relationship, not its basis or fundamentals. The fraying of ties between the US and South Korea on certain military matters has in turn provided a new opening for increasing European arms flows of various types to South Korea. But while European arms dealers and governments may be thinking of this new relationship with South Korea in purely commercial terms, it is in fact turning a blind eye to the Cold War situation it is being drawn into. Europeans must bear responsibility, therefore for selling more arms to South Korea and providing ever improved military technology to the region which is increasing the possibility of outright conflict on the peninsula.

...And Its Implications

Fortunately, however difficult the challenge of building peace may be, there has perhaps never been a better opportunity for peace activists in Europe and in Asia concerned about an arms race in Korea to be heard. This is precisely because of the rapprochement efforts taking place inside Korea today. The June summit between the

two Korean leaders Kim Jong-il and Kim Dae-jung has altered the security calculus in East Asia. The 50-year division of Korea has long boosted arms spending and undercut cooperative security prospects for the region. While the Korean summit did not immediately result in any concrete agreements on disarmament or substantial confidence-building mechanisms or troop pullbacks from the DMZ, new security options are now suddenly conceivable.

In South Korea, the engagement policy of Kim Dae-jung has reversed public perceptions of North Korea as an enemy state. Long-term political prisoners have been released and the government is finally considering revisions (albeit not radical) of the National Security Law. Even the sacred cow of military spending is being challenged, prompting some South Korean government officials to make contingency plans. According to Oh Jum-lock, administrator of the ROK Military Manpower Administration, “ I think the nation ’s military structure and management should be completely reorganized to pursue a small but strong armed forces with advanced equipment. All of the military ’s administrative support systems and organizations should be privatized or integrated, thereby helping cover anticipated military cutbacks.”⁷⁹

The engagement policy, however, is two-edged. While promoting peaceful cooperation with the North, the Kim Dae-jung government has clearly stated that a strong defensive posture will be maintained. This dual policy reflects the splits in the South Korean establishment — between conservative and progressive politicians and between the civilian and military structures. To garner political support from diverse constituencies, Kim Dae-jung must sever any possible connection in the public mind between engagement and appeasement. The engagement policy, in other words, requires an armed escort whenever it goes out into public. A summit with Kim Jong-il and an increase in arms purchases is therefore not a contradiction, but a fundamental key to gaining bi-partisan support for Nordpolitik.

Even with this carefully calibrated policy of engagement and deterrence, the Kim Dae-jung government has been under attack by conservative politicians and military officials for downplaying the North Korean “threat.” The Kyongwon Railway project, which would reconnect Seoul in the south with Wonson in the north, is a dramatic example of cooperation. Yet military officials in the south have argued that the mine clearing for such a rail link would provide North Korea with a clear invasion route. Conservative politicians in the south are complaining that South Korea has made all the concessions and North Korea has not lived up to its side of the bargain. In this highly charged atmosphere, the Kim Dae-jung government has even more reasons to support higher military budgets and more arms purchases from abroad. North Korea, having won several David-and-Goliath challenges on the basis of threats and bluster, has not completely abandoned its brinkmanship rhetoric, which only strengthens the hands of the opponents of engagement.

Response to the engagement policy from the US and Japan has been quite tepid. Both countries are scrambling to keep abreast of developments on the peninsula, concerned that the South Korean government will make concessions in the interests of eventual reunification that undermine regional security in the short-term. The Pentagon has the additional concern that the rationale for U.S. military spending — as well as the spending of its allies in East Asia — will weaken with every positive step toward

inter-Korean cooperation. It is no surprise, then, that the U.S. has altered its position and is now working with South Korea to expand the allowable range of its missiles so that they can strike anywhere in North Korea.

Indeed, the odds against pushing the political opening created by the June summit even wider may be great. Nonetheless, the changed security calculus on the peninsula and the split it is generating inside South Korea between conservative and progressive politicians and between civilian and military structures, are just part of the new situation, albeit important parts. Another aspect of the current best-yet opportunity unfolding inside Korea is of course the increasingly visible and organized popular movement toward peace, demilitarization and reunification that is both a cause and effect of the new opening. For peace activists in East Asia, the changing geopolitical landscape does present a breathtaking window of opportunity. In South Korea, activists are gaining ground in their campaign against U.S. military presence (protesting at Maehyang-ri, lobbying for substantial revision of the Status of Forces Agreement, and challenging the environmental impact of U.S. bases including the recent dumping of untreated formaldehyde into the Han River). Region-wide, activists are pulling together to develop a common anti-bases strategy and have begun to target Theater Missile Defense as a common threat.

In view of such developments, European activists must now work hard to make themselves heard on two fronts. They must continue to strengthen ties with peace activists in South Korea and East Asia more generally, in order to help provide leverage and strengthen their Asian counterparts even more. And, they must work to bring pressure to bear on their own governments at this moment when the latter are confronted with a clear choice. European governments can play two powerful roles in this contested situation: selling arms and promoting cooperative security. Spurred by powerful business lobbies, Europe is unfortunately emphasizing the former over the latter. It is the specific challenge for activists in Europe and Asia to oppose the arms deals and play up the important example of the Organization of Security and Cooperation in Europe. The OSCE model, while not directly importable into East Asia, can still serve as inspiration. Its vision of detente was centered on the weak but developing relationship across a divided country, in this case Germany in the mid-1970s. The OSCE was established in a region deeply divided by ideological disagreements and deeper historical rifts. East Asia, with divided Korea at its center and memories of Japanese colonialism still fresh, desperately needs a regional mechanism that can address the root causes of conflict for which the current arms trade is but a symptom.

Meanwhile, amidst increasing military flows of various types from Europe to South Korea and elsewhere in Asia, the trafficking in weapons remains a key link in the chains connecting the military-industrial complexes in East and West. European activists must search for ways to hold their governments accountable for these increased flows and their 'non-commercial' consequences. If and when US influence in the region diminishes, peace activists in South Korea and Europe must address the arms trade stripped of its 'colonial' dimension. New sources of weapons, new types of weapons, and a rising number of exports to other Asian countries will require peace activists to couch their arguments in different forms. No longer will complaints of U.S. dominance suffice. As the arms trade diversifies, so must the strategies of peace activists.

6) Endnotes:

1. The authors would like to thank John Feffer, American Friends Service Committee(AFSC), for his very useful comments and suggestions, and for his substantial input into the discussion of the implications of increasing Europe-South Korea arms flows for peace on the Korean Peninsula and in the region more generally. We would also like to thank Brid Brennan, Transnational Institute (TNI), for her insightful comments and input throughout the entire process of putting this paper together.
2. Chung-in Moon, (1996), *Arms Control on the Korean Peninsula: Domestic Perceptions, Regional Dynamics, International Penetrations*, Seoul: Yonsei University Press, 26 and 28.
3. See Chung-in Moon 's 'Introduction' for a discussion of the autonomy and dynamism of what he calls the Korean 'sub-system' despite the Cold War.
4. Quoted from Kux, Brian (1998), 'A Near Miss: The North Korean Nuclear Crisis' in *Security Studies*, 8 (1), Autumn, 239.
5. Cirincione, Joseph (2000), 'The Asian Nuclear Chain Reaction' in *Foreign Policy*, Spring, 123.
6. This table is a reproduction of Table 7.1 in SIPRI Yearbook 2000. It is noted that the category 'Other' in bold at the bottom of the table 'includes UN and NATO (as non-state actors, not as combinations of all member states) and unknown recipients'. SIPRI 's general explanatory note to the reader about Table 7.1 is as follows: 'The SIPRI data on arms transfers refer to actual deliveries of major conventional weapons. To permit comparison between the data on such deliveries of different weapons and identification of trends, SIPRI uses a trend-indicator value. The SIPRI values are therefore only an indicator of the volume of international arms transfers and not of the financial values of such transfers. Thus they are not comparable to economic statistics such as gross domestic product or export/import figures. Figures may not add up because of rounding.'
7. See 'S. Korean Ministry Loses Out as Currency Falls' in *Jane 's Defence Weekly*, 19 November 1997; and 'South Korea Postpones Programmes Amid Crisis' in *Jane 's Defence Weekly*, 21 January 1998.
8. See Hagelin, Wezeman and Wezeman, 'Transfers of Major Conventional Weapons' in SIPRI Yearbook 2000, Chapter 7, Section II. See also Broek, Martin (n.d.), 'Europe 's Defence Industry and Its Arms Trade with Asia Pacific' in B. Brennan, P. Scannell and P. Vervest, eds., *Europe-Asia Trade Challenges: ASEM Security Dialogue*, Amsterdam: Transnational Institute, 27-54. Broek likewise points to the Asia Pacific region as 'the most important purchaser of arms on the world market in recent years. In 1995, the region imported 20% of all arms exported globally. Arms imports to China, South Korea and Taiwan accounted for 30% of all arms exported in 1996' (27).
9. Karniol, Robert, 'Why Asia Must Search for a Security Structure Formula' in *Jane 's International Defence Review*, Volume Number 33, February 2000.
10. Information about military technology flows from Europe to South Korea was culled from numerous sources, including: SIPRI Yearbook 1991, 1994, 1995, 1996 and 1998; NAF 5/97; JDW 28/05/97 and 02/06/99; MB 98/99; WDA 98/99; Signalen 7/98; and DEN 24/08/98.
11. This new venture, dubbed Samsung Thomson-CSF Co. Ltd. and based in Kumi, South Korea, reportedly began operations in February 2000, and is expected to have sales of around US\$ 147 million (150 million euros).
12. See 'Samsung Nears Pact with Thomson-CSF' in *Defense News*, 12/06/99.
13. Barrie, Douglas, 'KAI to Choose Sole Bidder or New Competition' in *Defense News*, 05/22/00. See also 'Korea Aims to Join World 's Top Ten in Aerospace Industry by 2015' in *Korea Herald*, 04/24/99.
14. See Philip Finnegan, 'Asia Firms Reach Out for Foreign Investment' in *Defense News*, 7 August 2000.
15. Quoted in O'Connell-Rome, Barbara, 'South Korea debates Future of Defense Industrial Base' in *Defense News*, 05/03/99.
16. See *Military Balance*, 98/99.
17. See *Jane 's Defense Weekly*.
18. See page 280 of the World Bank World Development Report 2000-2001, published by Oxford University Press.
19. Kang Seok-jae, 'Exhibition Hall on Defense Industry to Open to Public in Seoul Tomorrow' in *Korea Herald*, 04/06/00.
20. 'Five-Year Defense Budget Set at W81 Trillion' in *Korea Times*, 02/13/99.

21. Oh Young-jin, 'Economy Prompts Government to Produce More KF-16s' in Korea Times, 03/11/99.
22. Sah Dong-seok, 'Arms Display Center to Open at War Memorial' in Korea Times, 04/05/00.
23. Kang Seok-jae, 'Exhibition Hall on Defense Industry to Open to Public in Seoul Tomorrow' in Korea Herald, 04/06/00.
24. 'French Defense Minister Arrives in Seoul Today' in Korea Herald, 01/19/99.
25. 'Korea, Holland to Sign MOU on Defense Industry' in Korea Times, 06/04/99.
26. Chon Shi-yong, 'Korea, Philippines Agree to Expand Cooperation in Military Affairs, Defense Industry' in Korea Herald, 06/08/99.
27. Chon Shi-yong, 'Venezuelan President Due Here Today' in Korea Herald, 10/15/99.
28. 'Vietnamese Vice Defense Minister to Visit Seoul' in Korea Herald, 10/16/99.
29. 'S. Korea, Turkey Agree on Military Cooperation' in Korea Herald, 11/19/99.
30. Kang Seok-jae, 'Korea, Turkey to Discuss Defense Industry Cooperation' in Korea Herald, 01/22/00.
31. Kang Seok-jae, 'Turkish Officials in Seoul to Discuss Military Cooperation' in Korea Herald, 05/02/00.
32. 'Mongolian Defense Chief to Arrive for Talks Today' in Korea Times, 12/06/99.
33. Kang Seok-jae, 'Exhibition Hall on Defense Industry to Open to Public in Seoul Tomorrow' in Korea Herald, 04/06/00.
34. Kang Seok-jae, 'Seoul Starts Talks on Defense Industry Cooperation with 3 Asian Nations' in Korea Herald, 05/30/00.
35. Kang Seok-jae, 'Korea, Israel to Discuss Defense Industry Cooperation' in Korea Herald, 09/02/00.
36. Kang Seok-jae, 'South Korea, US to Hold SCM Subcommittee Meetings in Washington' in Korea Herald, 06/27/00.
37. 'South Korea Proposes 4% Cut' in Jane 's Defence Weekly, 18 February 1998, 15.
38. "Defense Budget Shows 5 Pct Increase" in Korea Times, 09/21/99.
39. Shim Jae-yun, 'Total Overhaul of Defense Budget Due' in Korea Times, 08/10/99.
40. Shim Jae-yun, 'Total Overhaul of Defense Budget Due' in Korea Times, 08/10/99. A survey by Gallup International at the request of Transparency International, recently released in South Korea by the Anti-Corruption Network in Korea, pointed to the defense industry as the second most corrupt sector, after 'construction works and public projects.' The Gallup survey polled 770 businessmen, bankers, accountants and executives of chambers of commerce and industry in 14 major trading countries. See "Public Projects Most Affected By Corruption in Global Trade" in Korea Times, 01/21/00.
41. The follow-up article about 'secret lobbying' at the Ministry of Defense is by Kim Min-seok and entitled 'Lobbyists in Korea Rely on Money and Personal Relationships' in JoongAng Ilbo, 05/16/00. The article provides just a small glimpse of the lobbying system: 'There are approximately 440 official weapons dealers recognized by the Ministry of Defense. Several hundred lobbyists are in the employ of these dealers. Of the numerous weapons manufacturers, three companies, identified as 'P' and 'S', along with Boeing, are close to signing an actual contract. 'P' is currently employing 10 lobbyists who are former military or government employees. Among the group, there are high school and military academy alumni as well as hometown friends of the current chief marine general. US aircraft firm Boeing is competing for the fighter plane project. Boeing 's Korean office appointed 2-3 former air force commanders to lobbying positions. They are fellow alumni of senior officers in Korea 's Air Force. There is a rumor that the Korean military will have to select the US F-15 contract due to the relationship between the United States and Korea.'
42. Statements citing the need to raise the defense budget in order to prepare for a possible US troop pullout appeared in connection with a report entitled 'National Defense in the 21st Century and the Defense Budget,' which had been posted on the ministry 's internet home page. See Kang Seok-jae, 'Government Calls for Substitute Force in Event of US Military Pullout' in Korea Herald, 03/06/00.
43. For more information about the struggle of the Maehyang-ri villagers and the broader coalition formed in response to the May 2000 bombing accident, see 'Maehyang-ri: From a Firing Range to a Test Ground for Human Rights and International Justice,' a document prepared in August 2000 by the National Action Committee for the Closure of the Maehyang-ri US Armed Forces International Bombing Range, forthcoming in the Asia Solidarity Quarterly, a quarterly publication of the People 's Solidarity for Participatory Democracy (PSPD).

44. Karniol, Robert (2000), 'Why Asia Must Search for a Security Structure Formula' in *Jane's International Defence Review*, Volume Number 33, February.
45. For more on this point, see for example the article by Won-ki Choi entitled 'The Inter-Korean Summit: What Lies Beneath' in *ASEM Watch #57*, a regular E-mail bulletin produced by the Transnational Institute (TNI), Amsterdam.
46. Yeo Lay Hwee (2000), 'ASEM: Looking Back, Looking Forward' in *Contemporary Southeast Asia*, Volume 22, Number 1, April, 113.
47. See Ehito Kimura (n.d.), 'Asia Pacific and the Arms Trade' in B. Brennan, P. Scannell and P. Vervest, eds., *Europe-Asia Arms Trade Challenges ASEM Security Dialogue*, Amsterdam: Transnational Institute, 13-25.
48. Finnegan, Philip, 'Aerospace Merger Trend Takes Hold in Asia' in *Defense News*, 02/28/00.
49. The above quotation is from the article by Ehito Kimura already cited.
50. Quoted from article 'Naval Mirador Moves in for Debut Deployment' in *Jane's International Defence Review*, 8/2000.
51. The term 'world weapons' comes from an article by Ann Markusen entitled 'The Rise of World Weapons' in *Foreign Policy*, Spring 2000, 40-51. Markusen argues further that the rise of world weapons is likely to speed up arms proliferation: 'Within the confines of a single firm or strategic alliance, people, ideas, and technologies, rather than weapons, will move across national borders, making it difficult for governments to monitor cost, pricing, possession, and reexport of arms. Sophisticated weapons technologies may move more easily from state to state, quickening the pace of proliferation' (40-41).
52. See article 'S. Korean Ministry Loses Out as Currency Falls' in *Jane's Defence Weekly*, 19 November 1997.
53. See 'South Korea Postpones Programmes Amid Crisis' in *Jane's Defence Weekly*, 21 January 1998.
54. For a critical discussion of the 'big deal' and the events leading up to it, see Jacques-chai Chomthongdi, 'The IMF's Asian Legacy' in *Focus on Trade*, Number 54, September 2000.
55. See Oh Young-jin, 'Doubts Cast on Korea's Aerospace Industry Restructuring Plan' in *Korea Times*, 05/14/99.
56. The former Pentagon official, Frank Cevasco, now a consultant with Hicks & Associates in McLean, Virginia, was quoted in the article by Philip Finnegan in *Defense News*, 02/28/00.
57. Quoted in Finnegan article in *Defense News*, 02/28/00.
58. Nam In-soo, 'European Plane Firms Likely to Invest in Korea' in *Korea Herald*, 01/25/99.
59. See article by Barbara Opall-Rome, 'Korean Industry Seeks US, European Investment' in *Defense News*, 03/15/99.
60. Oh Young-jin, '2 US-European Alliances Compete for Korean Aerospace Deal' in *Korea Times*, 12/24/99.
61. Oh Young-jin, 'KAI to be Given All Defense Contracts' in *Korea Times*, 02/03/00.
62. Oh Young-jin, '2 US-European Alliances Compete for Korean Aerospace Deal' in *Korea Times*, 12/24/99.
63. Chon Shi-yong, 'Kim Proposes Super High-Speed Networking Linking Asia, Europe' in *Korea Herald*, 03/07/00.
64. Feffer, John, 'Building Peace in Northeast Asia: The Future of Multilateralism' in *One Heart to Peace, One Step to One Korea*.
65. Chung-in Moon (1996), 9.
66. For more information on the Korean arms race historically, see Chung-in Moon (1996), 58-61.
67. Lee Sung-yul, 'North Korea Suspected of Concealing True Extent of '99 Defense Budget' in *Korea Herald*, 04/16/99.
68. '5-Yr defense Budget Set at W81 Trillion' in *Korea Times*, 02/13/99.
69. '5-Yr Defense Budget Set at W81 Trillion' in *Korea Times*, 02/13/99.
70. Karniol (2000), 40.
71. See 'US, South Korea Hold Missile Talks' in *Agence France Presse*, 09/18/00. Under a 1979 agreement between South Korea and the United States, the former is restricted to fielding short-range missiles of a 180-km range or less. North Korea meanwhile has 'deployed large numbers of Scud-B and Scud-C missiles (300- and 500-km range), fielded a few No Dong missiles (1,000-km range), and test-fired the Taepo Dong-1 missile (1,500-2,000-km range).' See Cirincione, Joseph (2000), 'The Asian Nuclear Reaction Chain' in *Foreign Policy*, Spring, 131.
72. 'US Vows to Restrict Weapons Sale to Korea' in *Korea Times*, 9/21/00.
73. Son Key-young, 'US Halts Exports of Missile Parts to Korea' in *Korea Times*, 01/12/00.

74. See a special report by Carol Reed, Robert Karniol and Ron Matthews, entitled 'South Korean Business Diversify for Survival' in Jane 's Defence Weekly, 31 July 1993.
75. See Karniol (2000).
76. 'Climbing the Industrial Ladder' in Jane 's Defence Weekly, 31 July 1993.
77. Opall, Barbara, 'IMF Wields Clout in Arms Market' in Defense News, 03/16/98.
78. US Secretary of Defence William S. Cohen, Department of Defence News Briefing, press conference held at the US Embassy in Tokyo, September 22, 2000.
79. Kang Seok-jae, "Official Calls For Troop Cuts, Privatization" in Korea Herald, 9/1/00.

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ⁱ This table is a reproduction of Table 7.1 in SIPRI Yearbook 2000. It is noted that the category 'Other' in bold at the bottom of the table 'includes UN and NATO (as non-state actors, not as combinations of all member states) and unknown recipients'. SIPRI's general explanatory note to the reader about Table 7.1 is as follows: 'The SIPRI data on arms transfers refer to actual deliveries of major conventional weapons. To permit comparison between the data on such deliveries of different weapons and identification of trends, SIPRI uses a trend-indicator value. The SIPRI values are therefore only an indicator of the volume of international arms transfers and not of the financial values of such transfers. Thus they are not comparable to economic statistics such as gross domestic product or export/import figures. Figures may not add up because of rounding.'