



## Submission No 4

### **Inquiry into Australia's trade and investment relationship with Japan and the Republic of Korea**

**Organisation:** North South Asia - International Policy Division  
Russell Offices  
Department of Defence

## **DEFENCE SUBMISSION: INQUIRY INTO AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIP WITH JAPAN AND THE REPUBLIC OF KOREA**

### *Korea*

Australia has a strong bilateral relationship with the Republic of Korea (ROK); one that reflects our mutual interests in regional stability and our common alliance with the United States. The ROK is an important security partner and we face a number of shared challenges, including counter-proliferation, maritime security and disaster relief. Australia and the ROK have an established framework to facilitate defence cooperation, conducting activities under the Action Plan from the *Australia-ROK Joint Statement on Enhanced Global and Security Cooperation*, signed in 2009 by former Prime Minister Rudd and President Lee. There has been good progress in the bilateral defence relationship in 2010-2011—including senior visits, ship and aircraft visits, and involvement in multilateral exercises.

The Materiel Cooperation relationship between Australia and the ROK was formalised on 8 August 2001 with the signing of a Memorandum of Understanding (MOU). The objective of the MOU is to develop materiel cooperation activities that benefit the military of both countries. The MOU specifically relates to defence industry cooperation and seeks to help enable Australian and ROK defence companies to work within each other's defence procurement framework and to provide through life support to the respective armed forces. A Joint Committee has been set up under the auspices of this MOU to oversee and facilitate cooperation activities. The last meeting was held in Canberra in June 2009.

Defence materiel cooperation shows promise. Our respective Airborne Early Warning and Control (AEW&C) aircraft programs, AEGIS systems and programs to develop next generation submarines present good opportunities for potential cooperation. The Defence Materiel Organisation (DMO) currently cooperates with its Korean counterpart (DAPA - Defense Acquisition and Procurement Agency) on AEW&C and to a lesser extent on self-propelled howitzers (under LAND 17). Project Land 17 Phase 1 seeks to acquire both towed and self-propelled Howitzers, their support systems, ammunition and enhanced digital battle management systems for targeting, and command and control. The tender for the project closed in April 2008 and received two submissions, including from Samsung Techwin/Raytheon Australia with the South Korean AS-9. Defence anticipates submitting the acquisition business case to Government for Second Pass consideration in late 2011 or early 2012. Korean Ammunition Companies (Hanwha and Poongsan) are currently cooperating with Thales Australia on munitions (particularly the 155mm and the 5"/54 ammunitions) and continue to look for further opportunities to cooperate under the spirit of the 2001 MOU.

Australia is in the process of finalising a "Mutual Government Quality Assurance Arrangement" for the provision of Government Quality Assurance Services with the ROK. The Arrangement has been signed by CEO DMO's counterpart at DAPA, and once returned will be signed by the CEO DMO. The "Mutual Government Quality Assurance Arrangement" has the potential to assist both Australian and the ROK, by enabling Defence Agencies to provide quality assurance functions on behalf of the respective governments and industry.

Helping to facilitate these activities is the *Agreement on Protection of Classified Military Information* which entered into force in 2010. The Agreement provides a legally binding framework for the secure exchange of classified military information between defence

organisations and related industry contractors, thereby facilitating opportunities for practical defence and defence industry cooperation.

### Japan

Japan is a critical regional strategic partner for Australia, and a natural security partner by virtue of our shared strategic interests and values. The Australia-Japan defence relationship is strong and growing, with shared interests in humanitarian assistance and disaster relief, peacekeeping, and maritime security. The foundation of our security cooperation is the 2007 Joint Declaration on Security Cooperation, a non-binding statement of political intent.

Currently there is no formal defence materiel cooperation with Japan, however contact has been established on possible cooperation in areas of mutual interest. This cooperation is impeded by Japanese Government policy restrictions placed on defence arms, technology and industry cooperation. Japanese policy restrictions include a prohibition on the exportation of arms and other military technologies to countries other than the United States. Defence notes the June 2011 announcement by the Government of Japan that it may ease some of these restrictions around the export of the SM-3 Block IIA missile, components of which have been co-developed between the United States and Japan.

Defence would welcome the opportunity to commence formal materiel cooperation with Japan. A common concern of countries that export arms and defence technology is that goods are not provided to third parties without the approval of the originating country. In relation to policies that prevent further transfer of defence technology, as a member of the international export control regimes (the Wassenaar Arrangement, the Australia Group, the Nuclear Suppliers Group and the Missile Technology Control Regime) Australia ensures goods are controlled for export similar to like-minded countries such as the United Kingdom and the United States. In addition, recognising the requirements of our like minded partners, the Defence Export Control Office (DECO) ensures third party transfer requirements are strictly followed. DECO does not allow goods that are originally sourced from other countries or manufactured in Australia under license to be transferred, sold or exported to third countries without approval of the country of origin. DECO also ensures compliance with conditions imposed on Australia by the original supplying country at the time of acquisition. Australia confirms this through the issuance of end-user certificates as a government-to-government agreement.