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Reform of South Korea's Defense Acquisition Program Administration

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Dual National Defense Budget

On October 29, 2014, in a policy speech on a budget bill in the national assembly, South Korean President Park Geun-hye condemned, as “acts benefiting the enemy,” continuing scandals over military procurement.¹ Prior to the President’s speech, the prosecution had retained two personnel including a former senior official of the Defense Acquisition Program Administration (DAPA) on suspicion of being involved in a misconduct, which had delayed the commission of a salvage and rescue ship, *Tongyeong*. In addition, the defects of development programs like a domestically built torpedo were pointed out one after another, so that the DAPA, an external bureau of the Ministry of National Defense (MND), has been greatly criticized in the Republic of Korea (ROK).

The correction of various problems in the DAPA’s arms programs such as a lack of transparency and expertise was the policy the MND made apparent, after the President’s address.² This policy raises two questions from the view point of the past sequence. First, the motive for establishing the DAPA was originally to ensure transparency, which would prevent misconduct. Why should the agency be pointed to for its opaqueness at this late date? Second, did the MND really advocate “expertise” improvement for preventing misconduct? Even before the scandals broke out, the MND had made this point in order to expand its role in acquisition programs.

Indeed, the MND’s policy reflects the reduction of its power in defense budgeting due to the DAPA’s establishment in 2006. In defense budget, “Force Improvement Budget,” which is allocated for the

acquisition of arms and equipment, is not a matter of the MND. The DAPA, though it is an external bureau of the MND, has had managed such expenditures with a high level of autonomy.

Based on the original discussion, which I would like to talk about later, the objective of the dual budgetary system would have been to improve its transparency. However, the DAPA’s priority has been to foster defense industry. Such an objective has not necessarily been consistent with the military’s interest in swiftly acquiring sophisticated equipment rather than investing time-consuming R&D. These conflicting preferences ended in the current reform to enhance the DAPA’s “expertise” in budget execution, eliminating its function of proposing policies and planning³, in which the military had played key roles before the agency’s establishment.

Other than that, with the recent expansion of the national assembly’s role and an improved Joint Chiefs of Staff (JCS)’s power, the policy decision process over military acquisition program and R&D has changed. This paper will explain such a recent shift, focusing on politics regarding the DAPA.

From Preventing Misconduct to Fostering Industry: Shifted Expectations for the Agency

The DAPA had been in charge of (1) the Force Improvement Budget, (2) creating a Mid-Term National Defense Plan (the area of the force improvement) which provides the basis for military acquisition program, (3) conducting test and evaluation for arms program, and (4) supervising the Agency for Defense Development (ADD) and the Defense Agency for Technology and

Quality (DTAQ). The origin which led to such a wide role given to the DAPA dates back about ten years ago.

President Roh Moo-hyun, who took office on December 23, 2003, ordered the reexamination of overall acquisition systems because a lot of misconducts had been found⁴. This reflected the view of “critical recognition from the outside toward the fact that only the military studied and promoted the acquisition program,”⁵ which the 16th presidential transition committee had pointed out. The transition committee, responding to criticisms from progressive-nationalist groups for the introduction of US made fighter jets (F-15Ks), took even the exceptional action of requesting an audit for the program to the Board of Audit and Inspection of Korea⁶. The dispute over arms imports from the US resulted in a structural reform for ensuring transparency. The influence from the MND and military on the development and acquisition of arms were greatly limited by this reform.

In the negotiation among the MND, Office of the President, the chairman of the National Defense Committee of the National Assembly and the ruling party (the Uri Party) held in August 2004, a proposal that a new bureau within the MND would unify the development and acquisition was still alive, while on the other hand, even the proposal for transferring relevant authority to an agency under the Prime Minister’s Office emerged at that time. In the end, it was agreed that relevant authority should be concentrated in an agency newly built as an external organ of the MND.⁷ The agency established as a result of this compromise was the DAPA.

After that, opposition to providing the DAPA with high-level autonomy still continued inside the government, asserting that the MND should successively make a Mid-Term National Defense Plan.⁸ However the Defense Acquisition Program Act submitted to the National Assembly (an act to establish the DAPA, submitted in August, 2005) prescribed that the Minister of the DAPA make a mid-term national defense plan, though a post-approval by the Minister of

the MND was required.

Almost all of the review processes for the Mid-Term National Defense Plan, which had gone through force planning directorate at each of the three military services’ headquarters and the MND in the past, were mostly unified into the DAPA.⁹ In addition, the defense acquisition act gave the DAPA responsibilities for supervising two arms: the ADD, which has played central role in R&D of the military since 1970, and the newly established DTAQ, the organization responsible for the investigation or classification of technology trends.

On the other hand, it cannot be said that the DAPA has prioritized transparency of arms programs in response to the initial criticism. To begin with, ensuring “transparency” is only 4th place in the basic principles for execution of project shown in the Defense Acquisition Program Act; the 1st principle is “promotion of localization of weapons systems.” (Article 11) In alignment with this principle, the DAPA has taken the initiative to foster defense industry. The criticism of the closed nature of the military might have stimulated an opportunistic move toward a more robust domestic industry. Actually, two years after its inauguration, a confrontation became apparent over a helicopter project between the DAPA and the Army which was concerned about the lowering of military capabilities rather than industrial interests.

Attack Helicopter: Rivalry between the DAPA and the Army

Regarding the FY2009 budget bill, the ROK Army chief of staff pointed out that the development of a domestically produced attack helicopter (KAH: Korea Attack Helicopter), which the DAPA was aiming for, would take too long time to ensure its military capability and stated that “heavy attack helicopters” would be necessary to avoid a capability gap.¹⁰ The heavy attack helicopter under discussion was the US made Apache Helicopter (AH-64) while the KAH was, so to speak, mid-size. The Army virtually denied the

introduction of the KAH.

What made the difference between the Army and the DAPA clear were the wars in Iraq and Afghanistan. According to documents submitted by a member of the National Assembly's National Defense Committee, in a 2009 inspection of administration conducted by the committee, the ROK government initiated contact with the US in April 2008 with the aim of importing the AH-64. In fact, in the same month, the director of the US Army aviation stated that it was short of one Combat Aviation Brigade (CAB) in rotation for Iraq and Afghanistan. It was pointed out, as background, that one of the CABs was in full service to defend the ROK¹¹. Seemingly the ROK government's move toward importing the AH-64 was because the reduction of the US helicopter fleet in Korea was inevitable.

Indeed, several months later, the US Forces Korea publicly announced that one battalion (24 AH-64s) of two Attack Reconnaissance Battalions would be re-deployed to Colorado to prepare for dispatch to Iraq¹². The US force of AH-64s for responding to North Korea was halved. This happened soon after the ROK Army chief virtually denied the introduction of the KAH.

The uncertainty of KAH development having been pointed out by the Ministry of Strategy and Finance, the DAPA failed to include the KAH development program in the governmental budget bill.¹³ Even for the DAPA, with its powerful authority, it was not easy to promote the program opposed by the military. However, the DAPA had an unofficial alternative path to realize the objective, which meant that the National Defense Committee would allocate expenditure of the KAH program even if it were not included in the government's budget bill.

At this point, the Army's policy was to adopt a domestically made, smaller, cheaper, existing helicopter, instead of the KAH, in order to secure funding for expensive AH-64s. The Army's proposal, which was less beneficial to domestic firms, faced direct opposition in the National Defense Committee. This

was because, in the election districts or their neighboring areas of the committee's not a few members, there were the firms which participated in two major domestic arms programs: a utility helicopter program (KUH: Korea Utility Helicopter), the base of the KAH, and the T-50 jet trainer, a South Korean made supersonic aircraft, which could develop into an indigenous fighter plane (KF-X).¹⁴ KF-X was another program the DAPA had yet to fund for.

What allowed the committee members to seek such regional industrial interests would be an expansion of power in the National Assembly. Certainly in the US, it is widely known that the Congress has attempted to procure equipment, which the Department of Defense did not request. Based on the constitutional requirement of congressional appropriations before drawing funds from the Treasury, the US Congress has been considered able to create budgetary items.¹⁵ However, this is not necessarily common power in other democratic legislatures.¹⁶

In fact, according to article 57 of the ROK constitution, it is stipulated that "The National Assembly shall, without the consent of the Executive, neither increase the sum of any item of expenditure nor create any new items of expenditure in the budget submitted by the Executive." The words have never been revised even though the constitution has been amended 9 times since it became effective in 1948.

Nevertheless, in recent years, examples have been frequently pointed out of the National Assembly creating expense items not included in government budget bills. The above article can be read as the National Assembly has power to create a budget item with "the consent of the Executive," which may be the cause of those. Given that a budget bill has to be approved by a certain point, the government would have little room not to grant "consent" to the addition of items.

Following this trend of the National Assembly's power, the National Defense Committee allocated 1 billion Won for the KAH development at the FY2009

budget review.¹⁷ As a result, the DAPA was able to start the KAH feasibility studies by the end of the fiscal year.¹⁸ Although the program was not included in the following FY2010 budget bill either, the National Defense Committee added it.¹⁹

After all, doubts were raised about item addition itself—and the FY2010 KAH budget was eliminated before approval in a plenary session.²⁰ Instead, however, the government virtually made a promise that it would respond to the demands of the National Defense Committee in and after the next fiscal year's budget bill. On January 21, 2010, about 2 weeks after the Assembly's final approval of the budget, the advisory council of aerospace industry development in the government approved the development plan which included the KAH and KF-X programs.²¹ This made it possible for the KAH development budget to be included continuously in the successive government's budget bill.

Reform and Prospect

The launch of the KAH program according to the DAPA's position probably created the incentive for the MND to reform the external bureau. The reform included the following three pillars: (1) Reducing autonomy of the DAPA from the MND, (2) civilianization of the DAPA, and, originating from other contexts than the above two points, (3) the expansion of a JCS's role regarding test and evaluation.

With respect to the first point, the agency was able to promote a different policy from the military's in the National Assembly because of its autonomy in planning arms programs. For example, in the review of the FY2009 budget, the DAPA Minister implicitly asked for the National Defense Committee to include the KAH program in the budget, even though the Army showed a negative stance against it.²² It would be difficult to do so unless it has responsibility for not only execution but also planning of arms programs.

It was in June 2010, several months after the decision

of the KAH development that the policy of transferring the making of the mid-term national defense planning, the axis of such functions, from the DAPA to the MND was made apparent.²³ (The revised Defense Acquisition Program Act based on the above policy was enacted in May 2014.) In addition, the supervision of the ADD and the DTAQ was also transferred to the MND, from the DAPA, so that the MND can implement decisions on the policy direction for R&D.²⁴ The MND seemed to restrict the DAPA's autonomy by limiting its role to only the execution of a budget.

Secondly, the MND intended to civilianize the DAPA. Suspicion of collusion between military personnel and industrial circles is strong in South Korea.²⁵ Recent investigations on the DAPA by the Board of Audit and Inspection indicated the reemployments of military personnel into defense industries contrary to guidelines.²⁶ In addition, the Minister of the DAPA, who confronted the Army over the 2009 budget, was an ex-reserve major general of the Army and had been responsible for arms programs such as the "Paektu Project"²⁷ and the KUH.²⁸

Since the MND published its intention for reforming the DAPA, civilianization of the agency's leadership has progressed. After starting the reform, civilian ministers have continuously assumed the office of the DAPA (5th to 7th Ministers were from the Ministry of Strategy and Finance and the Ministry of Planning and Budget, and the current 8th Minister had long worked as a researcher in the ADD) while the first to fourth Ministers (from January 2006 to August 2010) were all reserve generals.

On the other hand, overall civilianization in the DAPA has not progressed much. The plan, from the year of its inception, was to place the agency under civilian control with the objective of improving business transparency. However, increasing civilian employees goes against the public servant quota restraint policy in effect throughout the government. Partly because of this, the civilianization has been delayed.²⁹

Though the DAPA is aiming to increase civilian staffing by 70%, the actual rate is about 50%.³⁰ Probably, the rate has not greatly varied since its inception. Of the maximum 1700 regular staff of the DAPA, no more than about 900 have been occupied by military staff.³¹

Finally, the third point, test and evaluation, were also an important task in reforming the DAPA. The objectives of the revised Defense Acquisition Program Act included enabling final inspection from the viewpoint of “users.”³² In other words, the DAPA seemingly had promoted arms acquisition through suspicious test and evaluation from the view point of the military services.

Though it was the issue which emerged after the submission of the revised act, a Korean made torpedo issue was an example of a doubt raised by “users.” In June 2009, the DAPA got approval for the primary production plan from the Minister of National Defense, assuming that the development of a domestically made torpedo, *Hong Sang Eo*, was completed.³³ However, when finished torpedoes were actually launched from a warship in 2012, accuracy was so low that the Navy demanded the DAPA to improve it. The DAPA announced the completion of the improvements in May 2014.³⁴ The revised Defense Acquisition Program Act would aim at correcting similar problems.

Eliminating the DAPA’s authority regarding test and evaluation, however, does not mean to return to the system prior to the launch of the DAPA. This is because the MND is giving consideration to jointness of the three services, which was emphasized recently, through the reform.

Though respective services will be involved in test and evaluation from the viewpoint of “users” based on the revised act, the JCS will make the final judgment. This is said to be a system that takes into consideration “joint operability of weapon systems”. In addition,

decisions of “requirement” (the function, required time and volume of arms system) in the planning phase for which the MND had been responsible even before the reform were transferred to the JCS by the revised act.³⁵ It turned out that the MND had intended to reinforce JCS’s power in arms programs.³⁶

As seen above, South Korea’s arms program, which had been criticized for being promoted by “only the military” greatly changed. The reform of the DAPA has many implications from the view of decision making processes: the National Assembly’s attempts to expand its influence on the budget, defense industrial interests in regions, civilianization of the DAPA and the increasing JCS’s power.

¹ “The President’s policy speech for FY2015 budget bill”, October 29, 2014.

² *Kookbang Ilbo* (The Korea Defense Daily), October 29, 2014.

³ *The Korea Defense Daily*, August 30, 2013.

⁴ DAPA, *Saeroun Chulpar Pangwisaopchong Ilyong Ue Songwawa Dajim* (New Departure, a Result of the First Year and Pledge toward Future) (2007): 22.

⁵ The 16th Presidential Transition Committee, *Jae16dae Daedongryongjik Insu Uiwonghwe Paekso: Daehwa* (The 16th Presidential Transition Committee White Paper : Dialogue) (March, 2003): 165.

⁶ *Ibid.*, 40.

⁷ *The Korea Defense Daily*, September 1, 2004.

⁸ ROK National Assembly, National Defense Committee, 256th session, *Kookbang Uiwonghwe Hwewiok* (National Defense Committee Record) (November 10, 2005): 6.

⁹ DAPA, *New Departure, a Result of the First Year and Pledge toward Future*: 26.

¹⁰ ROK National Assembly, National Defense Committee, *Kookchong Kamsa Kookbang Uiwonghwe Hwewiok* (Inspection and Investigation of State Administration National Defense Committee Record) (October 13, 2008): 13.

¹¹ “Mundt: Another Aviation Brigade Needed to Sustain Deployments,” *Inside the Army*, April 21, 2008.

¹² “DOD Approves Restationing of Apache Battalion,” *US Fed News*, November 16, 2008.

¹³ ROK National Assembly, National Defense Committee, 278th session, *National Defense Committee Record* (November 17, 2008): 20.

¹⁴ This description is based on the comparison of the locations of responsible firms of the KUH and T-50 with the election districts of the national assembly

members whose remarks of requiring the KAH budget inclusion appears in the following records of the National Defense Committee: 278th session (November 13 and 17, 2008), 291st session (June 13, 2010) and Assemblyperson Kim Haksong, report for the Inspection and Investigation of State Administration (October 5, 2009). The responsible enterprises for the transport helicopter and T-50 were identified based on the following information. The Korea Aerospace Industry Association, *Hangkong Uchu* (Aerospace) (October 2007): 9, “F/A-18 and EA-18 Remain Top Applications for F414,” *Forecast International Defense Intelligence Newsletters*, June 26, 2008; “General Electric F404/F414 Programs Still a Mainstay of Fighter Progr,” *Forecast International Defense Intelligence Newsletters*, April 20, 2010; “Firstec Co., Ltd. – History,” *Datamonitor Company Profiles*, May 31, 2010; Firstech Co. Ltd, “History,” <http://www.firstecom.co.kr/english/intro/in2.html>.

¹⁵ Allen Schick, *The Federal Budget: Politics, Policy, Process*, third edition (Washington DC: Brookings, 2007): 10.

¹⁶ Refer to the following with regard to the scope of a revised budget by the National Assembly, Yaku Hitoshi “Yosan to Houritsu no Kankei: Yosan no Shuusei wo Chuushintoshite (The relation between budget and law: Centering on the budget correction)”, *Reference 725* (June 2011).

¹⁷ ROK National Assembly, National Defense Committee, 278th session, *National Defense Committee Record* (November 20, 2008): 3.

¹⁸ *The Korea Defense Daily*, January 7, 2010

¹⁹ ROK National Assembly, National Defense Committee, 284th session, *National Defense Committee Record* (November 23, 2009): 16.

²⁰ *The Korea Defense Daily*, January 7, 2010.

²¹ *The Korea Defense Daily*, January 22, 2010.

²² ROK National Assembly, National Defense Committee, 278th session, *National Defense Committee Record* (November 17, 2008). The Minister of DAPA said to the members of the National Assembly who promoted the KAH development that its budget was

eliminated through the other senior official’s opposition and told them that early promotion of the program was necessary.

²³ *The Korea Defense Daily*, June 25, 2010.

²⁴ *The Korea Defense Daily*, February 17, 2014.

²⁵ For example, *Yonhap News*, November 9, 2014.

²⁶ DAPA, ““Pangsan Yorke Bunya Chonpangwi Kamsa” Bodo Kwanryong (With regard to the coverage “The Overall audit for the 10 fields of Defense Industry”)", *Ipchang Chyaryo* (Position Paper), July 28, 2014.

²⁷ This program attempted the introduction of a reconnaissance airplane for communication interception in 1990’s.

²⁸ *The Korea Defense Daily*, March 10, 2008.

²⁹ DAPA, *Written Answer*, National Assembly National Defense Committee, 311th session, October 11, 2012, 37:42.

³⁰ ROK National Assembly, National Defense Committee, *Inspection and Investigation of State Administration National Defense Committee Record* (October 20, 2014): 12-13.

³¹ ROK Presidential Order no. 19200, “Pangwisaopchong kwa Koo Sosokkikwan Chikjea (The DAPA and its affiliated office organization)” (December 28, 2005): annexed sheet. ROK Presidential Order no. 25571, “The DAPA and its affiliated office organization” (August 27, 2014): annexed sheet.

³² *The Korea Defense Daily*, June 25, 2010.

³³ *The Korea Defense Daily*, August 14, 2009.

³⁴ DAPA, “Changkori Taechamoraehong Sang Eo Pumjir Kaeson: Pumjir Hwakin Sagyok Sihom mit Kaeson Pohwanuro Hong Sang Eo Sinraedo Hyangsang (Quality Enhancement of the long-range anti-submarine torpedo *Hong Sang Eo*: Hong Sang Eo reliability enhanced with launching practice for quality confirmation and complement for improvement)”, *Bodo Charyo* (Press Release), May 26, 2014.

³⁵ *The Korea Defense Daily*, August 30, 2013.

³⁶ *The Korea Defense Daily*, June 25, 2010.

Profile

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