

FEATURE ARTICLES

Australia-Korea Defense Industry Collaboration: Missing Opportunities



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

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

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

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

AUSTRALIA'S FALTERING DEFENSE INDUSTRIAL ENGAGEMENT WITH KOREA

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

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

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

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

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

IS SHIPBUILDING ALSO TO BE A LOST OPPORTUNITY?

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

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

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

³ *Defence.gov.au*, 24 April 2023.

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

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

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

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

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

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

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

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

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

WHERE TO NEXT: A CLOUDED FUTURE?

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

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

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

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

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

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

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

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

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

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

CAN SOUTH KOREA AND AUSTRALIA MOVE BEYOND SENTIMENT TO ACTION?

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

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

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

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

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

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

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

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

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

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

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

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

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

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