Reciprocal Defense Procurement: The Missing Element in U.S.-ROK Relations

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Abstract

Reciprocal Defense Procurement (RDP) agreements—managed by the U.S. Department of Defense (DoD)—exempt "qualifying countries" from Buy American restrictions in return for reciprocal market access and closer strategic alignment. Since the inaugural 1956 agreement with Canada, the DoD has concluded 28 RDP agreements mostly with NATO allies to foster rationalization, standardization, interchangeability, and interoperability among military forces. They also waive specialty-metal restrictions, improving access to critical minerals. Qualifying countries typically possess advanced robust defense industries, field U.S. weapon systems, and face regional threats from Russia or China. Post-Cold War additions such as Austria, Finland and Australia showcased geographic and political expansion; Japan and the Baltic states followed amid rising Russian and Chinese pressure. Ongoing negotiations with Brazil and India illustrate evolving aims: integrating key BRICS economies, shoring up rare earth supply chains, and aligning non-aligned states against rival powers—while discussions with South Korea reflect efforts to deepen industrial cooperation with existing allies. Domestic stakeholder pressures, defense offsets, and "America First" trade policies complicate RDP negotiations, yet countries with robust industry, shared security interests, and demand for U.S. weapons remain strong candidates for future agreements, strengthening a resilient, globally integrated defense industry network.

Keywords: Reciprocal Defense Procurement (RDP); U.S. Department of Defense (DoD); qualifying countries; Buy American Act (BAA); specialty metals; critical minerals; offsets; tariffs; NATO; BRICS; Republic of Korea (ROK); Rationalization, Standardization & Interoperability (RSI)

Introduction

The Reciprocal Defense Procurement (RDP) Memorandum of Understanding (MOU)—RDP MOU—is a U.S. Department of Defense (DoD)-managed bilateral agreement promoting defense industry cooperation between America and its security partners, known as "qualifying countries." The purpose of these MOUs is to increase mutual military force rationalization, standardization, interchangeability, and interoperability. Rationalization refers to the coordinated planning and production of complementary defense capabilities in place of duplicative and redundant national procurements; standardization involves the adoption of common technical specifications and procedures; interchangeability allows for parts or equipment to be used across systems from different countries; and interoperability ensures that forces can operate together effectively at tactical, operational and strategic levels. The DoD has 28 RDP relationships and consumes more defense goods than all of the qualifying country security partners combined. RDP agreements enhance qualifying country communications with the DoD for mutual defense market access, but the purpose is to achieve strategic goals beyond economic benefits. Many RDPs relax non-tariff trade barriers such as the 1933 Buy American Act and "buy local" restrictions in partner countries, granting U.S. defense firm access to foreign government procurement while enabling qualifying security partner access to DoD procurement. Even though RDP agreements grant such benefits, and the U.S. and Republic of Korea (ROK) are long-standing allies, these two countries do not yet share an RDP MOU qualifying country relationship.

On the surface, overall economic and strategic benefits of an RDP relationship seem to outweigh the drawbacks of putting some national defense industry and small producers at risk of security partner defense industries penetrating domestic markets. Since South Korea is not one of the 28 countries in an RDP relationship with the U.S, the situation leads to asking why security partners would enter into an RDP agreement. The situation also leads to the alternative, asking why any countries, especially South Korea, would avoid such a relationship.

An RDP MOU demonstrates confidence and trust between partner nations. The absence of a qualifying country relationship among advanced industrial partners and allies highlights mismatching expectations that, when resolved, could produce a more integrated and secure community of mutually supportive supply chain states. Although not guaranteeing immediate and full relief from Buy American requirements applied on foreign producers, an RDP agreement provides a channel for mutually addressing relief from "buy local" restrictions. Understanding the concerns and challenges that partner nations such as the U.S. and South Korea face when avoiding or seeking an RDP MOU promotes understanding of foreign policy interests with international security partners, the defense industrial base, and national priorities. Research here illustrates strategic implications, highlighting where RDP MOUs strengthen international partnerships and expand the defense industrial base for all networked partners.

History and Characteristics of RDP MOUs

There are 28 RDP MOUs[1] [Table 1]. During the Cold War, RDP agreements promoted rationalization, standardization, and interoperability (RSI) within the North Atlantic Treaty Organization (NATO) and extended the same relationship to some non-NATO European countries. Recent RDP MOUs continue including RSI but also add "interchangeability," and highlight exceptions for the use of specialty metals and rare earths—excluding adversaries while preserving access for trusted security partners. Qualifying country characteristics include friendly or alliance status with the U.S., acquisition and employment of advanced U.S. weapon systems, a strong desire to increase or maintain participation in DoD procurement, advanced defense industry capacity, and common regional adversaries that motivate security cooperation. The presence of these characteristics among non-RDP countries can also point to candidates for expanding an RDP-centered supply chain network.

Table 1. Reciprocal Defense Procurement Agreements

NO.	COUNTRY	DATE SIGNED	NO.	COUNTRY	DATE SIGNED
1	Canada	Oct 1956	15	Sweden	Jun 1987
2	Switzerland*	Jul 1975	16	Israel*	Dec 1987
3	United Kingdom	Sep 1975	17	Egypt*	Mar 1988
4	France	May 1978	18	Austria*	Sept 1991
5	Norway	May 1978	19	Finland	Oct 1991
6	Netherlands	Aug 1978	20	Australia*	Apr 1995
7	Italy	Sep 1978	21	Luxembourg	Oct 2010
8	West Germany	Oct 1978	22	Poland	Aug 2011
9	Portugal	Mar 1979	23	Czech Republic	Apr 2012
10	Belgium	Dec 1979	24	Slovenia	Apr 2016
11	Denmark	Jan 1980	25	Japan*	Jun 2016
12	Turkey	Mar 1980	26	Estonia	Sep 2016
13	Spain	July 1982	27	Latvia	Apr 2017
14	Greece	Sept 1986	28	Lithuania	Dec 2021

*6 Non-NATO countries

The first RDP agreement emerged in 1956 as a U.S.-Canada "Defence Production Sharing Agreement."[2] Canada and the U.S. have a special historical relationship through the world's longest undefended border, and as North American Aerospace Defense Command (NORAD) and NATO allies. Furthermore, defense industries in Canada and America share many linkages.

Shortly after the end of the Vietnam War in April 1975, RDP MOUs with Switzerland and the United Kingdom (UK) were concluded in response to increased mutual procurement and to resolve complications related to defense industry offset obligations. According to the official U.S. Department of Commerce definition, offsets are "industrial compensation arrangements required by foreign governments as a condition of the purchase of defense articles and services from a non-domestic source."[3] Unlike most other RDP qualifying countries, Switzerland is not a NATO member, but is instead a traditionally neutral country. Even so, in 1975, the DoD promoted co-production of F-5 aircraft in Switzerland and co-signed for U.S. industry responsibility to integrate Swiss defense products into America's military supply chain as offsets for the F-5 deal.[4] Separately, yet also in 1975, the DoD supported reciprocal procurement with the UK, a NATO ally, to rationalize logistics. The establishment of this qualifying country relationship responded to the UK's request for relief from complications created by its own offset obligations that were constraining U.S. industry as the UK planned Foreign Military Sales (FMS) purchases through the U.S. Government for "ECM, HARPOON, AWACS, and TOW" systems—totaling $900 million.[5] Employment of U.S. weapon systems, advanced defense industrial capacity, a strong desire for integration with DoD procurement, and overcoming complications with defense industry offset obligations illustrated RDP characteristics for both the UK and Switzerland.

The next sequence of RDP MOUs continued on a European track. In February 1976, 13 NATO members established the Independent European Program Group (IEPG), without Canada and the U.S., "to foster [European] cooperation on armaments production."[6] Later in the same year, Congress authorized relaxing Buy American restrictions in support of NATO RSI.[7] This led to 11 new RDP MOUs with the IEPG members—however, among the 13 countries in the IEPG, Luxembourg waited until 2010 to accomplish an RDP MOU, and the UK was already a qualifying country. Separately, in 1987, Sweden signed its RDP MOU, although neither IEPG nor NATO at that time (Sweden joined NATO in 2024). These agreements highlighted European countries, mostly NATO allies, with advanced defense industry capacity seeking more opportunities when procuring U.S. defense systems in the Cold War.

As the Cold War drew to a close, RDP MOUs began to take a new direction with agreements involving Israel and Egypt. In 1987 and 1988, the DoD concluded negotiations to change from defense industry agreements originating in 1979 Camp David Accords by converting them into RDP MOUs.[8] Employing the RDP MOU as a new type of foreign policy tool expanded Camp David benefits, and increased regional stability in the Middle East by reducing Egypt-Israel mutual aggression. It also increased their reliance on American weapon systems, and rewarded Egypt's turn away from the Soviet Union as a security guarantor. These agreements ended the Cold War phase of RDP MOUs. Over the next two years, in 1989 the Berlin Wall fell and in 1991 the Soviet Union dissolved, enabling expansion of post-Cold War RDP relationships by offering qualifying country benefits to emerging security partners.

Soon after the Cold War ended, RDP agreements were concluded with three notable non-NATO countries—Austria, Finland and Australia. Austria, a constitutionally neutral state, had long served as a political and geographic buffer between NATO and the Warsaw Pact. Finland, which joined NATO in 2023, was another neutral country practicing "active neutrality" that had also openly engaged with (but was not embedded in) the Eastern Bloc during the Cold War. Australia's emergence as a qualifying country expanded the RDP network as a geographical outlier. Aligning with characteristics for most other countries, except Israel and Egypt at the time, these new agreements were accomplished with advanced defense industry security partners expecting more DoD procurement participation while they also obtained U.S. military gear.

Two decades following the end of the Cold War, the number of qualifying countries surged with Japan, six "new" NATO members (that were behind the Iron Curtain during the Cold War), and Luxembourg, an original NATO member. The increase in new-NATO qualifying countries coincided with Russian military forces occupying portions of Georgia from 2008 and invading Ukraine's Crimea from 2014. Japan's RDP relationship—as the first qualifying country in East Asia—reflected both the rise of China as a regional threat and the continued strength of the U.S.-Japan alliance. Lithuania's agreement in 2021 was influenced not only by Russia's regional antagonism, but also connected to economic coercion by China in Europe. Following trends set by previous RDP MOUs, these qualifying countries sought more national defense industry opportunities, had achieved advanced defense industry capacity, and were obtaining advanced U.S. weapons systems.

New Candidate Countries – Ongoing Negotiations

Although the U.S. has RDP agreements with 28 countries, it does not have agreements with all of its security partners. Three countries not yet included in the RDP network are currently in negotiations – Brazil[9], India[10], and South Korea.[11] Two of them—India and South Korea—have China as a regional neighbor. In addition to being a longstanding U.S. ally since 1953, South Korea is both a major buyer of U.S. military equipment and an increasingly prominent defense exporter.[12] While South Korea sought greater participation in DoD procurement, both Biden and Trump Administrations have increased Buy American local content requirements in DoD procurement. South Korea's push to expand defense exports, combined with the U.S. Government increasing requirements for U.S.-based contents in DoD procurement, has heightened pressure for Korea to obtain qualifying country status to preserve and grow its access to the DoD market. The U.S.-ROK alliance is often marked by haggling over burden sharing, especially under the Trump Administration. If South Korea and the U.S. can overcome differences and accomplish an RDP MOU, it will serve as a positive example for the relationship formally becoming more "reciprocal" than ever before.

Brazil and India challenge the RDP friends-and-allies trend as members of the Brazil, Russia, India, China, and South Africa (BRICS) international organization, founded in 2009. BRICS openly advocates against some U.S. economic policies, and President Trump has threatened to increase tariffs against all BRICs countries. However, a BRICS qualifying country is not entirely novel. Egypt, a BRICS member since 2024, and a prominent recipient of U.S. Foreign Military Financing (FMF) grant aid, has been an RDP qualifying country since 1988. Therefore, BRICS membership is not necessarily a disqualifying factor on its own for being an RDP partner.

Engagement with India provides insight on alignment with U.S. security concerns, potentially enabling an RDP relationship despite other policy issues beyond BRICS membership. Headquarters U.S. Pacific Command (PACOM) changed its name to U.S. Indo-Pacific Command (INDOPACOM) in May 2018, recognizing South Asia's emerging importance.[13] Chinese and Indian militaries have fought over territorial disputes in recent years, calibrating U.S. security interests more closely with India's concerns. However, India maintains a robust supply chain to support its Russian military equipment inventory and also imports petroleum products from Russia. In contrast, India increasingly procures Western military equipment, but from many non-U.S. sources. Completing an RDP agreement with India would signal that U.S. concerns about China outweigh reservations over India's strategic autonomy and its close ties with Russia. Moreover, an agreement could open doors for Indian firms with the DoD, American industry, and a U.S.-centered supply chain network that marginalizes Russia's defense equipment market.

Also, a founding BRICS member, Brazil would be the first RDP qualifying country in the U.S. Southern Command (SOUTHCOM) area. Also, in another first, the DoD introduced "interchangeability" to the Brazil RDP negotiation announcement, changing from "rationalization, standardization, and interoperability (RSI)" to "rationalization, standardization, *interchangeability*, and interoperability."[14] The same change repeated in negotiation announcements for both India and South Korea.[15] Brazil does not procure as much foreign military equipment as India nor as much U.S. defense equipment as South Korea. Even so, Brazil began lifting its own "buy local" restrictions on foreign military producers in 2020, enabling more non-Brazilian industry access to local defense procurement.[16] However, increasing liberalization could be reversed if Brazil restores "buy local" restrictions to policy-match increasing Buy American restrictions.[17] An RDP agreement can overcome the mutual issue for both countries. Although not directly concerned about Chinese or Russian territorial expansion elsewhere, Brazil has demonstrated overlapping interests with U.S. security concerns when suspending embassy-level relations during 2020-2023 with Venezuela and more recently dismantling Russian spy cells within Brazilian territory.[18] Due to increasing desires for mutual market access and aligning interests, and despite Brazil's BRICS membership, an RDP relationship could demonstrate improved supply chain security and achieve mutual defense market access.

Although the three RDP MOUs currently in negotiation share similarities, there is also a distinct contrast. South Korea, Brazil, and India all share key characteristics: advanced defense industries, growing actual or potential procurement of U.S. military equipment, mutual interest in defense market access, aligning security interests, and significant offset obligations within their defense sectors. The RDP MOU with South Korea is under consideration as a reactive tool, confirming a longstanding military and security relationship. In contrast, an RDP MOU for Brazil or India would be a more proactive tool applied to shape future foreign policy outcomes with non-aligned countries. From this perspective, the RDP MOU serves a new, unique, and emerging purpose for BRICS that is a twist on previous application with NATO countries in the former Independent European Program Group (IEPG), which dissolved in 1992.[19] In both cases, with the IEPG and BRICS, an RDP agreement builds bridges into cartels by establishing bilateral relationships that bypass exclusion from defense industry markets. However, in the past case with IEPG countries, they were all NATO allies. The RDP framework now aims to improve market access with countries that might otherwise tilt toward a more BRICS-aligned, anti-American posture—unless counterbalanced by deeper defense-industrial ties.

RDP Agreements: Strategic Context and Negotiation Dynamics

RDP Negotiations Align U.S. Strategic Interests

RDP agreements are typically signed with countries that share strong military ties and the U.S., often through NATO, reflecting mutual interests in defense cooperation and interoperability. However, recent RDP agreements are also with countries facing significant regional security threats from China and Russia, bolstering and showcasing defense postures through closer U.S. ties. Thus, from the U.S. perspective, RDP negotiations with domestic stakeholders reflect strategic alignment more than economic benefits.

For example, in 2021 Lithuania negotiated an RDP agreement to address security concerns arising from Russia as a regional threat and China's economic coercion in Europe. Russia's 2014 annexation of Crimea and continued aggression in Ukraine underscore the need for strong international alliances and robust defense capabilities. An RDP relationship provides Lithuania with opportunities to improve military capabilities, access advanced defense technology, and integrate more into NATO standards.

RDPs More Likely with Countries Having Advanced Defense Industries

Although there are visible exceptions, such as Egypt, RDP MOUs are typically with countries possessing advanced defense industry capacity that can readily integrate into the U.S. defense supply chain, as seen with Australia, Japan, NATO, and non-NATO European countries.

Stakeholders Pressure their Governments to Relieve Pressures on Industry

Among domestic stakeholders within their respective countries, a variety of economic and political pressures influence RDP negotiations. Public opinion, legislators, labor unions, and domestic defense industries all serve important roles in shaping the negotiation and engagement process. These stakeholders are often concerned about the economic results of increasing foreign competition in local defense markets, legal implications related to harmonizing procurement policies, and the broader ramifications of national security and sovereignty involved in such an agreement. The domestic stakeholders, primarily in defense manufacturing firms, apply direct and indirect influence on their own governments when anticipating any positive or adverse impact on their industry, and to influence a security partner country's defense procurement policies bending more in their favor.

Limited Flexibility in the RDP MOU

The DoD offers the RDP MOU template-like basic agreement to each potential qualifying country. Maneuvering room to reflect individual circumstances is narrow, making it difficult for security partners to alter specific points and satisfy their own unique domestic goals that differ significantly from other RDP signatory countries. As the case study on South Korea later in this article shows, implementing an RDP MOU would require new legislation or amendments to existing law—effectively giving the agreement treaty-like status in South Korea.

The U.S. Also Seeks RDP MOUs for Special Purposes

In addition to granting relief from some "buy local" restrictions, the RDP MOU also lifts many U.S. restrictions applied against using foreign-based specialty metals or rare earth elements that are integrated into military gear procured abroad by the DoD. An RDP MOU, for example, can lower U.S. procurement barriers by opening up opportunities for countries that produce specialty metal components, such as batteries for electric vehicles or powerful magnets in high-performance radars. China is increasingly establishing control of worldwide alloy market access, decreasing U.S. military access to rare earth elements.[20] The DoD therefore seeks qualifying country partnerships where manufacturers produce specialty metal components.[21] More detailed discussion of critical mineral relationships exceeds the scope of this article. However, insight is available where RDP MOU negotiation announcements list the terms "specialty metals."[22] Although not providing deeper insight into specialty metals, or how they specifically influence any individual decision factors in the RDP consideration process, this does not detract from understanding the overall trends for the RDP as a tool of foreign policy. Qualification as an RDP partner, whether based entirely on industry capabilities or including rare earth elements as one decision factor, highlights regional threats and adversaries driving security cooperation. Russia and China motivate RDP mutual relationships, enhanced by DoD requirements for niche resource access.

Case Study: The Republic of Korea (ROK)

Based on RDP characteristics reviewed so far, South Korea should have become a qualifying country decades ago. In fact, in the late 1980s the ROK Government initiated RDP engagement with U.S. counterparts. Despite over 30 years of U.S.-ROK dialogue, significant differences remained unsolved, with both sides alternating between advancing and backing away from formalizing a qualifying country relationship. The primary contention has been stuck between South Korean defense industry's own concerns about potential negative impacts that liberalization might introduce and America's expectation for full reciprocal access to South Korea's defense procurement. Only during the Biden Administration did the two governments resume serious engagement toward making progress on an agreement.

The U.S. has clear foreign policy and security objectives, as highlighted by Representative Michelle Park Steel (R-California): "With rising threats from the (Chinese Communist Party) and North Korea, I am pleased to hear the Department of Defense taking action with South Korea to strengthen both of our defense capabilities."[23] The Korean Government has conducted numerous continuing studies weighing the benefits and risks of joining an RDP relationship, typically from national security, defense industry, and trade perspectives. While generally acknowledging that an agreement will strengthen security cooperation, the potential trade benefits and impact on South Korea's defense industry generate questions that have not yet been clearly resolved. For example, there are doubts from the Korean perspective about whether an RDP relationship will reduce the trade imbalance in arms by increasing exports to the U.S. and what defense items ROK firms might be able to export to the DoD.

Opponents emphasize concerns with the potential for negative impact on the Korean defense industry. These concerns include subordination to more advanced U.S. defense firms; doubts about South Korea's relatively weak legal system handling engagement with U.S. industry; and American pressure to limit South Korea's offset obligations that are levied upon foreign defense exporters. Interviews highlight many ROK companies stating they lack technological and price competitiveness compared to American counterparts, due to some not owning the original technologies for manufacturing.[24] Given the expense and difficulty involved in acquiring and creating technologies, many South Korean companies are not convinced that an RDP relationship would be positive, and doubt they can successfully compete on an equal footing against U.S. companies, even if Buy American restrictions are waived or relaxed.

South Korea's legal system is not as rigorous as that of the U.S. in protecting domestic defense markets, but the gap is shrinking. In May 2024, the Korean Government inserted a "Buy Korean" clause to the Presidential Decree for the Defense Acquisition Program Act,[25] giving priority to indigenous materials, parts, and components. The same amendment introduced a dedicated set of contracting rules tailored for defense procurement, replacing the prior reliance on general contracting law and giving Korean defense industry a clearer, more protective legal framework. The U.S. system maintains a series of exceptions to Buy American through the RDP MOU, with broad Secretary of Defense authority to exclude or include certain acquisitions when either direction is deemed necessary for national defense.[26] Although implementation of an RDP agreement is expected to be "consistent with national laws, regulations and policies," as stated in the preamble of some RDP agreements, regulatory and legal revisions will be required before an RDP MOU can be implemented in South Korea. This necessitates review and passage of changes through the ROK National Assembly, such as waiving customs and duties, which legally exceeds the authority maintained by the ROK Minister of National Defense.

Finally, there is fear that the RDP MOU will undermine South Korea's offset policy and practice, diminishing the ability to leverage offsets as a domestic tool to strengthen the defense industrial base. Some RDP agreements state that they do not regulate offsets, meaning qualifying countries are not expected to reduce their offset requirements for U.S.

vendors. Even so, these agreements include provisions for discussing measures to limit adverse effects on the domestic defense industrial base found in both countries that sign an RDP agreement.[27] Interpretation, however, is open to question. The terms and conditions do not entirely eliminate suspicion that an RDP MOU might impose restrictions on how an importing country might apply its own offset obligations on U.S. exporters. If the DoD were to seek changes in South Korea's offset system, it would deprive South Korea's defense firms of a popular path that compels U.S. defense companies to choose local partners. Regardless of whether these concerns are partially or fully legitimate, South Korea's domestic political concerns since the 1980s have prevented joining an RDP relationship.

While U.S.-ROK state-to-state momentum is evident, the initiative and enthusiasm have come more from the South Korean side than the American. In previous administrations in both South Korea and U.S. presidents jointly announced pursuing an RDP relationship, and threats from Russia and China motivated more strategically aligned relations that increasingly expanded and shared defense supply chains. Simultaneously, both governments are also addressing their own domestic challenges and needs, including access to rare earth elements for microchip and semiconductor production. Meanwhile, a tougher line on defense offsets, burden sharing expectations, and tariffs initiated by the Trump Administration under the America First Trade Policy[28] have changed the mutual calculus, requiring recalibration of any progress achieved before 2025.

Sorting Out Candidates

Beyond the 28 qualifying countries and three more MOUs in negotiation, there are additional security partners that could be candidates for an RDP relationship. For example, Romania—procuring F-35 aircraft, and operating HIMARS artillery, F-16 fighters, and Abrams tanks—accomplished a bilateral

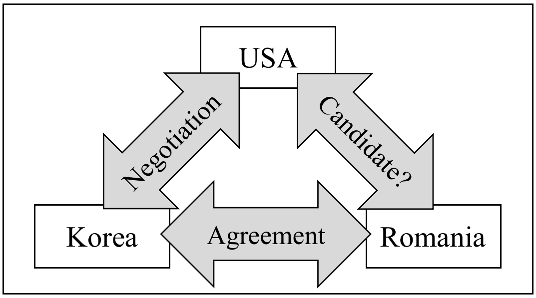

Figure 1. Romania – RDP Candidate?

defense industry cooperation agreement with South Korea in April 2024.[29] Since the DoD is negotiating with South Korea—which already has an agreement with Romania, a NATO member facing Russian aggression—this highlights Romania as a logical RDP candidate [Figure 1].

On the other hand, not every country or security partner fulfills expectations as a future candidate. Argentina provides a rare example of negotiations in 2005 that did not produce an agreement.[30] Argentina was not facing a regional threat. Its economy at the time was in shambles, and the government nationalized many aspects of its domestic defense industry to the point that market conditions were not entirely hospitable for American manufacturers.[31] Even so, Argentina maintains some U.S.-model weapon systems. Although research results are inconclusive, Argentina's messy economy and nationalization of defense industry suggest reasons why the RDP MOU was not accomplished.

Conclusion

The characteristics outlined in this article help identify promising RDP candidates, while also highlighting the reservations that have prevented some security partners from attaining qualifying country status. There are more security partners than RDP MOUs. Many partners that have not attained qualifying country status, such as South Korea, operate U.S. weapon systems, face regional threats, seek better access to DoD procurement, and possess advanced defense industries—including capabilities involving specialty metals. Expanding RDP MOUs to such partners would strengthen both U.S. and allied interests by reinforcing a mutually beneficial network for defense cooperation and supply chain security.

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