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DEFENSE ACQUISITION PROGRAM ACT

Act No. 7845, Jan. 2, 2006
Amended by Act No. 8486, May 25, 2007
Act No. 8852, Feb. 29, 2008
Act No. 9561, Apr. 1, 2009
Act No. 10218, Mar. 31, 2010
Act No. 10907, Jul. 25, 2011
Act No. 11690, Mar. 23, 2013
Act No. 11713, Mar. 23, 2013
Act No. 12559, May 9, 2014
Act No. 12748, Jun. 11, 2014
Act No. 12960, Jan. 6, 2015
Act No. 13243, Mar. 27, 2015
Act No. 13507, Sep. 1, 2015
Act No. 13777, Jan. 19, 2016
Act No. 13854, Jan. 27, 2016
Act No. 14182, May 29, 2016
Act No. 14422, Dec. 20, 2016
Act No. 14610, Mar. 21, 2017
Act No. 14609, Mar. 21, 2017
Act No. 14839, Jul. 26, 2017
Act No. 15051, Nov. 28, 2017
Act No. 15344, Jan. 16, 2018

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to seek to strengthen the competitiveness of the defense industry, and to ultimately contribute to the promotion of the advanced strong military and development of the national economy, by prescribing matters concerning the execution of defense acquisition programs, such as the improvement of defense capabilities, promotion of the defense industry, procurement of munitions, etc., in order to establish a foundation for self-reliant national defense.

[This Article Wholly Amended by Act No. 10218, Mar. 31, 2010]

Article 2 (Basic Principles)

The basic principles of this Act are to expand systems and capabilities for the defense acquisition programs to ensure national security, and to maintain preparedness for self-reliant national defense and expand potential for economic growth by strengthening the competitiveness of the defense industry through securing of transparency, speciality, and efficiency of defense acquisition programs.

[This Article Wholly Amended by Act No. 10218, Mar. 31, 2010]

Article 3 (Definitions)

The terms used in this Act shall be defined as follows: <Amended by Act No. 9561, Apr. 1, 2009; Act No. 12559, May 9, 2014; Act No. 13777, Jan. 19, 2016; Act No. 14610, Mar. 21, 2017>

1. The term "defense force improvement project" means the purchasing and research and

- development including new development, improvement of performance, etc., of weapons systems for enhancing military force, and the installation, etc. of facilities incidental thereto;
2. The term "munitions" means materials acquired to be used and administered by the Ministry of National Defense and military units or organizations under the direct control of the Ministry, or army, navy, and air force (hereinafter referred to as "each service"), which are classified into weapons systems and force support systems;
 3. The term "weapons systems" means the integration of weapons that show fighting capability in the battlefield, such as guided weapons, aircraft, naval vessels, etc., and all sorts of elements, such as equipment, parts, facilities, software, etc. necessary for the operation thereof, which are prescribed by Presidential Decree;
 4. The term "force support system" means all sorts of elements, such as equipment, parts, facilities, software, other materials, etc. other than a weapons system;
 5. The term "acquisition" means procurement of munitions by purchasing (including lease; hereinafter the same shall apply) or procurement through research, development, and manufacture;
 6. The term "offset trade" means trade where a condition of reciprocal service, such as transfer of relevant knowledge, technology, etc., the overseas export of domestic weapons, equipment, parts, etc., is attached when purchasing weapons, equipment, etc. from abroad;
 7. The term "defense materials" means materials designated pursuant to Article 34 among munitions;
 8. The term "defense industry" means the manufacture, repair, processing, assembling, testing, maintenance, recycling, betterment, or remodeling (hereinafter referred to as "manufacture"), or research and development of defense materials;
 9. The term "defense contractor" means an enterprise that manufactures defense materials, so designated pursuant to Article 35;
 - 9- The term "general enterprise" means an enterprise which is not a defense contractor,
 2. which is related to the defense industry;
 - 9- The term "general enterprise which has no relationship with the defense industry"
 3. means an enterprise which is not a defense contractor or a general enterprise, which supplies munitions;
 10. The term "specialized research institute" means an organization entrusted by the Minister of the Defense Acquisition Program Administration with the research, development, testing, and measurement of defense materials, the manufacture and authorization of machinery and tools for testing defense materials, and the development of software relating to the business analysis of defense contractors or the defense industry;
 - 10- The term "general research institute" means a research institute which is not a
 2. specialized research institute;
 11. The term "defense industry facilities" means land and fixtures (including equipment and instruments) thereon, which are provided for the research, development, or manufacture of defense materials by defense contractors or specialized research institutes;

12. The term "munitions sales agency" means the business of intermediating or acting for a foreign enterprise throughout the course of the conclusion of a contract for the conclusion of the contract by and between the foreign enterprise and the Minister of the Defense Acquisition Program Administration and in the course of performance of the contract.

Article 4 (Relationship with other Acts)

Except for otherwise expressly provided for in other Acts regarding defense acquisition programs, the provisions of this Act shall apply.

CHAPTER II TRANSPARENCY AND SPECIALIZATION IN EXECUTION OF DEFENSE ACQUISITION PROGRAMS

Article 5 (Real-Name Policy System and Information Disclosure)

- (1) With regard to the determination or execution of major policies on defense acquisition programs, the Minister of National Defense and the Minister of the Defense Acquisition Program Administration shall implement the real-name policy system that records and preserves the matters, such as the post, rank, name, and opinion of the participants in the determination or implementation of major policies, various types of plans and reports, the details of discussions and conclusions of meetings, public hearings, etc.
- (2) In promoting defense acquisition programs, the Minister of National Defense and the Minister of the Defense Acquisition Program Administration shall disclose information on procedures and details of decision making. In such cases, the Official Information Disclosure Act shall apply to information disclosure.
- (3) Matters necessary for methods, etc. for implementing the real-name policy system pursuant to paragraph (1) shall be prescribed by Presidential Decree.
- (4) The Minister of National Defense and the Minister of the Defense Acquisition Program Administration shall submit, without delay, to the relevant Standing Committee of the National Assembly, the outcomes of analyses and evaluation, and outcomes of incorporating them into policies, in respect of defense force improvement projects, the total project cost of which is at least 500 billion won (50 billion won in cases of research and development), among the outcomes of analyses and evaluation conducted pursuant to Articles 23 and 24. <Newly Inserted by Act No. 10218, Mar. 31, 2010; Act No. 12559, May 9, 2014>

Article 6 (Integrity Pledge System and Ombudsman System)

- (1) To enhance transparency and fairness in the execution of defense acquisition programs, the Minister of National Defense and the Minister of the Defense Acquisition Program Administration shall request each of the following persons to submit a pledge of integrity, as prescribed by Presidential Decree. In such cases, he/she shall require persons specified in subparagraph 6 to submit a pledge of integrity, respectively, when they enter into a subcontract or sub-subcontract: <Amended by Act No. 12559, May 9, 2014; Act No. 13777, Jan. 19, 2016; Act No. 14422, Dec. 20, 2016; Act No. 14610, Mar. 21, 2017>
 1. Public officials designated by the Minister of National Defense, from among public officials affiliated with the Ministry of National Defense, and public officials affiliated with the Defense Acquisition Program Administration;
 2. Members of the Defense Acquisition Program Promotion Committee, subcommittees, and working committees under Articles 9 and 10;

3. Officers and staff of the Agency for Defense Development provided for in the Act on the Agency for Defense Development (hereinafter referred to as the "Agency for Defense Development") and the Defense Agency for Technology and Quality provided for in Article 32;
 4. The representatives and executive officers of the following enterprises or research institutes participating in the relevant defense acquisition programs:
 - (a) Defense contractors (hereinafter referred to as "defense contractors");
 - (b) General Enterprises;
 - (c) General enterprises which have no relationship with the defense industry;
 - (d) Specialized research institutes;
 - (e) General research institutes;
 5. The representative and executive officers of each munitions sales agent;
 6. The representative and executive officers of each subcontractor (in cases of a contract for sale, referring to each supplier) who enters into a subcontract concerning a contract for defense acquisition program (including a contract for sale, and limited to the contract whose amount is at least the amount prescribed by Presidential Decree, which is at least one billion won) with a defense contractor, general enterprise, general enterprise which has no relationship with the defense industry, specialized research institute, or general research institute that enters into a contract for defense force improvement project or the acquisition of munitions (hereinafter referred to as "contract for defense acquisition program"), and the representative and executive officers of each sub-subcontractor (in cases of a contract for sale, referring to each supplier) that enters into a sub-subcontract concerning a contract for defense acquisition program (including a contract for sale, and limited to the contract whose amount is at least the amount prescribed by Presidential Decree, which is at least one billion won) with such subcontractor.
- (2) A pledge of integrity referred to in paragraph (1) shall contain the following:
1. Matters regarding prohibition, etc. of demands for, promises of, giving and receiving of valuables, entertainment, etc.;
 2. Matters regarding prohibition, etc. of supply of specific information on defense acquisition programs;
 3. Other matters prescribed by Presidential Decree to enhance the transparency and fairness of defense acquisition programs.
- (3) Where a person entrusted as a member of the Defense Acquisition Program Promotion Committee pursuant to Article 9 (4) fails to comply with the terms of the pledge of integrity, the Minister of National Defense shall relieve him/her of such entrustment.
- (4) To enhance transparency and fairness in the execution of defense acquisition programs, the Minister of the Defense Acquisition Program Administration may operate an ombudsman system which can investigate matters of civil appeal raised in the course of execution of defense acquisition programs and make a request, etc. for rectification or inspection.
- (5) A person eligible to be an ombudsman shall satisfy any of the following qualifications: Provided, That a person cannot be an ombudsman if the person in question, the person's spouse, or the person's lineal descendent or ascendant held office as an

executive or employee of a defense contractor, general enterprise, general enterprise which has no relationship with the defense industry, specialized research institute, general research institute, or munitions sales agent within two years before the person is commissioned as an ombudsman: <Newly Inserted by Act No. 10218, Mar. 31, 2010; Act No. 13777, Jan. 19, 2016>

1. A person who held or is holding a position as at least associate professor in a department related to the defense industry, or department of accounting, jurisprudence, or public administration, at a school under Article 2 of the Higher Education Act;
 2. An attorney-at-law, certified public accountant, professional engineer, or patent attorney with experience in the relevant field for at least three years;
 3. A person of high integrity who held office as a public official of at least Grade IV (including a public official belonging to the Senior Executive Service) at a central administrative agency;
 4. Others persons of learning and high moral repute with abundant expert knowledge and experience in the field of the defense industry.
- (6) An ombudsman may investigate civil appeals and request for rectification, inspection, etc. to the Minister of the Defense Acquisition Program Administration pursuant to paragraph (4): Provided, no ombudsman shall investigate any of the following: <Newly Inserted by Act No. 10218, Mar. 31, 2010>
1. Matters for which objection or remedy proceedings, such as an administrative appeal, administrative litigation, judgment of the Constitutional Court, are pending under other Acts;
 2. Matters which has become final and conclusive through judgment, decision, adjudication, reconciliation, mediation, arbitration, etc.;
 3. Matters which were or are being audited by a national agency, such as the Board of Audit and Inspection;
 4. Matters under an investigation by an investigative agency.
- (7) When an ombudsman intends to conduct an investigation under paragraph (6), he/she shall hear the statement of a relevant employee, peruse relevant documents, inspect the site, etc.: Provided, That the ombudsman may request for the statement of opinions or explanations to the relevant employee, if perusal is impracticable because the relevant documents, etc. fall under Article 9 (1) 2 and 5 of the Official Information Disclosure Act. <Newly Inserted by Act No. 10218, Mar. 31, 2010>
- (8) No ombudsman shall concurrently hold any of the following office: <Newly Inserted by Act No. 10218, Mar. 31, 2010; Act No. 13777, Jan. 19, 2016>
1. A member of the National Assembly or a local council;
 2. A member of a political party, or a member of an association, the main purpose of which is to conduct political activities;
 3. An executive or employee of a defense contractor, general enterprise, general enterprise which has no relationship with the defense industry, specialized research institute, general research institute, or munitions sales agent.
- (9) Matters necessary for the operation of the ombudsman system referred to in paragraph (4), such as the composition of ombudsmen, shall be prescribed by

Presidential Decree. <Amended by Act No. 10218, Mar. 31, 2010>

Article 7 (System of Qualifications for Position)

- (1) In order to enhance efficiency and professionalism in executing defense acquisition programs, the Minister of the Defense Acquisition Program Administration shall appoint persons with corresponding qualifications to positions particularly deemed to require expertise.
- (2) The extent of position, standards for qualifications, and other necessary matters pursuant to paragraph (1) shall be prescribed by Presidential Decree.

Article 8 (Research of Legal Issues, etc. regarding Defense Acquisition Programs)

In order to prevent any act that may inflict financial loss on the State in the execution of defense acquisition programs and to ensure the smooth execution of defense acquisition programs, the Minister of the Defense Acquisition Program Administration shall proceed the matters prescribed by Presidential Decree, such as contracts, negotiations, etc., after having legal experts, etc. review legal issues, etc. thereof.

Article 9 (Defense Acquisition Program Promotion Committee)

- (1) To deliberate upon and coordinate major policies and operation of financial resources and others for the promotion of defense acquisition programs, the Defense Acquisition Program Promotion Committee shall be established under the control of the Minister of National Defense (hereinafter referred to as the "Committee").
- (2) The Committee shall deliberate upon and coordinate the following: <Amended by Act No. 12559, May 9, 2014>
1. Matters regarding major policies and plans relating to defense acquisition programs;
 2. Matters regarding the formulation of medium-term plans in the fields of defense force improvement projects provided for in Article 13 (3);
 3. Matters regarding the formulation of budgets for defense force improvement projects provided for in Article 14 (1);
 4. Matters regarding the determination of the methods of implementing defense force improvement projects provided for in Article 17;
 5. Matters regarding the determination of types of weapons systems, equipment, etc. to be purchased;
 6. Matters regarding offset trade provided for in Article 20;
 7. Matters regarding the analysis, evaluation, and utilization of the outcomes thereof provided for in Articles 23 and 24;
 8. Matters regarding the standardization of munitions and quality assurance provided for in Articles 26 and 28;
 9. Matters regarding contracts for the procurement of munitions;
 10. Matters regarding the formulation of medium- and long-term policies on the advancement of national defense science and technology provided for in Article 30;
 11. Matters regarding the formulation of basic plans for fostering the defense industry provided for in Article 33;
 12. Matters regarding the designation of defense materials (hereinafter referred to as "defense materials") and defense contractors provided for in Articles 34 and 35;
 13. Matters regarding the coordination of projects and request for measures provided for in Article 36;

14. Other matters deemed necessary by the Minister of National Defense and the Minister of the Defense Acquisition Program Administration to be deliberated upon and coordinated by the Committee.
- (3) The Committee shall be comprised of not exceeding 25 members, including one Chairperson. In such cases, the Committee shall include not more than four persons falling under paragraph (4) 5 and three persons falling under paragraph (4) 6, respectively. <Amended by Act No. 14422, Dec. 20, 2016; Act No. 15051, Nov. 28, 2017>
- (4) The Minister of National Defense shall become the Chairperson of the Committee, and the Minister of the Defense Acquisition Program Administration shall become the Vice Chairperson of the Committee, and the following persons shall become its members: <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013; Act No. 12559, May 9, 2014; Act No. 14609, Mar. 21, 2017; Act No. 14839, Jul. 26, 2017>
1. The Vice Minister of National Defense;
 2. Persons prescribed by Presidential Decree, from among public officials of assistant ministerial or director general level, or general-level officers of the Ministry of National Defense, the Defense Acquisition Program Administration, the Joint Chiefs of Staff, and each military branch;
 3. Persons designated by the heads of affiliated agencies, from among public officials in general service who are members of the Senior Executive Service in the Ministry of Strategy and Finance, the Ministry of Science and ICT, or the Ministry of Trade, Industry and Energy;
 4. The President of the Agency for Defense Development, the President of the Defense Agency for Technology and Quality established under Article 32, and the President of the Korea Institute for Defense Analyses established under the Korea Institute for Defense Analyses Act;
 5. Persons entrusted by the Minister of National Defense, from among persons recommended by the relevant Standing Committee of the National Assembly;
 6. Persons entrusted by the Minister of National Defense, from among persons recommended by the Minister of the Defense Acquisition Program Administration, who have sufficient knowledge and experience in defense acquisition programs or are learned and venerable.
- (5) Matters necessary for the composition and operation of the Committee, terms of office of its members, etc. shall be prescribed by Presidential Decree.
- Article 10 (Subcommittees, Working Committees, and Expert Members)
- (1) In order to efficiently perform the business affairs of the Committee, subcommittees shall be established for each field.
 - (2) Where the Committee deems it necessary, the Committee may further deliberate upon and coordinate the matters deliberated upon and coordinated by the subcommittees, which were delegated by the Committee or prescribed by Presidential Decree as concerning the subcommittees.
 - (3) Each subcommittee may establish a working committee to assist the subcommittee in its affairs. <Newly Inserted by Act No. 14422, Dec. 20, 2016>
 - (4) The Chairperson of the Committee may appoint expert members, from among those with expertise and experience in defense acquisition programs, to seek advice on the

major matters of deliberation by the Committee and subcommittees.

- (5) Expert members may attend and speak at the Committee and subcommittees, and may submit written opinions to the Committee, if necessary.
- (6) Necessary matters concerning the composition and operation of subcommittees and working committees, the term of office of expert members, etc. shall be prescribed by Presidential Decree.

CHAPTER III DEFENSE FORCE IMPROVEMENT PROJECTS

SECTION 1 Principles for Execution of Defense Force Improvement Projects

Article 11 (Basic Principles for Execution of Defense Force Improvement Projects)

Where the Minister of the Defense Acquisition Program Administration implements defense force improvement projects, he/she shall comply with the following principles:

1. Conducting research and development, and promotion of localization of weapons systems for the accomplishment of self-reliant national defense through the development of national defense science and technology;
2. Maximizing defense capability by acquiring weapons systems with optimal performance, as required by each service;
3. Devising a stable comprehensive plan for the assistance of ordinances for the efficient operation of weapons systems;
4. Securing transparency and specialization at all stages of the advancement of defense force improvement projects;
5. Promoting mutually organic supplementation and development of national science and technology and national defense science and technology;
6. Establishing systems for international cooperation to enhance the efficiency of research and development pursuant to the provisions of Article 18.

Article 12 (Comprehensive Project Administration System)

- (1) Where it is necessary for the efficient execution of defense force improvement projects, the Minister of the Defense Acquisition Program Administration shall implement a comprehensive project administration system that administers all procedures of a unit project by having the person who administers a unit project comprehensively organize the specialized manpower by function, such as formulation of plans, drawing up of budgets, decisions on types of weapons, negotiation, administration of contracts, administration of quality assurance, administration of technology, etc.
- (2) Matters necessary for the method of operation, procedures for, etc. of the comprehensive project administration system pursuant to the provisions of paragraph (1) shall be decided by the Minister of the Defense Acquisition Program Administration.

SECTION 2 Medium-Term National Defense Plan and Budget

Article 13 (Medium-Term National Defense Plan, etc.)

- (1) The Minister of National Defense shall formulate a medium-term plan (hereinafter referred to as "medium-term national defense plan") with approval from the President regarding defense force improvement projects, military force management, etc. to build rational military force. <Amended by Act No. 12559, May 9, 2014>
- (2) The Minister of the Defense Acquisition Program Administration shall prepare a written request for a medium-term plan for defense force improvement projects in consideration of the order of priority in the requirements for weapons systems, a national financial operating plan, etc., and submit it to the Minister of National

Defense. In such cases, where the relevant Standing Committee of the National Assembly requests him/her to report on the written request for the medium-term plan, he/she shall report thereon. <Amended by Act No. 12559, May 9, 2014>

- (3)The Minister of National Defense shall formulate a medium-term national defense plan after receiving a request for a medium-term plan for defense force improvement projects from the Minister of the Defense Acquisition Program Administration, reviewing the adequacy of requirements for weapons systems, etc., and undergoing a prior deliberation and coordination by the Committee. <Amended by Act No. 12559, May 9, 2014>
- (4)Where the Minister of National Defense formulates a medium-term national defense plan, he/she shall immediately report the details thereof to the relevant Standing Committee of the National Assembly. <Amended by Act No. 12559, May 9, 2014>
- (5)Matters necessary for the formulation of a medium-term national defense plan, a requirement review, etc. referred to in paragraphs (1) and (3) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 12559, May 9, 2014>

Article 14 (Budget Formulation and Execution)

- (1)The Minister of the Defense Acquisition Program Administration shall formulate a budget for defense force improvement projects, based on the medium-term national defense plan and the Minister of National Defense's guidelines for budget formulation, and report it to the Minister of National Defense.
- (2)The Minister of the Defense Acquisition Program Administration shall establish a budget execution plan and budget operating plan to efficiently execute and administer the budget for defense force improvement projects.
- (3)Matters necessary for budget formulation and execution referred to in paragraphs (1) and (2) shall be prescribed by Presidential Decree.

SECTION 3 Decision on Requirements and Revision thereof

Article 15 (Decision on Requirements)

- (1)With regard to requirements for defense force improvement projects proposed by each service, units under the direct control of the Ministry of National Defense, and relevant organizations, the Chairman of the Joint Chiefs of Staff shall determine the requirements for weapons systems, etc. after deliberation by the Joint Chiefs of Staff. <Amended by Act No. 12559, May 9, 2014>
- (2)To ensure that decisions on requirements referred to in paragraph (1) can be made objectively and rationally, the Chairman of the Joint Chiefs of Staff shall organize human resources performing duties related thereto in a way by which they are well-balanced among all three services of the armed forces. <Amended by Act No. 12559, May 9, 2014>
- (3)Procedures, etc. for decisions on requirements referred to in paragraph (1) shall be prescribed by Presidential Decree. <Amended by Act No. 12559, May 9, 2014>

Article 15 (Decision on Requirements)

- (1)With regard to requirements for defense force improvement projects proposed by each service, units under the direct control of the Ministry of National Defense, and relevant organizations, the Chairman of the Joint Chiefs of Staff shall determine the requirements for weapons systems, etc. after deliberation by the Joint Chiefs of Staff. In such cases, the Chairman of the Joint Chiefs of Staff shall listen to the opinion of the

Minister of the Defense Acquisition Program Administration, and gather and reflect opinions of private sector experts and interested persons as prescribed by Presidential Decree. <Amended by Act No. 12559, May 9, 2014; Act No. 15051, Nov. 28, 2017>

(2) To ensure that decisions on requirements referred to in paragraph (1) can be made objectively and rationally, the Chairman of the Joint Chiefs of Staff shall organize human resources performing related duties in a way that the three services of the armed forces are balanced. <Amended by Act No. 12559, May 9, 2014>

(3) Procedures, etc. for decisions on requirements referred to in paragraph (1) shall be prescribed by Presidential Decree. <Amended by Act No. 12559, May 9, 2014>

<<Enforcement Date : May 29, 2018>>

Article 16 (Revision to Requirements)

(1) The Chairman of the Joint Chiefs of Staff may revise the requirements for weapons systems, etc. referred to in Article 15 (1) after deliberation by the Joint Chiefs of Staff. <Amended by Act No. 12559, May 9, 2014>

(2) Where requirements for weapons systems, etc. are revised pursuant to paragraph (1), Article 15 (1) shall apply mutatis mutandis: Provided, That this shall not apply where any minor matter prescribed by Presidential Decree is revised.

SECTION 4 Execution of Defense Force Improvement Projects

Article 17 (Methods, etc. of Implementing Defense Force Improvement Projects)

(1) Where the requirements for weapons systems, etc. for the defense force improvement projects pursuant to Article 15 (1) are determined, the Minister of the Defense Acquisition Program Administration shall determine the methods of implementing defense force improvement projects after prior research that has investigated and analyzed the possibility of research and development, timing of requirements and quantities required, level of national defense science and technology, the effectiveness of fostering the defense industry, technological and economic feasibility, effectiveness compared to expense, etc. relating to the relevant weapons systems: Provided, That this shall not apply where there is an urgent requirements for weapons systems, etc. for defense force improvement projects in time of war, disaster, overseas deployment of armed forces, etc.

(2) Where it is necessary to conduct the prior research pursuant to the provisions of paragraph (1), the opinions of the Agency for Defense Development, each service, the relevant Ministry, etc. shall be reflected.

(3) The methods of implementing defense force improvement projects pursuant to paragraph (1) shall be classified into research and development area and purchasing area.

Article 18 (Research and Development)

(1) The Minister of the Defense Acquisition Program Administration shall research and develop, and secure the core technology necessary for the research and development of weapons systems referred to in Article 17 (3).

(2) For the efficient implementation of the budget and effective strengthening of military force in executing research and development, the Minister of the Defense Acquisition Program Administration shall preferentially promote the research and development of strategically valuable weapons and the core technology referred to in paragraph (1).

(3) Where the Government fully or partially bears expenses necessary for the research and

development of weapons systems and core technology, the Minister of the Defense Acquisition Program Administration may select an institute to be in charge of the research and development to promote the research and development.

- (4) Where the Minister of the Defense Acquisition Program Administration conducts the research and development of weapons systems and core technology, he/she may entrust research or manufacture of prototypes to defense contractors, general enterprises, specialized research institutes, or general research institutes by specifying the items, methods, scale of research or prototypes, and other necessary matters.
<Amended by Act No. 9561, Apr. 1, 2009>
- (5) Where the Minister of the Defense Acquisition Program Administration entrusts research or manufacture of prototypes pursuant to paragraph (4), he/she shall pay the research expenses or prototype manufacturing cost. <Amended by Act No. 9561, Apr. 1, 2009>
- (6) Where necessary for the promotion of the research and development of weapons systems, the Minister of the Defense Acquisition Program Administration may launch a model project to make the best use of new technologies. <Newly Inserted by Act No. 9561, Apr. 1, 2009>
- (7) Where the Minister of the Defense Acquisition Program Administration chooses an organization in charge of research and development or a prototype manufacturer pursuant to paragraphs (3) and (4), he/she may preferentially appoint a small and medium enterprise (referring to small and medium enterprises defined in Article 2 of the Framework Act on Small and Medium Enterprises; hereinafter the same shall apply) for facilitating the growth of small and medium enterprises well-equipped with technical excellence as for product items determined and publicly announced by the Minister of the Defense Acquisition Program Administration. <Newly Inserted by Act No. 9561, Apr. 1, 2009>
- (8) Matters necessary for the procedures, etc. of research and development of weapons systems and core technology shall be prescribed by Ordinance of the Ministry of National Defense. <Amended by Act No. 9561, Apr. 1, 2009>

Article 19 (Purchase)

- (1) The Minister of the Defense Acquisition Program Administration shall preferentially purchase domestically-manufactured munitions: Provided, That he/she may purchase the munitions manufactured overseas where it is difficult to purchase them in Korea.
- (2) Where it is necessary for the efficient execution of purchasing business, the Minister of the Defense Acquisition Program Administration may have the civilian specialists prescribed by Presidential Decree, such as persons, etc. recommended by the Committee, who have a track record of working in the field of international contracting, participate in the purchase procedures.
- (3) Matters necessary for purchase procedures, etc. for the promotion of defense force improvement projects shall be prescribed by Presidential Decree.

Article 20 (Offset Trade)

- (1) Where the Minister of the Defense Acquisition Program Administration purchases munitions from abroad pursuant to the provisions of Article 19 (1), the promotion of offset trade for a unit project worth more than the amount prescribed by Presidential Decree shall be the principle.

- (2) Where the Minister of the Defense Acquisition Program Administration selects technology, etc. that can be secured through offset trade, he/she shall have it linked with medium- and long-term policies on the advancement of national defense science and technology pursuant to the provisions of Article 30 (1) and the action plan.
- (3) Where the Minister of the Defense Acquisition Program Administration intends to promote offset trade, he/she shall satisfy the conditions falling under any of the following subparagraphs: <Amended by Act No. 9561, Apr. 1, 2009>
1. Securing technology necessary for defense force improvement projects;
 2. Securing logistic support capability for the purchase of weapons systems;
 3. Participation in the development and manufacture of weapons systems manufactured in the country of the contracting party;
 4. The export of munitions, such as defense materials, etc.;
 5. Securing maintenance materials for the weapons systems from the country of the contracting party;
 6. Implementation of matters prescribed by Presidential Decree, such as export linkages for commodities other than munitions (limited to cases where the conditions under any of subparagraphs 1 through 5 are satisfied).

Article 21 (Test and Evaluation)

- (1) The Minister of National Defense shall formulate a test and evaluation plan including standards, items, methods, timing, etc. of evaluation for the test and evaluation of weapons systems and core technologies. <Amended by Act No. 12559, May 9, 2014>
- (2) Each armed forces and each agency (referring to the Agency for Defense Development, defense contractors, general enterprises, specialized research institutes, and general research institutes; hereafter in this Article the same shall apply) shall conduct tests and evaluations of weapons systems and core technologies in accordance with the test and evaluation plans under paragraph (1). In such cases, the outcome of tests and evaluations shall be notified to the Minister of National Defense. <Amended by Act No. 12559, May 9, 2014>
- (3) Each armed forces and each agency shall conduct test and evaluation on research and development among the tests and evaluations of weapons systems and core technologies under paragraphs (1) and (2) classified into developmental test and evaluation and operational test and evaluation: <Newly Inserted by Act No. 13777, Jan. 19, 2016>
1. Developmental test and evaluation: Test and evaluation to verify whether pilot products of equipment developed satisfy required performance, development goals, etc.;
 2. Operational test and evaluation: Test and evaluation to confirm whether pilot products of equipment developed satisfy required operational capability and are appropriate for the military operations.
- (4) For test and evaluation for purchasing weapons systems among the tests and evaluations of weapons systems under paragraphs (1) and (2), each armed forces and each agency may conduct test and evaluation under any of the following or by complementing the following ones. In such cases, in principle, test and evaluation shall be conducted by the method specified in subparagraph 1, but in cases prescribed by Presidential Decree, such as being developing weapon systems, test and evaluation

may be conducted by the method specified in subparagraph 2: <Newly Inserted by Act No. 13777, Jan. 19, 2016>

1. Test and evaluation based on the real thing: Test and evaluation of weapons systems or pilot products, the development of which has been completed;
 2. Test and evaluation based on data: Test and evaluation based on data relating to proposed performance presented by an enterprise.
- (5) Where necessary to enhance professionalism and transparency of test and evaluation, the Minister of National Defense may have civilian specialists participate in test and evaluation upon recommendation by the Committee. <Amended by Act No. 12559, May 9, 2014>
- (6) The Minister of National Defense shall judge whether weapons systems and core technologies satisfy the standards, etc. of test and evaluation on the grounds of the outcomes of test and evaluation notified pursuant to paragraph (2), and report the judgment to the Committee. <Amended by Act No. 12559, May 9, 2014>
- (7) Other necessary matters concerning the formulation of test and evaluation plans, and methods and procedures for test and evaluation shall be prescribed by Presidential Decree. <Amended by Act No. 13777, Jan. 19, 2016>

Article 22 (Improvement of Performance)

- (1) In order to enhance the performance and quality of the weapons systems in operation or in the manufacturing process, the Minister of the Defense Acquisition Program Administration may promote the improvement of performance such weapon systems.
- (2) Where the surroundings of operation of weapons systems change substantially or the important operation performance of the weapons systems changes notwithstanding the provisions of paragraph (1), the improvement of performance shall be promoted in accordance with the procedures for decisions on requirements pursuant to Article 15.
- (3) Matters necessary for the procedures for promotion, etc. of improvement of performance pursuant to paragraph (1) shall be prescribed by Ordinance of the Ministry of National Defense.

SECTION 5 Analysis and Evaluation

Article 23 (Conduct of Analysis and Evaluation)

- (1) To seek rational decision-making and use financial resources effectively in executing defense force improvement projects, the system of analysis and evaluation of defense force improvement projects shall be established and the analysis and evaluation shall be conducted accordingly. <Amended by Act No. 10218, Mar. 31, 2010>
- (2) The Minister of the Defense Acquisition Program Administration shall conduct the analysis and evaluation of the following matters: <Amended by Act No. 12559, May 9, 2014>
 1. The analysis and evaluation necessary for the preparation of a written request for a medium-term plan, formulation of a budget, etc. in the field of defense force improvement projects before the execution of the budget of the relevant project;
 2. The analysis and evaluation of interim outcomes, etc. of the project in the course of executing the budget of the relevant project;
 3. The analysis and evaluation of the outcomes of conducting the project, etc. after the completion of implementation of budget of the relevant project.
- (3)

Except as otherwise expressly provided for in paragraph (2), the Minister of National Defense shall analyze and evaluate decisions on requirements for defense force improvement projects, formulate a medium-term plan, field weapons systems, etc. In such cases, the Minister may assign the Chairman of the Joint Chiefs of Staff or the Chief of Staff of each service to perform such duties. <Amended by Act No. 12559, May 9, 2014>

(4)The Minister of National Defense and the Minister of the Defense Acquisition Program Administration may have civilian specialists participate in analysis and evaluation if necessary to enhance the credibility of analysis and evaluation.

(5)The methods, procedures, etc. of analysis and evaluation referred to in paragraphs (2) through (4) shall be prescribed by Ordinance of the Ministry of National Defense.

Article 24 (Utilization of Outcomes of Analysis and Evaluation)

(1)In order to efficiently execute defense force improvement projects, the Minister of the Defense Acquisition Program Administration shall arrange for the outcomes of the analysis and evaluation pursuant to the provisions of Article 23 (2) 1 and 2 to be utilized in the decision making of each phase of promotion of the relevant defense force improvement projects.

(2)The Minister of the Defense Acquisition Program Administration shall arrange for the outcomes of the analysis and evaluation pursuant to the provisions of Article 23 (2) 3 to be utilized in the decision making for the relevant defense force improvement projects.

(3)The Minister of National Defense shall arrange for the outcomes of the analysis and evaluation pursuant to the provisions of Article 23 (3) to be utilized in the decisions, etc. on requirements for defense force improvement projects, and may request the Minister of the Defense Acquisition Program Administration to re-analyze or re-evaluate the outcomes of the analysis and evaluation referred to in Article 23 (2) or take corrective measures, if necessary in consideration of the surroundings of operations of armed forces, technological changes, etc.

CHAPTER IV PROCUREMENT AND QUALITY ASSURANCE

Article 25 (Planning and Methods of Procurement)

(1)The Minister of the Defense Acquisition Program Administration shall formulate a plan for procuring munitions in accordance with the guidance of the Minister of National Defense, and procure munitions accordingly.

(2)In order to efficiently implement the defense budget, the Defense Acquisition Program Administration shall procure munitions en bloc: Provided, That each service may procure directly, or request the Public Procurement Service to make purchases as prescribed by Presidential Decree.

Article 26 (Standardization)

(1)In order to efficiently acquire munitions, the Minister of the Defense Acquisition Program Administration shall formulate a plan for the standardization of munitions for an efficient acquisition of munitions. In this case, the Korean Industrial Standard under Article 12 of the Industrial Standardization Act shall be reflected on the matters to the extent applicable. <Amended by Act No. 8486, May 25, 2007>

(2)The Minister of the Defense Acquisition Program Administration shall designate or revoke standard articles in accordance with the plan formulated pursuant to the provisions of paragraph (1), and formulate, amend, or abolish the standards for

munitions, and administer munitions by distinguishing their physical or functional characteristics.

- (3) Matters necessary for the designation or revocation of standard articles in accordance with paragraph (2), and the formulation, amendment, or abolition of standards for munitions, and their administration in accordance with the physical or functional characteristics of munitions shall be prescribed by Presidential Decree.

Article 27 (Munitions Inventory Information)

- (1) The Minister of the Defense Acquisition Program Administration shall administer the munitions inventory information by classifying the munitions in accordance with the standardization pursuant to the provisions of Article 26, by designating names and stock numbers, and by logging their characteristics, etc.
- (2) The Minister of the Defense Acquisition Program Administration shall formulate and execute a plan for the administration and utilization of information on inventory of munitions pursuant to the provisions of paragraph (1), and endeavor to engage in the international exchange of munitions inventory information.

Article 28 (Quality Assurance)

- (1) The Minister of the Defense Acquisition Program Administration shall formulate and execute a plan for quality assurance including measures to modify and supplement inadequacies in accordance with the examination of the quality of the munitions in order to verify whether they conform to the initial requirements of the user at each stage of research and development, and purchasing.
- (2) The concrete methods, etc. regarding quality assurance at each stage pursuant to the provisions of paragraph (1) shall be prescribed by Ordinance of the Ministry of National Defense.

Article 29 (Quality Control)

- (1) The Minister of the Defense Acquisition Program Administration shall, after consultation with the Minister of Trade, Industry and Energy, establish standards for responsibility management, resources management, etc. by defense contractors or specialized research institutes to assure quality in the manufacture of defense materials. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (2) Defense contractors or specialized research institutes shall take measures necessary for the quality control of defense materials in accordance with the standards referred to in paragraph (1).
- (3) Where necessary to conduct research and development, purchase and manufacture of defense materials, the Minister of Trade, Industry and Energy and the Minister of the Defense Acquisition Program Administration may, after consultation among themselves, have the defense contractors or specialized research institutes report thereon, or dispatch the relevant public officials, etc. to the facilities of the defense industry (hereinafter referred to as "defense industry facilities") or other necessary places to provide instructions on quality control or technology. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (4) The relevant public officials, etc. dispatched pursuant to the provisions of paragraph (3) may request the defense contractors or the managers of specialized research institutes to take necessary measures for the quality control, etc. of defense materials.

Article 29-2 (Certification of Quality Management System)

(1) Where any of the following enterprises (hereinafter referred to as "defense contractor, etc.") has constructed a quality management system that may assure the quality of munitions in accordance with standards for certification of the quality management system (hereinafter referred to as "standards for certification of the quality management system") prescribed by Ordinance of the Ministry of National Defense, the Minister of the Defense Acquisition Program Administration may provide certification of the quality management system to such defense contractor, etc.:

1. Defense contractors;
 2. General enterprises;
 3. General enterprises which have no relationship with the defense industry (limited to where they supply munitions in accordance with standards for munitions under Article 26 (2)).
- (2) A defense contractor, etc. that intends to receive certification of quality management shall file an application therefor with the Minister of the Defense Acquisition Program Administration.
- (3) The period of validity of certification of quality management shall be three years from the date a defense contractor, etc. receives the certification thereof, and where the defense contractor, etc. that has received certification of quality management intends to maintain the validity of the certification thereof, it shall renew the certification thereof before the period of the validity thereof expires.
- (4) The Minister of the Defense Acquisition Program Administration may examine whether a defense contractor, etc. that has received certification of quality management meets standards for certification of quality management (hereinafter referred to as "examination of post management") during the period of validity under paragraph (3), and where he/she does not deem that the result of the examination thereof meets standards for certification of quality management, he/she may order the defense contractor, etc. to take measures necessary for correction.
- (5) Necessary matters concerning methods, procedures, etc. for filing applications for, conducting examination, renewal, examination of the post management, etc. of certification of quality management shall be prescribed by Ordinance of the Ministry of National Defense.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

Article 29-3 (Revocation of Certification of Quality Management)

Where a defense contractor, etc. that has received certification of quality management falls under any of the following cases, the Minister of the Defense Acquisition Program Administration may revoke the certification thereof: Provided, That where the defense contractor, etc. falls under subparagraph 1, he/she shall revoke the certification thereof:

1. Where the defense contractor, etc. receives certification of quality management by fraud or other improper means;
2. Where the defense contractor, etc. fails to meet standards for certification of quality management;
3. Where the defense contractor, etc. fails to undergo examination of post management without just grounds or fails to comply with an order to take corrective measures as a result of the examination thereof;

4. Where it is deemed impracticable for the defense contractor, etc. to produce defense materials, etc. due to the cessation of business, etc.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

Article 29-4 (Offering Incentives to Certified Enterprises)

(1) Where the Minister of the Defense Acquisition Program Administration enters into a contract for the procurement of munitions or research and development of defense materials with a defense contractor, etc. that has received certification of quality management, he/she may offer incentives, such as awarding extra points, to the defense contractor, etc.

(2) Necessary matters concerning the details of, methods, procedures, etc. for offering incentives under paragraph (1) shall be prescribed by the Minister of the Defense Acquisition Program Administration.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

CHAPTER V ADVANCEMENT OF NATIONAL DEFENSE SCIENCE AND TECHNOLOGY

Article 30 (Formulation and Implementation of Policy on Advancement of National Defense Science and Technology)

(1) The Minister of National Defense shall formulate medium- and long-term policies on the advancement of national defense science and technology, and the Minister of the Defense Acquisition Program Administration shall formulate and execute an action plan thereof. In this case, the matters prescribed by Presidential Decree shall be deliberated upon by the Presidential Advisory Council on Science and Technology under the Presidential Advisory Council on Science and Technology Act. <Amended by Act No. 11713, Mar. 23, 2013; Act No. 15344, Jan. 16, 2018>

(2) Matters necessary for the formulation of medium- and long-term policies and action plans referred to in paragraph (1) shall be prescribed by Presidential Decree.

Article 31 (Administration of Information on National Defense Science and Technology)

(1) The Minister of the Defense Acquisition Program Administration shall systematically integrate and administer the information relating to national defense science and technology in the following subparagraphs: <Amended by Act No. 10907, Jul. 25, 2011>

1. Technology information secured through research and development;
2. Technology information introduced from abroad for the manufacture of major defense materials;
3. Technology information transferred from a foreign contracting party through offset trade;
4. Technology information researched and developed through cooperation with industrial education institutes, research institutes, enterprises, etc. pursuant to the provisions of subparagraph 2 of Article 2 of the Industrial Education Enhancement and Industry-Academia-Research Cooperation Promotion Act;
5. Information on the list of industrial property rights, such as patent rights, utility model rights, specifications books, design drawings, etc.;
6. Other information on national defense science and technology data collected by the Government domestically and abroad.

(2) For the information on national defense science and technology administered pursuant to the provisions of paragraph (1), besides that recognized as difficult to reveal due to military purposes, the Minister of the Defense Acquisition Program

Administration shall arrange for it to be administered and distributed in accordance with the policy on the administration and distribution of national awareness of science and technology pursuant to the Framework Act on Science and Technology.

- (3) Each service and the government-invested research institutes may transfer, with or without consideration, the national defense science and technology in their possession to the relevant domestic enterprises, institutes, etc. with the approval of the Minister of the Defense Acquisition Program Administration.
- (4) The Minister of the Defense Acquisition Program Administration shall conduct an inspection of the present status of technology for each weapon system in its possession, and a comparison of national technological level with those of major advanced countries, every three years, to systematically administer the information on national defense science and technology administered pursuant to the provisions of paragraph (1).

Article 31-2 (Ownership of Intellectual Property Rights, etc, of Weapons Systems and Core Technology)

- (1) Where the Minister of the Defense Acquisition Program Administration fully or partially bears research and development costs for weapons systems and core technology pursuant to Article 18 (3), the intellectual property rights resulting from such research and development activities may be owned by the State or the Agency for Defense Development, based on contracts, etc., if necessary for national security.
- (2) The Minister of the Defense Acquisition Program Administration may put intellectual property rights specified in paragraph (1) in the joint ownership of the State, the Agency for Defense Development, or the following agencies having participated in research and development projects, based on contracts, etc.:
1. Schools defined in Article 2 of the Higher Education Act;
 2. Government-funded research institutes established pursuant to Article 8 (1) of the Act on the Establishment, Operation and Fostering of Government-Funded Science and Technology Research Institutes, etc.;
 3. Specific research institutes defined in Article 2 of the Specific Research Institutes Support Act;
 4. Other research institutes established as non-profit legal entities under the Civil Act and other Acts.
- (3) The Minister of the Defense Acquisition Program Administration or the Agency for Defense Development may grant licenses to use intellectual property rights owned by the State or the Agency for Defense Development regarding weapons systems and core technology, to specialized research institutes, defense contractors, and general enterprises: Provided, That such licenses shall be granted to enterprises having participated in the research and development projects for weapons systems and core technology.
- (4) Where an intellectual property right is jointly owned pursuant to paragraph (2), each joint owner, who intends to grant a license to use the intellectual property right to a third person, shall obtain consent from the other joint owners: Provided, That if necessary for national security, the State or the Agency for Defense Development may grant a license to use the intellectual property right to a third person, without consent from joint owners.

(5)Matters necessary for the management of intellectual property rights, the ratio of ownership, the scope of exercise of ownership, the granting of licenses, etc. provided for in paragraphs (1) through (4), shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13243, Mar. 27, 2015]

Article 32 (Defense Agency for Technology and Quality)

(1)The Defense Agency for Technology and Quality shall be established to efficiently conduct the business of securing, distribution, administration, quality assurance, etc. of information regarding national defense science and technology, and munitions.

<Amended by Act No. 12559, May 9, 2014>

(2)The Defense Agency for Technology and Quality shall be established as a juristic person.

(3)The Defense Agency for Technology and Quality shall come into being by registering the incorporation thereof at the location of its principal office.

(4)The articles of incorporation of the Defense Agency for Technology and Quality shall contain the following matters:

- 1.Objectives;
- 2.Name;
- 3.The location of its principal office;
- 4.Matters regarding business and finance;
- 5.Matters regarding officers;
- 6.Matters regarding the board of directors;
- 7.Matters regarding the amendment of the articles of incorporation;
- 8.Matters regarding its dissolution.

(5)Where the Defense Agency for Technology and Quality intends to draft or amend the articles of incorporation, it shall obtain authorization therefor from the Minister of the Defense Acquisition Program Administration. In such cases, the Minister of the Defense Acquisition Program Administration shall obtain approval therefor from the Minister of National Defense before granting authorization.

(6)The Defense Agency for Technology and Quality shall conduct the following business affairs:

- 1.Business support for the planning of national defense science and technology, and investigation and analysis of national defense science and technology;
- 2.Business support for the investigation, analysis, and evaluation of defense force improvement projects;
- 3.Assistance in the selection of institutions to conduct core technology development projects, evaluation of performance outcomes, etc.;
- 4.The integrated administration of information on national defense science and technology and weapons systems;
- 5.Business support for the quality assurance of munitions, quality control of defense materials, etc. and the relevant business entrusted by the Minister of the Defense Acquisition Program Administration;
- 6.Technological assistance in the standardization of munitions requested in the course of execution of defense acquisition programs, testing and evaluation, etc.;
- 7.Technological assistance in projects for national defense cooperation, such as the

- localization of parts production, etc. promoted in cooperation with the central administrative agencies and local governments;
8. Matters regarding the collection and supply of information on export prices and import prices of munitions;
9. Other matters prescribed by Presidential Decree with regard to the administration, etc. of national defense science and technology.
- (7) The Government shall contribute expenses necessary for the establishment and operation of the Defense Agency for Technology and Quality.
- (8) Matters necessary for the operation, supervision, etc. of the Defense Agency for Technology and Quality shall be prescribed by Presidential Decree.
- (9) The provisions in the Civil Act regarding incorporated foundations shall apply mutatis mutandis to matters not prescribed in this Act regarding the Defense Agency for Technology and Quality.

Article 32-2 (Transfer, Lease, etc. of State-Owned Property)

If necessary for the operation of the Defense Agency for Technology and Quality, the Government may grant a permit to use, lease, or transfer munitions or State-owned property to the Defense Agency for Technology and Quality without any consideration, as prescribed by Presidential Decree, notwithstanding the Act on the Management of Military Supplies or the State Property Act.

[This Article Newly Inserted by Act No. 13507, Sep. 1, 2015]

CHAPTER VI FOSTERING OF DEFENSE INDUSTRY

Article 33 (Formulation of Basic Plan for Fostering Defense Industry)

- (1) In order to rationally assist and foster the defense industry, the Minister of the Defense Acquisition Program Administration shall formulate a basic plan for fostering the defense industry (hereinafter referred to as the "Basic Plan").
- (2) The Basic Plan shall include the matters in the following subparagraphs:
1. Matters regarding the basic policy for fostering the defense industry;
 2. Matters regarding the rationalization of manufacturing facilities of the defense industry;
 3. Matters regarding the research and development, and purchase of defense materials;
 4. Matters regarding promotion of the localization of defense materials production;
 5. Matters regarding the determination of manufacturing capacity of defense materials;
 6. Matters regarding the development of manpower and technological level relating to the defense industry;
 7. Matters regarding the international cooperation of the defense industry and exports;
 8. Other matters that the Minister of the Defense Acquisition Program Administration recognizes as necessary for fostering the defense industry.
- (3) Matters necessary for the formulation of the Basic Plan shall be prescribed by Presidential Decree.

Article 34 (Designation of Defense Materials)

- (1) The Minister of the Defense Acquisition Program Administration may, after consultation with the Minister of Trade, Industry and Energy, designate materials classified as weapons systems as defense materials, which are necessary for the securing of stable source of procurement, strict quality assurance, etc.: Provided, That

materials that are not classified as weapons systems but prescribed by Presidential Decree may be designated as defense materials. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

(2) Defense materials shall be designated by classifying them into either major defense materials or general defense materials.

(3) The classification into either major defense materials or general defense materials pursuant to the provisions of paragraph (2), and other matters necessary for the designation of defense materials shall be prescribed by Presidential Decree.

Article 35 (Designation, etc. of Defense Contractors)

(1) Those who intend to manufacture defense materials shall obtain designation as defense contractors from the Minister of Trade, Industry and Energy after meeting the standards for facilities, the requirements of security, etc. that are prescribed by Presidential Decree. In such cases, the Minister of Trade, Industry and Energy shall pre-consult with the Minister of the Defense Acquisition Program Administration regarding the designation of defense contractors. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

(2) Where the Minister of Trade, Industry and Energy designates a defense contractor pursuant to paragraph (1), he/she shall designate by classifying the contractor as either a major defense contractor or general defense contractor. Enterprises which manufacture any of the following defense materials shall be major defense contractors, and enterprises that manufacture other defense materials shall be general defense contractors: <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

1. Firearms and other fire power weapons;
 2. Guided weapons;
 3. Aircraft;
 4. Vessels;
 5. Ammunition;
 6. Tanks, armored vehicles, and other mobile combat equipment;
 7. Radars, identification friend or foe, and other communication and electronic equipment;
 8. Night observation devices and other optical or thermal imaging devices;
 9. Combat engineering equipment;
 10. Chemical, biological and radiological warfare equipment;
 11. Command and control systems;
 12. Other materials that the Minister of the Defense Acquisition Program Administration designates as recognized to be important for military strategy or tactical operations.
- (3) Where the change in substance of the governance of management of a defense contractor because of transaction and public sale, or merger and acquisition, or other reasons is expected and it falls under the standards prescribed by Presidential Decree, those who intend to gain a controlling interest in the management of the relevant defense contractor shall submit relevant documents to the Minister of Trade, Industry and Energy as prescribed by Presidential Decree and obtain his/her prior approval therefor: Provided, That the foregoing shall not apply where permission from the

Minister of Trade, Industry and Energy has been obtained pursuant to the provisions of Article 6 (1) through (4) of the Foreign Investment Promotion Act. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013; Act No. 13854, Jan. 27, 2016>

(4)Where the Minister of Trade, Industry and Energy intends to grant approval pursuant to the main sentence of paragraph (3), he/she shall pre-consult with the Minister of the Defense Acquisition Program Administration. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

(5)Matters necessary for designation pursuant to paragraphs (1) and (2) shall be prescribed by Presidential Decree.

Article 36 (Coordination, etc. of Businesses)

(1)With respect to either of the following cases, among cases where a large enterprise (hereinafter referred to as "large enterprise"), which is related with the defense industry, pursuant to subparagraph 2 of Article 2 of the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises intends to merge and take over a small or medium enterprise, or cases where overlapping investments among defense contractors occur, the Minister of the Defense Acquisition Program Administration may, after consultation with the Minister of Trade, Industry and Energy, coordinate the business between the large enterprise and the small or medium enterprise or the business between the defense contractors. In such cases, the Minister of the Defense Acquisition Program Administration may recommend the parties to come to an agreement: <Amended by Act No. 9561, Apr. 1, 2009; Act No. 11690, Mar. 23, 2013>

- 1.Where the Minister of the Defense Acquisition Program Administration deems that merger, acquisition, or duplicated investment is likely to manifestly lower the efficiency of the defense industry;
- 2.Where a small and medium enterprise for which a merger or acquisition is scheduled applies for business coordination.

(2)Where the Minister of the Defense Acquisition Program Administration coordinates businesses pursuant to the provisions of paragraph (1), he/she may recommend the following after the deliberation of the Committee: <Amended by Act No. 9561, Apr. 1, 2009>

- 1.To large enterprises, the postponement of takeover, commencement or expansion of business for a period not exceeding three years, or a reduction of the items and manufacturing quantity, manufacturing facilities, etc.;
- 2.To defense contractors, the coordination of the timing or scale of investment or restriction of overlapping investments.

(3)Where the Minister of the Defense Acquisition Program Administration deems that a large enterprise has performed an act of unfair transaction pursuant to the provisions of Article 23 (1) of the Monopoly Regulation and Fair Trade Act, after the deliberation of the Committee, the Administrator may notify the Minister of Trade, Industry and Energy thereof and request the Fair Trade Commission to take necessary measures pursuant to the provisions of Articles 24 and 24-2 of the same Act. In such cases, the Fair Trade Commission shall immediately take the necessary measures. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

- (4) Where the Minister of the Defense Acquisition Program Administration intends to undertake business coordination pursuant to the provisions of paragraph (1), he/she shall inquire into the relevant facts and report the outcome to the Committee.
<Amended by Act No. 9561, Apr. 1, 2009>
- (5) Where the large enterprise or defense contractor fails to perform the recommended matters without justifiable grounds, contrary to the recommendations of the Minister of the Defense Acquisition Program Administration pursuant to the provisions of paragraph (2), the Minister of the Defense Acquisition Program Administration may officially announce the terms thereof, and order the large enterprise or defense contractor to perform them if he/she has not performed the recommended matters even after the lapse of three months from the official announcement.
- (6) The details of the official announcement of recommendations under paragraph (5) shall be as follows: <Newly Inserted by Act No. 9561, Apr. 1, 2009>
1. Title of enterprises for which recommendations are made;
 2. Details of recommendations;
 3. Follow-up measures following the failure to implement the recommendations;
 4. Other matters necessary for the execution of recommendations.
- (7) In circumstances where it is deemed that, after the order of execution under paragraph (5) has been made, the reason for such order has been changed or has disappeared prior to the execution, the Minister of the Defense Acquisition Program Administration shall withdraw from whole or partial coordinations after going through a deliberation by the Committee. <Newly Inserted by Act No. 9561, Apr. 1, 2009>
- (8) Where the Minister of the Defense Acquisition Program Administration intends to coordinate businesses pursuant to the provisions of paragraph (1), he/she may recommend the relevant large enterprise or defense contractor to temporarily suspend the takeover, commencement, expansion or investment of the relevant business until after the deliberation of the Committee. <Amended by Act No. 9561, Apr. 1, 2009>
- (9) Matters necessary for the inquiry into the facts, methods, procedures, etc. of official announcement pursuant to the provisions of paragraphs (4) and (5) shall be prescribed by Presidential Decree. <Amended by Act No. 9561, Apr. 1, 2009>

Article 37 (Protection and Fosterage)

- (1) The Government shall guarantee defense materials manufactured and procured by defense contractors.
- (2) The Government shall provide priority to defense contractors who manufacture major defense materials when assisting in the following matters: <Amended by Act No. 9561, Apr. 1, 2009>
1. Research or manufacture of prototypes pursuant to the provisions of Article 18 (4);
 2. The loan of funds pursuant to the provisions of Article 38 (1);
 3. Other matters prescribed by Presidential Decree for the protection and fosterage of defense contractors.

Article 38 (Loans)

- (1) Where it is necessary for fostering the defense industry, the Government may loan funds falling under any of the following subparagraphs to defense contractors at low

long-term interest rates (where a defense contractor obtains a loan from a financial institution, it includes paying the difference between the loan rates and the interest rates prescribed by the Minister of the Defense Acquisition Program Administration; hereinafter the same shall apply): Provided, That the funds falling under subparagraphs 3 through 6 (limited to funds necessary for research and development in cases of subparagraph 6) may be loaned to a general enterprise: <Amended by Act No. 9561, Apr. 1, 2009; Act No. 15051, Nov. 28, 2017>

1. Funds for the installation, transfer, replacement, supplementation, or expansion of defense facilities;
2. Funds for the purchase and reserve of raw materials;
3. Development funds for the localization of defense materials and other munitions;
4. Funds for the export of defense materials and materials corresponding to defense materials prescribed by Presidential Decree (hereinafter referred to as "defense materials, etc.");
5. Funds for the development of core technology and parts;
6. Funds for research and development and the maintenance of idle facilities;
7. Other funds necessary for the operation of defense contractors.

(2) Matters necessary for loan application procedures, etc. under paragraph (1) shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 9561, Apr. 1, 2009>
Article 39 (Subsidization, etc.)

(1) Where deemed necessary for the fosterage of the defense industry, the Minister of the Defense Acquisition Program Administration may fully or partially subsidize expenses incurred in the following matters to defense contractors or specialized research institutes within budgetary limits: Provided, That, where a general enterprise intends to perform research and development related to weapons systems among research and development under subparagraph 2, he/she may fully or partially subsidize expenses incurred in performing such research and development within budgetary limits: <Amended by Act No. 13777, Jan. 19, 2016>

1. The purchase or installation of instruments used exclusively for the defense industry;
2. Research and development or the introduction of technology;
3. The quality inspection of munitions or quality control of defense materials;
4. Other matters prescribed by Presidential Decree for the fosterage of the defense industry.

(2) No defense contractor, general enterprise, or specialized research institute shall transfer, exchange or lend assets which have been acquired, or whose utility has been increased, with subsidies provided pursuant to the provisions of paragraph (1), without approval from the Minister of the Defense Acquisition Program Administration.
<Amended by Act No. 13777, Jan. 19, 2016>

Article 40 (Treatment, etc. of Technical Manpower)

(1) The Minister of National Defense and the Minister of the Defense Acquisition Program Administration may grant bounty, etc. within budgetary limits as prescribed by Presidential Decree to the technical manpower engaged in the Agency for Defense Development, the Defense Agency for Technology and Quality, defense contractors, specialized research institutes, military repair units (including military maintenance

depots; hereinafter the same shall apply), or military procurement units, or those who have researched and developed excellent defense materials or core technology related thereto. <Amended by Act No. 12559, May 9, 2014>

- (2) Defense contractors or specialized research institutes shall employ technical manpower and ensure the smooth manufacture or supply of prototypes of defense materials.

Article 41 (Assistance to Defense Industry)

- (1) For the purposes of research and development, or the manufacture of defense materials, the Defense Acquisition Program Administration, armed forces, the Agency for Defense Development, the Defense Agency for Technology and Quality, and military repair units may give technical assistance or assistance in manufacturing to defense contractors or specialized research institutes at the expense of the defense contractors or specialized research institutes. <Amended by Act No. 14610, Mar. 21, 2017>
- (2) Where the Minister of National Defense and the Minister of the Defense Acquisition Program Administration deem necessary for the research and development of weapons systems and technologies related thereto of defense contractors, general enterprises, specialized research institutes, and general research institutes, they may allow defense contractors, general enterprises, specialized research institutes, and general research institutes to jointly utilize facilities, equipment, and information related to test and evaluation of the Agency for Defense Development in accordance with methods and procedures prescribed by the Minister of the Defense Acquisition Program Administration. <Newly Inserted by Act No. 14610, Mar. 21, 2017>

Article 42 (Establishment of Associations, etc.)

- (1) For the purpose of sound development of the defense industry, defense contractors, general enterprises, specialized research institutes, general research institutes, and defense well-informed business-related communities, etc. may establish associations or organizations, as prescribed by Presidential Decree.
- (2) The associations or organizations established pursuant to the provisions of paragraph (1) shall be juristic persons.
- (3) Those who intend to establish an association or organization pursuant to the provisions of paragraph (1) shall obtain permission from the Minister of the Defense Acquisition Program Administration.
- (4) Regarding the associations or organizations pursuant to the provisions of paragraphs (1) and (2), the provisions relating to private corporation in the Civil Act shall apply mutatis mutandis to matters not provided for in this Act.
- (5) Matters necessary for the functioning, supervision, etc. of associations or organizations pursuant to the provisions of paragraph (1) shall be prescribed by Presidential Decree.

Article 43 (Designation of Guarantee Organizations)

- (1) In order to reduce the financial burden of defense contractors, etc. and to allow the defense contractors, etc. to use the guarantee organization conveniently, the Minister of the Defense Acquisition Program Administration may designate an organization (hereinafter referred to as "guarantee organization") that performs guarantee business pursuant to the provisions of any subparagraphs in paragraph (2) relating to defense business.

(2)The scope of guarantee business of a guarantee organization shall be as listed in the following subparagraphs: <Amended by Act No. 9561, Apr. 1, 2009>

- 1.Payment guarantees against loan of funds pursuant to the provisions of Article 38 (1);
 - 2.Payment guarantees of security for bids and contract deposits against the procurement and research of defense materials and manufacture of prototypes, and payment guarantees against warranty deeds pursuant to the provisions of Article 46 (1);
 - 3.Payment guarantees against retainers and part payments pursuant to the provisions of Article 46 (2);
 - 4.Payment guarantees against government issue pursuant to the provisions of Article 24 of the Act on the Management of Military Supplies;
 - 5.Loan guarantees against funds necessary for reserving raw materials pursuant to the provisions of Article 55;
 - 6.Other guarantees necessary for defense contractors, etc. to conduct defense business.
- (3)Matters necessary for the requirements for designation, methods of designation, procedures of designation, etc. of guarantee organizations shall be prescribed by Presidential Decree.

Article 44 (Assistance in Exportation of Defense Materials, etc.)

(1)Where deemed necessary for promoting the exportation of defense materials, etc. and national defense science and technology, the Minister of the Defense Acquisition Program Administration may, with approval from the Minister of National Defense, take necessary measures for the promotion of investment in the defense industry, expansion of export markets, etc., as prescribed by Presidential Decree. <Amended by Act No. 9561, Apr. 1, 2009>

(2)Where deemed necessary for promoting exportation pursuant to paragraph (1), the Minister of the Defense Acquisition Program Administration may provide any of the following persons (limited to corporations and organizations) with the financial assistance, or material or human assistance within budgetary limits, as prescribed by Presidential Decree: <Amended by Act No. 9561, Apr. 1, 2009>

- 1.Persons who promote the export of defense materials, etc.;
- 2.Persons who engage in the business of consultation, guidance, public relations, exhibition, training, mediation of consultations, etc. for promoting exportation;
- 3.Persons who conduct exhibitions or operate exhibition centers relating to defense materials, etc. or who send defense materials, etc. to domestic or oversea exhibition;
- 4.Persons who promote international cooperation for exporting defense materials, etc.

(3)Where a foreign government or an exporter of defense materials, etc. requests the Minister of the Defense Acquisition Program Administration to take measures pursuant to paragraph (1), the Administrator may take any of the following measures at the expense of a requester: <Newly Inserted by Act No. 9561, Apr. 1, 2009>

- 1.Management of affairs related to assistance in subsequent supplies of war following the export of defense materials, etc.;
- 2.Technical assistance and business management regarding the remodeling and development of defense materials, etc. for exportation;
- 3.A test and evaluation for exportation.

(4)Where necessary for advancing the business affairs of export promotion pursuant to

paragraphs (1) and (2), the Minister of the Defense Acquisition Program Administration may dispatch public officials under his control to the countries of major export markets for export cooperation. <Amended by Act No. 9561, Apr. 1, 2009>

Article 45 (Transfer, Lease, etc. of State-Owned Property)

- (1)The Government may sell, lease, or permit the use of the State-owned property and goods (including military supplies; hereinafter the same shall apply) necessary for the performance of the defense industry in accordance with the following classification, notwithstanding the State Property Act, the Commodity Management Act, and the Act on the Management of Military Supplies: <Amended by Act No. 13243, Mar. 27, 2015>
- 1.General property and goods may be sold, or leased free of charge or at a cost, to defense contractors by private contract;
 - 2.Administrative property may be permitted for free use, as prescribed by Presidential Decree.
- (2)If necessary to produce, research, and produce prototypes of defense materials, the Government may lease, or transfer, equipment for exclusive use or goods to defense contractors or specialized research institutes free of charge or at a cost, as prescribed by Presidential Decree, notwithstanding the Commodity Management Act. <Amended by Act No. 13243, Mar. 27, 2015>
- (3)No defense contractors or specialized research institutes shall use the State-owned property or goods transferred, leased, or permitted for use, free of charge or at a cost pursuant to paragraph (1) or (2) for another purpose. <Amended by Act No. 13243, Mar. 27, 2015>
- (4)Where defense contractors request the Government to transfer, lease, permit the use of, exchange, etc. defense facilities or defense materials owned by the State for exportation, the Government may transfer, lease, or permit the use of the defense facilities or defense materials free of charge or at a cost, or exchange them with defense materials owned by defense contractors, as long as they do not impede military operations or the maintenance of war potential, notwithstanding the provisions of other statutes. <Amended by Act No. 13243, Mar. 27, 2015>
- (5)When a price difference exists in defense facilities or defense materials exchanged pursuant to paragraph (4), the difference shall be settled in cash.
- (6)Where the head of a central administrative agency intends to transfer the State-owned defense facilities referred to in paragraph (4), he/she shall first consult with the Minister of Strategy and Finance. <Newly Inserted by Act No. 13243, Mar. 27, 2015>
- (7)Matters necessary for the transfer, lease, permit for use, exchange, etc. of defense facilities or defense materials provided for in paragraphs (4) and (5), shall be prescribed by Presidential Decree. <Amended by Act No. 13243, Mar. 27, 2015>

Article 46 (Special Cases, etc. of Contract)

- (1)Where the Government procures repair parts essential to the management of defense materials and weapons systems, or entrusts research or manufacture of prototypes (including research services relating thereto) pursuant to Article 18 (4), it may conclude a short-term, long-term, fixed, or approximation contract. In such cases, the kinds, terms, methods of contracts, and other necessary matters shall be prescribed by

- Presidential Decree, notwithstanding the provisions of the Act on Contracts to which the State is a Party or other relevant statutes. <Amended by Act No. 9561, Apr. 1, 2009>
- (2) Where deemed necessary to pay retainers and part payments in concluding a contract under paragraph (1), the retainers and part payments may be paid within the extent provided for in the budget of the relevant year. In such cases, the retainers or part payments paid over shall not be used for any purpose other than the implementation of the relevant contract.
 - (3) Where a contract provided for in paragraph (1) is concluded, the standards and methods of cost accounting, and the standards, methods, and procedures for paying retainers and part payments provided for in paragraph (2) shall be prescribed by Ordinance of the Ministry of National Defense. In such cases, the Minister of National Defense shall first consult with the Minister of Strategy and Finance. <Amended by Act No. 8852, Feb. 29, 2008>
 - (4) Regarding the retainers and part payments to be paid over where a long-term contract is concluded among the contracts referred to in paragraph (1), the settlement may be postponed until the last delivery of contract materials, notwithstanding the provisions of the Act on Contracts to which the State is a Party or other relevant statutes.
 - (5) Where necessary to purchase or supply a force support system that is to be used by the Ministry of National Defense and military units or organizations under the direct control of the Ministry, or each service, the Minister of the Defense Acquisition Program Administration may conclude a unit price contract, the parties of which are at least two persons who supply items with the same quality or performance, etc. or similar items, as prescribed by Presidential Decree. <Newly Inserted by Act No. 12748, Jun. 11, 2014>

Article 46-2 (Recognition of Conscientious Performance of Research and Development)

- (1) Where the Minister of the Defense Acquisition Program Administration recognizes that a person who performs research and development of core technology referred to in Article 18 (4) has performed research and development conscientiously, he/she may exempt the person from liquidated damages or may choose not to impose restrictions on qualification for participation in bidding, notwithstanding Articles 26 and 27 (1) 1 of the Act on Contracts to Which the State Is a Party (limited to where the person has performed faulty or poor work in the performance of a contract).
- (2) Necessary matters concerning criteria, procedures, etc. for recognition of the conscientious performance of research and development referred to in paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14610, Mar. 21, 2017]

Article 47 (Grounds for Disqualification from Designation as Defense Contractor)

None of the following persons shall be designated as a defense contractor:

1. Where the officer (including spouse and direct ascendant or descendant) of a defense contractor, whose designation has been revoked pursuant to the provisions of Article 48 (1), is an officer of another defense contractor that seeks to be designated before three years have passed since such revocation;
2. Where a defense contractor seeks to be designated at the same place with the same facilities before six months have passed since the revocation of designation as a

defense contractor pursuant to the provisions of Article 48 (1).

Article 48 (Revocation, etc. of Designation)

- (1) Where a defense contractor falls under any of the following cases, the Minister of Trade, Industry and Energy may revoke such designation after consultation with the Minister of the Defense Acquisition Program Administration: <Amended by Act No. 8852, Feb. 29, 2008; Act No. 9561, Apr. 1, 2009; Act No. 11690, Mar. 23, 2013; Act No. 12559, May 9, 2014; Act No. 14422, Dec. 20, 2016>
1. Where the representative or officer of a defense contractor violates the terms of a pledge of integrity provided for in Article 6;
 2. Where a defense contractor fails to meet the standards for facilities and requirements for security provided for in Article 35 (1);
 3. Where a defense contractor fails to obtain approval provided for in Article 35 (3);
 4. Where a defense contractor refuses, evades, or avoids performing the contract for supply of defense materials to the Government without just grounds;
 5. Where a defense contractor fails to comply with an order for performance provided for in Article 36 (5);
 6. Where a defense contractor obtains loans provided for in Article 38 (1) by fraud or other improper means, or uses loans for other purposes;
 7. Where a defense contractor obtains subsidies provided for in Article 39 (1) by fraud or other improper means, or used subsidies for other purposes;
 8. Where a defense contractor disposes of assets without obtaining approval provided for in Article 39 (2);
 9. Where a defense contractor uses State assets or goods for other purposes in violation of Article 45 (3);
 10. Where a defense contractor fails to comply with an order to take measures necessary for the replacement, supplementation, expansion, or relocation of facilities provided for in Article 49 (1);
 11. Where a defense contractor violates an order provided for in Article 53 (1);
 12. Where a defense contractor concludes a contract for supply by furnishing the Government with false or other unlawful cost data;
 13. Where a defense contractor employs a person subject to examination for fitness for employment, whose employment is restricted or who has not obtained approval for employment, in violation of Article 59-2 (2);
 14. Where a defense contractor requests the revocation of designation as defense contractor from the Minister of Trade, Industry and Energy along with the relevant documents as it has become incapable of conducting normal business due to nonpayment, bankruptcy, or other unavoidable operational reasons.
- (2) Where a defense contractor falls under any of paragraph (1) 1 through 12, the Minister of the Defense Acquisition Program Administration may request the Minister of Trade, Industry and Energy to revoke its designation. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (3) Where defense materials fall under any of the following cases, the Minister of the Defense Acquisition Program Administration may revoke the designation after

consultation with the Minister of Trade, Industry and Energy: <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

1. Where it is recognized that it can be procured from at least two enterprises and the quality shall be guaranteed;
 2. Where there is no requirement for such materials from the military, or the system equipment has been deleted;
 3. Where military secrets are no longer requested pursuant to Article 2 of the Military Secret Protection Act as the grade of classification has lowered;
 4. Where the revocation of designation of defense materials is necessary, or there is no need to keep the designation of such defense materials following research and development, change, cancellation of purchase, etc.
- (4) Where a guarantee organization is engaged in business other than as stipulated in its articles of incorporation, or performs an act in violation of the conditions of designation, the Minister of the Defense Acquisition Program Administration may revoke its designation as a guarantee organization.
- (5) Where the Minister of Trade, Industry and Energy or the Minister of the Defense Acquisition Program Administration intends to revoke designation of a defense contractor or guarantee organization pursuant to paragraphs (1) and (4), he/she shall hold a hearing. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (6) Matters necessary for the procedures, etc. of revocation of designation pursuant to paragraphs (1), (3), and (4) shall be prescribed by Presidential Decree.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 49 (Replacement, Supplementation, Expansion, or Relocation of Facilities)

- (1) Where there arises a dire need for national defense in a state of war, disaster or other emergency equivalent thereto, the Minister of Trade, Industry and Energy may, at the request of the Minister of the Defense Acquisition Program Administration, order the operator of a defense enterprise to take measures necessary for the replacement, supplementation, expansion, or relocation of the facilities directly provided by such enterprise to the manufacture of defense materials. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (2) The Minister of Trade, Industry and Energy shall compensate for any loss arising from the replacement, supplementation, expansion, or relocation of the facilities due to an order pursuant to paragraph (1). <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>
- (3) The person who has succeeded to the business which has the facilities with an order for replacement, supplementation, expansion, or relocation pursuant to paragraph (1), shall succeed to the rights and obligations under paragraphs (1) and (2) resulting from the order.

Article 50 (Strict Observance of Secret)

None of the following persons shall divulge or stealthily use any secrets he/she has learned in the course of performing his/her duty regarding a defense acquisition program: <Amended by Act No. 10218, Mar. 31, 2010>

1. A person who held or is holding the post falling under Article 6 (1) 1 and 2;
- 2.

A person who has been entrusted with the duty of ombudsman pursuant to Article 6 (9);

3. A person who is or was a representative, officer or staff at the Defense Agency for Technology and Quality, a defense contractor, general enterprise, specialized research institute, or general research institute;

4. A person who engaged or is engaging in the business of the manufacture and research of defense materials at the Defense Agency for Technology and Quality, a defense contractor, general enterprise, specialized research institute, or general research institute.

Article 50-2 (Approval for Participation in National Strategic Arms Projects, etc.)

(1) When a company, the management right of which is substantially acquired by a foreign company or foreigner intends to participate in national strategic arms projects or other projects equivalent thereto, the company shall in advance obtain the approval from the Minister of the Defense Acquisition Program Administration, for the purpose of preventing science technology for national defense from being leaked overseas.

(2) Standards, etc. for the kinds of projects subject to approval, procedure and time of approval, and substantial acquisition of the management right referred to in paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 10218, Mar. 31, 2010]

Article 51 (Consultation, etc. on Manufacture and Sales Contracts for Defense Materials)

(1) Where a government agency or a person other than a government agency needs defense materials for the purposes of maintaining national security, guarding, research, testing, or inspection, etc., it may purchase them after concluding a manufacture or sales contract for defense materials with a defense contractor.

(2) A government agency which intends to purchase defense materials under paragraph (1) shall consult with the Minister of the Defense Acquisition Program Administration in advance, and the person other than the government agency shall obtain approval from the Minister of the Defense Acquisition Program Administration upon recommendation by the head of the relevant central administrative agency: Provided, That an enterprise and defense contractor which have obtained a manufacturer's license regarding military firearms, swords, explosives, etc. pursuant to Article 53 (1) need not receive the recommendation from the head of the relevant central administrative agency.

[This Article Wholly Amended by Act No. 9561, Apr. 1, 2009]

Article 51-2 (Fees)

(1) Any of the following persons shall pay a fee:

1. A person who intends to obtain certification of quality management pursuant to Article 29-2 (2);

2. A person who intends to renew certification of quality management pursuant to Article 29-2 (3).

(2) Necessary matters concerning persons subject to imposition of fees, the amount of a fee, payment methods, the payment period, etc. of fees under paragraph (1) shall be prescribed by the Minister of the Defense Acquisition Program Administration.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

Article 52 (Collection and Use of Technology Royalties)

(1)

The head of an armed force, the Defense Acquisition Program Administration, or a Government-funded research institute, which has possessed defense technology (hereinafter referred to as "agency in possession of defense technology") shall conclude contracts for the use of technology with persons who intend to use the relevant defense technology, and shall collect technology royalties from the users: Provided, That where any company having participated in the research and development project for the relevant defense technology intends to utilize such technology, it need not pay technology royalties. <Amended by Act No. 13243, Mar. 27, 2015>

(2) Technology royalties (excluding technology royalties collected by each armed force and the Defense Acquisition Program Administration) collected by an agency in possession of defense technology pursuant to paragraph (1) shall be used for the following purposes: <Amended by Act No. 13243, Mar. 27, 2015>

1. Re-investment in research and development;
2. Expenses incurred in applications for registration of intellectual property rights regarding defense technology and the administration thereof;
3. Compensation for participating researchers or staff members, etc. having contributed to the spread of technology;
4. Operational expenses of agencies in possession of the relevant defense technology;
5. Re-investment in remodeling and development of defense materials, etc. for exportation.

(3) The agencies in possession of defense technology may fully or partially reduce or exempt technology royalties specified in paragraph (1) to promote the use of civilian requirements of defense technology, the exportation of defense materials, etc., the fostering of small and medium enterprises and middle-standing enterprises, etc. <Newly Inserted by Act No. 13243, Mar. 27, 2015>

(4) Matters necessary for the methods of calculation and collection, procedures for collection, reduction and exemption, etc. of technology royalties provided for in paragraphs (1) and (3) shall be determined and announced by the Minister of the Defense Acquisition Program Administration. <Amended by Act No. 13243, Mar. 27, 2015>

Article 53 (Special Exceptions for Manufacture of Military Firearms, Knives, Swords, Explosives, etc.)

- (1) The Minister of the Defense Acquisition Program Administration shall permit and supervise the manufacturing, importation, exportation, transfer, acquisition, possession, use, storage, transportation, scrapping, etc. of military firearms, knives, swords, explosives, etc., and issue orders, or take measures, necessary therefor, as prescribed by Presidential Decree, notwithstanding the provisions of other statutes.
- (2) Except as otherwise expressly provided for in paragraph (1), the Act on the Safety Management of Guns, Swords, Explosives, Etc. shall apply mutatis mutandis to military firearms, knives, swords, explosives, etc. <Amended by Act No. 12960, Jan. 6, 2015>

Article 54 (Orders, etc. for Sale)

- (1) Where there arises a dire need for national defense in time of war, disaster or other emergencies equivalent thereto, or the operator of a defense enterprise or a person who has defense materials for sale brings about serious danger to national security by

refusing to manufacture or sell defense materials, etc. without justifiable grounds, the Minister of the Defense Acquisition Program Administration may order the operator of the defense enterprise or the person who has defense materials for sale to transfer the defense materials to the Government by fixing the time and price of transfer, time and method of payment, and other necessary matters.

(2) Where the Minister of the Defense Acquisition Program Administration cannot issue an order for transfer pursuant to the provisions of paragraph (1) because he/she cannot ascertain the owner of defense materials, he/she may order the person in possession of the defense materials concerned to deliver over them by fixing the time and price of delivery, time and method of payment, and other necessary matters.

(3) The cost of manufacture, the profits of the enterprise, etc. shall be considered when determining the transfer price pursuant to the provisions of paragraph (1).

Article 55 (Reserve of Raw Materials)

(1) Defense contractors shall reserve raw materials for the manufacture of defense materials.

(2) The administration of reserving of raw materials pursuant to the provisions of paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

Article 56 (Suspension or Cessation of Business)

Where a defense contractor intends to suspend or cease its business, it shall obtain prior approval from the Minister of Trade, Industry and Energy. In such cases, the Minister of Trade, Industry and Energy shall consult with the Minister of the Defense Acquisition Program Administration. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>

Article 57 (Permission for Exportation, etc.)

(1) A person who intends to export or intermediate the trade of (including intermediating the trade between third party countries) defense materials and defense technology for business purposes shall report thereon to the Minister of the Defense Acquisition Program Administration, as prescribed by Presidential Decree. <Amended by Act No. 13243, Mar. 27, 2015>

(2) A person who intends to export or intermediate the trade of defense materials and defense technology, shall obtain permission therefor from the Minister of the Defense Acquisition Program Administration, as prescribed by Presidential Decree: Provided, That the foregoing shall not apply to cases prescribed by Presidential Decree, in which cases defense materials and defense technology are exported abroad to provide defense materials and defense technology for the Republic of Korea troops sent overseas. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013; Act No. 13243, Mar. 27, 2015; Act No. 14422, Dec. 20, 2016>

(3) A person who intends to hold an export consulting meeting for major defense materials and defense technology shall obtain preliminary export approval from the Minister of the Defense Acquisition Program Administration, as prescribed by Ordinance of the Ministry of National Defense, and each person, who intends to participate in international bidding, shall obtain approval for participation in international bidding from the Minister of the Defense Acquisition Program Administration, as prescribed by Ordinance of the Ministry of National Defense.

(4) The Minister of the Defense Acquisition Program Administration may place limitations

on, or order an adjustment of, the exportation of defense materials and defense technology after consultation with the head of the relevant administrative agency, as prescribed by Presidential Decree. <Amended by Act No. 13243, Mar. 27, 2015>

(5) A person who exports defense materials and defense technology without obtaining permission from the Minister of the Defense Acquisition Program Administration pursuant to the proviso to paragraph (2) shall submit the current status of export transactions to the Administrator within seven days after the exportation thereof.

<Amended by Act No. 14422, Dec. 20, 2016>

Article 57-2 (Registration of Munitions Sales Agency)

(1) A person who intends to conduct munitions sales agency shall register munitions sales agency with the Minister of the Defense Acquisition Program Administration, as prescribed by Presidential Decree: Provided, That none of the following persons shall obtain registration:

1. A minor, a person under adult guardianship, or a person under limited guardianship;
2. A person in whose case five years have not passed since his/her imprisonment without prison labor or heavier punishment as declared by a court was completely executed (including where the execution thereof is deemed completed) or exempted;
3. A person who is under the suspension of the execution or sentence of imprisonment without prison labor or heavier punishment as declared by a court;
4. A person in whose case two years have not passed since the revocation of his/her registration because he/she fell under Article 57-3 (1).

(2) Where a person who has registered munitions sales agency pursuant to paragraph (1) intends to alter any important matters prescribed by Presidential Decree, he/she shall register any alterations thereof.

(3) Where a person obtains registration and registration of any alterations under paragraphs (1) and (2), the Minister of the Defense Acquisition Program Administration shall issue a registration certificate to the applicant.

(4) The period of validity of registration under paragraph (1) shall be three years from the date of registration.

(5) Necessary matters concerning procedures and methods for obtaining registration and registration of alterations, the issuance of a registration certificate, etc. under the provisions of paragraphs (1) through (3) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14182, May 29, 2016]

Article 57-3 (Revocation of Registration of Munitions Sales Agency)

(1) Where a person who has registered munitions sales agent business falls under any of the following cases, the Minister of the Defense Acquisition Program Administration may revoke the registration of his/her munitions sales agency: Provided, That, where the person falls under subparagraph 1, the Minister of the Defense Acquisition Program Administration shall revoke the registration thereof: <Amended by Act No. 14422, Dec. 20, 2016>

1. Where he/she obtains registration or registration of alterations by fraud or other improper means;
2. Notwithstanding the fact that important matters under Article 57-2 (2) have been altered among the matters registered, where he/she conducts munitions sales agency

without obtaining registration of alterations;

3. Where he/she fails to comply with the details of a pledge of integrity he/she submitted pursuant to Article 6 (1);
 4. Where he/she fails to report a commission, in violation of Article 57-4 (1) or to report the alteration of a commission, in violation of Article 57-4 (2), or makes a false report or a false report of the alteration of a commission.
- (2) Where a munitions sales agent participates in the course of performing a contract as a munitions sales agent even though the registration of his/her munitions sales agency is revoked pursuant to paragraph (1), such munitions sales agent shall be deemed a munitions sales agent to the extent that the contract is terminated.
- (3) Except as otherwise expressly provided for in paragraphs (1) and (2), necessary matters concerning the revocation of registration of munitions sales agency shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14182, May 29, 2016]

Article 57-4 (Reporting, etc. of Commission)

- (1) A person who conducts munitions sales agency has entered into a contract concerning remuneration, such as a commission, (hereinafter referred to as "commission") with a foreign enterprise through the intermediation or agency with respect to a program larger than a scale prescribed by Presidential Decree, he/she shall report a commission to the Minister of the Defense Acquisition Program Administration.
- (2) Where any alterations are made to matters reported, a person who has made a report pursuant to paragraph (1) shall report such altered matters to the Minister of the Defense Acquisition Program Administration.
- (3) No current or former public official belonging to the Defense Acquisition Program Administration shall use information about a commission he/she becomes aware of in the course of performing any of his/her duties, for the fraudulent purpose other than official purposes.
- (4) Necessary matters concerning methods and procedures for reporting a commission, the deadline for making a report, etc. shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

Article 58 (Recovery, etc. of Fraudulent Gains)

- (1) Where a defense contractor, general enterprise, general enterprise which has no relationship with the defense industry, specialized research institute, or general research institute has made fraudulent gains by submitting data containing false or unlawful cost accounting to the Government, the Minister of the Defense Acquisition Program Administration shall recover the fraudulent gains and additional dues equivalent to not more than double the fraudulent gains, as prescribed by Presidential Decree. <Amended by Act No. 13777, Jan. 19, 2016; Act No. 14422, Dec. 20, 2016>
- (2) Criteria and methods for calculating additional dues referred to in paragraph (1) shall be prescribed by Presidential Decree in consideration of the degree of a unfair practice and whether a defense contractor, etc. has made a report of its own accord. <Newly Inserted by Act No. 14422, Dec. 20, 2016>

Article 59 (Sanction against Violation of Pledge of Integrity)

Where a person falling under Article 6 (1) 4 fails to observe the terms of a pledge of integrity, the Minister of National Defense and the Minister of the Defense Acquisition

Program Administration may impose sanctions by restricting qualification to participate in bidding for up to five years against the relevant defense contractor, general enterprise, general enterprise which has no relationship with the defense industry, specialized research institute, or general research institute, as prescribed by Presidential Decree. <Amended by Act No. 12559, May 9, 2014; Act No. 13777, Jan. 19, 2016; Act No. 14422, Dec. 20, 2016>

Article 59-2 (Confirmation, etc. of Persons Subject to Examination for Fitness for Employment by Defense Contractors)

(1) Where a defense contractor falling under Article 17 (1) 1 of the Public Service Ethics Act intends to employ a person to whom the employment restriction period under Article 17 (1) of the aforesaid Act applies (hereinafter referred to as "person subject to examination for fitness for employment"), who is a retiree of the Defense Acquisition Program Administration, among those obligated to obtain registration under the aforesaid Act, it shall request the person subject to examination for fitness for employment to confirm whether he/she is subject to employment restrictions under Article 18 of the aforesaid Act and confirm the result of examination on an application for approval of employment submitted by him/her.

(2) No defense contractor specified in paragraph (1) shall employ a person whose employment is restricted pursuant to the main sentence of Article 17 (1) of the Public Service Ethics Act or a person subject to examination for fitness for employment who fails to obtain approval of employment under the proviso to the aforesaid paragraph.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

Article 60 (Legal Fiction, etc. of Public Officials)

(1) Non-public official members of the Committee, subcommittees, and working committees, and persons appointed as ombudsman pursuant to Article 6 (9) shall be deemed public officials for the purposes of the penalty provisions of the Criminal Act and other Acts. <Amended by Act No. 10218, Mar. 31, 2010; Act No. 14422, Dec. 20, 2016>

(2) The provisions of Chapter VII of the State Public Officials Act, regarding public service, and the Act on the Establishment and Operation of Public Officials' Councils shall apply mutatis mutandis to the executives and employees of the Defense Agency for Technology and Quality, and they shall be deemed public officials for the purposes of the penalty provisions of the Criminal Act and other Acts.

Article 61 (Delegation and Entrustment of Authority)

(1) The Minister of National Defense may partially delegate his/her authority bestowed under this Act to the Minister of the Defense Acquisition Program Administration, as prescribed by Presidential Decree.

(2) The Minister of the Defense Acquisition Program Administration may partially entrust his/her authority bestowed under this Act to the President of the Agency for Defense Development and to the President of the Defense Agency for Technology and Quality, as prescribed by Presidential Decree.

(3) The Minister of the Defense Acquisition Program Administration may outsource the following duties to associations or organizations established under Article 42: <Newly Inserted by Act No. 13243, Mar. 27, 2015>

1.

- Standardization referred to in Article 26 and research and analysis related to the management of munitions inventory information referred to in Article 27;
2. Survey related to the formulation of the basic plan for fostering the defense industry referred to in Article 33;
3. Analysis on the support target for a loan referred to in Article 38.

CHAPTER VIII PENALTY PROVISIONS

Article 62 (Penalty Provisions)

- (1) A person who receives a loan or subsidy specified in Article 38 (1) or 39 (1) by fraud or other improper means, or uses a loan or subsidy for other purposes, shall be punished by imprisonment, with or without prison labor, for not more than ten years, or by a fine equal to or not exceeding ten times the amount of the loan or subsidy. <Amended by Act No. 9561, Apr. 1, 2009; Act No. 12559, May 9, 2014>
- (2) A person who obtains permission under Article 53 or the main sentence of Article 57 (2) by fraud or other improper means, or performs a relevant act without obtaining permission, shall be punished by imprisonment, with or without prison labor, for not more than ten years, or by a fine not exceeding 100 million won. <Amended by Act No. 12559, May 9, 2014; Act No. 14422, Dec. 20, 2016>
- (3) A person who divulges or pirates confidential information that he/she has learned while performing any of his/her duties in violation of Article 50, shall be punished by imprisonment, with or without prison labor, for not more than five years, or by a fine not exceeding 50 million won. <Amended by Act No. 12559, May 9, 2014>
- (4) Any of the following persons shall be punished by imprisonment, with or without prison labor, for not more than three years, or by a fine not exceeding 30 million won: <Amended by Act No. 12559, May 9, 2014>
1. A person who transfers, exchanges, or leases assets without approval from the Minister of the Defense Acquisition Program Administration, in violation of Article 39 (2);
 2. A person who uses the retainer or part payments received pursuant to Article 46 (2), for other purposes;
 3. A person who performs an act specified in Article 48 (1) 12;
 4. A person who violates an order issued pursuant to Article 49 (1), 53, or 54.
- (5) Any of the following persons shall be punished by imprisonment with prison labor for not more than one year, or by a fine not exceeding ten million won: <Amended by Act No. 9561, Apr. 1, 2009; Act No. 12559, May 9, 2014; Act No. 14182, May 29, 2016; Act No. 14422, Dec. 20, 2016>
1. A person who acquires a substantial controlling interest in management without obtaining approval provided for in the main sentence of Article 35 (3);
 2. A person who uses State-owned property or goods for other purposes, in violation of Article 45 (3);
 3. A person who uses defense materials for other purposes, which have been purchased by concluding a contract for manufacture and sales pursuant to Article 51 (1);
 4. A person who suspends or ceases his/her business without obtaining approval provided for in Article 56;
 5. A person who conducts munitions sales agency without obtaining registration, in violation of Article 57-2 (1), or registration of alterations, in violation of Article 57-2 (2),

- obtains registration or registration of alterations by fraud or other improper means;
- 6. A person who fails to make a report of a commission, in violation of Article 57-4 (1), or to make a report of the alteration of a commission, in violation of Article 57-4 (2), or makes a false report or false report of the alteration thereof;
- 7. A person who uses information about a commission for fraudulent purposes, in violation of Article 57-4 (3).

(6) Any of the following persons shall be punished by a fine not exceeding five million won:

<Amended by Act No. 13243, Mar. 27, 2015>

- 1. A person who fails to reserve raw materials for the manufacture of defense materials provided for in Article 55 without just grounds;
- 2. A person who engages in export business of defense materials without reporting provided for in Article 57 (1), or who reports export business of defense materials by fraud or other improper means.

Article 63 (Joint Penalty Provisions)

Where the representative of a corporation, or an agent, servant, or other employee of a corporation or individual has committed an offense provided for in Article 62 with regard to the affairs of the corporation or individual, such corporation or individual shall be fined pursuant to the provisions of Article 62, in addition to the punishment of the offender: Provided, That the same shall not apply where such corporation or individual has not been negligent in giving due attention and supervision concerning the relevant duties to prevent such offence.

[This Article Wholly Amended by Act No. 9561, Apr. 1, 2009]

Article 64 (Administrative Fines)

- (1) A person who fails to confirm the result of examination, in violation of Article 59-2 (1), shall be punished by an administrative fine of not more than five million won.
- (2) The Minister of the Defense Acquisition Program Administration shall impose and collect administrative fines under paragraph (1), as prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 14422, Dec. 20, 2016]

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That the provisions of Article 32 shall enter into force one month after the date of its promulgation.

Article 2 (Repeal of Other Acts)

The Act on Special Measures for Defense Industry shall be repealed.

Article 3 (Preparation for Establishment of Agency for Defense Technology and Quality Assurance)

- (1) The Minister of the Defense Acquisition Program Administration shall entrust five or less founding members to administer the affairs of the establishment of the Agency for Defense Technology and Quality Assurance within thirty days from the date of promulgation of this Act.
- (2) The founding members shall (2) prepare the articles of incorporation of the Agency for Defense Technology and Quality Assurance, obtain approval from the Minister of the Defense Acquisition Program Administration, and have its incorporation registered.

(3) Where the founding members have finished the registration of incorporation, they shall promptly hand over business to the President of the Agency for Defense Technology and Quality Assurance, whereupon, they are deemed as having been relieved of the entrustment after so handing over business.

Article 4 (Applicability to Disqualification from Designation as Defense Contractor)

The provisions of Article 47 shall apply starting with the case of revocation of designation as defense contractor first after this Act enters into force.

Article 5 (Transitional Measures concerning Disposition, etc.)

Where there are provisions in this Act regarding applications, reports, etc. against the disposition that the administrative agency has executed pursuant to the provisions of the previous Act on Special Measures for the Defense Industry and the administrative agency at the time this Act enters into force, it shall be deemed such disposition, application, report, etc. pursuant to the provisions of this Act when there are provisions pertaining thereto in this Act.

Article 6 (Transitional Measures concerning Specialized and Departmentalized Enterprises, etc)

The provisions of the previous Act on Special Measures for the Defense Industry shall apply from the date this Act enters into force until December 31, 2008 to the enterprises and materials specialized and departmentalized pursuant to the provisions of the previous Act on Special Measures for the Defense Industry at the time this Act enters into force.

Article 7 (Transitional Measures concerning Fund for Fostering Defense Industry)

(1) The provisions of the previous Act on Special Measures for Defense Industry shall apply from the date this Act enters into force until December 31, 2006 to the Fund for Fostering Defense Industry established pursuant to the provisions of the previous Act on Special Measures for the Defense Industry at the time this Act enters into force. The authorities of the Minister of National Defense pursuant to the provisions of Article 7-2 (5) of the previous Act on Special Measures for the Defense Industry shall be exercised by the Minister of the Defense Acquisition Program Administration.

(2) The assets, claims and liability for the Fund for Fostering Defense Industry pursuant to the provisions of paragraph (1) shall be succeeded by the general account of the State on January 1, 2007.

Article 8 (Transitional Measures concerning Designation as Specialized Research Institutes)

Organizations that have been designated as research institutes pursuant to the provisions of the previous Act on Special Measures for Defense Industry at the time this Act enters into force shall be deemed as having been designated pursuant to this Act.

Article 9 (Transitional Measures concerning Designation of Defense Contractors, etc.)

The enterprises and materials that have been designated as defense contractors and defense materials pursuant to the provisions of the previous Act on Special Measures for Defense Industry at the time this Act enters into force shall be deemed as having been designated pursuant to this Act.

Article 10 (Transitional Measures concerning Defense Industry Advancement Association)

(1) The Defense Industry Advancement Association authorized for establishment pursuant

to the previous Act on Special Measures for Defense Industry at the time this Act enters into force shall be deemed as having obtained permission for establishment pursuant to the provisions of Article 42.

- (2) The Defense Industry Advancement Association pursuant to the provisions of paragraph (1) shall be deemed as having been designated as a guarantee organization pursuant to the provisions of Article 43.
- (3) The businesses that the Defense Industry Advancement Association conducts as proxy pursuant to the provisions of Article 22-3 (7) of the previous Act on Special Measures for the Defense Industry at the time this Act enters into force shall be succeeded by the Minister of the Defense Acquisition Program Administration.

Article 11 (Transitional Measures concerning Activities by Defense Procurement Agency of the Ministry of National Defense and Each Service)

The activities conducted by the Defense Procurement Agency of the Ministry of National Defense and each service in connection with defense project programs, such as testing and evaluation, agreements, etc. before this Act enters into force shall be deemed as having been conducted by the Minister of the Defense Acquisition Program Administration pursuant to the provisions of this Act.

Article 12 (Transitional Measures concerning Claims, Liabilities, Employees, etc. of Defense Quality Assurance Agency)

- (1) Claims and liabilities relating to the activities conducted by the Agency for Defense Development in the name of the President of the Defense Quality Assurance Agency which was under the control of the Agency for Defense Development, and the assets used and administered by the President of the Defense Quality Assurance Agency from among the assets of the Agency for Defense Development at the time this Act enters into force shall be succeeded by the Agency for Defense Technology and Quality Assurance.
- (2) The employees working at the Defense Quality Assurance Agency at the time of establishment of the Agency for Defense Technology and Quality Assurance shall be succeeded by the Agency for Defense Technology and Quality Assurance at the same time that the Agency for Defense Technology and Quality Assurance is established within the extent of functions, organizations and regular numbers prescribed in the articles of incorporation.
- (3) The activities belonging to the businesses of the Defense Acquisition Program Administration from among the activities conducted by the President of the Defense Quality Assurance Agency before this Act enters into force shall be deemed as having been conducted by the Minister of the Defense Acquisition Program Administration, and the activities belonging to the businesses of the Agency for Defense Technology and Quality Assurance shall be deemed as having been conducted by the President of the Agency for Defense Technology and Quality Assurance.

Article 13 (Transitional Measures concerning Penal Provisions)

The application of penal provisions to the violations pursuant to the previous Act on Special Measures for Defense Industry before this Act enters into force shall be pursuant to the provisions of the same Act.

Article 14 (Special Cases concerning Special Appointments, etc.)

- (1)

For the purpose of efficiently promoting defense acquisition programs and maintaining the continuity of the programs, the civilian military employees who are or have been performing the duties relating to the defense acquisition programs may be specially appointed as public officials belonging to the Defense Acquisition Program Administration by June 30, 2006. In this case, the period of work necessary for the rank expected for appointment may be reduced, notwithstanding the provisions of Article 28 (2) 3 of the State Public Officials Act.

- (2) Those who have been specially employed pursuant to the provisions of paragraph (1) may be exempt from the appointment to probationer notwithstanding the provisions of main sentence of Article 29 (1) of the State Public Officials Act, and may be appointed to a higher rank as prescribed by Presidential Decree, notwithstanding the provisions of Article 40 of the same Act.
- (3) Where the salary of the person specially appointed pursuant to the provisions of paragraph (1) is less than the salary before the special appointment, all or a part of the difference in salary may be supplemented as prescribed by Presidential Decree, notwithstanding the provisions of Article 47 (1) of the State Public Officials Act.
- (4) Where the term of service of a specially appointed civilian military employee, who has been in service (including a term of service as soldier or other public official) for more than thirty years, is calculated for the purposes of conferment of decorations pursuant to the provisions of Article 15 of the Awards and Decorations Act, the term of service at the Defense Acquisition Program Administration shall be deemed as having served continuously as a civilian military employee.
- (5) The qualifications for application, method of examination, etc. in the special appointment pursuant to the provisions of paragraph (1) shall be prescribed by Presidential Decree.

Article 15 Omitted.

Article 16 (Relationship with Other Statutes)

Where the provisions of the previous Act on Special Measures for the Defense Industry are cited in other statutes at the time this Act enters into force and there are corresponding provisions in this Act, this Act or the relevant provisions of this Act shall be deemed as having been cited in place of the previous provisions.

ADDENDA <Act No. 8486, May 25, 2007>

Article 1 (Enforcement Date)

This Act shall enter into force one year after the date of its promulgation.

Articles 2 through 10 Omitted.

ADDENDA <Act No. 8852, Feb. 29, 2008>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

Articles 2 through 7 Omitted.

ADDENDA <Act No. 9401, Jan. 30, 2009>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 11 Omitted.

ADDENDUM <Act No. 9561, Apr. 1, 2009>

This Act shall enter into force three months after the date of its promulgation.

ADDENDA <Act No. 10218, Mar. 31, 2010>

(1)(Enforcement Date) This Act shall enter into force six months after the date of its promulgation.

(2)(Applicability to Presentation of Analysis and Evaluation Outcomes, etc) The amended provisions of Article 5 (4) shall apply starting with a defense force improvement project first analyzed or evaluated after this Act enters into force.

ADDENDA <Act No. 10907, Jul. 25, 2011>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Articles 2 and 3 Omitted.

ADDENDA <Act No. 11690, Mar. 23, 2013>

Article 1 (Enforcement Date)

(1)This Act shall enter into force on the date of its promulgation.

(2)Omitted.

Articles 2 through 7 Omitted.

ADDENDA <Act No. 11713, Mar. 23, 2013>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Articles 2 through 6 Omitted.

ADDENDA <Act No. 12559, May 9, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (Applicability to Sanction against Violation of Pledge of Integrity)

The amended provisions of Article 59 shall apply from a violation of pledge of integrity committed after this Act enters into force.

Article 3 (Transitional Measures concerning Medium-Term National Defense Plan)

A medium-term national defense plan formulated pursuant to the former Article 13 as at the time this Act enters into force shall be deemed a medium-term national defense plan formulated pursuant to the amended provisions of Article 13.

Article 4 (Transitional Measures concerning Decisions on Requirements and Revision thereof)

Decisions on requirements for weapons systems, etc. corresponding to ongoing defense force improvement projects as at the time this Act enters into force and the revision thereof shall be deemed made by the Chairman of the Joint Chiefs of Staff pursuant to the amended provisions of Articles 15 and 16.

Article 5 (Transitional Measures concerning Test and Evaluation Plans for Weapons Systems and Core Technologies)

Test and evaluation plans formulated by the Minister of the Defense Acquisition Program Administration pursuant to the former Article 21 as at the time this Act enters into force shall be deemed test and evaluation plans formulated by the Minister of National Defense pursuant to the amended provisions of Article 21.

ADDENDA <Act No. 12748, Jun. 11, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Transitional Measures concerning Non-Weapon Systems)

“Force support system” in the amended provisions of Article 46 (5) shall be deemed “non-weapon system” (referring to the system before the amendment according to the partially amended Defense Acquisition Program Act (Act No. 12559)) until November 9, 2014.

ADDENDA <Act No. 12960, Jan. 6, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force one year after the date of its promulgation.

Articles 2 through 6 Omitted.

ADDENDA <Act No. 13243, Mar. 27, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (Applicability to Intellectual Property Rights under Research and Development)

The amended provisions of Article 31-2 shall begin to apply from the intellectual property right derived from research and development projects after this Act enters into force.

Article 3 (Transitional Measures concerning Reporting on Export Business and Intermediation Business for General Defense Materials)

Each person, who exports, or intermediate the trade of, general defense materials for business purposes as at the time this Act enters into force, shall report thereon pursuant to the amended provisions of Article 57 (1) within six months after this Act enters into force.

Article 4 (Transitional Measures concerning Permission for Exporting General Defense Materials or Intermediating Trade thereof)

Where applications for permission to export, or intermediate the trade of, general defense materials have been filed with the Minister of Trade, Industry and Energy before this Act enters into force, the former provisions of Article 57 (2) shall apply to such applications, notwithstanding the amended provisions of Article 57 (2).

ADDENDUM <Act No. 13507, Sep. 1, 2015>

This Act shall enter into force six months after the date of its promulgation.

ADDENDUM <Act No. 13777, Jan. 19, 2016>

This Act shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 13854, Jan. 27, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Articles 2 through 7 Omitted.

ADDENDA <Act No. 14182, May 29, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (Transitional Measures concerning Munitions Sales Agent)

A person who conducts munitions sales agency, information about whose company is registered with and managed by the Defense Acquisition Program Administration pursuant to Article 25 and related statutes as at the time this Act enters into force, shall be deemed registered pursuant to the amended provisions of Article 57-2.

ADDENDA <Act No. 14422, Dec. 20, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 9 (3) shall enter into force on the date of its promulgation.

Article 2 (Applicability to Reporting of Commission)

The amended provisions of Article 57-4 shall begin to apply from the first contract concerning a commission concluded after this Act enters into force.

Article 3 (Applicability to Punishment for Violation of Pledge of Integrity)

The amended provisions of Article 59 shall begin to apply from with the first violation committed by a defense contractor, etc. who fails to abide by the details of a pledge of integrity after this Act enters into force.

Article 4 (Applicability to Employment of Persons Subject to Examination for Fitness for Employment)

The amended provisions of Article 59-2 shall begin to apply from the first employment of a person subject to examination for fitness for employment after this Act enters into force.

Article 5 (Transitional Measures concerning Certification of Quality Management)

A defense contractor, etc. that has obtained quality certification from the Minister of the Defense Acquisition Program Administration pursuant to Article 29 (1) and related statutes as at the time this Act enters into force shall be deemed to have obtained certification of quality management pursuant to the amended provisions of Article 29-2.

Article 6 (Transitional Measures concerning Additional Dues)

Notwithstanding the amended provisions of Article 58, the former provisions shall apply to contracts concluded before this Act enters into force.

ADDENDA <Act No. 14609, Mar. 21, 2017>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation. (Proviso Omitted.)

Articles 2 and 3 Omitted.

ADDENDA <Act No. 14610, Mar. 21, 2017>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 41 shall enter into force three months after the date of their promulgation.

Article 2 (Applicability to Presentation of Pledge of Integrity)

The amended provisions of the latter part of Article 6 (1) shall begin to apply from the first contract for defense acquisition program concluded after this Act enters into force.

Article 3 (Applicability to Recognition of Conscientious Performance of Research and Development)

The amended provisions of Article 46-2 shall begin to apply from the first contract for research and development of core technology concluded after this Act enters into force.

ADDENDA <Act No. 14839, Jul. 26, 2017>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That among the Acts amended pursuant to Article 5 of this Addenda, amended parts of the Acts which were promulgated before this Act enters into force but the enforcement dates of which have not arrived, shall enter into force on the enforcement date of the relevant Act, respectively.

Articles 2 through 6 Omitted.

ADDENDUM <Act No. 15051, Nov. 28, 2017>

This Act shall enter into force three months after the date of its promulgation: Provided, That the amended provisions of the latter part of Article 15 (1) shall enter into force six months after the date of their promulgation.

ADDENDA <Act No. 15344, Jan. 16, 2018>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 4 Omitted.

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