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THE PENINSULA

US-Korea Philly Shipyard Deal Enhances Global Supply Chain

Security

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Author: Tom Ramage

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America's leadership and competitiveness in the 21st century will demand a revival of certain sectors in its storied industrial base. With escalating naval buildups in the Indo-Pacific region and intensifying bottlenecks in global trade, shipbuilding is one such key sector that should help to maintain the United States' economic and security edge.

Once considered the world's leading peacetime shipbuilder, the United States now accounts for just 0.2 percent of the world's gross commercial tonnage, while Korea, Japan, and China together account for over 90 percent. US policy has recognized that economic security is national security, thus this imbalance presents tremendous national security risks to both secure supply chains and maritime trade—requiring innovative solutions to address them.

Fortunately, a small yet notable step occurred last month when members of a Korean multi-industry conglomerate, Hanwha Ocean and Hanwha Systems, made a bid to acquire the legacy Philly Shipyard on June 20. The Pennsylvania facility accounts for roughly half of commercial Jones Act ships built in the United States, and the \$100 million purchase will assist in bringing US shipbuilding back up to speed.

However, this purchase is just a start. US worker unions and national security experts alike are concerned about overreliance on Chinese-built ships and the risks of weaponized supply chains or shipping monopolization. Accordingly, 19 members of Congress signed a

[letter](#) earlier this year addressed to the Biden administration and called for national action on revitalizing the United States' maritime supply chains and shipbuilding infrastructure.

The participation of US allies in US ship construction will be key to this revamp, and the United States has since zeroed in on its relationships with Korea—which competes with China as one of the world's largest shipbuilders—as well as Japan to help revitalize its domestic shipyards.

Partnership with Korea in particular is no surprise. Korean shipwrights trace a long history. Born from longstanding government subsidization, Korea's HD Hyundai Heavy Industries (HHI), Samsung Heavy Industries, and Hanwha Ocean rank as some of the top shipbuilders in the world. A global [shift](#) in energy portfolios due to supply chain volatility and the growing market share for alternative fuels are causing a large demand for specialty tanker ships that can carry liquified gas (LNG) and ammonia and Korea's specialization in this area is helping them to maintain a [competitive edge](#). Moreover, investor confidence in Korean shipbuilding has [surged dramatically](#) based on the belief that Korean LNG tankers will adopt an even bigger role if the United States boosts transitional fuel exports such as LNG [after the 2024 presidential election](#).

Cooperation will also serve to implement innovative technologies into commercial shipping. For example, Hanwha Ocean is a leader in developing unmanned maritime system technology, and investment in this area was cited as part of their [plans](#) for the Philly Shipyard acquisition. Meanwhile, other US-Korea partnerships are [being formed](#) to develop and implement autonomous navigation systems, which will have game-changing implications for global shipping and defense capabilities.

With worldwide supply chains increasingly stressed from conflict, climate change, and economic coercion, the development of sufficient volume to support maritime transit will be crucial for ensuring safety in the global economy. By pursuing shipbuilding and maintenance cooperation with allies—as the Philly Shipyard acquisition promotes—the United States will be in a better place to plug the gaps where they exist while helping to ensure a robust defense posture and stability for global trade.

Tom Ramage is an Economic Policy Analyst at the Korea Economic Institute of America. The views expressed here are the author's alone.

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