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THE PENINSULA

[2024 in Review] The US-ROK Alliance Expands into Shipbuilding

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This year began with a trip by Secretary of the Navy Carlos Del Toro to visit Korean shipyards and court Korean investment in US shipbuilding. In June 2024, Hanwha Ocean made a bid to purchase Philly Shipyard and secure a foothold for Korean shipbuilding in the United States. While Hanwha Ocean had previously bid for another US shipyard—an ultimately unsuccessful attempt to acquire the Austal yard in Alabama—the successful bid in Philadelphia could signal a new page for US-Korea cooperation in shipbuilding.

Hanwha Ocean is but one of many other foreign firms that have entered the US shipbuilding market amidst the long-running decline of the US domestic shipbuilding industry. This decline in US capacity unfortunately occurred concurrently with an equally stunning increase in the shipbuilding capabilities and industrial potential of the United States' chief maritime and strategic competitor, the People's Republic of China.

Foreign investment in US shipbuilding is important because of its contribution to boosting American maritime capabilities and its broader security implications. The United States has fallen behind drastically in the number and quality of large shipyards capable of sustaining, much less modernizing or expanding, the US Navy and Coast Guard. Therefore, investment from allies like South Korea, Italy, and Japan can augment US capacity by bringing in the latest knowhow and perhaps building ships in those yards. At the very minimum, keeping declining shipyards from rusting to oblivion and protecting the latent capacity to build and repair ships in the future could generate greater US readiness in the maritime domain.

Moreover, back in South Korea, Hanwha Ocean's Geoje shipyard became the first Korean shipyard to undertake a maintenance, repair, and overhaul (MRO) program for the US Military Sealift Command. Such a deal fits within a broader US effort to build a regional sustainment framework that aims to tighten connections between the US military, allies and partners, and private industry in a closely linked collaborative context. Hanwha Ocean has publicly stated that they would push for more work with the US Navy in their new yards in Philadelphia as well. Put simply, Seoul is primed to enhance US capacities at home and abroad.

Yet, there remain headwinds that could affect US-South Korea cooperation in shipbuilding. Aside from structural issues that Korean shipbuilders will need to resolve in Philadelphia and elsewhere, there could be political friction as well. Although there is interest in and a need for allied assistance in helping reconstitute US naval capacity, in an age of populist nationalism there may be political limits to having foreign firms penetrate what are perceived as quintessentially American industries. Furthermore, the United States is increasingly focused on the need to counter China. While this posture will likely continue to be important under the Trump Administration, President Yoon's foreign policy legacy is now in jeopardy due to his extraconstitutional martial law declaration and the resulting impeachment. While Washington's perception of Korea's role in US-China competition will only grow in importance in 2025, a new government in Seoul with a different vision for Korea's role in the Indo-Pacific could lead to reevaluation of the degree and tenor of shipbuilding cooperation between the two allies.

Nonetheless, South Korea's entry into the US shipbuilding industry will be resilient if it represents an alignment between strategic demand from the United States and economic opportunity for South Korea. Similar alignments have thrived despite past political transitions, such as the meteoric rise in South Korean arms sales that grew during the Moon presidency and continued into Yoon's. The United States, whether to meet the increasing maritime challenge from China or the goal of expanding the US Navy, has demonstrated bipartisan recognition that the United States cannot rebuild its shipbuilding capacity alone. These broader industrial and geopolitical trends could propel further US-Korea cooperation in shipbuilding that can weather shifting political winds—both at home and abroad.

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