



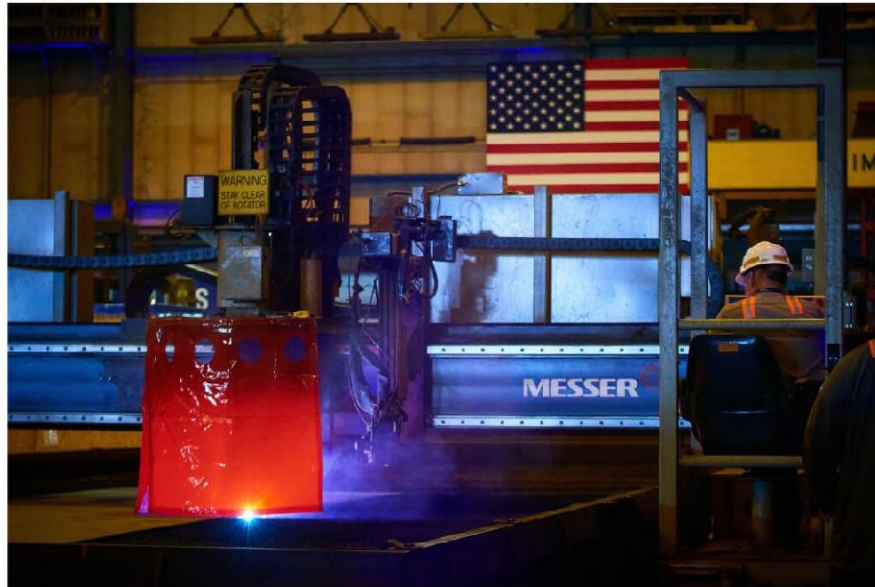
THE PENINSULA

How the United States and South Korea Can Bolster Maritime Security

Published March 25, 2025

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Category: [Economic Security](#)



Shipbuilding is quickly emerging as an area for potential cooperation between the United States and South Korea. The former needs ships, and the latter is a major manufacturer of them, which makes it natural that the two allies would partner on this issue. Ships are critical to facilitating international trade and defending the maritime lines that connect states. For the United States, cooperation with Korean firms brings with it advanced technologies that undergird both commercial and military fleets. For South Korea, it offers a chance to reinforce its contribution to the alliance. But both sides will have to clear domestic hurdles, from regulatory issues to President Yoon Suk Yeol's impeachment, to maximize respective gains from shipbuilding cooperation. Policymakers and industry leaders should seek ways to surmount these barriers to achieve a win-win outcome.

Although the United States has a significant demand for ships, its domestic capacity is dwarfed by South Korea's. The United States was a major shipbuilding state in the nineteenth and early twentieth centuries, but stateside manufacturing has declined since the end of World War II. The Congressional Research Service (CRS) estimates that U.S. shipyards built up to twenty-five new ships a year in the 1970s, representing 5 percent of the world's tonnage. That number dropped to around five ships the next decade and has remained at that number ever since. Although there are still shipyards that manufacture small ships like tugs and barges, the larger ships that facilitate maritime commerce and such are primarily built at one of two shipyards in Philadelphia and San Diego.

At the same time, South Korea's geographic and strategic position has helped it become a leading player in international shipbuilding. China is the undisputed leader, with close to 70 percent of market share in large cargo ships in 2023, compared to Korea's 18 percent. But shipbuilding still plays a significant role in Korean exports. A recent report from ING bank states that large ship orders increased by 40.2 percent year-over-year, year-to-date in 2024. Those numbers are expected to rise thanks to a significant backlog of orders.

In this context, U.S. policymakers have tried to reverse the fortunes of U.S. shipbuilding. Senator Mike Lee (R-UT) and Senator John Curtis (R-UT) introduced two bills in February 2025 that would call for more ships to be built for the U.S. Navy and Coast Guard. "Both bills are about leveraging our diplomatic relationships and the comparative advantages of our allies to ensure America remains at the forefront of maritime security," said Senator Lee. This comes after a bipartisan group of congressional members introduced the Shipbuilding and Harbor Infrastructure for Prosperity and Security for America Act of 2024 (SHIPS Act), introduced by Senator Mark Kelly (D-AZ) in the upper house and Representative Mike Waltz (R-FL) in the lower house. The act would provide financial support for investments in the direct manufacture of ships, as well as modernizing construction facilities and workforce development. While this bill has not yet been passed, a similar version to the SHIPS Act is expected to be re-introduced during the 119th Congress. Waltz's proximity to President Trump as national security advisor may further amplify these efforts.

For its part, South Korea is also looking to expand its shipbuilding industry. In January 2025, the Ministry of Economy and Finance released its 2025 Economic Policy Directions, seeking to ensure that "the economy is managed as stably as possible in response to growing domestic and external uncertainties." The proposed policy has four pillars, one of which is "enhancing industrial competitiveness" and includes shipbuilding among the "traditional manufacturing industries" for which the government will provide particular support. This follows the ministry's release in July 2024 of the K-Shipbuilding Super Gap Vision 2040, which identifies "100 core technologies" and more than 350 "subtechnologies" deemed essential for shipbuilding. The ministry also said that it would invest a minimum of KRW 2 trillion (USD 1.4 billion) over the next decade to support "ammonia propulsion ships, liquid hydrogen carriers, carbon capture and storage (CCS) systems, self-navigation platforms, and autonomous manufacturing processes," among other flagship products. Expanding South Korean ship manufacturing in this way would make the country an even more attractive partner for the United States.

There are also political considerations pushing the two sides together. On the U.S. side, the Trump administration is keen to counter China, which is a major shipbuilder, as noted above. In a February 2025 draft proposal from the U.S. Trade Representative, the United States announced it was planning to levy much higher fees for Chinese-built ships that dock in U.S. ports and require 15 percent of U.S. exports to travel on U.S.-flagged ships within seven years. With South Korea's existing ability to build ships, it is an obvious foreign partner to manufacture U.S. ships. Indeed, Presidents Trump and Yoon included shipbuilding among the areas to advance bilateral cooperation during their first official phone call.

On the Korean side, its top foreign policy priority is to protect the U.S.-ROK alliance—especially amid ongoing political turmoil in the aftermath of Yoon's declaration of martial law and the impending decision by the Constitutional Court on whether to uphold his

impeachment—and underline South Korea's contributions to U.S. national interests. In his first address to Congress during his second term, Trump claimed South Korea applies a tariff on U.S. exports four times what the United States does on Korean exports. "Trump does appear to hold some negative beliefs or bias against South Korea," the Brookings Institution's Andrew Yeo told the media in March 2025. "Koreans need to counter Trump's misleading statements by pointing out their own contribution to the U.S. economy." Shipbuilding is not solely an economic consideration, given that both the United States and South Korea have strategic interests in the maritime domain. South Korean media reported in January 2025 that the Defense Acquisition Program Administration is reviewing South Korea's capabilities to support the manufacture of U.S. naval ships. "[Trump] could really outsource building military ships at Korean shipyards because it's almost impossible to revive the Naval forces with the current state of the American shipbuilding sector," sources said. Highlighting its value to the U.S. president could not only help South Korea avoid obstacles to economic growth like tariffs but also shore up the broader U.S.-ROK alliance.

At the same time, there are regulatory hurdles to U.S.-South Korea cooperation in shipbuilding. One in particular is the twenty-seventh section of the U.S. Merchant Marine Act of 1920, otherwise known as the Jones Act. The objective of the law is to ensure the availability of ships for the United States, as well as the maintenance of a workforce to staff and build them. But CRS observes that the law "constrains the availability [and] number of ships and contributes to both increased domestic shipping and shipbuilding costs in requiring merchant vessels to be built in U.S. shipyards rather than in shipyards abroad."

If South Korea seeks to play an important role in manufacturing U.S. warships, then there are also national security concerns. Craig Hooper, a former executive with shipmaker Austal, writes that the Committee on Foreign Investment in the United States (CFIUS) could recommend blocking foreign acquisitions and that companies working on military systems must comply with Foreign Ownership, Control or Influence (FOCI) requirements. "The complex rules are often breached, which makes integrated operations a challenge," Hooper added, noting the risk of accidental classified military technology breaches. "Right now, America's expectations from South Korea's high-performing shipbuilders are unrealistic," he warns.

Another mismatch between the United States and South Korea could be in workforce development. Labor is a significant constraining factor in the shipbuilding industry. *The Economist* reported last month that U.S. shipyards were struggling to attract workers and that 15 percent of the South Korean shipbuilding workers originated from Southeast Asia. Data from the U.S. Bureau of Labor Statistics shows that the number of workers employed in the industry is around 200,000 people. South Korean shipbuilders have turned to robotics and automation to help address labor shortages, but the Trump administration, which frequently celebrates domestic manufacturing, may be less willing to replace human workers with robots.

A U.S.-South Korea shipbuilding partnership offers a natural avenue for strengthening economic and security ties, but both sides must address key challenges to maximize their full potential. Political sensitivities, regulatory hurdles, and labor shortages could complicate efforts, requiring careful coordination between policymakers and industry

leaders. Still, the opportunity is too significant to ignore. By working through these barriers, Washington and Seoul can reinforce their alliance while advancing shared economic and strategic interests in the maritime domain.

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