Why Shipbuilding is a Silver Lining amid the U.S. Tariff Turmoil

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There appears to be a bright spot amid the global market turmoil after President Donald Trump's "Liberation Day" tariff announcements on April 2. In the first-ever phone call between Trump and his acting South Korean counterpart, Han Duck-soo, the two leaders mentioned shipbuilding as a potential area of cooperation in the aftermath of the tariff announcement. The focus on shipbuilding cooperation should not be all that surprising given that momentum has been growing since Secretary of the Navy Carlos Del Toro visited South Korean shipyards in February 2024.

As numerous reports from government agencies and think tanks have argued, the problem of deteriorating U.S. naval capacity is a concern that requires immediate attention. Years of research on the problems with commercial shipbuilding and shipping also suggest that the struggles in these industries are not limited to the defense sector. Despite substantial congressional spending and resource allocation, industrial capacity has not improved. This stagnation contrasts sharply with China's rapidly expanding naval capabilities.

One way of addressing this problem is for the United States to purchase ships from other countries. South Korea is particularly well-positioned to benefit from such proposals, given that its world-class shipbuilding sector is second only to China. South Korea's shipyards offer advanced technological capabilities, production efficiency, and economies of scale unmatched in the United States. Leveraging these advantages can significantly enhance the pace and effectiveness of U.S. fleet modernization efforts, which are vital to maintaining strategic maritime balance.

Recent analyses, including a comprehensive study from the Stimson Center, highlight several key advantages of deeper U.S.-South Korean cooperation in naval shipbuilding. South Korea has consistently demonstrated an ability to deliver vessels at competitive costs and timelines. The synergy between South Korea's manufacturing prowess and U.S. technological innovation presents a unique strategy opportunity to bolster U.S. maritime strength quickly.

However, this requires overcoming some significant regulatory and political hurdles. U.S. laws, such as the Jones Act, and national security concerns have historically blocked these types of cooperative efforts. Nevertheless, momentum appears to be building with both the United States and South Korea recognizing the strategic necessity of overcoming this challenge. Trump's recent comments on this issue, for instance, suggest that the administration will purchase icebreakers from Finland. South Korean companies are actively investing in the United States to enhance U.S. shipbuilding capacity, and U.S. shipbuilding companies are hoping to join forces with their South Korean counterparts.

In a significant move on April 9, President Trump signed an executive order that effectively established the Maritime and Industrial Capacity Directorate under the National Security Council, tasked with revitalizing the U.S. maritime industry. The order directs various federal agencies to develop plans to bolster domestic shipbuilding and workforce capabilities. Additionally, the president announced the possibility of purchasing advanced ships from allied nations to address more immediate needs while enhancing domestic capabilities. This approach acknowledges the current limitations of the U.S. shipbuilding industry and the necessity of international cooperation to meet the administration's strategic objectives.

Within this context, the recent tariff announcement by the United States could paradoxically act as a catalyst for deeper industrial integration in strategic sectors like shipbuilding. For South Korea, this partnership presents an opportunity for its shipbuilding sector to maintain competitiveness while reducing dependence on China. For the United States, collaboration offers a pathway to close the maritime capability gap and reinforce its strategic posture in the Indo-Pacific region.

Amid the upheaval triggered by newfound U.S. protectionism and the prospect of a trade war between the United States and China, shipbuilding emerges as an unexpected yet promising silver lining—a strategic sector capable of delivering mutual economic and national security benefits to the United States and South Korea.

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