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Strengthening the Hanwha Philly Shipyard Amid Trump's Tariff Policies

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Strategic competition between the United States and China spans various fields, from security to economic dimensions. Shipbuilding is a particularly salient industry within this space. Both the United States and China rely heavily on maritime platforms such as naval ships for power-projection purposes. The Chinese government has significantly increased investments in military modernization, leading to a substantial expansion of the People's Liberation Army (PLA) Navy. At the same time, the U.S. economy has shifted from manufacturing to service industries over the past few decades, which has led to a gradual decline in the shipbuilding sector—a sector often labeled as "3D" (difficult, dirty, and dangerous) by South Korean media outlets. Since 2020, the U.S. Department of Defense has acknowledged that the PLA Navy's ship count exceeds that of the U.S. Navy. To compete effectively, the United States must revive its shipbuilding industry.

Given South Korea's position as the second-largest shipbuilding country in the world, collaboration between the United States and South Korea offers a promising solution to both revive the U.S. shipbuilding industry and enhance South Korea's material contributions to the alliance.

All Roads Lead to Philly?

After Donald Trump won the presidential election last November, Hanwha Group was optimistic that the new administration would continue to support the U.S. shipbuilding industry and proceeded with finalizing its purchase of the Philly Shipyard. Consequently, Hanwha's acquisition of the shipyard in December 2024 became a significant symbol of shipbuilding collaboration between the two countries. On April 2, however, President

Trump announced country-specific tariffs, which may impact Philly Shipyard as it receives substantial investments to facilitate shipbuilding cooperation between the United States and South Korea. Simply put, U.S. shipbuilders would incur higher costs when importing essential materials or equipment from foreign countries that impose high tariffs.

But Hanwha has encountered various issues related to the Philly Shipyard, ranging from outdated facilities to serious labor shortages. For the South Korean company to both strengthen its facilities at the Philly Shipyard and expand its operations globally, a comprehensive and meticulously crafted work plan is needed to address obstacles related to strategic planning, workforce development, facility and infrastructure limitations, and cultural integration.

Assuming these challenges can be overcome, Hanwha likely envisions the shipyard as a foothold for entering the U.S. shipbuilding industry. By establishing a strong presence at Philly Shipyard, Hanwha can demonstrate its technological expertise, meet the rigorous regulatory demands of the U.S. market, and build a reputation as a reliable partner. Furthermore, Philly Shipyard could serve as an important stepping stone for Hanwha's ambitions to expand beyond North America and potentially enter the European shipbuilding markets.

Recommendations for Enhancing Hanwha Philly Shipyard

The success of Philly Shipyard depends on the development of a mid-to-long-term implementation plan that addresses critical considerations, including securing a skilled workforce, identifying and upgrading outdated facilities, building the necessary supporting infrastructure around the shipyard, and bridging potential cultural differences.

One critical issue in the U.S. shipbuilding industry is the shortage of skilled workers. Compared to other industries, shipbuilding relies largely on manual labor. For example, in automotive manufacturing, automated assembly lines produce hundreds of thousands of identical units. But shipbuilding rarely produces multiple units of the same model. As a result, manual labor is needed to account for the more bespoke production method. To address this workforce shortage, Hanwha Philly Shipyard should collaborate with regional colleges to establish training programs for ship design and skilled labor, as training skilled technicians requires a significant amount of time. Partnerships with educational institutions in nearby states like Pennsylvania, New Jersey, Maryland, and Virginia could facilitate such programs, similar to Hyundai Heavy Industries' partnership program with U.S. universities. Graduates of these programs could be given preferential hiring opportunities at Philly Shipyard, which contributes to local employment and boosts the regional economy.

In addition, facilities and infrastructure must be upgraded. Since 2000, Philly Shipyard has exclusively constructed commercial vessels, so it has no prior experience building warships. The shipyard has also been operating at a financial deficit for six consecutive years since 2018. These financial constraints appear to have hindered its ability to invest in modernizing its facilities. Although the existing facilities, including docks and cranes, are adequate for commercial shipbuilding, transitioning to warship construction or maintenance in the future will necessitate significant upgrades due to the distinct structural and technical requirements of warship hulls. Moreover, Hanwha intends to introduce its Smart Yard Operation Center at Philly Shipyard, leveraging AI and robotics technologies to enhance productivity and operational efficiency. However, implementing this initiative will require substantial upgrades to the shipyard's current facilities to align with the operation's technological demands.

Hanwha Philly Shipyard must also establish supporting infrastructure in its vicinity. Typically, constructing a single vessel requires hundreds of thousands of components and pieces of machinery. Therefore, to build ships effectively, Hanwha Philly Shipyard should help reinvigorate numerous local businesses—which have gradually declined over the past decades—to supply essential equipment, machinery, and materials.

Developing such infrastructure will require collaboration with local and federal governments, as well as relevant U.S.-based companies, which is a long-term initiative that cannot be realized in a short timeframe. For example, Hanwha Philly Shipyard can begin to build a strong supply chain by partnering with local businesses through long-term contracts for key materials, such as steel, electrical components, and machinery parts.

Finally, managing a U.S.-based shipyard presents cross-cultural challenges between U.S. and South Korean workplace cultures. South Korean workplaces generally emphasize hierarchy, respect for authority, and seniority, with decisions made by senior leaders and employees following a strict chain of command. In contrast, U.S. workplaces prioritize individual initiative, open communication, and equality. Challenges could arise if South Korean shipyard leaders attempt to apply practices from South Korean shipyards to Philly Shipyard. Therefore, to achieve favorable outcomes, South Korean leaders must recognize and adapt to these cultural differences when introducing their practices to U.S. workers.

Conclusion

Despite the challenges posed by President Trump's tariff policies, the current administration has consistently acknowledged the importance of shipbuilding for the United States. In this context, Hanwha Philly Shipyard has garnered attention for its efforts to address existing challenges and implement effective solutions. By focusing on strategic planning, workforce development, facility and infrastructure upgrades, and cultural integration, Hanwha Philly Shipyard can position itself for long-term success in the competitive global shipbuilding industry.

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