



THE PENINSULA

Korea Policy Series: Overcoming Barriers to U.S.-South Korea

Shipbuilding Cooperation

Published December 22, 2025

Author: [Je Heon \(James\) Kim](#), [Lydia Shanklin Roll](#)

Category: [Economic Security](#), [South Korea](#), [United States](#),

[US-Korea alliance](#)



The following policy brief is part of a limited series from the Korea Economic Institute of America inspired by the latest edition of Korea Policy, Volume 3 Issue 2. You can read the author's full paper by [clicking here](#).

Executive Summary

The U.S. shipbuilding industry reached its zenith during World War II, after which it has been in a precipitous decline. The United States' current global market share in commercial shipbuilding is 0.04 percent, an output insufficient to meet commercial and military shipbuilding needs. Working with allies, however, may offer the best path to rebuilding the U.S. maritime industry. South Korea, a key U.S. ally, has the second-largest shipbuilding industry globally, built on a high-efficiency, high-output model that is known for its innovative approaches. For this partnership to succeed, however, South Korean shipbuilding investments need to overcome significant structural hurdles related to labor, supply chain, and market demand.

Background: Three Challenges to Revitalizing U.S. Shipbuilding

One challenge is the labor shortage. While there are signs of a post-pandemic recovery in the shipbuilding labor force, recovery has been slower than in other sectors, and the long-term trend still shows that the recent uptick is hardly enough to make up for a general workforce decline dating back to 1980. The problem with labor is really recruitment and retention. The industry average for labor turnover in shipbuilding is approximately 20 to 30 percent, while first-year employee attrition is about 50 to 60 percent. Many experts point to wage differentials and working conditions as the root of these problems.

The second structural challenge is an adequate supply of affordable, high-quality inputs (i.e., raw materials, parts, and components)—or the lack thereof. The top three South Korean shipbuilders each have anywhere between 1,300 and 2,400 suppliers (HD Hyundai: 2,420; Samsung Heavy Industries: 1,430; Hanwha Ocean: 1,334) near their shipyards that can be called upon at any given moment to provide needed parts or labor within days, if not hours. The supply network in the United States is likely substantially smaller than in South Korea, except in the case of special vessels (e.g., nuclear submarines). In fact, Japanese shipbuilders have cited poor supply chains as a major reason for passing on the opportunity to invest in the United States. The supply and price of raw materials such as iron, copper, and aluminum are also important considerations for U.S. shipbuilding.

The final structural challenge is demand. Even if South Korean shipbuilders can address challenges related to the workforce and supply chains to lay the foundation for domestic U.S. shipyards, there must be sufficient demand to justify the long-term investment by guaranteeing profit margins. The UN Trade and Development (UNCTAD) data shows that East Asia accounted for nearly 98 percent of all ships delivered globally in terms of gross tonnage (72 million tons). The United States accounted for only about 0.04 percent (31,000 tons), a record low.

Policy Recommendations

While the above hurdles are not insurmountable, they are difficult to overcome without some much-needed help from the U.S. government. In this regard, the U.S. government should consider the following measures:

- **Implementing regulatory reform**, which may involve revising, in part or whole, the regulations that restrict foreign purchases of ships or ship parts, which are significantly cheaper and better quality than those purchased in the United States.
- **Adopting a phased, combined approach** to meet both the immediate need for ships in the United States and the time required for South Korean investments to yield a more robust U.S. shipbuilding industry with the capacity to fill orders efficiently.
- **The first phase** involves purchases of a limited number of Coast Guard or naval logistics ships (e.g., oilers, support ships, and hospital ships) from allied shipyards that are also investing in U.S. shipyards. The focus during this initial phase of cooperation should be limited to ships that U.S. shipyards have not built or are less efficient in producing.
- **The second phase** begins when South Korean investments in U.S. shipyards expand domestic capacity. This step involves purchasing some components or modules from South Korean shipyards for final assembly in U.S. shipyards. Again, this medium-term cooperation would address capacity concerns while simultaneously minimizing any adverse impact on domestic shipyards and workers.
- **The third phase** occurs when U.S. shipyards operated by South Korean subsidiaries have established updated and globally competitive shipyards that are operational at full capacity. In this final phase, the entire shipbuilding process can move to shipyards on U.S. soil, which can compete globally to fill orders for commercial and military ships. Thus, this phase realizes the promises of the Restoring American Maritime Dominance Executive Order and the SHIPS for America Act.
- **Providing financial support** for the labor training programs that South Korean shipbuilding companies have already committed to and further expanding the annual quota for skilled worker visas in the shipbuilding industry, which would enable more experienced South Korean workers to be recruited to train workers in U.S. shipyards.

- **Creating favorable conditions** that encourage South Korean investment in U.S. shipyards, such as passing the Building Ships in America Act and SHIPS for America Act.
- **Working closely with the shipbuilding industry** to weigh in their concerns when it comes to major changes in U.S. trade and tariff policy. It would also help to consider selective waivers, sectoral based quotas, or a phased in tariff schedule that would either shield or help the shipbuilding sector establish a more resilient domestic supply chain.
- **Addressing the collateral risk.** The announcement by the Chinese government to impose trade bans against the U.S. subsidiaries of a South Korean shipbuilding firm serves as a stark reminder to the South Korean government and corporate entities that sizable investment and business stake in the United States can come at a price not only to their business interests in the United States but also to their facilities elsewhere around the world.

Conclusion

At present, the U.S. shipbuilding industry is plagued by massive time and budget overages. While the United States can address some of these problems through bold reforms and targeted investment, revitalizing the U.S. shipbuilding industry will require a combination of political will, time, and resources. The most important first step is recognizing the reality of this challenge and establishing a baseline consensus on how to address these issues. The good news is that the United States is not alone in this endeavor; there is an eager partner and ally in South Korea, which has a track record for delivering world-class ships on time and at cost. The question is whether U.S. leadership has the courage to take the necessary steps to create the conditions that will make American shipbuilding great again.

Dr. Je Heon (James) Kim is a Director of the Korea Program at The Stimson Center. Dr. Lydia Shanklin Roll is Anthropology Adjunct Faculty at Southern New Hampshire University. All views are the authors' alone.

Feature image from [Shutterstock](#).

KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.

Return to the Peninsula



THE PENINSULA

Korea Policy Series: Advancing U.S.-South Korea-Japan

Cooperation in Natural Gas

Published December 26, 2025

Author: [Seong-ik Oh](#)

Category: [Economic Security](#), [Japan](#), [South Korea](#), [U.S.-Korea-Japan](#), [US-Korea alliance](#)



The following policy brief is part of a limited series from the Korea Economic Institute of America inspired by the latest edition of Korea Policy, Volume 3 Issue 2. You can read the author's full paper by [clicking here](#).

Executive Summary

Energy security cooperation among the United States, South Korea, and Japan has emerged as a central pillar of the trilateral partnership. Since the 2023 Camp David summit, the scope of U.S.-South Korea-Japan cooperation has expanded beyond traditional military arrangements to encompass economic and technological dimensions, with natural gas occupying a critical role. Natural gas serves as an essential bridge fuel, supporting energy transition goals while meeting surging electricity demand from artificial intelligence and other energy-intensive sectors.

Background

The strategic convergence is clear: the United States has emerged as the world's top exporter of liquefied natural gas (LNG) following the shale revolution; South Korea and Japan rank among the world's largest LNG importers, heavily reliant on energy imports to sustain their advanced industrial economies. In 2024, South Korea imported 47.7 million tons (11.4 percent of world demand) and Japan 67.7 million tons (16.5 percent) of LNG, with both countries heavily exposed to Middle Eastern oil dependence and vulnerable shipping routes in the Red Sea and the South China Sea.

Three key areas of cooperation present tangible opportunities for trilateral partnership: (1) the Alaska LNG project; (2) joint development of natural gas resources in the South Korea-Japan continental shelf; and (3) expanded long-term LNG procurement contracts and joint investment in U.S. export terminals. Simultaneously, critical challenges—including Russia's Power of Siberia-2 pipeline—require strategic management to ensure partnership resilience.

1.1. Alaska LNG Project Participation

The Alaska LNG project could be a good example of energy cooperation among the three countries. While Japan's September 2025 Letter of Intent for one million tons per annum (MTPA) from JERA and South Korea's POSCO International strategic partnership represent a step forward, Japan and South Korea have taken a cautious approach to this issue.

2.1. Revitalize South Korea-Japan Joint Continental Shelf Development

The collaborative development of natural gas in the East China Sea and participation from technically advanced U.S. energy companies could help South Korea and Japan meet their medium-term energy needs and bolster their energy security.

3.1. Expand Frameworks for LNG Cooperation

Current LNG cooperation proceeds through bilateral corporate arrangements for LNG purchase and LNG terminal investment, and this can be more systematized.

4.1. Address Power of Siberia-2 as a Strategic Challenge

Russia's Power of Siberia-2 pipeline represents the most significant near-term competitive challenge to U.S. LNG exports to Asia. Strategic responses are required at both the bilateral and trilateral levels.

Conclusion

The United States, South Korea, and Japan possess a historically rare convergence of interests: the world's leading natural gas exporter and two of its largest importers, bound by shared strategic values and energy security imperatives. Beyond traditional security cooperation, this trilateral energy partnership offers a foundation for mutual prosperity.

Challenges such as Power of Siberia-2's potential completion in the mid-2030s and evolving maritime law in the East China Sea underscore the imperative for a resilient trilateral framework grounded in trust, technical capacity, and shared values. By embracing a "solutions-oriented partnership," the three nations can transcend near-term commercial uncertainties and forge a durable energy security architecture that will benefit generations to come.

Seong-ik Oh is the Director General for Cadastral Resurvey Planning at Korea's Ministry of Land, Infrastructure and Transport. All views are the author's alone.

Feature image from [Shutterstock](#).

Return to the Peninsula



THE PENINSULA

Korea Policy Series: U.S.-South Korea Cooperation amid

Heightened North Korea-Russia Ties

Published December 18, 2025

Author: [Edward Howell](#)

Category: [Indo-Pacific](#), [Japan](#), [U.S.-Korea-Japan](#)



The following policy brief is part of a limited series from the Korea Economic Institute of America inspired by the latest edition of Korea Policy, Volume 3 Issue 2. You can read the author's full paper by [clicking here](#).

Executive Summary

At a time of escalating cooperation between Russia and North Korea within and beyond the security domain, the role of the U.S.-South Korea alliance in the security of the Korean Peninsula and the East Asian region has never been greater. The second Donald Trump administration in Washington and the Lee Jae Myung administration in Seoul face multiple threats from North Korea, not limited to the country's expanding vertical proliferation of nuclear weapons and delivery systems. This year, cooperation between North Korea and Russia is expanding across sectors, and these two states, together with China and—albeit less so—Iran, have also sought to present a united front in opposing the United States, its alliances, and its leadership of the postwar international order. In response, the United States and South Korea should seek to strengthen their relationship, avoid taking hasty steps that could offer North Korea an opportunity to exploit weaknesses in the U.S.-South Korea alliance, and deepen cooperation in both existing and new areas.

Background

As the ongoing Ukraine War nears the end of its third year, recent developments in the relationship between Russia and North Korea have highlighted how cooperation between the two states has extended beyond the security domain. In line with the “Comprehensive Strategic Partnership Treaty” the two countries signed on June 19, 2024, Moscow and Pyongyang have striven to broaden their cooperation to include, *inter alia*, the domains of culture, artificial intelligence, and disaster management.

At the same time, this widening partnership has occurred amid an ongoing bolstering of security ties, with North Korea thus far having deployed approximately 14,000 troops to assist in Russian President Vladimir Putin's war; pledged to send another deployment of 5,000 construction workers and engineers to rebuild the Kursk region; and procured advanced missile and military technology from Russia.

Within this geopolitical context, the Lee and second Trump administrations take power at a time when North Korea is increasingly emboldened in its accelerated development of nuclear and missile capabilities while benefiting from Russian support. Such support looks as if it will continue following a conclusion to the Ukraine War, even if the areas of cooperation are likely to change in any such scenario. Though both Lee and Trump have emphasized the importance of engaging in dialogue with the Kim Jong Un regime, they should not pursue talks for their own sake. The United States and South Korea must not abandon the importance of North Korea's complete, verifiable, irreversible denuclearization as a core policy objective. Although the Trump administration seeks to prioritize the deterrence of China over North Korea, the United States and South Korea must seek clarity as to their respective commitments to the alliance; bolster trilateral cooperation involving Japan; and avoid any hasty actions that North Korea may interpret as weakening the ironclad alliance. As the combination of North Korea, Russia, China, and Iran—while not an alliance per se—seeks to undermine the postwar international order, the United States and South Korea must also find new areas for cooperation.

Policy Recommendations

- **South Korea and the United States must affirm and specify their prioritization of the denuclearization of North Korea.**
- Although both Presidents Lee and Trump have outlined the importance of denuclearization *of the Korean Peninsula*—albeit not explicitly at their first bilateral meeting on August 25, 2025—the two leaders must clarify their common stance on denuclearization. During the first Trump administration, the **joint statement** between the United States and North Korea following the Singapore summit on June 12, 2018 affirmed Kim's "unwavering commitment to the *denuclearization of the Korean Peninsula*" (emphasis added), phrasing which North Korea expectedly exploited to avoid offering any tangible concessions on its nuclear program. Through greater clarity, the United States and South Korea can also consider longer-term measures such as arms reduction, given how North Korea remains more unwilling than ever before to abandon its nuclear capabilities.
- **Robust assurance of U.S. commitments to South Korea and clarity of each ally's role in the U.S.-South Korea alliance**
- Within the backdrop of growing regional and global instability posed by North Korea-Russia cooperation, the second Trump administration's foreign policy toward the Korean Peninsula remains uncertain. In this vein, clear expectations of South Korea's and the United States' respective roles in the U.S.-South Korea alliance is vital to strengthen deterrence against North Korea and the North Korea-Russia relationship, such as with respect to the role of United States Forces Korea (USFK). Moreover, South Korea should follow through on its positive step to increase defense spending, while at the same time be prepared to increase its financial contributions for U.S. extended deterrence. Both South Korea and the United States must caution against agreeing to any hasty transfer of wartime operational control (OPCON) of South Korea's armed forces to South Korea given the likelihood of North Korea exploiting any such decision to further its provocations against the South.

- A clear expectation of the commitments of each ally to the U.S.-South Korea alliance involves delineating expectations and likely scenarios the alliance may face. On the part of the United States, questions of “strategic flexibility” and the likelihood of the redeployment of USFK to serve a broader regional role must be answered and communicated to South Korea. At the same time, South Korea must be clear as to its readiness to consider (or not) a wider role for USFK.
- Develop new areas of cooperation between the United States and South Korea while strengthening cooperation between the United States, Japan, and South Korea, particularly in enforcing sanctions.
- South Korea and the United States must not sacrifice robust enforcement of sanctions, in collaboration with like-minded actors such as Japan, in favor of engaging in dialogue with Kim. Recent history has made clear North Korea’s propensity to exploit any relaxation of sanctions and, in addition, how mounting North Korea-Russia cooperation has only enhanced sanctions violations on the part of both countries.

Washington and Seoul should also strive to find new areas in which to strengthen their cooperation, not least in civil nuclear energy. Doing so would fulfill a core goal of the second Trump administration to expand nuclear power and deploy advanced nuclear reactor technologies, while also benefiting South Korea as one of the world’s largest low-cost providers of civil nuclear energy.

Conclusion

The importance of bolstering the U.S.-South Korea alliance has never been greater considering that North Korea’s expanding cooperation with Russia continues to undermine regional and global security. Recent U.S.-South Korea summitry between Lee and Trump highlights the potential for the United States and South Korea to work together in combating common threats, not least from the North Korea-Russia partnership, and to cooperate in security, economic, and energy domains. Yet the possibility that such ties stagnate or become dominated by personalistic desires to engage in dialogue with North Korea remains and should be avoided. While the U.S.-South Korea alliance should prioritize deterring the increasingly multifaceted North Korean nuclear threat, the two states must also find new areas of cooperation to ensure the alliance’s continued robustness beyond Trump 2.0.

Edward Howell is Lecturer in International Relations, Department of Politics and International Relations, University of Oxford, and Korea Foundation Fellow at Chatham House. All views are the author’s alone.

Feature image from the [Russian presidential office](#).

KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.



THE PENINSULA

2025 Year in Review: Kim Jong Un's Financial Conundrum

Published December 30, 2025

Author: [William Brown](#)

Category: [Economic Security](#), [Economics](#), [North Korea](#)



The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South Korea relationship in 2025. You can read all year-in-review pieces by [clicking here](#).

2025 saw remarkable changes underway inside North Korea that have little to do with its relations with China, Russia, South Korea, or the United States. As in politics everywhere, local conditions outweigh distant ones, and as Pyongyang finalizes its new Five-Year Development Plan this month, an unspoken domestic crisis looms over every decision.

That backdrop is inflation.

The price of rice—the effective bellwether for all North Korean prices—has more than doubled in 2025, following a similar jump in 2024. According to [Asia Press](#), rice now costs about KPW 19,000 per kilogram, compared with roughly KPW 5,000 just two years ago.

The currency collapse has been even more dramatic. The North Korean won [has fallen](#) from about KPW 8,000 per U.S. dollar in mid-2024 to roughly KPW 36,000 today, despite ostensible financial support from Russia and massive [state-organized cybercrime](#). Leader Kim Jong Un must be wondering where all this money is going, because it is clearly not flowing into North Korea's central bank in sufficient quantity to arrest inflation or stabilize the DPRK won.

As 2025 draws to a close, some reporting suggests that financial conditions may be [stabilizing](#)—but at levels radically worse than just two years ago. The regime has already been forced to abandon the socialist ration-based pay system, replacing it with cash wages. That shift implicitly legitimizes private money and capital accumulation, further eroding state control.

Major—if ad hoc—changes began in mid-2024 as the won collapsed. These continue today in what appears to be a **pilot program** in which farmers are paid cash rather than in-kind rations for their output. This is critical, as roughly half of North Korea's workforce remains in agriculture. With money in hand, productivity could rise sharply as many abandon unproductive collective farming for independent or locally controlled enterprises.

The key question is whether farmers will trust the won enough to hold it. If not, they will immediately convert cash wages into U.S. dollars, Chinese yuan, or hard goods—fueling yet another inflationary spiral.

South Korea's Bank of Korea (BOK) continues its effort to estimate North Korea's GDP, **reporting** roughly 4 percent growth in 2024, with likely further gains in 2025 due to favorable weather, increased trade, and unreported military exports to Russia. Curiously, the BOK avoids commenting on the ballooning gap between imports and exports, as well as on inflation or currency collapse—normally the central concerns of any central bank.

Economic analysis in 2025 has been further complicated by a sharp divergence between data from *Asia Press* and *Daily NK* beginning in October. That gap has since closed, suggesting extreme volatility rather than faulty reporting—likely tied to Kim's high-profile meetings with Vladimir Putin and Xi Jinping in early September. In the weeks following those summits, the won lost **more than 50 percent** of its value, and other commodity prices surged at triple-digit rates.

One can reasonably speculate that Kim returned from those meetings without the financial support he expected—and faced a rapidly deteriorating domestic situation. His response has been a familiar anti-corruption crackdown. Whether this leads to meaningful reforms in the new Five-Year Plan remains uncertain.

What does seem likely is further decentralization—pushing responsibility down to provinces and counties. In an over-centralized and inefficient system, this could boost productivity. It would also represent another nail in the coffin of North Korean socialism.

William B. Brown is the principal of Northeast Asia Economics and Intelligence, Advisory LLC (NAEIA.com) and Non-Resident Distinguished Fellow at the Korea Economic Institute of America. The views expressed here are the author's alone.

Feature image from North Korean state media.

KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.

Return to the Peninsula



THE PENINSULA

2025 Year in Review: Old Trade Order, Meet the New Trade Order

Published December 29, 2025

Author: [Tom Ramage](#)

Category: [Economic Security](#), [Economics](#), [South Korea](#), [US-Korea alliance](#)



The following is part of a new miniseries from KEI surveying the most important developments and trends in the U.S.-South Korea relationship in 2025. You can read all year-in-review pieces by [clicking here](#).

2025 saw a paradigm shift in how the United States conducts trade with South Korea. New presidents in both Washington and Seoul not only meant an entirely reconfigured economic policy, but new approaches and methods to how they are negotiated. While going into the president's inauguration the Donald Trump administration set clear expectations about its tariff-based "[economic nationalism](#)" trade policy, the more than five months between the beginning of Trump's second term in January and South Korea's June 3 special elections meant that it would take until mid-summer for U.S.-South Korea trade policy to enter the "Trump Round" of negotiations.

In the interim, the trade [actions](#) the new U.S. administration took were manifold. Section 232 tariffs on [autos and auto parts](#) as well as [steel and aluminum](#) (which were readjusted to an even [higher rate](#)) were some of the first actions that fundamentally altered the way the United States and South Korea engaged in commerce. On April 2, the president [unveiled](#) the new "Liberation Day" tariff rates, initially targeting South Korea at 25 percent. And on the economic security front, South Korea [lost](#) its "tier 1" status to access U.S. chips in May under the previously drafted AI Diffusion Rule, with some South Korean companies later [losing](#) their validated end user status to continue exporting equipment to facilities in China—a casualty of increasing U.S.-China competition. Pending Section 232 investigations on semiconductors, pharmaceuticals, and other such industries also cast a shadow over future flows of trade.

Although the United States and South Korea had previously traded virtually tariff-free under the Korea-U.S. Free Trade Agreement (KORUS FTA), April 2 made clear that the old way of doing things was no longer in effect. Instead, the new trade order would be defined by where South Korea's industries had strength in the U.S. market and where industrial cooperation was indispensable. As other trading partners such as the United Kingdom, the European Union, and Japan made their own deals with the United States into the summer, they made a framework for what a competitive deal with the United States would look like for South Korea. Liberation Day also served as an accelerant for other countries to pursue their own trade blocs between each other—for instance, renewed progress on a [South Korea, Japan, China FTA](#), or an APEC-focused [FTA for the Asia-Pacific](#)—seeking to reform the power centers which previously carried goods across the Pacific.

In any case, South Korean negotiators' efforts ultimately paid off in securing a 15 percent tariff rate—including for autos—at a level aligned with South Korea's other trade competitors, such as Japan. This was made possible by a USD 350 billion investment fund constructed in a way that is sensitive to South Korea's foreign exchange position, to be committed toward investments in seven different strategic industries, including shipbuilding. The bargain is that South Korea, for the foreseeable future, secures continued engagement in the U.S. market, preserves its own red lines on its agricultural sector, and gets treated no worse than significant competitors in autos and semiconductors.

However trade between the United States and South Korea shapes out as a result of the "Trump Round" deal, what is certain is that the world has departed from the expectations and cadence of the previous status quo trade order. It will likely take some time before the effects of the tariffs and tariff deals can be fully ascertained. The new way of doing trade is now largely conditional, transactional, and leveraged by strategic industries. It remains to be seen how this may ultimately change the economic direction of the United States, its foreign trading partners, and global trading blocs as a whole.

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

Feature image from the [South Korean Presidential Office](#).

KEI is registered under the FARA as an agent of the Korea Institute for International Economic Policy, a public corporation established by the government of the Republic of Korea. Additional information is available at the Department of Justice, Washington, D.C.

Return to the Peninsula