



***SOUTH KOREA'S MASGA PROPOSAL
DEPENDS ON CO-DESIGN AND CO-
PRODUCTION***

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US-South Korea tariff negotiations recently came to a conclusion, with South Korea's [\\$350 billion investment package](#) including a \$150 billion proposal to rebuild the moribund state of US shipbuilding industry, called "Make American Shipbuilding Great Again" (MASGA). President Trump's vision to solve America's shipbuilding crisis is not new: During his first term, Donald Trump's administration [promised](#) to build a 350-ship Navy from 272 ships, but topped out at 297. Now, international cooperation with US allies such as South Korea, Japan, Australia, and other countries in Europe seems to be the best available alternative, a lesson learned from the former Trump administration's shipbuilding policy failures. The success of international shipbuilding cooperation requires many different and complex issues to be addressed in a timely and proper manner, in advance. There is no one-size-fits-all solution.

While exploring cooperation models for MASGA proposal, "co-design" and "co-production" approaches should be key elements for implementing US-South Korea collaborative efforts. It remains to be seen how South Korea's shipbuilding investment will reinforce US maritime leadership, seriously challenged for decades by China. Rebuilding an entire US shipbuilding industrial base from the ground up would take too long, while co-design and co-production pathways have not been well-developed and adopted in the US shipbuilding industry; unfortunately, the same is true with South Korea.

Ship design is the most fundamental and essential work affecting the entire process of shipbuilding. Inappropriate design selection is one of the key causes for budget increases and delivery delays. For instance, to meet more complicated and advanced naval ship requirements, a much wider range of stakeholders than ever before, such as designers, engineers, shipbuilders, inspectors, and customers must join an extensive design spiral. Also, soaring global demand for commercial and naval ships makes the risks associated with ship design greater.

The shipbuilding industry is inherently inclined to prefer "process-focused" performances to "production-focused" operations. Compared to other manufacturing industries, shipbuilding involves a wide variety of skills, materials, systems, and equipment. Also, it is not mass production but unit production only. These industrial characteristics lead shipbuilders to pursue cost and capacity efficiencies based on segmented shipbuilding processes. When costs of delays outweigh the benefits of cost efficiencies, shipbuilders should turn to "production-focused" operations for increasing manufacturing velocity, which is already prevalent in other industries.

Rebuilding a collapsed US shipbuilding industry requires a wide array of fundamental changes focusing on design and production. As mentioned, neither the US nor South Korea has adopted co-design and co-production approaches in building their naval ships. From a business investment perspective, to meet the US Navy's demands for cheaper and faster delivery of warships, co-design and co-production approaches with South Korea's shipbuilders and shipyards are most critical for managing vulnerabilities to complex and uncertain value streams.

In addition, by further strengthening capabilities and capacities of co-design and co-production between the two nations, US-South Korea MASGA initiative will be a new pivot for fostering a new shipbuilding alliance by attracting participation from other US allies. To propel MASGA forward, the South Korean Ministry of National Defense and Defense

Acquisition Program Agency should address challenging issues plaguing the co-design and co-production of South Korean Navy's [Korean Next-Generation Destroyers](#) (KDDX). Hanwha Ocean and HD Hyundai Heavy industries compete for detailed design and lead ship construction. Although the DAPA considered adopting co-design and co-production approaches between the two shipbuilders, this has not made any progress. Success in this regard will give the Trump administration greater confidence to explore the co-design and co-production cooperation model under MASGA.

International shipbuilding cooperation will have immense implications for US national security, manufacturing, the labor market, the supply chain, immigration, intellectual property, social welfare, etc. It is notable that both US Congress and South Korean National Assembly have been quiet in speaking up on following up on a MASGA project. Among many factors contributing to the successful implementation of a United States–Korea Free Trade Agreement, US Congress and South Korean National Assembly played critical roles in resolving public concerns and policy developments with their respective governments. It is time for political leaders to act for the success of MASGA.

The bipartisan SHIPS for America Act is a primary pillar of US Congressional efforts aiming at revitalizing US shipbuilding. The Act, however, includes some protectionist elements hedging mainly against China's unfair trade practices, so it is still uncertain how implementing it will affect the US shipbuilding industry, including costs associated with international shipping, complying with new regulations, the global supply chain, international trade, etc. China has moved much faster than the Trump administration acts. China recently [concluded a merger](#) of the two world's largest shipbuilding companies, the China State Shipbuilding Corporation and China Shipbuilding Industry Corporation, which together occupy 21.5% of global shipbuilding market, under state-ownership. In 2019, as a prelude to this mega merger, the Chinese government [combined](#) CSSC and CSIS into one parent company, China State Shipbuilding Group. Now, the US shipbuilding industry encounters a much stronger and more

competitive Chinese state-owned shipbuilder. In other words, the strategic risks in the SHIPS for America Act associated with China are likely to become greater and costlier than we think.

The US and South Korean leaders must consider launching a bilateral and bipartisan task force, including business leaders, in preventing the risks of the Act from carrying over into a MASGA project. As first steps by the two governments, they have to pursue a MASGA initiative to promote giving a new boost to bottlenecked US shipbuilding capacity by resolving domestic issues in advance, not simply protecting the US shipbuilding industry from China's assertive movements. To this end, it is critical to resume a suspended bilateral consultation over the signing of Reciprocal Defense Procurement-Agreement. For example, this agreement would provide South Korean shipbuilders with a status equal to US shipbuilders when awarding US government contracts. This change in the US shipbuilding ecosystem will foster an interconnected co-design and co-production networks among a variety of US and South Korean companies in shipbuilding industry.

The US Navy's 2025 Shipbuilding Plan targeting a 390-ship fleet by 2054 [requires](#) acquiring 364 new ships over the next 30 years, around 12 ships every year, considering the current ship retirement plan. The US Navy's fiscal 2026 budget request includes the purchase of 19 new ships, which is a notable increase from five ships in 2025 and eight ships in 2024. Although the number of ships built is decided by US government, the number of ships built within US shipbuilding capacity is not enough. With a \$150 billion MASGA investment mainly focusing on restoring the industrial base, the Trump administration would be much better positioned than ever before to successfully implement its 2026 shipbuilding budget in terms of managing costs and deliveries of [19 new ships](#). In addition to improving US shipbuilding infrastructure, an increased US manufacturing velocity through collaborative works with South Korean shipbuilders will likely make the feasibility of US Navy's future shipbuilding plan much greater than ever before.

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