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Advancing ROK-U.S. Shipbuilding Cooperation:
Focusing on MASGA and RSF

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Abstract

The recently passed Fiscal Year 2027 National Defense Authorization Act (FY2027 NDAA) House bill explicitly calls for expanding shipbuilding cooperation with South Korea, while the SASC (Senate Armed Services Committee)-reported FY2027 NDAA includes a provision allowing limited construction at allied shipyards. South Korea proposed the MASGA initiative and a \$150 billion investment package in 2025, and in 2026 laid the groundwork by enacting a Special Act, signing a memorandum of understanding, and establishing the Korea-U.S. Shipbuilding Partnership Center (KUSPC). This bilateral cooperation is moving beyond individual companies winning contracts to become institutionalized as a strategic industrial and security partnership.

ROK-U.S. shipbuilding cooperation can be analyzed through two pillars: MASGA and RSF. MASGA is an industrial and investment initiative designed to expand shipyards, workforce, and supply chains in the continental United States by leveraging South Korean capital and shipbuilding capacity. RSF is a framework aimed at strengthening U.S. military operational sustainability by leveraging the MRO and other sustainment capabilities of regional allies, including South Korea. The two initiatives have significant potential for synergy, as building up MRO capacity in South Korea complements the MASGA-driven expansion of production facilities in the United States. This cooperation could facilitate South Korean companies' participation in U.S. newbuild and MRO programs, broaden participation in local supply chains, and serve as a catalyst for productivity transformation through smart shipyard technologies. On the other hand, institutional constraints and high investment costs may hinder participation in U.S. maritime programs, and South Korea faces the risks of workforce attrition, supply chain erosion, and technology leakage. The two countries should therefore structure their cooperation to balance business opportunities, revenues, technology, costs, and risks.

To this end, South Korea should: a) establish a medium-to-long-term cooperation roadmap; b) leverage MRO track record to expand participation in U.S. newbuild programs; c) secure substantive industrial benefits and a domestic production base for the Korean shipbuilding industry; and d) manage shipbuilding cooperation as a core agenda item of the ROK-U.S. alliance. Through these measures, ROK-U.S. shipbuilding cooperation can develop into a new pillar of the alliance, simultaneously revitalizing the U.S. shipbuilding industry, strengthening regional sustainment support, and enhancing the competitiveness of the Korean shipbuilding industry.

Keywords

ROK-U.S. shipbuilding cooperation, MASGA, Regional Sustainment Framework (RSF), shipbuilding supply chain resilience

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The Evolution and Nature of ROK-U.S. Shipbuilding Cooperation

The House version of the Fiscal Year 2027 National Defense Authorization Act (FY2027 NDAA) passed the U.S. House of Representatives on July 22, 2026. Section 1241 of the House bill expresses the sense of Congress¹⁾ that expanding shipbuilding cooperation with South Korea is necessary in order to strengthen U.S. shipbuilding capacity and the defense industrial base. Examining only the shipbuilding cooperation provisions, both the House bill and the SASC-reported FY2027 NDAA²⁾ are broadly favorable toward ROK-U.S. shipbuilding cooperation, but differ in their approaches. While acknowledging the need for shipbuilding cooperation with allies, the House bill prioritizes protecting the domestic production base by restricting the overseas construction of combat vessels. The Senate Armed Services Committee report, by contrast, contemplates allowing initial quantities of a subset of non-combat support vessels to be constructed at allied shipyards, conditioned on in-country U.S. investment and the domestic construction of follow-on vessels. This reflects an intent to leverage allied capacity as a bridge pending the recovery of the U.S. shipbuilding industry.

ROK-U.S. shipbuilding cooperation emerged as a core agenda item in the bilateral relationship from 2025 onward, as the two countries' economic interests and security needs converged. In July 2025, during tariff negotiations with the United States, the South Korean government proposed the MASGA (Make American Shipbuilding Great Again) initiative. It also committed to pursuing a \$150 billion shipbuilding cooperation investment package to support South Korean companies' investment in the United States and the revitalization of the American shipbuilding industry. This aligns with U.S. policy demand for restoring its domestic shipbuilding base in decline, amid intensifying naval and shipbuilding competition with China, by leveraging allied technology, capital, and production capacity.

The success of MASGA depends less on the scale of investment itself than on whether

1) House-passed FY2027 NDAA, Section 1241(12): "expanding shipbuilding cooperation with the Republic of Korea to bolster the shipbuilding capacity and workforce of the United States and to reinforce the defense industrial base of the United States."

2) Unlike the FY2027 NDAA House bill, the SASC-reported FY2027 NDAA failed to pass a motion to proceed to floor debate in the Senate on July 14 and has not yet been confirmed as a Senate-passed bill.

South Korean capital and shipbuilding capacity can translate into the actual construction of U.S. vessels and warships. President Donald J. Trump not only asked President Lee Jae Myung at the G7 Summit whether ten warships could be built rapidly,³⁾ but also held follow-on discussions on military vessel construction at the NATO Summit in July.⁴⁾ Subsequently, at the Pennsylvania Defense and Innovation Summit held at the U.S. Army War College in July 2026, he explicitly identified South Korean shipbuilders as potential partners in rebuilding U.S. naval and shipbuilding capacity. Notably, in June 2026, the U.S. Department of Defense and the U.S. Navy reportedly issued a Request for Information (RFI) to Korean shipbuilders regarding the construction of destroyer-sized surface combatants and medium-sized fleet oilers.⁵⁾ While an RFI does not constitute a contract award, it is significant as a formal procedure for ascertaining the capabilities and market intelligence of the Korean shipbuilding industry.

At the same time, the United States views ROK-U.S. shipbuilding cooperation as a strategic instrument for enhancing operational sustainability in the Indo-Pacific region. A representative initiative illustrating this is the Regional Sustainment Framework (RSF), announced by the U.S. Department of Defense on May 15, 2024. In cooperation with allied and partner nations and their defense industrial bases, the RSF aims to build a distributed MRO (Maintenance, Repair and Overhaul) network in areas close to points of operational demand. It encompasses sustainment of not only naval vessels but also aircraft, vehicles, and other weapons systems. This provides a foundation for elevating Korean shipyards' MRO participation from individual contracts into alliance-level sustainment cooperation.

This Issue Brief analyzes ROK-U.S. shipbuilding cooperation along its two complementary pillars, MASGA and RSF. It first examines the nature and relationship of the two initiatives, then assesses the opportunities and constraints in bilateral shipbuilding cooperation. It proposes development directions centered on: a) establishing and institutionalizing a medium-to-long-term cooperation roadmap; b) leveraging MRO track record to expand participation in U.S. newbuild programs; c) securing substantive benefits for the Korean shipbuilding industry and strengthening the domestic production base; and d) elevating shipbuilding cooperation to a core agenda item of the ROK-U.S. alliance.

3) Cheong Wa Dae. (2026.6.19.). "Briefing by President Lee Jae Myung on the Results of the Europe/G7 Tour, 6/19 (Fri)." Presidential Speech.

4) Cheong Wa Dae. (2026.7.8.). "Written Briefing by Senior Spokesperson Kang Yoo Jung on President Lee Jae Myung's Dinner Reception with NATO Allied Leaders." Newsroom Briefing.

5) Hong, Gyu-bin. (2026.7.8.). "U.S. Government Approaches Korean Shipbuilders on Destroyer-Sized Surface Combatants and Medium-Sized Fleet Oilers: First Request for Information." Yonhap News.

The Two Pillars: MASGA and RSF

ROK-U.S. shipbuilding cooperation is unfolding around two pillars, MASGA and RSF, which differ in nature. The two initiatives differ in their driving entities, geographic scope, and direct policy objectives, but are complementary in that they simultaneously strengthen regional sustainment capacity across the Indo-Pacific and the shipbuilding industrial base in the United States.

MASGA is an industrial and investment initiative designed to rebuild the U.S. shipbuilding industrial base by leveraging South Korean capital and shipbuilding capacity. The U.S. shipbuilding industry faces production capacity constraints, a skilled-worker shortage, high construction costs, and delivery delays. Korean companies can complement these gaps through shipyard acquisitions, facility modernization, workforce development, supply chain expansion, and direct participation in ship construction. The U.S., however, restricts overseas construction and prioritizes domestic production. Rather than supplying completed vessels from South Korea, a more realistic approach would be a localization model that integrates Korean design, production management, component supply, and digital technology into U.S. shipyards.

RSF, on the other hand, is an initiative designed to build a distributed sustainment network near operational areas by leveraging the MRO and other product support capabilities of allies and partner nations. The United States has determined that its existing sustainment system, which relies on the continental U.S. or a small number of large bases in the Indo-Pacific, is hampered by long-distance logistics and vulnerable to adversary strikes. It is accordingly working to build a distributed sustainment network capable of conducting weapon-system maintenance and sourcing parts across multiple nodes. Although RSF is not limited to shipbuilding, its role in this area includes routine maintenance, emergency repairs, parts replacement, and port support essential to sustaining long-duration naval operations. Facilities in the continental United States, Hawaii, and Guam alone cannot meet regional sustainment demand. Korean shipyards can therefore serve as key hubs supporting U.S. Navy operational sustainability.

South Korea's industrial and maintenance capabilities are likely to play an important role in the sustainment system envisioned under RSF. Highlighted as major cooperation outcomes at the 56th ROK-U.S. Security Consultative Meeting (SCM) in 2024 were progress on RSF implementation and South Korean participation in U.S. Air Force and Navy MRO programs. In April 2026, General Xavier T. Brunson, Commander of U.S. Forces Korea, announced a concept for building a "regional sustainment hub" that would leverage South Korea's industrial base. This signals that regional sustainment cooperation is moving into a concrete implementation phase. In particular, South Korea is expanding its MRO participation from

aircraft depot-level maintenance to U.S. Navy logistics support vessels. This expansion positions RSF as a strategic foundation underpinning ROK-U.S. shipbuilding cooperation.

MASGA and RSF differ in geographic focus and functional purpose, but the two can complement each other in practice. Korean shipyards' MRO track record can help build the trust and capabilities needed to expand participation in U.S. newbuild programs. In turn, as MASGA advances, closer integration between the two countries' shipyards — in design, production, maintenance technologies, supply chains, workforce development, quality assurance, security, and contract management — can help build the distributed sustainment capability envisioned under RSF. In this way, the two initiatives link the U.S. shipbuilding industrial base with regional sustainment capacity.

Opportunities and Constraints

For ROK-U.S. shipbuilding cooperation to produce substantive results, it is necessary to accurately understand the United States' objectives in the partnership, as well as the legal and institutional environment surrounding it. U.S. objectives can be broadly organized into three categories.

First is restoring the shipbuilding industrial capacity of the continental United States. The United States' ultimate objective is not the continuous procurement of vessels from overseas, but the modernization of domestic shipyards and the restoration of skilled workforce, supply chains, and production management capabilities. Accordingly, the extent of South Korean companies' participation in U.S. shipbuilding programs will depend on their contributions to investment in U.S. shipyards, facility expansion, job creation, and supply chain development. MASGA is an initiative that aligns with this U.S. policy demand.

Second is shortening the construction timelines for U.S. Navy warships and government vessels and supplementing production capacity. By leveraging allied shipyard capabilities for logistics, transport, and special-purpose vessels, the United States could free up scarce domestic shipyard capacity to focus on submarines and major combatants, while also shortening construction timelines. Allied capacity will likely serve as a transitional measure to supplement shortfalls until domestic production capacity is restored, rather than replace the U.S. shipbuilding industry. While MASGA directly supports the expansion of domestic shipbuilding capacity, RSF can complement this by distributing the regional sustainment burden and thereby enabling U.S. shipyards to focus on higher-priority construction projects.

Third is strengthening U.S. military operational sustainability and logistics resilience in the Indo-Pacific. In high-intensity conflict scenarios, transporting damaged vessels and aircraft back to the continental United States for repair takes too long and strains limited transport

capacity. Carrying out maintenance, parts production, and supply operations in South Korea and other regional allies would reduce equipment downtime and increase operational availability. RSF can be understood as an initiative designed to build a distributed regional sustainment network toward this end.

These U.S. policy demands offer South Korean shipbuilders new opportunities. While the House bill and the Senate Armed Services Committee report differ in their approaches, both take a generally favorable position on utilizing allied shipbuilding capability. Although ROK-U.S. naval cooperation remains at an early stage, Korean companies have already won MRO contracts for U.S. Navy logistics support vessels, acquired an American shipyard, and begun participating in the concept design of U.S. Navy warships and the construction of U.S. government special-purpose vessels. This demonstrates the potential for bilateral shipbuilding cooperation to extend beyond simple maintenance to encompass design, operation of production facilities, newbuilding, and long-term sustainment.

At the same time, ROK-U.S. shipbuilding cooperation can be an impetus for Korean companies to accelerate productivity transformation through the development of smart shipyard technology. The U.S. shipbuilding industry is under pressure to transform its production system due to high ship construction costs and low productivity, while the Korean industry must likewise respond to rising cost pressures, including those stemming from workforce shortages and higher labor costs. Therefore, cooperation between the two countries has the potential to grow into co-developing and demonstrating technologies for: a) production process automation and digitalization; and b) linking and converting between commercial and defense production systems. This could at once address the United States' productivity challenges and give Korean companies the opportunity to accumulate smart shipyard technology and business experience, strengthening their future competitiveness. HD Hyundai, for instance, announced a concept for building an AI-based shipyard system at the inauguration ceremony of the Korea-U.S. Shipbuilding Partnership Center (KUSPC).⁶⁾

Meanwhile, substantial legal and political constraints weigh on the expansion of ROK-U.S. shipbuilding cooperation. One example is the restriction on overseas construction of U.S. military vessels under the Byrnes-Tollefson Amendment (10 U.S.C. §8679).⁷⁾ Under

6) Lee, Sang-eun & Ahn, Si-uk. (2026.7.24.). "HD Hyundai Eyes AI Shipyard, Hanwha Eyes Warships: 'MASGA' Sets Sail." Korea Economic Daily.

7) Additional institutional constraints include: a) the Buy American Act, which provides a preference for domestic end products in federal procurement; b) the Jones Act, which generally requires merchandise transported between points in the U.S. to be carried on vessels built in and documented under the laws of the U.S. and owned by U.S. citizens; c)

current law, the President may authorize an exception permitting overseas construction for reasons of national security. This exception, however, requires congressional notification and separate budgetary and statutory approvals, making it impractical to apply on a routine basis. While the use of allied shipyards and expansion of exceptions are being discussed within the U.S. Congress, there is strong wariness about the weakening of the domestic production base and employment. Given that the shipbuilding industry is directly tied to large-scale federal spending and local employment, the political interests of organized labor and shipyard communities also come into play as important factors. Stronger political backlash could follow if South Korean shipyards' participation is perceived as displacing U.S. jobs.

In light of these limitations, supplying completed vessels is not well suited to serve as the primary model of ROK-U.S. shipbuilding cooperation. A more realistic approach is a localization model premised on construction in the United States. In this model, the Korean shipbuilding industry participates in design, production management, component supply, digital production technologies, and MRO, while also pursuing the co-production of modules and blocks within institutional bounds. This model could enable Korean companies to expand the U.S. production base and increase local employment, while also participating more broadly in U.S. programs and supply chains and building expertise in smart shipyard technologies and business operations.

South Korea must also manage its internal risks. As investment and business activities in the United States expand, Korean skilled workers and supply chains may become dispersed, potentially delaying the construction schedules of the ROK Navy's warships and commercial vessels. Challenges at U.S. shipyards may also increase investment costs or reduce profitability, such as low productivity, high labor costs, and complex regulations and labor relations. Korean companies also risk failing to secure sufficient business volume and revenue, even as U.S. competitiveness rises amid the transfer of Korean technology and production management capabilities. Ultimately, the sustainability of ROK-U.S. shipbuilding cooperation depends on how equitably both countries share business demand, revenue, technology, costs, and risks.

Strategic Directions

First, ROK-U.S. shipbuilding cooperation must advance beyond a project-by-project approach to become systematic cooperation grounded in a medium-to-long-term roadmap. Current cooperation spans Korean companies' participation in U.S. Navy MRO programs, acquisitions of U.S. shipyards and facility investment, and participation in warship concept

the federal restrictions on the overhaul, repair, and maintenance of naval vessels in foreign shipyards (10 U.S.C. §8680), which generally prohibits U.S.-homeported naval vessels from being overhauled, repaired, or maintained in shipyards outside the U.S., while providing certain exceptions, including for voyage repairs; and d) FCL/FOCI requirements (Facility Clearance/Foreign Ownership, Control or Influence), which govern eligibility for access to classified information

design and special-purpose vessel construction projects. However, this cooperation remains largely confined to individual companies accumulating business experience. Because market logic alone cannot drive shipbuilding cooperation, both governments and companies must coordinate to remove institutional barriers and connect individual projects. To this end, South Korea and the United States need a medium-to-long-term roadmap that expands the scope of cooperation to encompass MRO, design, newbuilding, and life-cycle sustainment. This roadmap should also diversify target vessel types in a phased manner, from commercial ships to non-combat support vessels, special-purpose vessels, and eventually combatant vessels. Both governments and companies should further build a system for sharing information on its requirements and procurement plans across key areas, including newbuild and MRO. In this process, RSF can serve as a foundation for institutionalizing MRO in South Korea and regional sustainment cooperation, as well as for developing individual maintenance projects into a long-term joint sustainment system. This will provide clear demand signals to the shipbuilding industry, incentivize investment, and build a sustained track record of cooperation and mutual trust.

Second, South Korea should systematically manage the experience and results it has accumulated through MRO projects as a foundation for participating in U.S. newbuild programs. MRO performance does not automatically translate into participation in newbuild programs, but it does provide a critical starting point. Korean companies can use it to learn U.S. contract, security, and quality management systems and to demonstrate their cost, delivery, and technical capabilities. Therefore, the industry should systematically track a range of metrics: not just the number of vessels maintained, but also reduction in maintenance periods, on-time delivery rate, defect rate, parts procurement lead time, and security compliance performance. These can then serve as objective grounds for participation in follow-on projects. South Korea should begin by broadening MRO participation domestically to build trust and practical experience, then leverage these results to participate in the design process, the supply of components, modules, and blocks, and eventually in construction projects for logistics support and special-purpose vessels. Hanwha's participation in the concept design for the U.S. Navy's Next-Generation Logistics Ship (NGLS) and in the Missile Range Instrumentation Vessel (MRIV) construction project is an example demonstrating the potential for cooperation to expand from MRO into vessel design and construction.

Third, to ensure the cooperation remains sustainable, South Korea should create a structure that secures substantive benefits for the Korean shipbuilding industry. Korean companies will bear increasing burdens from low-margin maintenance projects and facility investment in the United States. The cooperation cannot be sustained over the long term if they fail to secure sufficient opportunities in higher-value-added areas such as design, components, and systems integration. South Korea should deepen information exchange with the U.S. to enable Korean companies to operate stably and respond to institutional constraints. The Korean government should proactively pursue consultations with the U.S. administration and

Congress on shaping favorable business conditions through legal and regulatory reform. At the same time, South Korea must strengthen its domestic production base to ensure that growing investment in the United States does not erode its skilled workforce and component supply chains. In particular, gaps in domestic warship orders could accelerate the loss of skilled workers and weaken the domestic supply chain. Therefore, to protect national security and sustain the strategic industrial base, South Korea needs to ensure a stable and predictable workload through domestic naval programs.

Fourth, ROK-U.S. shipbuilding cooperation must be treated as a major agenda item of the alliance. For the United States, such cooperation could support the recovery of its shipbuilding industry and supply chains, while strengthening operational sustainability in the Indo-Pacific. It could also provide a new avenue for alliance contribution and role-sharing. Both countries should address shipbuilding cooperation as a standing agenda item at summit meetings and defense and economic consultative bodies. They should also align their medium-to-long-term business plans, supply chain cooperation, export controls, technology security, and workforce development policies. Furthermore, South Korea should calibrate its industrial and investment policies so that investment in the United States strengthens both U.S. domestic production capacity and Korean shipbuilding competitiveness in a mutually beneficial way. In addition, the results of cooperation should be evaluated through diverse metrics, not simply investment amounts and contract values. These include reductions in construction and maintenance periods, supply chain diversification, Korean companies' participation in U.S. maritime programs, and technology and workforce exchanges.

The success of ROK-U.S. shipbuilding cooperation ultimately depends on how equitably it balances U.S. needs for shipbuilding revitalization and broader military requirements with the substantive interests of Korean shipbuilding. This cooperation must go beyond one-off investments and contracts to become a sustainable allied partnership that simultaneously strengthens both countries' industrial bases and regional sustainment capability.

The views and opinions expressed in this report are those of the author(s) and do not necessarily reflect the official position of INSS.