Statement before the

House Foreign Affairs

Subcommittee on East Asia and the Pacific

"Charting a New Course:
Countering China's Dominance in Global Shipbuilding"

A Testimony by:

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Chairwoman Kim, Ranking Member Bera, and the distinguished Members of the Subcommittee, I am deeply honored by your invitation to share my views on a topic that is both timely and important, with far-reaching implications for our economic interests and national security. Before I begin, let me preface my statement by saying that the views presented here are my own and not that of any employer or institution with which I am affiliated. As you may already know, the Chinese leaders have articulated ambitions to reshape aspects of the global order and increase China's global influence, including through its role as a major maritime and shipbuilding power. In official statements that I've come across, shipbuilding is frequently described as an important manifestation of China's advanced productive capacity and as a pillar of its national economy linked to a broader national strategy and industrial policy.

As a brief background, China accounted for little less than 7% of total compensated gross tonnage (CGT) in global shipbuilding at the turn of the millennium.[1] Japan (31.75%) and South Korea (32.99%) accounted for nearly 65% of all ships built worldwide that same year. The picture would quickly shift as Chinese shipyards took advantage of their cheap inputs and labor along with lax regulatory standards to quickly upgrade their shipbuilding capacity in just a few years.

China's share of global shipbuilding increased to over 24%, surpassing Japan (22.17%) in 2008. By 2010, China (38.17%) would overtake South Korea (29.44%) as the largest shipbuilding nation, and it has not looked back since. According to the latest data from the United Nations, China makes up more than half of all gross tonnage for commercial ships built globally (53.8%), while the shares of South Korean (27.3%) and Japanese (13.1%) shipbuilding have waned.[2]

Risks from Chinese Dominance in Shipbuilding

In my view, there are at least two sets of risks associated with allowing Chinese shipyards to continue expanding their market share and squeezing out their competitors globally. One is the impact of overdependence on the rest of the world's economic security. If there is no alternative to Chinese shipbuilders when it comes to purchases of commercial vessels or critical parts and components for ships, countries would have no choice but to accept the conditions and terms of purchase from China for new ship orders.

China has demonstrated in the past that when it has economic leverage over other countries through rare earths and critical minerals, it is willing to use that leverage to influence behavior. The same dynamic could be at play in shipbuilding. China's dominance over global new-build and repair capacity gives its government tools, such as export controls, production quotas, and restricted access to maritime facilities, that can be used to pressure other states or firms. This risk is not hypothetical; the Chinese government has sanctioned several subsidiaries of South Korean

[1] "Shipbuilding Completions." *Trilateral Statistics Hub*, Trilateral Cooperation Secretariat, data.tcs-asia.org/statistics/1516286301480030208/1527115847787745280. Accessed 18 July 2026.
[2] "Ships Built by Country of Building, Annual." *UNCTADstat*, United Nations Conference on Trade and Development, unctadstat.unctad.org/datacentre/dataviewer/US.ShipBuilding. Accessed 18 July 2026.

shipbuilding and shipping companies for their role in assisting and supporting the USTR's Section 301 investigation into China's maritime, logistics, and shipbuilding sectors.

It is worth acknowledging that even absent deliberate coercion, overdependence on any single country for shipbuilding or critical components is a structural vulnerability. One important lesson from the pandemic was that concentration in a key supply chain can turn local disruptions into global shortages, with knock-on effects for growth and inflation. The stakes are especially high in maritime shipping since commercial fleets take years to build and replace while many important commodities, such as energy and agriculture, rely heavily on maritime shipping.

Additionally, the USTR's Section 301 investigation determined that China's targeting of maritime, logistics, and shipbuilding sectors for dominance is unreasonable and burdens U.S. commerce by displacing foreign firms; depriving businesses and workers of commercial opportunities; lessening competition; undercutting business opportunities for and investments in the U.S. maritime, logistics, and shipbuilding sectors; and creating economic security risks from dependence and vulnerabilities in sectors critical to the U.S. economy.

The second set of risks is tied more directly to national security. Although naval and commercial shipbuilding are sufficiently different that the two should not be conflated, China's Military-Civil Fusion strategy, which blurs the line between its commercial and defense industrial bases, deserves to be taken more seriously as a potential risk. As some recent research has shown, many of China's largest shipyards build commercial vessels and warships side by side, sharing infrastructure, workforce, and technology across both lines of production.[3] Given the scale of China's commercial shipbuilding dominance, the opacity of its defense industrial base, and the strategic intent behind Military-Civil Fusion, policymakers should not assume this dual-use ecosystem is benign or immaterial to China's naval modernization. Even if the precise extent of the connection remains difficult to quantify, the possibility that commercial dominance is meaningfully reinforcing naval capability is a risk that warrants closer scrutiny.

Finally, an effective navy requires not only exquisite combat platforms but also a fleet of auxiliary, logistics, and support vessels. Lack of competitive shipbuilding facilities in the U.S. or among its allies would mean less capacity to build and deliver these vessels at scale and on time. Ability to repair and maintain damaged vessels would also be impacted if shipbuilders find it difficult to stay in business. In short, naval capacity would be impacted if Chinese shipbuilders are able to squeeze its competitors out of the shipbuilding market altogether.

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[3] Funaiole, Matthew P., Brian Hart, and Aidan Powers-Riggs. "Murky Waters: Navigating the Risks of China's Dual-Use Shipyards." *CSIS Hidden Reach*, Center for Strategic and International Studies, 25 Mar. 2025, features.csis.org/hiddenreach/china-shipyard-tiers/; Funaiole, Matthew P., Brian Hart, and Aidan Powers-Riggs. "Ship Wars: Confronting China's Dual-Use Shipbuilding Empire." *CSIS*, Center for Strategic and International Studies, 11 Mar. 2025, www.csis.org/analysis/ship-wars-confronting-chinas-dual-use-shipbuilding-empire..

Opportunity for Cooperation with Allies

The challenge is formidable, yet shared recognition of this challenge also presents an opportunity for the United States and its allies. Currently, the United States lacks a competitive commercial shipbuilding sector. While our naval shipyards can still deliver state-of-the-art platforms, cost overruns and frequent delays have continued to plague the administration's ability to build a fleet that can compete with the pacing challenge of a rapidly modernizing Chinese People's Liberation Army Navy (PLAN).

The idea of turning to familiar allies with manufacturing scale and efficiency that rivals the Chinese shipbuilding industry – namely Japan and South Korea – has been gaining momentum since early last year. There is good reason for this. According to the latest data, over 94% of all gross tonnage merchant vessels built in 2025 were delivered out of yards from East Asia. Of these, nearly 54% were built in China while over 40% came from Japan (13.09%) and South Korea (27.34%).[4] There is little doubt about the shipbuilding capacity of these two allies. Yet turning that opportunity into results requires confronting the same barriers that have limited past efforts.

Hurdles to Revitalizing U.S. Shipbuilding

Most expert assessments point to three barriers: labor, supply chain, and demand. Numerous past attempts to revive U.S. shipbuilding through foreign direct investment have foundered on one or more of these, and any allied partnership going forward will need to address all three.

On the issue of labor shortage, some reports have cited a recovery in the shipbuilding workforce since the pandemic. That recovery, however, 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%, while first year employee attrition is about 50 to 60%. Many accounts point to wage differentials and working conditions as the root of these problems.

On the issue of supply chain, the top three South Korean shipbuilders each have anywhere between 1,300 to 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.[5] The supply network in the United States for commercial shipbuilding is substantially smaller, except for exquisite platforms like nuclear submarines. In fact, Japanese shipbuilders have cited poor supply chains as a major concern

[4] "Ships Built by Country of Building, Annual." *UNCTADstat*. See note 2.
[5] Kim, J. James, and Lydia Shanklin Roll. "Overcoming Barriers to U.S.-South Korea Shipbuilding Cooperation." *Korea Policy 2025: A Strategic Reset of the U.S.-South Korea Alliance under Trump and Lee*, Korea Economic Institute of America, 2025, pp. 102–117, keia.org/wp-content/uploads/2025/12/Kim-and-Roll.pdf.

when it comes to investment in the United States. The supply and price of raw materials such as iron, copper, and aluminum are also important considerations.

On the issue of demand, the global commercial shipbuilding market is highly competitive and characterized by low margins. One way that companies have remained competitive in this environment is by carefully planning and scaling up their production schedules through reliable forecasting of future demand. At the moment, the orderbooks for commercial vessels in the United States are virtually non-existent compared to that of the shipbuilding powerhouses of East Asia. According to one industry source, China recorded 4,055 commercial ship orders in its books in 2025.[6] While Japan and South Korea both reported 631 and 731 ship orders, respectively, the United States had only 12 in its books for the same year.

I believe the above hurdles are not insurmountable, but they are difficult to overcome without careful coordination and planning by both public and private stakeholders at home and abroad with our allies, who are well positioned in this enterprise.

Japan

Prime Minister Sanae Takaichi has already placed shipbuilding squarely within Japan's economic security agenda, explicitly identifying it as a priority alongside critical minerals and emerging technologies for strengthened cooperation with the United States. In public remarks and joint documents with President Trump, she has endorsed expanding U.S.-Japan shipbuilding cooperation as an effort to enhance supply chain resilience and industrial competitiveness.

In October 2025, Minister of Land, Infrastructure, Transport and Tourism Kaneko Yasushi and Secretary of Commerce Howard Lutnick signed the U.S.-Japan Memorandum of Cooperation Regarding Shipbuilding (MOC) to establish a joint Shipbuilding Working Group for the purpose of expanding shipbuilding capacity, facilitating investment in U.S. Maritime Industrial Base, strengthening maritime supply chains, enhancing workforce development, and countering China's global market concentration.

Translating these efforts into reality on the ground, however, has proven slower. Japan has pledged $550 billion investment into U.S. strategic industries, including shipbuilding, but there is yet to be a precise accounting of how this money will be allocated across the maritime sector. Several reports suggest that this decision is still being worked out and is likely to depend on Japanese corporate decision and project structuring.

[6] BRS Group. *Shipping and Shipbuilding Markets: Annual Review 2026*. BRS Group, 2026, annualreview.brsshipbrokers.com/pdfreader?file=https%3A%2F%2Fs3.pub2.infomaniak.cloud%2Fv1%2FAUTH_7853eb88adcf4eaa95e9908062bcc0b7%2Fbrs-gallery%2FAnnual%20Review%202026.pdf.

South Korea

In the case of South Korea, significant investment has already been made starting with Hanwha's acquisition of the Philly Shipyard in late 2024. President Lee Jae Myung has also made shipbuilding a centerpiece of cooperation between South Korea and the United States through the Make American Shipbuilding Great Again (MASGA) initiative, which was launched in August 2025. The November Joint Fact Sheet announced after President Trump's State visit in October 2025 outlines South Korea's pledge to invest $350 billion, of which $150 billion would be set aside for shipbuilding.

In May of this year, the South Korean Ministry of Trade, Industry and Resources (MOTIR) and the Department of Commerce signed a Memorandum of Understanding (MOU) establishing the Korea-U.S. Shipbuilding Partnership Initiative (KUSPI), which would serve as a platform to strengthen bilateral cooperation in commercial shipbuilding, workforce development, industrial modernization, and maritime manufacturing investment. The two sides agreed to establish a Korea-U.S. Shipbuilding Partnership Center (KUSPC) in Washington, D.C., which would advance bilateral shipbuilding cooperation in areas such as joint R&D, technology exchange, workforce development and training, industrial modernization, and foreign direct investment in the U.S. maritime industrial base.

In both instances, South Korean and Japanese governments have made the effort to establish formal channels and mechanisms aimed at expanding U.S. shipbuilding capacity and countering Chinese market dominance. Yet the two tracks differ meaningfully in maturity: South Korea has moved from agreement to execution, while Japan's cooperation remains at an earlier stage.

This maturity gap matters, but it is only a part of the larger puzzle. The recent agreement between the United States and China that led to the suspension of Section 301 port fees on Chinese-linked vessels illustrates that much of the leverage the United States has built against China's shipbuilding dominance is built on tactical tools that can be traded away in a broader negotiation. A durable strategy cannot rest solely on measures the executive branch can suspend by notice whenever a wider deal with Beijing is on the table.

With that in mind, I offer the following recommendations, organized around two tracks: measures the United States can pursue on its own and measures that work in coordination with allies, like Japan and South Korea.

The U.S. can

- *Pursue legislative action to support the revitalization of U.S. commercial shipbuilding through sustained government incentives* – including a commercial fleet program with a clear numerical target for U.S.-flagged vessels, expanded Department of Defense and Navy adoption of commercial shipbuilding practices, and sustained funding for maritime research and workforce development. Legislative measures of this kind would be more

resilient to shifts in trade negotiations than executive actions, which can be suspended by notice, as occurred with the Section 301 port fees.

- *Work to close the financing gap*. China's edge is not only low labor cost — it is subsidized capital, land, and state-directed order books. Legislation that would provide investment tax credit and shipyard construction credit can address this problem. The U.S. can also consider scaling Ex-Im Bank and U.S. International Development Finance Corporation (DFC) financing so that U.S. and allied-built vessels offer shipowners credit terms comparable to those of competing foreign suppliers, effectively improving their price-competitiveness.
- *Expand long-term investment in the workforce and technical base* through increased National Shipbuilding Research Program (NSRP) funding, maritime academy investment, and welding/robotics training pipelines. This will require time and patience, but skill is an input for which there is no substitute.
- *Consider expanding the annual quota for skilled worker visas in the shipbuilding and maritime industry, enabling more experienced workers from allied countries to be recruited to train workers in U.S. shipyards.* One such vehicle is the Partner with Korea Act, which would increase the number of temporary, non-immigrant E4 visas for skilled South Korean workers. If this kind of measure can be tailored to strategic sectors, such as shipbuilding, it will not only spur job growth, but it can also raise wages for workers, who will acquire new skills from more experienced peers.
- *Consider selective waivers, sectoral-based quotas, or a phased tariff schedule* that would either shield or help the shipbuilding sector establish a more resilient domestic supply chain.

With allies like Japan and South Korea,

- *Convert the MASGA and Japan MOC frameworks from pledges into binding milestones, ideally tied to demand signals*. Korea's KUSPI/KUSPC, with a defined $150 billion allocation, is further along than Japan's undifferentiated $550 billion, but neither framework specifies how investment will scale against actual demand for shipbuilding. As noted above, insufficient demand is one of the central barriers facing U.S. shipbuilding, so committing capital on a fixed schedule regardless of order volume risks building capacity for which there is no demand. Published timelines and concrete deliverables rather than open-ended pledges contingent on individual corporate decisions would give the U.S. greater accountability and predictability. For allies, anchoring milestones to demand indicators, such as order volume, contracted capacity, or procurement commitments, would help ensure their investment scales with demonstrated demand rather than outpacing it.
- *Encourage the adoption of standardized ship designs, technical specifications, and key components named in the Japan MOC.* Interoperable ship designs and parts across U.S.,

Japanese, and Korean yards allow shipbuilders from the three countries to flex capacity across borders.

- *Coordinate allied response to Chinese retaliation*. China has already shown that it can sanction subsidiaries of allied shipbuilders that cooperate with the U.S. government (the Korean case). A standing trilateral or G7 mechanism to absorb or offset that cost would blunt the tool China has for deterring exactly the kind of cooperation the U.S. needs from Japan and Korea.
- *Align export controls with Japan and Korea on shipbuilding-relevant technology* — automation, marine engines, advanced sensors — preventing Chinese yards from sourcing around their own gaps through allied suppliers.
- *Consider utilizing allied capacity for near-term naval procurement and commercial shipbuilding*. While allies have committed to revitalizing U.S. shipbuilding, developments on this front face significant challenges and the pace is difficult to coordinate. Meanwhile, the near to medium term needs in both naval and commercial shipbuilding for the U.S. are significant. One way to address this problem is to utilize what the Maritime Action Plan referred to as "the Bridge Strategy," whereby large block orders of multiple ships can be placed with allied shipbuilders, with the production schedule stacked for a trusted allied shipyard to deliver the first ship rapidly while capital investment and modernization expand at the corresponding U.S. shipbuilding facility. This approach can accommodate either complete or modular build out depending on the ship and the capacity of both domestic and foreign shipyards. The goal is to address near-term needs while production moved fully onto the U.S. soil as domestic capacity comes online. Realizing this approach, however, will require executive or legislative action. Current law prohibits U.S. naval and commercial vessels or major components of U.S. ships from being built in foreign shipyards. Without a targeted exception for allied-built hulls under a Bridge Strategy arrangement, this approach cannot move beyond concept. I would recommend the government to consider a narrowly tailored waiver authority – limited to allied shipyards already investing in U.S. facilities – as a necessary companion to any Bridge Strategy implementation.

Revitalizing the U.S. maritime industry while countering China's dominance of this sector is a significant challenge, but the United States does not face it alone. Japan and South Korea are allies with a proven track record of delivering world-class ships on time, at cost, and at scale. The above recommendations are not the only path forward, but they reflect a simple reality: the status quo is not sustainable, and continued inaction carries real costs to our national interest.

Chairwoman Kim, Ranking Member Bera, I would like to thank you again for the opportunity to testify before the Subcommittee. I will be happy to respond to any questions that you or the Members may have.