EVALUATING PATHWAYS FOR U.S. SHIPBUILDING COOPERATION WITH ALLIES

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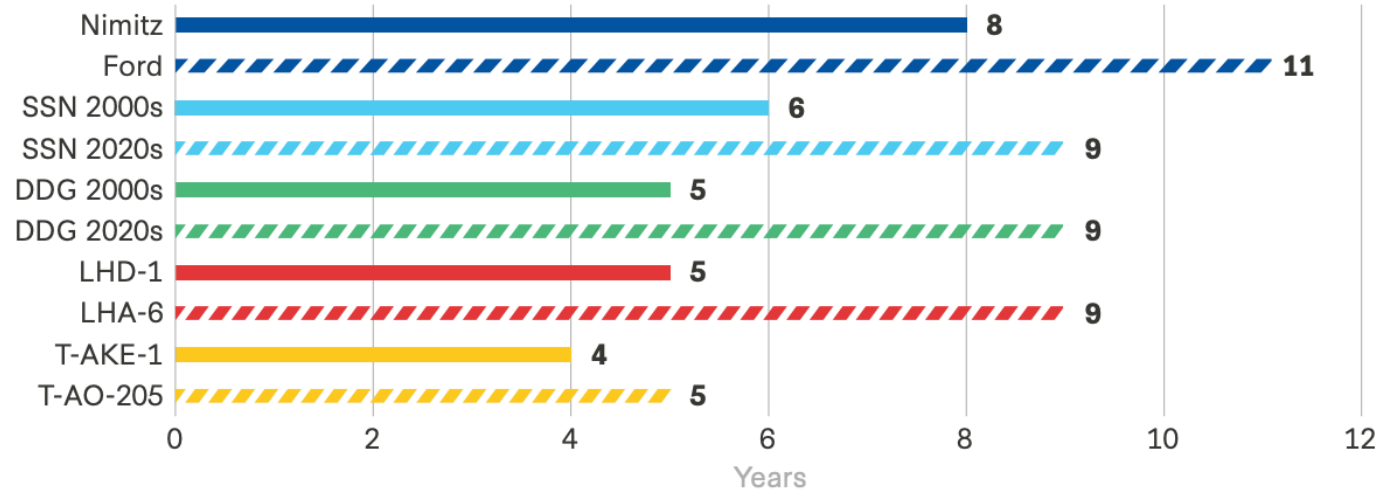
U.S. Shipbuilding Challenge & the PLAN

- U.S. naval shipbuilding enterprise has struggled to deliver ships into the fleet at the speed, scale, and cost required by the strategic environment
- A systemic problem: unstable demand, evolving requirements, acquisition dysfunction, aging infrastructure, brittle supply chains, and workforce shortages all reinforce one another

Figure 3: Historical and Current Ship Construction Times



Source: Eric J. Labs, "The 2025 Outlook for Navy Shipbuilding," Congressional Budget Office, January 8, 2025, https://www.cbo.gov/system/files/2025-01/60873-shipbuilding-outlook.pdf.

Current Policy Relevance

Section 3: Maritime Superiority

Funds in this section focus on the Submarine and Surface Ship Industrial Base. The table below provides funding details by initiative.

Program	Request ($ in millions)
Advanced Shipbuilding Industrial Base and Future Ship Experimental	$1,850
Landing Ship Medium	$1,698
Surface Ship Maritime Industrial Base	$1,655
Submarine Industrial Base Contract Incentives	$1,440
T-AH(X) Hospital Ships	$650
Submarine Maritime Industrial Base	$206
Maritime Firepower	$105
Medium Uncrewed Surface Vessels (MUSV)	$50
Total Maritime Superiority	**$7,654**

Description: Funding in this section directly supports the goals of the President's *Restoring America's Maritime Dominance* Executive Order by expanding the domestic shipbuilding industrial base with the procurement of several support ships.

Advanced Shipbuilding Industrial Base and Future Ship Experimental: The $1,850 million in Navy RDT&E will be used to investigate a full spectrum of procurement options to attract more shipbuilding capacity into domestic shipyards and bring additional ships into the fleet – including studies of the ability of allied shipbuilding companies to build ships or components. This funding will be split into two separate study and procurement efforts targeting the fleet's future CruDes and Frigate inventories, respectively.

Source: Department of War Fiscal Year 2027 Mandatory Budget Overview April 2026

Outlining Pathways

1. Allied acquisition of, investment in, or partnership with U.S. shipyards to revitalize their production capability
2. Joint distributed production of warships via modular construction methods
3. U.S. purchase of ships from allied shipyards
4. Allied maintenance, repair, and overhaul of U.S. ships to free up U.S. shipyard capacity

Allied cooperation cannot solve every shipbuilding challenge, but it can create new options for expanding capacity, accelerating delivery, and importing best practices

Assessing Cooperation Methods

- Three outcome criteria: ship delivery speed, cost implications, and impact on U.S. shipbuilding capacity.
- Two implementation criteria: allied industry willingness and ability, and U.S. political and regulatory viability.
- These criteria clarify the trade-offs: the fastest option may not build U.S. capacity, while the best capacity-building option may take years to produce results.
- The goal is not to identify one perfect pathway, but to show which models best align with different policy objectives.

Image: DVIDS Photo ID 6182816, U.S. Navy and Royal Australian Navy team up in the South China Sea, photo by PO3 Nicholas Huynh, Apr. 18, 2020.

Allied Investment or Partnership

- Allied investment brings capital, production methods, and management expertise into US yards
- Acquisitions and yard upgrades take years, though technical partnerships can move faster
- Investment costs can be shared with foreign firms/capital, while the US benefits from lasting capacity growth
- Allied interest is real and demonstrated, but ITAR, CFIUS, workforce integration, U.S. contracting practices, and demand uncertainty remain barriers

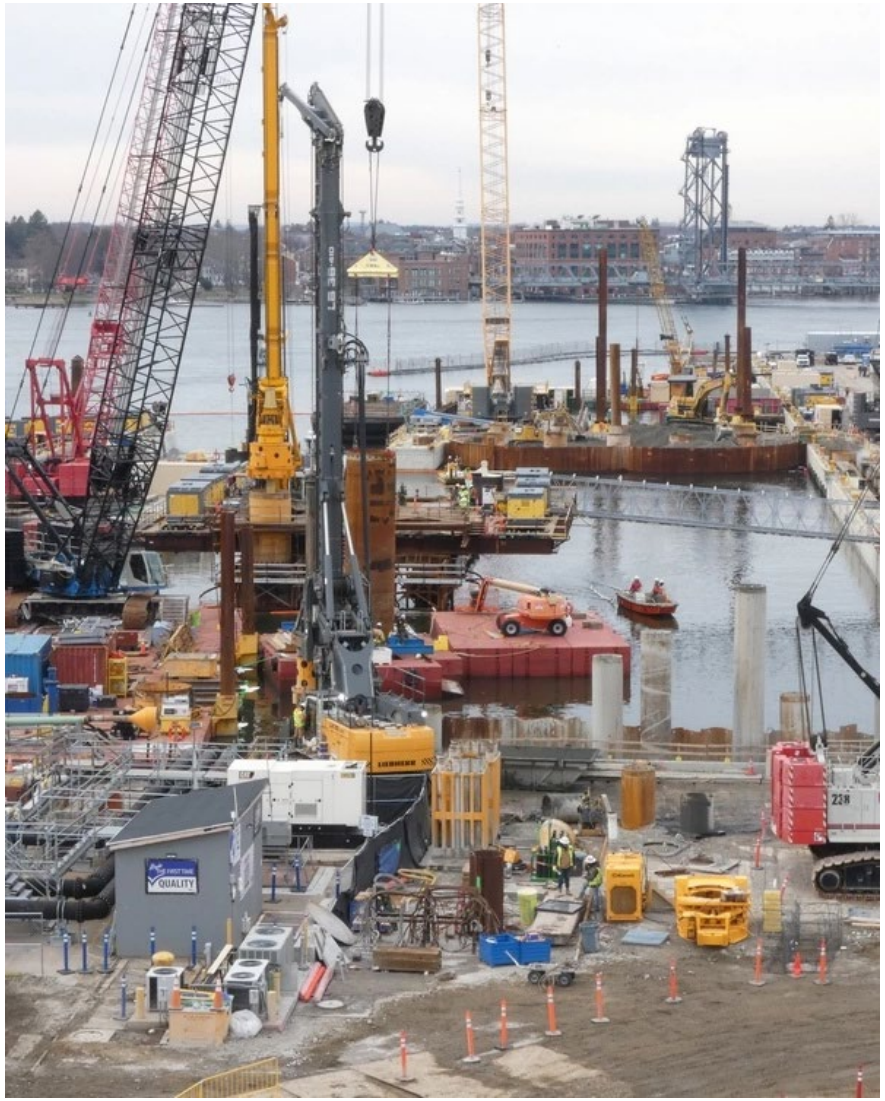


Image: DVIDS Photo ID 7580912, Portsmouth Naval Shipyard Multi-Mission Dry Dock 1 progress, photo by Victoria Arel, Dec. 22, 2022.

Coproduction

- Coproduction splits work between U.S. and allied yards through modular construction or green-hull production
- Speed can improve after setup, but standards, transport, quality assurance, and integration add upfront cost and complexity
- Modular work can transfer skills to U.S. yards, while green hulls offer less clear long-term domestic shipbuilding capacity gain
- Allied yards can perform this work, but U.S. shipbuilding regulations, ITAR, and domestic political resistance make execution difficult

Image: DVIDS Photo ID 767465, CNO visits Mobile facility to review littoral combat ship construction, photo by Shannon Renfroe, Aug ust 31, 2011.

Purchasing Foreign Ships

- Foreign purchase means buying allied-built ships directly, especially auxiliaries, support ships, or proven foreign designs
- This is the fastest and potentially lowest-cost path to add hulls
- It does little to rebuild U.S. shipbuilding capacity and may displace domestic work
- Allied suppliers are willing, but U.S. law and congressional resistance make this politically challenging

Image: DVIDS Photo ID 7441278, U.S. Navy and Republic of Korea Navy ships steam in formation, photo by SN Natasha ChevalierLosada, Sept. 29, 2022.

Converting Repair Yards

- Overseas MRO could in theory shift maintenance work to allied yards to free U.S. private yards for new construction
- Converting repair capacity into new-build capacity is slow and costly as these yards require different workflows and equipment
- Allies are willing, but if the U.S. wants to convert repair yards, it does not need to necessarily involve its allies
- Forward sustainment and other forms of MRO cooperation with allies deserve careful consideration, but yard conversion in conjunction with allies is unpromising

Image: DVIDS Photo ID 8912266, USNS Wally Schirra departs Hanwha Ocean shipyard after overhaul, photo by Grady Fontana, Mar. 12, 2025.

Hybrid Approaches: Arctic Security Cutter

- ASC program combines foreign construction, workforce exchange, phased onshoring, and U.S. yard investment
- ASC program uses allied capacity for speedy near-term delivery while building domestic capability over time
- The model may be more politically viable because foreign production is framed as a bridge, not a substitute
- Hybrid approaches are complex and therefore can prove difficult to implement

Image: DVIDS Photo ID 4805794, Coast Guard Cutter Healy conducts Arctic patrol, photo by SCPO NyxoLyno Cangemi, Oct. 3, 2018.

Conclusions

- No pathway solves the shipbuilding problem alone and all involve tradeoffs that may suit different demands from policymakers
- Foreign purchase is best for near-term fleet size growth but is less beneficial for domestic capacity
- Allied investment can create durable U.S. capacity but requires time, demand stability, and regulatory flexibility
- A strong and proven strategy is a hybrid approach: use allied capacity now while rebuilding U.S. production for the long term