

## Shipping to the Caribbean Basin from the Eastern Seaboard

Helen Delich Bentley

Follow this and additional works at: <http://digitalcommons.law.umaryland.edu/mjil>



Part of the [International Trade Commons](#)

---

### Recommended Citation

Helen D. Bentley, *Shipping to the Caribbean Basin from the Eastern Seaboard*, 4 Md. J. Int'l L. 155 (1978).

Available at: <http://digitalcommons.law.umaryland.edu/mjil/vol4/iss1/28>

This Conference is brought to you for free and open access by DigitalCommons@UM Carey Law. It has been accepted for inclusion in Maryland Journal of International Law by an authorized administrator of DigitalCommons@UM Carey Law. For more information, please contact [smccarty@law.umaryland.edu](mailto:smccarty@law.umaryland.edu).

## **PART V. EASTERN SEABOARD AND THE U.S.-CARIBBEAN BASIN TRADE**

### **SHIPPING TO THE CARIBBEAN BASIN FROM THE EASTERN SEABOARD**

*Helen Delich Bentley\**

#### **PATTERNS OF CARIBBEAN BASIN SHIPPING THROUGH BALTIMORE**

It is significant that this meeting is being held in the Port of Baltimore, a Mid-Atlantic seaport which has been in the forefront of United States Eastern Seaboard-to-Caribbean Basin trade. Containers, break bulk and roll-on/roll-off (ro/ro) shipments all figure prominently in general cargo movements between the East Coast and ports in the Caribbean. Baltimore, with its Dundalk Marine Terminal and Sea-Land Service Sea-Girt facility in Canton, has been a leader in the trade.

Baltimore was a prime mover in the container revolution which began over a decade and a half ago and which transformed centuries-old methods of cargo handling. Until the late 1950s and early 1960s, general cargo in particular had been handled with break bulk methods and facilities dating from the age of sail. Not since the mechanized crane was developed had the means of moving cargo been altered so drastically. For with containers came faster loading and unloading, along with less time required for packing and unpacking, and so forth.

Then, with the building of larger ships to handle the massive containerized shipments, ro/ro was a natural extension, especially for automobiles and large pieces of mobile equipment. Whereas certain other ports were reluctant at first to commit themselves to what was initially viewed as a questionable advance in shipping technique, Baltimore port officials saw the writing on the wall and had the foresight to read the signs correctly. As a result, Baltimore has been getting much of the containerized and ro/ro Caribbean trade, especially that which moves between the U.S. East Coast and Puerto Rico. Of course, not all the U.S.-to-Caribbean tonnage travels in containers or by ro/ro methods; a good percentage is still comprised of bulk and specialized commodities such as coal, iron ore, sugar, bauxite and bananas.<sup>1</sup>

---

\* Former Chairman, Federal Maritime Commission.

1. As technology continues to improve, bananas are more frequently being shipped via containers. But, because of longshore problems, Baltimore has lost much of the banana trade to the Port of Philadelphia.

Puerto Rico and the Virgin Islands, however, are generally deficient in such natural resources as minerals, timber and agricultural products and depend almost entirely upon water transportation, mostly from the U.S. mainland, for their supply of basic foods, raw materials and semifinished goods (which are processed on the islands into finished products and exported by sea primarily to U.S. mainland markets). Ocean transportation is essential to these islands because it is responsible for the movement of some ninety-nine percent of Puerto Rico's dry cargo traffic and most of the U.S. Virgin Island's commerce. Insular transportation is provided by trucking service which is the only means by which goods can be transported economically between various points on the islands. No railways are presently operating; there are no inland waterways or major pipelines, and intercoastal barge movements are limited to transportation of a few bulk commodities. Further, because of the relatively small size of the islands, significant movements of intra-island cargo by air are limited.

Inevitably, oil is the most significant of all the Caribbean's major commodities, despite the fact that very few states in the Caribbean region have it. Nonetheless, the benefit from oil is being felt throughout as revenues are distributed in the form of aid. For example, in Venezuela, oil is the major source of income, accounting for 74% of all revenue and 93.2% of exports. The state oil company, *Petroleos de Venezuela* (*Petroven*) has annual sales of over \$9 billion and, following the nationalization of the petroleum industry in 1976, has undertaken a smooth transition from private foreign control to local management. *Petroven's* production averages around 2.3 million barrels per day, of which approximately two million are exported.

Trinidad and Tobago, one of the wealthiest of the Caribbean Basin countries, produces approximately 225,000 barrels of oil a day — without a doubt, the major element in the economy of the two islands. The majority of this oil is exported to the United States and within the Caribbean, but last year an oil-for-iron deal was arranged with Brazil, estimated to be worth about \$15 million annually to Trinidad and Tobago over the next ten years. In exchange for the supply of fuel oil and lubricants to the Brazilian state oil company (*Petrobras*), the two islands will import 300,000 tons of iron ore for the *Iron & Steel Company of Trinidad-Tobago*.

Oil exploration is also in progress and/or being planned in several other places in the Caribbean, Jamaica, Haiti, the Dominican Republic, Netherlands Antilles and Puerto Rico. Jamaica plans to spend some \$60 million over the next five years. Barbados, which has a minimal oil production, is also undertaking further exploration.

The oil trade, however, is not without its problems. Trinidad and Venezuela, for instance, are experiencing much port congestion as a result of the sudden influx of imports generated by oil revenues. New facilities are under construction in both places but it will be some time before congestion is removed altogether. Trinidad is one of the few Caribbean countries with significant manufacturing capability; thus, the other islands are more critically dependent upon shipping in order to obtain finished manufactured goods.

From the United States East Coast — in particular, the Mid-Atlantic region — Sea-Land Service and Seatrain Lines figure largely in service to and from the Caribbean Basin and seem to be holding their own, despite the growing presence of other container as well as ro/ro operators. Sea-Land serves such Caribbean ports as Panama and Rio Haina, located in the Dominican Republic, and has feeder links which take in around twenty other seaports. Seatrain's schedule includes, *inter alia*, a fortnightly service to Jamaica and Haiti and rather extensive Puerto Rican and Central American services.<sup>2</sup>

Also serving the United States Eastern Seaboard-to-Caribbean trade are Prudential Line, traveling to Santo Domingo, and Royal Netherlands Lines, which calls at Aruba and Barbados. But other lines have begun to use the Caribbean Basin as a transshipment point for East Coast-bound containers, and it is anticipated that the Caribbean will become increasingly important because of its exchange-point potential for container shipments to and from the United States.

A big question mark hanging over the Puerto Rican trade involves the uncertain future of the Navieras de Puerto Rico, the Puerto Rican Maritime Shipping Authority (PRMSA) fleet. Currently up for sale, PRMSA calls at the East Coast ports of Baltimore, Charleston, Elizabeth, Jacksonville and Miami (as well as the Gulf Coast port of New Orleans), and eight container and three ro/ro vessels make ten weekly sailings to and from San Juan. The line plays a large part in a reported \$3 billion of annual U.S. sales to Puerto Rico making this U.S. territory the fifth largest American export market in the world and San Juan the largest and busiest port in the Caribbean.

But as mentioned, the PRMSA fleet is up for sale and four bids have been submitted. Yet with the various legislative processes and problems

---

2. Seatrain's service to Jamaica and Haiti includes a weekly connection to Boca Chica in the Dominican Republic. The Puerto Rican service provides biweekly sailings to the Virgin Islands, Leeward Islands and Puerto Rican ports. A Central American connection covers Belize, Puerto Limón in Costa Rica, Santo Tomas de Castilla in Guatemala and Puerto Cortes in Honduras. The line also serves El Salvador and Santo Domingo.

involved, it is expected to be quite some time before the takeover can be effected. The Puerto Rican government's acquisition in 1974 of the Sea-Land, Seatrain and the Halzer-owned TTT fleets then serving the island — for a fantastically high purchase price of \$300 million-plus — was surely ill-advised. Spearheaded by former Governor Colon, who made a similar blunder in taking over the island's telephone system, the venture's unsuccessful financial run brought about present Governor Romero's decision to sell. But PRMSA still owes a substantial amount to the three ship lines because of a long-term arrangement on the purchase deal, and has a \$60 million loan from Manufacturers Hanover Trust coming due this year, a contingency which may well cause the sellout plan to fall through.

In 1977, the Port of Baltimore ranked second among the Atlantic and Gulf ports for waterborne shipments of merchandise to Puerto Rico, with 605,094 net tons behind New York's 869,319. Of course, 1977 was a year with a lengthy longshoremen's strike which resulted in a reduction of 101,000 tons for Baltimore and 175,000 for New York from 1976. In 1976, Mobile ranked first with 1,098,287 net tons, New York second with 1,044,804 and Baltimore third with 706,954.

With respect to the entire Caribbean Basin, the New York Port Authority estimates a trade tonnage of 5,000,000 for 1977. We were not able to obtain any estimated tonnage to that area for Baltimore, but my best guess would be roughly 2,500,000 for exports and imports, taking into account Venezuela and the Eastern Coast of Columbia.

#### FREIGHT RATES

One facet that has always intrigued me has centered on the freight rates to the Caribbean area. Some people in Puerto Rico long have protested the application of the Jones Act of 1920<sup>3</sup> to trade between the United States and Puerto Rico. The Act basically requires that only American flagships, built in the United States and operated by American operators, shall transport cargoes and passengers between any two U.S. ports, possessions or territories.<sup>4</sup> They contend that the higher cost American flagships force the freight rates to rise between the United States and Puerto Rico.

This past week, I called upon the Federal Maritime Commission (FMC) to furnish me with some comparative freight rates on similar commodities moving between Baltimore and Puerto Rico and Baltimore and the Dominican Republic. The results were surprising.

---

3. 38 Stat. § 1164 (1916).

4. *Id.*

On canned goods, the freight rate is \$65.60 a short ton via PRMSA to Puerto Rico and \$155.50 a short ton on the conference line ships to Santo Domingo, the next island over. That is nearly a two and one-half times difference. On furniture, the comparison is \$59.20 via PRMSA to Puerto Rico and \$126.00 on the conference ships to Puerto Rico.

You might say that non-conference ships are cheaper; the truth is that it is almost impossible to find a non-conference steamship company operating a berth line service to the Caribbean from the Eastern Seaboard.

Many persons have a misunderstanding of the FMC's control over ocean freight rates. Let me point out that the FMC truly controls only rates on domestic operations such as to Hawaii or Puerto Rico. On those routes, the agency can reject rates outright, roll them back or whatever. Relative to freight rates in the foreign commerce, the FMC accepts the filing of rates by the steamship conferences or independent carriers on the trade route without any study or analysis. However, should there be a protest by any party affected by those rates in the foreign commerce, an investigation and lengthy hearing would ensue, possibly lasting as long as two to four years. During that battle, the lawyers run up their cash registers, the steamship lines continue to collect the higher rate and the objector takes what he can get, probably losing in the end. It is an almost impossible battle as the law is presently structured.

#### CONCLUSION

I might also say that as a Chairman of the FMC, I saw the primary duty of that agency in terms of its mandated responsibility to protect the oceanborne commerce of the United States — that is, to do everything necessary and legally practical to ensure that our nation's trade should get the fairest shake possible. If that meant "promoting" the nation's shipping capability, then so be it: I've been criticized for that before. But let me conclude by saying that with the awful state the American flag merchant marine is in today, it would be well if the officials of our government would make a concentrated effort to better protect the national interest in such matters. The viewpoint of the Agency or the Carter Administration has not reflected such concern since I left the FMC.