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PUERTO RICAN COLLECTION

PORTO RICO AND ITS PROBLEMS

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are denied the opportunity of importing their goods from markets where costs of production are lowest. However, the logic of the situation does not point toward giving any state or territory the benefit of inclusion within the American customs union so far as the sale of its commodities is concerned, and of remaining outside that union in connection with its purchases.

American coastwise shipping laws are a handicap to Porto Rican trade. These laws require that all goods moving between Porto Rican ports, and between Island ports and the United States, must be carried in American ships.[6] The purpose of the shipping laws is, of course, to stimulate the building up of the American Merchant Marine. Since Porto Rico has no merchant marine except a few small vessels engaged in local traffic, all of Porto Rico's trade with the United States—which represents 90 per cent of its total external trade—is now carried in American ships. The economic significance of this development is that Porto Rican imports and exports alike carry somewhat higher shipping rates than would be the case were Porto Rican traders free to utilize the cheaper carriers of other countries.

The handicap to Porto Rican trade manifests itself in three distinct ways. In the first place, it increases the cost of Porto Rican imports by the extent to which the rates charged by American ships are higher than those charged by other ships. The concrete significance of this may be illustrated by the fact that Cuba, which, of course, is not subject to American shipping laws, can bring rice all the way across the Pacific at a cost of only one-tenth of a cent a pound more than the cost of bringing it from Louisiana.

[6] Following is the section of the Merchant Marine Act of 1920 pertaining to coastwise shipping:

"Sec. 27. That no merchandise shall be transported by water, or by land and water, on penalty of forfeiture thereof, between points in the United States including Districts, Territories, and possessions thereof embraced within the coastwise laws, either directly or via a foreign port, or for any part of the transportation, in any other vessel than a vessel built and documented under the laws of the United States and owned by persons who are citizens of the United States, or vessels to which the privilege of engaging in the coastwise trade is extended by sections 18 or 22 of this Act . . . ."

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In the second place, the requirement that American ships shall be used tends to offset somewhat the advantage which the tariff gives to Porto Rico in selling in American markets. In the case of sugar, for example, the Cuban rate on raw sugar to New York is 10 or 11 cents a hundred, while the corresponding rate from Porto Rico is 15 cents, and on refined sugar the rate from Cuba is around 13 cents and from Porto Rico around 21 cents.

In the third place, if Porto Rico were free to use foreign shipping whenever it found an advantage in so doing, it is quite probable that it would be able to build up a larger trade with foreign countries than it now has. If a foreign ship bringing goods to the Island, for example, could then pick up a cargo for American as well as foreign ports, it is not improbable that more foreign ships would call at Porto Rican ports. This would open the way for the Island to buy many of its imports in foreign markets instead of having these same goods shipped to it as "reexports" from the United States. It would thus profit not only by the lower rate on foreign shipping but also by a saving of handling charges on the mainland.[7]

This is not the place to argue whether laws designed to establish the American Merchant Marine are good or bad from the standpoint of the mainland, but it is distinctly unfortunate that so large a share of the cost of carrying out such a policy is placed upon the shoulders of Porto Rican consumers, whose purchasing power is far below the American standard.

It is possible, however, that a modification of the coastwise shipping laws, as suggested, might so curtail American shipping that the fast freight services now existing between New York and the Island would have to be discontinued, in which event the loss to Porto Rico might well outweigh the gains. The problem requires further detailed study than we have been able to give; and hence we make no definite recommendation.

[7] Furthermore, the treasury of the Insular government would profit by this arrangement. Import duties on goods coming into the Island are collected there and turned over to the Insular treasury; but if the port of import for these goods is on the mainland, the duties, of course, are collected there and are turned over to the United States Treasury.