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Sovereignty for Sale

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be termed very close-in ASW action, Lawrence jumped from the *Oakville's* forecandle to the deck of the surfaced submarine and "captured" the crew just before the crippled boat sank. For his "gallant and courageous action" Lawrence was awarded the Distinguished Service Cross and began a short RCN-sponsored speaking tour at the insistence of the navy's public relations branch.

As one of a series of "great war stories," *A Bloody War* delivers just that. It will never become a classic in terms of historical naval writing, for the book offers no burning tactical lessons or weighty conclusions, but its fast moving and colorful style will be appreciated by anyone who has wondered what it was really like to sail on a convoy escort during the war.

J.P. MORSE

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Carlisle, Rodney P. *Sovereignty for Sale: The Origins and Evolution of the Panamanian and Liberian Flags of Convenience*. Annapolis: Naval Institute Press, 1981. 278pp. \$19.95

Rodney Carlisle complains that the existing literature on flags of convenience contains "too much information about inconsequential contemporary detail and too little accurate explanation of crucial historical developments and institutional evolution." Even though many may feel that contemporary details are actually more important than historical antecedents, this book should be read by everyone interested in the American merchant marine. It is a thoroughly researched, fair, well-written treatment of the entire subject of foreign registry since World War I.

It was at first disturbing to find no mention at all of the major "flight from the flag" during the US Civil War. But

Carlisle is only interested in the development of the present system of flags of convenience.

Although Panama and Liberia entered the maritime registry business at different times, they shared certain characteristics that attracted American shipowners. They were poor, small (one million people each) nations with no ships of their own, and therefore no safety or labor regulations that made operating a US flagship so expensive. There were also no significant taxes to be paid, as long as profits were plowed back into ship construction abroad. Most important to the US government, which tolerated, approved, and sometimes encouraged the transfers, was the dependence of those two nations, until recently, upon the United States. This gave us the confidence that American-owned ships flying other flags were still under "effective control," and would be available to our government in case of emergency.

Carlisle demonstrates that neither Panama nor Liberia initiated flags of convenience for their own interests. American shipping interests sought them out, frequently with the encouragement and cooperation of the US government.

Sovereignty for Sale thoroughly explains the economic conditions that motivated shipowners to transfer their vessels to Panamanian or Liberian registry, and the laws, government policies, and court decisions that allowed the transfers to take place. There were sometimes conflicts within the federal government. While Congress was passing legislation to improve conditions for American crews and the National Labor Relations Board was trying to enforce these rules on US-owned but foreign-registered ships, the State Department and Maritime Administration were encouraging transfers and fighting NLRB jurisdiction

over foreign-flag vessels. In every show-down the interests of shipowners prevailed over those of the unions. The 1963 Supreme Court decision that US labor laws did not apply to American-owned, foreign-flag ships with foreign crews opened the way for the unlimited growth of flags of convenience.

The flag of Panama first came into use by American passenger ships in 1922 to avoid the prohibition laws. The Supreme Court soon ruled that American ships could serve liquor on the high seas, but in the meantime Panama, which had not encouraged the early ship transfers, decided to change its laws to attract more ships to its flag.

In the late 1930s, US neutrality laws and German U-boats made Panamanian registration advantageous to both American and European owners. The Roosevelt administration wanted to ship goods to the Allies on American ships, but this was prohibited by the Cash and Carry Act. Admiral Emory S. Land of the Maritime Administration encouraged the registration of these ships in Panama. He felt that the spirit of the neutrality laws was not violated, since an incident involving a foreign-flag ship with a foreign crew would not tend to involve the United States in war.

Then, as the United States seized foreign ships, many of them would not meet our high safety and crew quarters standards, so the government itself registered them in Panama. By 1942, over 250 ships flew Panama's flag, and the "merchant fleet of Panama" was routinely managed from Washington during the war.

The war demonstrated the economic advantages of Panamanian registry, and by 1948 its fleet had doubled. Most of the new additions were tankers, which were not eligible for a subsidy under American registry.

Liberia's maritime flag came into being in 1948. Former US Secretary of State Edward Stettinius organized a private corporation to help develop the African republic's economy. His Liberia Company (from which the International Trust Company later emerged) wrote the first maritime code for Liberia, designing it to attract American ships. Stettinius even submitted his draft code to Esso for amendment. The new system was so attractive to shipowners that by 1955 Liberia has surpassed Panama in tonnage.

Carlisle objects to the collective term, PanLibHon, though he uses it often. *Sovereignty for Sale* stresses the differences between these three flags of convenience. United Fruit's use of the Honduran flag was not a legal fiction. Those ships actually ran to Honduras and had Honduran crews.

Stettinius' Liberian code consciously offered shipowners advantages over Panamanian registry. Liberia's currency was the US dollar and its laws were written in English. The ships could be owned by any person or company, with no requirement of Liberian inspection or control. The registry was handled by a quasi-official, profit-making company headquartered in New York and controlled by the shipping interests. Panama's code, on the other hand, was administered by that country's consuls, who charged exorbitant fees for routine services because that was how they were expected to support themselves.

Major oil spills by three Liberian tankers between 1967 and 1976, and the OPEC boycott of 1973 created pressures on the flag-of-convenience system, but it survived with the acceptance of higher safety standards and compulsory liability insurance.

Carlisle is skeptical concerning "effective control" of American-owned,

foreign-flag ships by the United States. In its only test since World War II, in 1973, it failed. He points out that the relationships of Panama and Liberia with the United States have changed drastically. Our shipowners and our government have assumed all along that sovereignty was for sale for the price of a registration fee. This book concludes that ships under other flags may be profitable, but, in a crisis, will not be dependable.

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Wood, Virginia Steele. *Live Oaking: Southern Timber for Tall Ships*. Boston: Northeastern University Press, 1981. 224pp. \$21.95

It was not until after the American Civil War that the steel warship became the normal fighting instrument of navies. Until that time the ordinary warship was a creation of wood, or woods, with different kinds of timber used for different parts of the ship. For the frames the very best timber available in the western world was live oak. Live oak is durable, extremely hard, and scarce. It is found mainly on the coastal islands and low-lying shores of the Southeastern United States and the Gulf of Mexico, parts of the country drenched in heat and humidity, and home for snakes, alligators, mosquitoes, and, in the 18th and 19th centuries, debilitating diseases.

The people who went into that difficult environment to get the materials with which to build ships were the shipbuilders themselves, men from New England and other Northeastern shipyards. It was in the winter, when it was too cold at home, that they did most of their work in the South. They were assisted by slaves rented out by their local owners. How different it is today

when our shipbuilders in the North as well as in the South work in the yard year-round, and depend on strangers to provide them with the steel, aluminum, and electronic parts which they shape and assemble into ships.

During the early part of our country's independence, we resembled in some ways what we now call "Third World" countries. The major powers looked upon us as, among other things, a source of raw materials for their ships, though it was a long time before European admiralities recognized the value of live oak. But getting the wood out of forests the US Navy had reserved for its own use was not something a foreign government was likely to do overtly. Records are scarce, and the author barely hints at the likelihood of foreign covert activity on our shores. There was no question, though, as to the activities of our own citizens who, as it suited them—and it often did—took what they wanted from the unguarded naval reservations.

The Civil War demanded that the United States build hundreds of warships, nearly all of which were made chiefly of wood. But, while most of the shipyards were safely in the North, the most prized shipbuilding material of all, the live oak, was in what suddenly had become an enemy country. What the US Navy did was what we might expect to happen again if an important resource suddenly were denied it: it did without. (So, apparently, did the Confederate Navy, which made little or no use of the resource it now possessed.)

Most of the US Navy's new ships weren't particularly good, but they were good enough. They lasted long enough to fight the war, and then they quickly rotted away. But, of course, the job for which they had been built was finished and there was no more need for them. In any future war we will probably have to