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CONFIDENTIAL

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PRIME MINISTER

SHIPPING: PANAMANIAN FREIGHT TAX

Nicholas Ridley wrote to you on 30 December 1983 proposing a surveillance order against Panamanian shipping under S.14(2) of the Merchant Shipping Act. I am commenting in Norman Tebbit's absence overseas.

2 While I share Nick Ridley's concern over the present unsatisfactory state of affairs, I am anxious that any action taken to resolve the freight tax problem should not endanger trade relations. Panama is our second largest export market in Central America. In 1982 British exports to Panama were worth some £83.3 million against imports of only £9.5 million.

3 I understand that following representations made by Janet Young during her visit to Panama in November 1983 the Panamanian Minister of Finance said he would call a meeting on 6 January and promised proposals to resolve the issue within six days of that date. It seems important that this initiative should not be frustrated and I believe we should delay any action against the Panamanians until we have seen what their proposals are.



4 If surveillance action should subsequently be seen to be necessary I would hope that it could be taken in concert with appropriate action by other nations. This would ensure that our European partners are fully aware of our concern and help to avoid complaints if charges subsequently imposed on Panamanian vessels in British ports had the effect of increasing the shipping costs of our European neighbours.

5 I am copying this to the recipients of Nicholas Ridley's minute.

PC

PAUL CHANNON

11 January 1984

Department of Trade & Industry



13 JAN 1962



COLLECTOR

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