



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

SHIPPING: PANAMANIAN FREIGHT TAX

In his minute of 30 December, the Secretary of State for Transport suggested counter-measures against the Panamanian Freight tax, which I entirely agree is discriminatory and damaging to British shipping interests.

2. I have no objection to the proposal to make an information order under s.14(2) of the Merchant Shipping Act. I am, however, uneasy about agreeing, at this stage, that we should proceed to a charging order under s.14(3) if that doesn't do the trick, as I hope it will. For the proposed charges would, I understand, apply to all Panamanian flag vessels calling in the United Kingdom, including those operated by United Kingdom shipping companies and by our major trading partners. There could be implications for our network of double taxation agreements, which carry important tax advantages for our industry: our treaty partners might well take the view that the charges were in breach of the spirit if not the letter of these agreements.

3. I understand that Officials in the Departments concerned are preparing a paper on the whole question of charges: I suggest that we should see this, and have the opportunity to consider the Panamanian response to the information order, before we take a decision on s.14(3) action.

4. I am told that, following Janet Young's approach to the Panamanian Finance Minister in November, he may put forward

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within the next few days a formula which might be the basis of an exemption for UK shipping. I imagine that we have heard such reports before, but it might in the circumstances be best not to go public on the information order for another ten days or so, just in case the Panamanians come up with a sensible proposal in the meantime.

5. Copies of this minute go to the other recipients of Nick Ridley's.

YK

(N.L.)

11 January 1984

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