



10 DOWNING STREET

*From the Private Secretary*

18 January 1984

*Dear Henry*

SHIPPING: PANAMANIAN FREIGHT TAX

The Prime Minister has seen your Secretary of State's minute of 30 December and the minutes from the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy and the Secretary of State for Trade and Industry and the Minister of Agriculture. She agrees that the tax imposed by the Panamanians is unacceptable and that we must seek to have it removed.

As a response is expected from Panama in the near future, she agrees that no action should be taken immediately. If, however, a satisfactory response is not received by 31 January, an order under S14(2) of the Merchant Shipping Act 1974, requiring Panamanian vessels to provide certain information, should be made.

Before going further and imposing a counter charge under S14(3), your Secretary of State should consult with colleagues on the possible repercussions, both for trade and taxation. The possibilities for concerted action with OECD or EC partners should also be investigated.

I am copying this letter to the Private Secretaries to other members of E(A) and to Peter Ricketts (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

*Yours sincerely  
Andrew Tucker*

Henry Derwent, Esq.,  
Department of Transport.



NBPM  
To assist DoT verify  
AT 2.11 CC NO



Foreign and Commonwealth Office

London SW1A 2AH

31 January 1984

Dear Henry,

Turnbull?

In his letter to you of 18 January, Andrew Tucker recorded the Prime Minister's view that if a satisfactory response was not received from the Panamanians by 31 January, then your Secretary of State should proceed with the issue of an information order.

HM Ambassador Panama has reported that agreement has been reached with the Panamanians to exempt British ships from payment of the tax. A Ministerial Resolution will be made shortly in Panama to give effect to this agreement.

BF  
for  
D/Transport  
confirmation

In the light of this development, and provided that the Panamanian Resolution does issue, we would welcome confirmation that you will not now proceed with action under Section 14 of the Merchant Shipping Act, such as an information order.

I am copying this letter to Andrew Tucker and to Private Secretaries to other members of E(A).

Yours ever,  
Peter Ricketts

(P F Ricketts)  
Private Secretary

Henry Derwent Esq  
PS/Secretary of State for Transport

Exam for Dec. 83

Shipping Panamanian Freight Tax



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PRIME MINISTER

Panama imposes a five per cent tax on goods carried to and from Panama in non-Panamanian vessels. HMG have been trying to get it removed, so far without success. In order to increase the pressure, Mr. Ridley has suggested first requiring Panamanian ships to provide information on calls at UK ports, cargoes, etc. If this did not work a further order could be passed, <sup>and</sup> counter-charges could be levied on Panamanian ships.

Panama has promised a response in the next week or so. Colleagues are agreed that no move should be made until this has happened.

If the response is inadequate, colleagues agree that an information order should be introduced, but want to consider, using information gained, before going further. Concertation with other countries is also recommended.

Agree give the Panamanians until end January?

AS

Yes *mk*

17 January 1984