

1913.

NEW ZEALAND.

## THE PANAMA CANAL

(PAPERS RELATIVE TO).

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*Presented to both Houses of the General Assembly by Command of His Excellency the Governor.*

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New Zealand, No. 226.

MY LORD,—

Downing Street, 2nd August, 1912.

I have the honour to transmit to you, for the information of your Ministers, the accompanying copy of a note addressed by His Majesty's Chargé d'Affaires at Washington to the Secretary of State of the United States on the subject of the tolls to be levied on vessels passing through the Panama Canal.

2. The contents of the note were communicated by the Secretary of State to the Senate, and the matter is still engaging the consideration of that body.

I have, &amp;c.,

L. HARCOURT.

Governor the Right Hon. Lord Islington, K.C.M.G., D.S.O., &amp;c.

SIR,—

British Embassy, Kineo, Maine, 9th July, 1912.

The attention of His Majesty's Government has been called to the various proposals that have from time to time been made for the purpose of relieving American shipping from the burden of the tolls to be levied on vessels passing through the Panama Canal, and these proposals, together with the arguments that have been used to support them, have been carefully considered with a view to the bearing on them of the provisions of the treaty between the United States and Great Britain of the 18th November, 1901.

The proposals may be summed up as follows:—

- (1.) To exempt all American shipping from the tolls.
- (2.) To refund to all American ships the tolls which they may have paid.
- (3.) To exempt American ships engaged in the coastwise trade.
- (4.) To repay the tolls to American ships engaged in the coastwise trade.

The proposal to exempt all American shipping from the payment of the tolls would, in the opinion of His Majesty's Government, involve an infraction of the treaty; nor is there, in their opinion, any difference in principle between charging tolls only to refund them and remitting tolls altogether. The result is the same in either case; and the adoption of the alternative method of refunding the tolls in preference to that of remitting them, while perhaps complying with the letter of the treaty, would still contravene its spirit. It has been argued that a refund of the tolls would merely be equivalent to the subsidy, and that there is nothing in the Hay-Pauncefote Treaty which limits the right of the United States to subsidize its shipping. It is true that there is nothing in that treaty to prevent the United States from subsidizing its shipping, and if granted a subsidy His Majesty's Government could not be in a position to complain; but there is a great distinction between a general subsidy, either to shipping at large or to shipping engaged in any given trade, and a subsidy calculated particularly with reference to the amount of user of the canal by the subsidized lines or vessels. If such a subsidy were granted it would not, in the opinion of His Majesty's Government, be in accordance with the obligations of the treaty.

As to the proposal that exemption shall be given to vessels engaged in the coastwise trade a more difficult question arises. If the trade should be so regulated as to make it certain that only *bona fide* coastwise traffic which is reserved for United States vessels would be benefited by this exemption, it may be that no objection could be taken; but it appears to my Government that it would be impossible to frame regulations which would prevent the exemption from resulting in fact in a preference to United States shipping, and consequently in an infraction of the treaty.

I have, &amp;c.,

Chargé d'Affaires.