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*Last Updated: 03/10/2025*



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CO018

*Premier*

*The Cabinet Office*

*Ref. No. CAB.154/1*

*Hamilton 5-24, Bermuda*

29th March 1982

Ronald W. Reagan, Esq.,  
The President of the United States,  
The White House,  
Washington, D.C.20500,  
U.S.A.

Dear Mr. President,

Thank you most sincerely for making time in your busy schedule to see me last Monday. My wife and I enjoyed our visit and I hope you will come to Bermuda as soon as time permits.

In the relaxed atmosphere which you created at our meeting I hesitated to bring up a matter which is of great importance to Bermuda. In reply to your question about our tourist trade we accepted that economic conditions in the United States had probably affected us as well as competition from other resorts. In addition we believe we are at a disadvantage in competing for convention business because the companies visiting here do not enjoy the same tax concession as they do when visiting Canada and Mexico. Since this concession is now being extended to Jamaica we will face even more competition and I would hope that you could give favourable consideration to extending this concession to Bermuda.

Once again I thank you for the generous amount of your time that you gave to us and hope that I can welcome you to Bermuda in the not too distant future.

Yours sincerely,

John W. Swan  
Premier

NSC #8202253

REFERRAL

DATE: 03 APR 82

MEMORANDUM FOR: STATE SECRETARIAT

DOCUMENT DESCRIPTION: TO: PRESIDENT

SOURCE: SWAN

DATE: 29 MAR 82

KEYWORDS: BERMUDA HS

SUBJ:

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REQUIRED ACTION: FOR INFORMATION

DUE DATE:

COMMENTS:

*Michael O. Wheeler*  
FOR MICHAEL O WHEELER

STAFF SECRETARY

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FOR NSC USE ONLY

FOR INFO FONTAINE

STATE

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NSC/S PROFILE

UNCLASSIFIED

ID 8202253

RECEIVED 03 APR 82 11

TO PRESIDENT

FROM SWAN, JOHN W

DOCDATE 29 MAR 82

KEYWORDS: BERMUDA

HS

SUBJECT: THANK YOU LTR FOR VISIT

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

FILES DA *WH*

FOR ACTION

FOR CONCURRENCE

FOR INFO

NONE

FONTAINE

STATE

COMMENTS

REF#

LOG 8201927

8201784

NSCIFID

( D / D )

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

DISPATCH

*done dm 4/83*

*W/ATTCH*

FILE

(C)

NSC/S PROFILE

UNCLASSIFIED

ID 8202253

RECEIVED 03 APR 82 11

TO

PRESIDENT

FROM SWAN, JOHN W

DOCDATE 29 MAR 82

*Fontaine*

KEYWORDS: BERMUDA

HS

SUBJECT: THANK YOU LTR FOR VISIT

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

NONE

FONTAINE

STATE

COMMENTS

*please open if you feel any action  
is necessary - Thank you NSC/S  
No further action necessary - RW.7.*

REF#

LOG 8201927

8201784

NSC/FID

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ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

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W/ATTCH FILE (C)

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

## INFORMATION

July 22, 1982

MEMORANDUM FOR ROBERT C. MCFARLANE

THROUGH:

RICHARD BOVERIE *B*

FROM:

RICHARD LEVINE *RL*

SUBJECT:

Exception to Convention Tax for Bermuda

In answer to your note regarding exception to the convention tax for Bermuda (Tab A), I have been in conversations with DOD (ISA), State and Treasury.

Dating from a 1979 Act, Canada and Mexico are exempt from convention tax, and as you know, Jamaica recently received the same status and as quid they promised us more criminal and civil information sharing. Jamaica's exception was not received well on the Hill, principally because of its effect on US convention centers.

In discussion with the noted agencies, the opinion of all at this time is that we should hold off any granting of such an exception until such time as we feel we really need a bargaining chip.

In order that we have a means to develop a coordinated USG position on this issue, I have asked Treasury to prepare a paper relating the various concerned agencies' views on this issue as well as an intelligence assessment as to the future of our free access to our military bases in Bermuda, as well as other possible opposition and extremist undertakings. Treasury readily agreed to put this interagency paper together for our review and comment, and it should be ready in about 2 or 3 weeks' time.

DepSec Tim McNamar of Treasury met with Friedersdorf when he was in town and, as I understand, Sec Regan is sending a note back to Friedersdorf relating that this matter is still under active review.

Concurrence: Nau *HN*

Attachment

Tab A Note of July 13



MAX L. FRIEDERSDORF

CONSUL GENERAL OF THE UNITED STATES  
OF AMERICAHAMILTON  
BERMUDA

808/295-

*NSC # 8205092*



MAX L. FRIEDERSDORF  
CONSUL GENERAL OF THE UNITED STATES  
OF AMERICA

HAMILTON  
BERMUDA

809/295-1342

National Security Council  
The White House

Package # \_\_\_\_\_

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>[Signature]</u>	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____
<u>LEVINE</u>	<u>2</u>	_____	<u>A</u>

I-Information A-Action R-Retain D-Dispatch N-No further  
Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other \_\_\_\_\_

COMMENTS



DETERMINED TO BE  
ADMINISTRATIVE MARKING  
E.O. 12958, as amended, Sect. 3.3(c)  
BY NARA DD DATE 2/17/10

July 19, 1982

~~PERSONAL AND CONFIDENTIAL~~

Mr. William Clark  
Assistant to the President  
National Security Council  
The White House  
Washington, D. C. 20500

Dear Judge Clark:

Last week, I met in Washington with Richard Burt at State and Tim McNamar at Treasury concerning a proposed tax convention exemption for Bermuda.

State, Treasury and Defense have expressed unanimous support for the exemption which for political, military and strategic reasons is in the best interests of the United States.

I am enclosing copies of my recent correspondence with Secretary Regan, Tim McNamar and Rick Burt which explains the background and arguments for the exemption proposal. However, what the effort needs, of course, is coordination by NSC to take advantage of this unique opportunity to preserve our three naval installations and NASA tracking station on Bermuda.

I understand State was sending a memo on this subject to Bud McFarlane for your personal consideration.

If there is any way I can further assist in this effort, please let me know. Meanwhile, with warm personal wishes and cordial regard, I am

Sincerely,



Max L. Friedersdorf  
Consul General  
American Consulate General  
Hamilton, Bermuda

*P.S. Pick up your tennis racket  
+ come see us! max*



*Henry*  
THE WHITE HOUSE  
WASHINGTON

7-13-82

Henry Nau

→ Dick Boverie

Subject: Exception to Convention Tax for Bermuda

As you know, last year we made an exception to the convention tax for Jamaica. I think we have also made an exception for Mexico in the past. This has had the effect of taking convention business away from Bermuda and other Caribbean states.

Max Friedersdorf is in town with the Bermudan Finance Minister to lobby for an exception for Bermuda (their convention business has fallen off by one third since Jan 81).

As you know we have three important military facilities on Bermuda which we use without cost. Separately but related, Bermuda is likely to become independent in the near future. At that point, we will become much more beholden to the elected government that we are today. The incumbent government is basically pro-US. The opposition proposes charging us for the facilities and some extremists urge kicking us out.

The question is should we grant the exception. Treasury will undoubtedly be against granting such an exception given its precedential effect vis-a-vis Caribbean states.

Please give this some thought and let me have your recommendation.

Many thanks

Bud *Bud*

June 28, 1982

The Honorable Donald T. Regan  
Secretary of Treasury  
Department of Treasury  
15th Street and Pennsylvania Avenue  
Washington, D. C. 20220

DETERMINED TO BE  
ADMINISTRATIVE MARKING  
E.O. 12858, as amended, Sect. 8.2(a)  
BY NARA als DATE 2/12/10

Dear Don:

It was a pleasure talking to you today and I appreciate your returning my call to discuss the matter of a tax convention exemption for Bermuda.

As I mentioned, Bermuda Minister of Finance David Gibbons will be meeting with Tim McNamar at 10 a.m. on Tuesday, July 13, in Washington for discussions on this issue.

However, I would like for you to be personally aware of several mitigating factors strongly favoring the granting of this exemption for Bermuda:

1. Bermuda presently has a Premier and majority party (United Bermuda Party) which are strongly pro-Reagan, pro-United States and pro-free enterprise.
2. However, the UBP has a slender 22-18 margin in the House of Assembly over the minority PLP party (Progressive Labor Party) which contains elements hostile to the Reagan Administration and the United States.
3. If the PLP gains power there is a strong possibility, if not certainty, that our Naval Air Station, our Naval Refueling Station, our Naval Facility for the detection of submarines and our NASA Satellite Tracking Station would all be jeopardized.
4. The U.S. military and civilian facilities here occupy ten percent of the Bermuda land mass and the PLP has stated openly it will push for independence after gaining power, and demand the U.S. facilities be removed.

5. Granting of the tax convention exemption will insure the friendly UBP remains in power and our bases here retained.
6. Bermuda cooperates fully with U.S. law enforcement agencies on all criminal matters, including several major cases we are involved in at the present time.
7. Bermuda purchases 49 percent of its consumables from the U.S. and a good economy here is good for the U.S. economy.
8. Most Bermuda-off-Island travel is to the U.S. and many Bermudians have investments in the U.S. and spend much of their income in the U.S.
9. Ten thousand Americans live in Bermuda and there has never been anything but the best relations between the U.S. and Bermuda.

There are strong political, diplomatic, commercial, military and strategic reasons for extending the tax convention exemption to Bermuda, which it enjoyed at one time.

I would welcome the opportunity to discuss this proposal in greater detail and specifics at any time.

There is strong reasons this exemption would be the best interests of the United States, and I hope you can lend your support.

With most cordial regard, I am

Sincerely,

Max L. Friedersdorf  
U.S. Consul General  
Hamilton, Bermuda



CONSULATE GENERAL OF THE  
UNITED STATES OF AMERICA  
Hamilton

DETERMINED TO BE  
ADMINISTRATIVE MARKING  
E.O. 12958, as amended, Sect. 3.3(c)  
BY NARA db DATE 4/2/10

July 19, 1982

~~PERSONAL AND CONFIDENTIAL~~

Mr. Richard "Tim" McNamar  
Deputy Secretary of the Treasury  
15th Street and Pennsylvania Ave., N.W.  
Washington, D. C. 20220

Dear Tim;

It was a pleasure seeing you again last week in Washington and having the opportunity to discuss the possibility of a tax convention exemption for Bermuda.

You were most generous with your time on an extraordinarily busy day.

Minister of Finance David Gibbons, Bob Emmett and myself are most grateful for your attendance and interest.

I am enclosing a copy of my previous letter to Secretary Regan detailing the arguments for an exemption for Bermuda.

With warm thanks and cordial regard, I am

Sincerely,

Max L. Friedersdorf  
Consul General

Enclosure a/s

DETERMINED TO BE  
ADMINISTRATIVE MARKING  
E.O. 12858, as amended, Sect. 3.3(c)  
BY NARA dr DATE 2/12/0

July 19, 1982

PERSONAL AND CONFIDENTIAL

Mr. Richard Burt  
Assistant Secretary of State  
for European Affairs  
Department of State  
Washington, D. C. 20520

Dear Rick:

It was a pleasure meeting you last week in Washington and I am appreciative of the opportunity to discuss the issue of a tax convention exemption for Bermuda.

We had a successful meeting with Tim McNamar at Treasury. He agreed to support the exemption and indicated he would contact you.

Tim would prefer that the exemption be part of a treaty agreement with Bermuda and the U.K., including a renewal of the base agreement. He believes this would make it more difficult for the PLP to remove our bases if the PLP comes to power.

We also have some excess areas here on one of the bases that we could give up to the Bermudians for much-needed housing projects, thus sweetening the pot a little.

I am enclosing a copy of my recent letter to Sec. Regan detailing the arguments for extension of the tax convention exemption to Bermuda. My understanding is that both the British and Bermudian governments would be agreeable to a treaty containing the aforementioned provisions.

If there is anything I can do to move this exemption effort along, please let me know.

Tim McNamar believes, and I concur, that we have a unique window at the present with Reagan and Thatcher in power to solidify our base agreement here in Bermuda.

With thanks and cordial regard, I am

Sincerely,

A handwritten signature in black ink, appearing to read "Max".

Max L. Friedersdorf  
Consul General

Enclosure a/s



IC/S PROFILE

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ID 8205092

RECEIVED 22 JUL 82 19

TO MCFARLANE

FROM LEVINE

DOCDATE 22 JUL 82

BOVERIE

22 JUL 82

FRIEDERSDORF, MAX L

19 JUL 82

KEYWORDS: BERMUDA

ECONOMICS

MILITARY BASES

SUSPENSE

SUBJECT: EXCEPTION TO CONVENTION TAX

ACTION: FOR INFORMATION

DUE: 03 AUG 82 STATUS S FILES

FOR ACTION

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FOR INFO

MCFARLANE

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<u>E</u>	<u>7/29</u>	<u>Noted By MCFarlane</u>		
<u>Z</u>	<u>7/29</u>	<u>Reed Friedersdorf Memo</u>		
<u>S</u>	<u>7/29</u>	<u>Prepare Memo for Clark</u>	<u>8/03</u>	<u>HN</u>
<u>C</u>	<u>8/26</u>	<u>OKR</u>		

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NSC/S PROFILE

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ID 8205092

RECEIVED 22 JUL 82 19

TO MCFARLANE

FROM LEVINE

DOCDATE 22 JUL 82

BOVERIE

22 JUL 82

SUSPENSE

KEYWORDS: BERMUDA

ECONOMICS

MILITARY BASES

SUBJECT: EXCEPTION TO CONVENTION TAX

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCFARLANE

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COMMENTS

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

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MEMORANDUM OF INFORMATION FOR THE FILE

~~DATE~~

~~LETTER, MEMO, ETC.~~

~~TO:~~

~~FROM:~~

~~SUBJECT:~~

EXECUTIVE

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CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE



MEMORANDUM

6202

NATIONAL SECURITY COUNCIL

INFORMATION

September 3, 1982

MEMORANDUM FOR BUD McFARLANE

FROM: DENNIS BLAIR

SUBJECT: Convention Tax Exemption for Bermuda

I attended a meeting yesterday chaired by Rick Burt to discuss extending to Bermuda the same tax exemption status for business conventions we allow to Mexico, Canada and Jamaica. As expected, Treasury opposed the idea, and Defense was supportive. I mainly listened. I am turning the lead on this issue over to Roger Fontaine, because of his experience in the Jamaica case. We will keep you advised.

Roger Fontaine concurs.

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WPC HAS SEEN

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**National Security Council  
The White House**

330

RECEIVED

Package # 6202

02 SEP 63 P 7:55

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	<u>X</u>	_____
Bud McFarlane	<u>1</u>	<u>m</u>	_____
Jacque Hill	<u>2</u>	<u>✓</u>	_____
Judge Clark	<u>3</u>	<u>✓</u>	<u>I</u>
John Poindexter	_____	_____	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

I-Information   A-Action   R-Retain   D-Dispatch   N-No further Action

**DISTRIBUTION**

cc:   VP   Meese   Baker   Deaver   Other \_\_\_\_\_

**COMMENTS**

RECEIVED 03 SEP 82 19

TO MCFARLANE

FROM BLAIR

DOCDATE 03 SEP 82

KEYWORDS: BERMUDA

INTL TRADE

MEXICO

CANADA

JAMAICA

SUBJECT: CONVENTION TAX EXEMPTIONS FOR BERMUDA

ACTION: FOR INFORMATION

DUE:

STATUS IX FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

MCFARLANE

## COMMENTS

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THE WHITE HOUSE  
WASHINGTON

February 8, 1983

MEMORANDUM FOR HONORABLE DONALD T. REGAN  
Secretary of the TreasurySUBJECT Convention Tax Deduction for Bermuda

In your memorandum of January 21, 1983 you suggest that the President's decision to seek extension of the "North America" region to cover Bermuda for purposes of applying the Convention tax deduction be withdrawn in light of the bill passed by the House of Representatives during the lame duck session in which Bermuda was lumped together with the Caribbean countries for the purpose of extension of convention tax deduction treatment to the CBI countries if they fulfill certain conditions, especially leaving an agreement with the U.S. on information exchange.

The President's decision of December 13, 1982 stands as expressed. He wishes to have Bermuda added to the list of convention tax deduction countries separately and on the same basis as Canada, Mexico and Jamaica, for the following reasons:

1. Bermuda is not in the Caribbean, benefits from none of the other provisions of CBI legislation and should not share the fate of those countries in the Congress. We should strive to eliminate reference to Bermuda in this and any CBI legislation.
2. Bermuda is not a banking tax haven (there are only two banks -- both locally owned by law) and thus would have no reason to agree to an information exchange agreement.
3. Bermuda is vital to our security posture in Atlantic. Although all the CBI countries are important, none has the military significance of Bermuda.
4. Bermuda may well soon become independent. The opposition party is opposed to our military presence in Bermuda and if they come to power will at a minimum extract a high price for our presence. Thus whatever we can do to

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display support for the incumbent administration will be helpful.

We look forward to prompt preparation of the necessary legislation.

FOR THE PRESIDENT:

A handwritten signature in dark ink, appearing to read "Bill", written in a cursive style.

William P. Clark

cc: The Honorable George P. Shultz



## MEMORANDUM

## NATIONAL SECURITY COUNCIL

ACTION

February 3, 1983

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *NAB*

SIGNED

SUBJECT: Secretary Regan's Memo Concerning Convention  
Tax Deduction for Bermuda

Secretary Regan has written to you (Tab I) in reply to your memorandum of December 13, 1982 to him and Secretary Shultz (Tab II) in which you informed him that the President had approved the submission of legislation qualifying Bermuda for the North American Convention tax credit.

He notes that in the lame duck session the House of Representatives passed a CBI bill which extended the Convention tax credit to the entire Caribbean and specifically included Bermuda as part of the Caribbean for this purpose. It is his understanding that the legislation will be reintroduced on the same basis in the current session.

He suggests that Bermuda not be singled out for specific treatment but retained in the legislation before the House.

Bermuda is not in the Caribbean, benefits from none of the other CBI legislation and does not wish to be lumped together with the Caribbean countries and share their legislative fate. It also objects to the proviso in the House bill that in order to qualify for the deduction it must have an agreement with the U.S. providing for an exchange of information, since contrary to Secretary Regan's letter it is not an offshore banking center (there are only two banks and they are locally controlled, as they must be by law).

Additionally, the military importance of Bermuda to our security posture is much greater than that of most Caribbean countries.

Sapia-Bosch, Nau, North and Sommer concur. Fontaine believes Secretary Regan is right.

RECOMMENDATION

That you sign the attached memo to Secretary Regan reconfirming the President's decision.

OK ☒NO ☐

## Attachments

Tab I Secretary Regan's memo dtd 1/21/83  
Tab II Clark memo to Shultz dtd 12/13/82  
Tab III Memo for signature



## THE SECRETARY OF THE TREASURY

WASHINGTON

January 21, 1983

83 JAN 21 P 2: 41

MEMORANDUM FOR THE HONORABLE WILLIAM P. CLARK  
ASSISTANT TO THE PRESIDENT  
FOR NATIONAL SECURITY AFFAIRS  
THE WHITE HOUSE

WHITE HOUSE  
SITUATION ROOM

Subject: Bermuda and Foreign Conventions

In your memorandum of December 13, 1982, you confirmed that the President had decided to seek legislation permitting Bermuda to be treated as part of "North America" for purposes of deducting expenses of business conventions (the "convention deduction"). Since that time, the Caribbean Basin Initiative (CBI) legislation was amended, with the support of the Administration, to substitute convention deductions for the investment tax credit as the tax incentive, and to treat Bermuda as part of the Caribbean Basin for this purpose. In this version of the CBI, extension of the convention deduction to potential beneficiaries is predicated on agreement on the exchange of information helpful to the enforcement of tax laws. A copy of this legislation, which passed the House of Representatives and the Senate Finance Committee in the lame-duck session, is attached. This version of the CBI is expected to be considered by Congress in the new session.

I understand that another means of extending the convention deduction to Bermuda currently under consideration is to remove Bermuda from the CBI legislation and submit a separate piece of legislation extending the convention deduction to Bermuda without requiring an exchange of information agreement.

I feel strongly that the second alternative, which would differentiate Bermuda from its neighbors, is inappropriate and could be detrimental to passage of the CBI. The convention deduction should be extended to Bermuda on the same terms as other CBI beneficiaries.

I understand that there is resistance in the GOB to concluding an exchange of information agreement because of its possible impact on Bermuda's status as an offshore banking center. I also understand the importance to the United States

of maintaining good relations with Bermuda. However, Bermuda is not alone among potential beneficiaries either in its status as an offshore banking center or as a valued ally of the United States. I do not, therefore, see any reason to single Bermuda out for special, preferential treatment. Such action would necessitate explaining to other potential beneficiaries why Bermuda's friendship is more important than their own. Furthermore, it will set a precedent of granting unilateral concessions which have the effect of weakening our tax system.



Donald T. Regan

cc: Secretary Shultz

Attachment

THE WHITE HOUSE  
WASHINGTON

Barley:  
7928

December 13, 1982

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ  
The Secretary of State

THE HONORABLE DONALD T. REGAN  
The Secretary of the Treasury

SUBJECT: Extension of the Convention Tax Credit  
to Bermuda

The President has decided to seek legislation adding Bermuda to those countries covered by the convention tax deduction.

We look forward to your cooperation in preparing the required legislation.

FOR THE PRESIDENT:



William P. Clark

1 drawbacks) shall be covered into the treasuries of  
2 Puerto Rico and the Virgin Islands.

3 “(2) SECRETARY PRESCRIBES FORMULA.—The  
4 Secretary shall, from time to time, prescribe by regula-  
5 tion a formula for the division of such tax collections  
6 between Puerto Rico and the Virgin Islands and the  
7 timing and methods for transferring such tax collec-  
8 tions.

9 “(3) RUM DEFINED.—For purposes of this subsec-  
10 tion, the term ‘rum’ means any article classified under  
11 item 169.13 or 169.14 of the Tariff Schedules of the  
12 United States (19 U.S.C. 1202).

13 “(4) COORDINATION WITH SUBSECTIONS (a) AND  
14 (b).—Paragraph (1) shall not apply with respect to any  
15 rum subject to tax under subsection (a) or (b).”

16 (b) EFFECTIVE DATE.—The amendment made by sub-  
17 section (a) shall apply to articles imported into the United  
18 States after December 31, 1982.

19 SEC. 202. TREATMENT OF CARIBBEAN CONVENTIONS, ETC.

20 (a) GENERAL RULE.—Subsection (h) of section 274 of  
21 the Internal Revenue Code of 1954 (relating to attendance at  
22 conventions, etc.) is amended by adding at the end thereof  
23 the following new paragraph:

24 “(5) TREATMENT OF CONVENTIONS IN CERTAIN  
25 CARIBBEAN COUNTRIES.—

1           “(A) IN GENERAL.—For purposes of this  
2 subsection, the term ‘North American area’ in-  
3 cludes, with respect to any convention, seminar,  
4 or similar meeting, any beneficiary country if (as  
5 of the time such meeting begins)—

6           “(i) there is in effect a bilateral or mul-  
7 tilateral agreement between such country  
8 and the United States providing for the ex-  
9 change of information between the United  
10 States and such country, and

11           “(ii) there is not in effect a finding by  
12 the Secretary that the tax laws of such coun-  
13 try discriminate against conventions held in  
14 the United States.

15           “(B) BENEFICIARY COUNTRY.—For pur-  
16 poses of this paragraph, the term ‘beneficiary  
17 country’ has the meaning given to such term by  
18 section 102(a)(1)(A) of the Caribbean Basin Eco-  
19 nomic Recovery Act; except that such term shall  
20 include Bermuda.

21           “(C) AUTHORITY TO CONCLUDE EXCHANGE  
22 OF INFORMATION AGREEMENTS.—The Secretary  
23 is authorized to negotiate and conclude an agree-  
24 ment for the exchange of information with any  
25 beneficiary country. An exchange of information



1 agreement shall provide for the exchange of such  
2 information (not limited to information concerning  
3 nationals or residents of the United States or the  
4 beneficiary country) as may be necessary or ap-  
5 propriate to carry out and enforce the tax laws of  
6 the United States and the beneficiary country  
7 (whether criminal or civil proceedings), including  
8 information which may otherwise be subject to  
9 nondisclosure provisions of the local law of the  
10 beneficiary country such as provisions respecting  
11 bank secrecy and bearer shares. The exchange of  
12 information agreement shall be terminable by  
13 either country on reasonable notice and shall pro-  
14 vide that information received by either country  
15 will be disclosed only to persons or authorities (in-  
16 cluding courts and administrative bodies) involved  
17 in the administration or oversight of, or in the de-  
18 termination of appeals in respect of, taxes of the  
19 United States or the beneficiary country and will  
20 be used by such persons or authorities only for  
21 such purposes.

22 “(D) COORDINATION WITH SECTION  
23 6103.—Any exchange of information agreement  
24 negotiated under subparagraph (C) shall be treat-



1 ed as an income tax convention for purposes of  
2 section 6103(k)(4).

3 “(E) FINDINGS PUBLISHED IN THE FEDER-  
4 AL REGISTER.—Any finding by the Secretary  
5 under subparagraph (A)(ii) (and any termination  
6 thereof) shall be published in the Federal Regis-  
7 ter.”

8 (b) EFFECTIVE DATE.—The amendment made by sub-  
9 section (a) shall apply to conventions, seminars, or other  
10 meetings beginning after December 31, 1982.

Passed the House of Representatives December 17,  
1982.

Attest: EDMUND L. HENSHAW, JR.,  
*Clerk.*

**National Security Council  
The White House**

530

1735  
FEB 0 5 1983

Package # 545

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u>X</u>	<u>A</u>
Bud McFarlane	<u>2</u>	<u>m</u>	
Jacque Hill	<u>3</u>	<u>✓</u>	
Judge Clark	<u>4</u>	<u>✓</u>	<u>A</u>
John Poindexter			<u>D done</u>
Staff Secretary	<u>5</u>		
Sit Room			<u>FEB 0 8 1983</u> <u>paper</u>

☒ Information  
 ☒ A-Action  
 ☐ R-Retain  
 ☐ D-Dispatch  
 ☐ N-No further Action

**DISTRIBUTION**

cc: VP    Meese    Baker    Deaver    Other           

**COMMENTS**

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ID 8300545

RECEIVED 21 JAN 83 17

TO CLARK FROM REGAN, D

DOCDATE 21 JAN 83

KEYWORDS: BERMUDA

CBI

CONGRESSIONAL

CM

SUBJECT: TREATMENT OF BERMUDA AS PART OF NORTH AMERICA FOR DEDUCTION OF  
EXPENSES OF BUSINESS CONVENTIONS

ACTION: PREPARE MEMO FOR CLARK DUE: 22 JAN 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

SAPIA-BOSCH

FONTAINE

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KIMMITT

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Clark	x 2/3	For Signature	2/5	
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MEMORANDUM

NATIONAL SECURITY COUNCIL

March 23, 1983

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*  
ROBERT M. KIMMITT *Bob*

SUBJECT: Bermuda

The Treasury tax office is stonewalling our efforts to hold a meeting on Bermuda legislative strategy. There is no reason to believe that they will not do the same with reference to the Netherlands Antilles question.

All of this makes it imperative to issue the instructions to Secretary Regan (Log #1348 redo) implementing the President's decisions on these matters.

RECOMMENDATION:

That you issue the memo on Bermuda and the Netherlands Antilles to Secretary Regan.

OK *[Signature]*

No \_\_\_\_\_

NSC# 8301929

CO 018

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BE 004

FG 006-1

FG 012

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**National Security Council  
The White House**

Package # 1929

'83 MAR 23 PM 2:45

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	<u>1</u>	<u><del>✓</del></u>	<u>A</u>
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	_____	_____	_____
Staff Secretary	<u>2</u>	_____	_____
Sit Room	_____	_____	_____
_____	_____	_____	_____

I-Information   A-Action   R-Retain   D-Dispatch   N-No further Action

**DISTRIBUTION**

cc: VP   Meese   Baker   Deaver   Other \_\_\_\_\_

**COMMENTS**

*Norman,*  
#1348 was signed 3/22 & sent  
out this morning

*[Signature]*

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ID 8301929

RECEIVED 23 MAR 83 12

TO

CLARK

FROM BAILEY

DOCDATE 23 MAR 83

KIMMITT

KEYWORDS: ECONOMICS

BERMUDA

CONGRESSIONAL

SUBJECT: BERMUDA LEGISLATIVE STRATEGY

ACTION: FOR DECISION

DUE: 25 MAR 83 STATUS X FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

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MEMORANDUM

NATIONAL SECURITY COUNCIL

September 29, 1983

INFORMATION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: NORMAN A. BAILEY *MB*  
SUBJECT: Regan Memo on Bermuda

Secretary Regan has replied (Tab I) to your memo (Tab II) on Bermuda, basically saying that while they are sensitive to the issues involved, they have to ". . . comply with the requirements of the Act."

The Bermudans are coming to Washington for negotiations October 19 and 20. I will inform you of the results.

Attachments

Tab I Memo from Regan  
Tab II Clark Memo to Regan

cc: Robinson  
Sommer  
R. Lehman

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1120

CO 018

FG012

F0003-01

FG006-12

WPC HAS SEEN

NSC#8306853





THE SECRETARY OF THE TREASURY  
WASHINGTON

September 27, 1983

MEMORANDUM FOR THE HONORABLE WILLIAM P. CLARK  
ASSISTANT TO THE PRESIDENT  
FOR NATIONAL SECURITY AFFAIRS  
THE WHITE HOUSE

Subject: Bermuda and Exchange of Tax Information

As you anticipated in your memorandum of August 27, 1983, Bermuda has asked for negotiations on an exchange of information agreement that will satisfy the requirements of the Caribbean Basin Economic Recovery Act (the "Act"). We are extending an invitation for a Bermuda delegation to come to Washington for negotiations on October 19 and 20.

In our negotiations we will keep in mind the broader interests which the United States has in retaining and fostering good relations with Bermuda. We must also, however, comply with the requirements of the Act. While we are confident that both objectives may be satisfied, you should be aware that the Act is quite specific in its standards for exchange of information agreements.

The Act provides that the exchange of information agreements must supersede local nondisclosure laws relating to bank secrecy and bearer shares. A limited waiver provision, discussed with Bermuda's lobbyist, was added to the Act in response to Bermuda's concerns about exchanging bank account information for purposes of a purely civil tax matter.

As finally passed, the statute provides that the exchange of information agreements do not have to cover information subject to bank secrecy or bearer share nondisclosure protections in the case of information sought only for civil tax purposes if two conditions are met. First, the Secretary of the Treasury, after making reasonable efforts to negotiate an agreement superseding such financial secrecy laws, must determine that it is not possible to conclude an agreement which contains such a provision and that the agreement negotiated will significantly assist the administration and enforcement of U.S. tax laws. Second, the President must determine that

such an exception to the standards for the exchange of information agreements is in the national security interest of the United States.

The statute requires that the override of financial secrecy apply with respect to information requested in connection with a criminal tax investigation. The exchange of information agreements must also cover information requested for civil tax matters that is not subject to financial secrecy protection. Treasury's negotiating flexibility is therefore limited, even if the waiver provision is invoked.

Treasury's negotiators will ascertain the nature and scope of Bermuda's bank secrecy protections during discussions with Bermuda's representatives. It remains to be seen whether the Act's requirements regarding bank secrecy will impede the successful conclusion of an exchange of information agreement. We understand that Bermuda generally does not permit use of bearer shares.

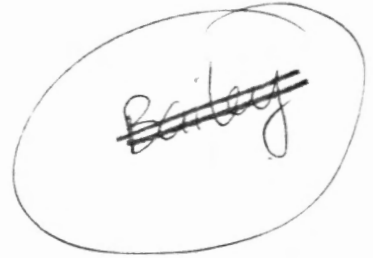


Donald T. Regan

## THE WHITE HOUSE

WASHINGTON

August 27, 1983



9/15  
9/28

MEMORANDUM FOR THE HONORABLE DONALD T. FEGAN  
The Secretary of the Treasury

SUBJECT: CBI Legislation and Bermuda

The Government of Bermuda will undoubtedly ask for negotiations on an information exchange agreement in order to qualify for convention tax credit status under the terms of the CBI legislation.

Should the negotiations not be concluded expeditiously and with a positive outcome? In terms of revenue implications, it should be borne in mind that we pay Portugal/Azores \$40 million a year for the Lajes facility on Terceira Island and nothing to Bermuda for similar and equally vital ASW facilities.



William P. Clark

822

National Security Council  
The White House

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Executive Secretary

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John Poindexter

Bud McFarlane

Jacque Hill

3

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Judge Clark

4

✓

I

John Poindexter

Executive Secretary

NSC Secretariat

Situation Room

I-Information

A-Action

R-Retain

D-Dispatch

N-No further Action

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RECEIVED 27 SEP 83 20

TO CLARK FROM REGAN, D

DOCDATE 27 SEP 83

KEYWORDS ECONOMICS

BERMUDA

CBI

CM

SUBJECT BERMUDA / TAX INFO

ACTION: PREPARE MEMO FOR CLARK

DUE: 30 SEP 83 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

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Noted by Clark

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