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**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. 742/89**

23 February 1989

THE PRIME MINISTER

Dear Mr President, Subject: AML

Thank you for your message of 10 February in which you propose that Summit Governments should consider the problems of "money-laundering" in relation to drug trafficking and other illegal international transactions.

The proposal appears to be very much in line with the passage on narcotics in our political declaration at the Toronto Summit. As you know, a number of international initiatives are already being taken. But I assume that your representative at the preparatory meeting during the weekend of 24-26 February will be informing his colleagues in more detail of what you have in mind, and they will no doubt consider together how your suggestion should be taken forward.

Yours sincerely

Margaret Thatcher

His Excellency Monsieur le Président Mitterrand, G.C.B.

MRM

cc/c

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

22 February 1989

Charles Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles

At/leg

MESSAGE FROM PRESIDENT MITTERRAND

You asked for a draft letter for the Prime Minister to send in reply to President Mitterrand's message of 10 February, in which he proposes an initiative at the Economic Summit concerning the transparency of international financial dealings and the need to introduce controls to prevent abuse. President Mitterrand's initiative is ostensibly aimed at limiting drug trafficking, but it is potentially of far wider application.

Following the Toronto Summit a special task force of representatives from summit countries met in Washington last September. They discussed follow-up to the call for action on drugs and money laundering in the Toronto political declaration. France however declined to attend. At the meeting of the task force it was agreed that international co-operation was necessary if the demand for and supply of drugs was to be reduced, and a number of specific measures were identified. A report of some kind on work done since Toronto will be needed for the Paris Summit.

Other initiatives in this area include a UN Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, concluded last December; a Statement of Principles on prevention of criminal use of the banking system, endorsed last month by the Bank for International Settlements; and proposed measures by the European Commission to prevent money laundering. We want all states to ratify the UN Convention as soon as possible and then to implement it.

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The purpose of President Mitterrand's initiative is far from clear. Although on the face of it his proposal is directed against drug abuse, it is capable of more extreme interpretation. For example, it could be intended to meet French fears of tax evasion by circumventing current banking confidentiality restrictions. Even on its own terms the proposal is not readily intelligible. We do not understand the reference to involving the International Monetary Fund in the proposed study by summit governments, since the Fund has no obvious responsibility for policing international financial flows.

The Sherpas meeting on 24-26 February will provide an opportunity to seek clarification. We suggest that the Prime Minister's reply need say only that she assumes that the French Sherpa will be informing other Sherpas of French ideas and that they will no doubt consider how to take forward the President's suggestion. But the reply can also implicitly aim to head off some of the more extreme interpretations of President Mitterrand's message and to confine discussion and follow-up to money laundering stemming from drug trafficking. On that basis we could accept further ad hoc meetings of summit experts; but we should resist any creation of permanent machinery.

... A draft letter for the Prime Minister to send to President Mitterrand is attached.

I am copying this letter to Stephen Wall (Foreign & Commonwealth Office).

Yours sincerely
Jonathan Taylor
J M G TAYLOR
Private Secretary

DRAFT LETTER FROM THE PRIME MINISTER TO:

President Mitterrand

PrzAMB

Dear Mr President

Thank you for your message of 10 February in which you propose that Summit Governments should consider the problems of "money-laundering" in relation to drug trafficking and other illegal international transactions.

Re proposal appears to be
I welcome this proposal, which is very much in line with the passage on narcotics in our political declaration at the Toronto Summit. As you know, a number of international initiatives are already being taken. But I assume that your representative at the preparatory meeting during the weekend of 24-26 February will be informing his colleagues in more detail of what you have in mind, and they will no doubt consider together how your suggestion should be taken forward.

[Complimentary close].

CM

