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TO IMMEDIATE WASHINGTON
TELEGRAM NUMBER 1104 OF 2 JUNE
INFO IMMEDIATE PARIS, ROME, BONN
INFO SAVING UKREP BRUSSELS, UKDEL NATO.

SECRETARY OF STATE'S MEETING WITH THE US AMBASSADOR ON 2 JUNE:
EAST/WEST CREDITS AND JOHN BROWN

1. AFTER THE DISCUSSION OF FALKLANDS MATTERS (RECORD BY BAG TO WASHINGTON ONLY) I RAISED WITH LOUIS THE CONNECTION BETWEEN THE UNBLOCKING OF EXISTING CONTRACTS AND CREDIT RESTRICTIONS ON THE USSR. I REFERRED TO THE TWO LETTERS FROM THE PRIME MINISTER TO THE PRESIDENT WHICH, AS YET, HAD NOT BEEN ANSWERED. HMG STOOD READY TO GIVE A POLITICAL COMMITMENT. BUT THE US HAD LINKED THE ISSUE OF CREDITS WITH EXISTING CONTRACTS. JOHN BROWN WAS FACING AN INCREASINGLY CRITICAL PROBLEM.

2. WE POINTED OUT THAT THE 27 MAY DISCUSSION IN PARIS SUGGESTED THAT THERE WERE REASONABLE PROSPECTS FOR A SETTLEMENT OF THE ISSUE AT VERSAILLES ACCEPTABLE TO THE AMERICANS.

3. LOUIS SAID THAT HE THOUGHT WE SHOULD HAVE AN ANSWER BEFORE THE VERSAILLES SUMMIT. HE WOULD ESTABLISH WHERE MATTERS NOW STOOD.

PYM

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