

Q: Sir Christopher, what is the greatest problem facing the European Community at the end of this year as you look into 1975?

A: Well, we'd better look first of all at the problems, of our indigenous problems of inflation, rising unemployment, economic problems aggravated by the external situation and the change in the terms of trade, and the increasing price of oil and energy generally. And this is going to put all the countries in the orbit of the western world under severe stress and severe strain and under severe temptation. Now, what is highlighted above all ---the difference between the comparative success and growth and prosperity of the fifties and the sixties -- compared with the disappointments and the failures of the twenties and the thirties, is that in the fifties and sixties we were living with a certain international discipline, whether in monetary terms and in commercial terms. We had Bretton Woods and we had the GATT. And these international disciplines we had all followed. They weren't perfect. But they were a lot worse than in twenties and thirties when there was nothing. They were rules. International rules that we all followed. Under the situation/<sup>in which</sup> we are going, where every country is going to have very severe political and social problems, the risk will be that some of them will tend to perhaps to type, perhaps, like a \_\_\_\_\_ rhododendron, and try to break away from these roots. Now what we have got to do is to realize that inter-dependence is more important than ever today in the face of these dangers than it has been in the last ten years. And we have got, far from breaking away from these rules, we've got to reinforce them and adapt them to the present circumstances. And never forget that we are in this together -- the corny expression

that we'll either "hang separately or hang together."

Q: Right.

A: And I think this is probably the greatest challenge, not only to Europe, but to the western world as a whole, that we should realize the extent to which we are interdependent and cooperate together.

Q: And that would be your highest priority?

A: I would have thought this the highest priority. And to realize that we can only solve our problems together and not independently.

Q: Now, you've come here to visit with important dignitaries and officials of the U.S. government on your semi-annual consultations and I would like to learn what is the mood which you find in America toward the European Community at this time. What is the American mood and spirit in which you are received here?

A: Very well and very kindly, am I received. Of course the relationship between the Community and the United States covers a very broad spectrum. It isn't just about trade and commerce. This is important in itself. But the Community as such, has taken unto itself a certain number of responsibilities. And there is a vast area -- foreign affairs, defense, and the like which is as yet, still, outside the scope of the Community itself and is still handled by a number of governments. And I think this is a major difficulty. It is found to be a major difficulty by the United States that where anything that is concerned with Community affairs we can talk about. And there is no doubt to whom they address themselves. But when it comes to other matters, the Community has not found the cohesion that we hope to find and that certainly we will find in the long run. But since

the Community was enlarged in 1973, we've lived in an increasingly different world. I mean, in the fifties and sixties, I was in government then and things looked difficult then at the time. It was never easy to govern. But looking back on it, they were kid stakes(?) compared with the problems faced by those with government today. And in these circumstances we found it difficult in Europe to go the pace we would like to go in bringing about economic union, monetary union, and a degree of political union. The fact that we found great difficulty in that period does not mean that it is wrong. It merely means that we have got to get through this difficult period and come out the other side and then go ahead with it. One of two people have said to me: does the fact that there isn't a degree of cohesion that you and we had hoped to see in Europe today mean that Europe is going to break up? And my answer is very definitely "no." Europe is, the Community is, here to stay. All that it is is that it has proved harder than many thought against the background of the difficult world circumstances to bring about the degree of cohesion in many aspects of the Community's life as fast as or to the degree that we ought to achieve.

Q: Do you find in this country a greater tendency toward isolationism as a reaction towards a nationalistic trend in Europe as splintering the Community?

A: Well, I don't think this is right, because I don't think there is a nationalistic trend in Europe, nor is there a splitting of the Community. All that it is is that the member states have not, the

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Community as such has not taken on, they've not handed over to the Community a sufficient degree of responsibilities that many of us hoped would happen. It's going slower than we had hoped. But this doesn't mean nationalistic. The danger of nationalism is brought about by the dangers that we are facing with these high levels of inflation and high levels of unemployment and the like. And this could lead to protectionism. And it is, the answer absolutely is not to go backwards and become more protectionist. It is, on the contrary, the strengths and disciplines that we have had up to now, the rules and the disciplines under which we have been living, to strengthen them. Further to liberalize trade, and that is why we look forward to the multi-lateral trade negotiations, a prerequisite of which is that the trade bill should be passed. That the trade \_\_\_\_\_ should become law. This is absolutely imperative. Because otherwise we won't get these multi-lateral trade negotiations. And ~~xxxxxx~~ either we are going to continue on the road to liberalization or either we are going to go backwards. And we can't, I think it is very important in this year of '75, which, I think, is going to be even harder than '74 was, it's very important for those who are responsible for a very large part of the trade of the world should be sitting around the table looking at each other -- eyeball to eyeball -- and having to account to each other for the actions that they take. This, as I see it, has got a fallout advantage for the multi-lateral trade negotiations.

Q: Where in Europe do you expect the leadership to come that will unify the Community? There has been talk that the French and the Germans might be able to lead the Community into the greater form of cohesion. The question arises as to where Britain stands? Will Britain pull out of the Community, as has been indicated by some people?

A: No. The Labor government, the Labor party always said if they got into government they didn't agree with the terms that we agreed -- the Conservative government agreed -- with the Community at the time of enlargement. And they always said if they got back into power they were going to go back and ask for more. This process is now going on. It will be over, I hope, in the spring of the year. I think that the prognosis is that we will be able to handle this allright. The Community as a whole should be able to handle this. And then the government has said it is going to put it to the people. Either a referendum or a general election. They will put it to the people in the ballot box. I, myself, am absolutely convinced that the destiny of Britain is in Europe. I think this will be increasingly seen by the people. I think it will be increasingly seen by the British people, especially in the difficult times ahead of us, that cooperation and interdependence are going to be the themes, and that it is...we'll be able to face up to our difficulties much better as a part of Europe than outside. I think this will be seen by the people. And if, as I think it will be, the terms which are negotiated by the government with the Community are recommended to the people by the government will certainly be by the Conservative and Liberal parties. Then I am very optimistic about any ballot box operation.

Q: Do you feel that there will be a re-negotiation of terms which will satisfy the British people?

A: Yes. I think what is important is that the government should feel able, as well as the opposition, to recommend this to the people -- that both recommend it. I think we can be hopeful that a satisfactory reply will come back.

Q: How do you feel about a suggestion, which I understand was made by Willy Brandt, etc. that would permit certain of the countries that are in difficult straits, such as Ireland, Italy, and Britain, to use some sort of protectionism. In other words, to be temporarily exempt from certain requirements of the Common Market in order to adjust their economic situation?

A: I don't think this is in the spirit of the Community at all. And I think we've got to all advance together. And we've got to <sup>all help</sup> ~~xxxxxxx~~ each other along. There will be some periods in history where some countries will be economically stronger and others where others are economically stronger. And I think we must advance as one Community and not as two communities -- the rich and the poor. I believe that this is the decision that will.....

Q: What is your forecast for the next year for unemployment, inflation? Will there be double-digit inflation continuing in many parts of the Common Market next year? I think the average is 14 %.

A: Yes. The difficulty here is that whereas in the U.S. you have one inflation problem, and you've got one balance of payments problem, in the Community there are nine countries each with their own inflation rates which vary considerably from pushing 20% on the one extreme and 7%, which the German inflation rate, at the lower. And unemployment rates

are also very different, and the balance of payments are very different in different countries. So it is far harder for us to come out with... the remedies for this disease in one country are different from the remedies needed in another country. And so it would not be so easy for us, as it is possible in the United States, to come out with one program for the whole country, it is not easy for us to come out with one solution for the whole Community. But, I think, that what we've got to do is to decide together what measures are going to be taken by each country so that they are pursued by a background of proper action and of comprehension and cooperation.

A: On a different subject, last year about this time, there was a great deal of criticism on both sides of the Atlantic about the relationship of the United States and the Common Market countries on the question of the Middle East crisis and the support of the U.S. to supply Israel. Do you think, if that situation occurred again today, that the European countries would be able to be more forthcoming in supply of air bases, let's say, for an air lift?

A: Well, of course, this is one of the matters which is way outside the Community responsibilities. It remains the prerogative and responsibility of member states, but I think the hard fact is, is that before the last Middle East war there had been no consultation within NATO in advance as to what was going to be necessary and what the U.S.'s wishes were in this regard. No consultation with our allies. And I imagine lessons could be learned from that. I am not privy to anything that has gone on, but I like to believe that lessons have been learned from that.

Q: On the question of Dr. Kissinger's proposal for an international energy organization and a group of twelve in the setting up of a \$25 billion recycling fund. Do you think that will work? I understand that Europe has an expected deficit of \$30 billion in its oil payments coming for this year.

A: Yes. I think there are three aspects to this. First, you have the recycling. And there is no difference between us that a lot of recycling is necessary. Both inwards to the industrial countries and in a triangular way to the producer ~~countries~~ countries who have built up great wealth in the last year into the underdeveloped countries who have vast populations and who are very short of finance. That money should be recycled into them which will produce markets in turn to the industrialized world. I think it's important that we should explain to the oil producing countries that if they want to live in a happy, contented, and prosperous world this can only come about if the industrialized world is also happy, contented, and prosperous. And that if it is not, then no one is going to be. So recycling, that's one problem. The next problem is that we face very high energy costs. Now what do we do about that? There is a limit what we can do about it. But there are three things on which we all agree, all of us. One is that we should see what we can do about saving consumption, reducing consumption of energy. The second is that we should do what is necessary to promote energy from other sources -- electricity, nuclear, coal -- being less dependent on imports. And thirdly, to make arrangements if there were to be a crisis that we share things out together. And thus to show to the producing world,



I don't regard this as confrontational, I regard it as explanatory. Explaining to the producing countries what it is that the industrialized world is doing faced with the very rapid turnaround that has been brought about by the great increase in oil prices. Now, I think, this will lead to conversations taking place, a dialogue, ~~or~~ or even perhaps a conference -- whatever you choose to call it -- between the consumer countries on the one hand, and particularly the industrialized countries. The big consumers. And the producers. But before we do that, again there is no difference between us, that we should coordinate our approach on this. We should know what we want to talk about in this conference. What we want to get out of this conference. And this is roughly speaking the situation as it is seen on both sides of the Atlantic and obviously there is room in this very difficult situation for which there are no precepts. We have no road map for this. There is plenty of room for differences, for nuance, and modalities as to how we are going to bring it about. But I think on the general principals it is ~~wrong~~ wrong to give the impression that there are fundamental differences in approach on the two sides of the Atlantic.