

**STATEMENT TO BE MADE BY SENATOR FRANK HARRISON WALKER, PRESIDENT OF  
THE POLICY AND RESOURCES COMMITTEE ON TUESDAY 10th JUNE 2003**

I should like to make a statement on Jersey's position regarding the Euro in the light of yesterday's pronouncement by the Chancellor of the Exchequer on the U.K.'s stance towards joining the EU single currency.

The Chancellor made clear in Parliament yesterday that, while only one of the so-called five 'economic tests' had so far been met, the U.K. Government remained fully committed in principle to the U.K.'s joining the eurozone at some future point when the tests were met. He also announced the intention of the U.K. Government to hold a further review of the position in 2004. The U.K.'s decision, whenever and howsoever it is taken, will not be without implications for Jersey and the Policy and Resources Committee intends to consider Jersey's position on the basis that the U.K. will seek to join at some point in the reasonably foreseeable future.

There are several reasons why there will be implications for Jersey from a positive U.K. decision on the Euro. Jersey is in effective monetary union with the U.K. Our local currency has been linked to sterling, in one way or another, for the best part of 300 years. The U.K.'s entering the single currency, that is, the third stage of economic and monetary union as agreed at Maastricht in 1992, will end that particular monetary arrangement and replace it, absent any specific action on our part to do otherwise, with a new one involving potentially most of Europe, based upon rules laid down in Brussels and a currency managed by the European Central Bank, which is an institution of the Community. For example, the interest and exchange rates that bear on the Island and which are presently determined by U.K. monetary policy would in future be those determined by the European Central Bank. .

The Island's linkages with sterling are of course very strong and, I believe, highly beneficial to the Island's citizens. Sterling is legal tender in Jersey, alongside our own currency notes and coins. The Treasurer's promise on every note is to pay its equivalent in sterling on demand, and people are entitled to make such a demand at the States Treasury during office hours, though fortunately few actually do! The basis of the promise is that all the Jersey currency in circulation is backed, pound for pound, by sterling-denominated investments in the name of the States. Current arrangements, including the full participation of the U.K. bank branches in the Island in the U.K. clearing system, are naturally very convenient for Jersey citizens going to and from the U.K., and likewise for visitors. And, above all, a stable and convenient currency is an essential prerequisite of our modern market-based economy that drives our freedom and prosperity. We all depend on money to make our lives work and that dependence involves having complete trust in its value.

So the abolition of sterling, if or when that happens, is clearly a major development for the Island. There would be change to familiar things and perhaps some inconvenience. For example, many items sold in Jersey are pre-priced in the UK and therefore anything other than parity between the Jersey and the UK currency would present local retailers and consumers with difficulties. Over and beyond this there may be implications of a legal character. It is also possible that there might be certain constitutional implications too, concerning in particular the Island's broader relationship with the U.K. and/or the EU. There will be some important choices to be made. For example, would we need formally to adopt the Euro as legal tender for it to be used for transactions in the Island as is presently the position with the U.K. currency.

These, and no doubt many other questions, will continue to need to be addressed. The U.K. will not join overnight. An announcement that the five 'economic tests' have been met, which opportunity I would remind Members next arises in 2004, will be followed by a referendum in the U.K. and there will also need to be a lead in period to allow retailers and others to prepare for the switch over from the pound to the Euro. However, we do need to have worked out our position and assessed all the implications in good time. Our choices may turn out to be limited, or they may be quite wide, but we will not know without doing the necessary work now. Whatever happens, we cannot afford to be uncertain or wrong about a matter as profound for the sustainability as the future of our currency.

I want therefore to take this opportunity, in view of what was said in London yesterday, to inform the Assembly that the Policy and Resources Committee is putting work in hand to analyse all the issues arising for Jersey given the likely prospect of an eventual U.K. decision to join the eurozone. This will build on the

work already done but not brought to a conclusion pending a clearer view of the U.K. government's position. The Chancellor's statement gives us time but, as I have said, there are a number of questions to consider if we are to be well prepared.

I shall return to the Assembly in due course to present more details about how we shall seek, on the basis of the best possible information, to ensure that we lay the ground effectively for a wide-ranging public debate on a subject that will affect in one way or another every resident and every sector of the Island. And it goes without saying that at an appropriate point a comprehensive assessment of all the issues will need to be put before the States for full debate.