

## Statement by Edward Heath (London, 10 June 1971)

**Caption:** On 10 June 1971, addressing the House of Commons, Edward Heath, British Prime Minister, sets out the United Kingdom's position on the future of the pound sterling in an enlarged European Community.

**Source:** Parliamentary Debates. House of Commons. Official Report. Fourth session of the Forty-Fifth Parliament of the United Kingdom of Great Britain and Northern Ireland. Twentieth year of the reign of her Majesty Queen Elizabeth II. Dir. of publ. Hansard. 1970-71, No 818; fifth series. London: Her Majesty's Stationery Office. "European Economic Community", p. 1235-1237.

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[...]

As the right hon. Gentleman the Leader of the Opposition and I both publicly recognised when our rôles were reversed, sterling is not an issue in the negotiations but is a matter to be discussed in the context of the negotiations. So when it was raised by the Six earlier in the year we readily agreed to discuss it.

At The Hague in December, 1969, the Community declared its intention of moving towards economic and monetary union. That raises understandable and proper questions, put to us in good faith, about the adjustments that might be required for a currency in an enlarged Community which had an appreciable rôle as an international reserve currency.

We have said three things to the Community. We have said that as members of the enlarged Community we would play our full part in the progress towards economic and monetary union. That was confirmed in my talk with President Pompidou and in my statement to the House. We have said that we are prepared to envisage a gradual and orderly run-down of official sterling balances after our accession. We have said that after accession we would discuss measures by which a progressive alignment of the external characteristics of sterling with those of other Community currencies might be achieved.

Both of these developments would be viewed in the context of progress towards economic and monetary union. But let me make absolutely clear that we have given no undertakings as to how fast or by what means these developments could or should be brought about. These would be matters for discussion after our entry, when we should be a full member of the Community with all the rights of a member. As I emphasised at the Press conference following my meeting with President Pompidou and in the statement to the House, both President Pompidou and myself agreed that no country's vital interests could be over-ruled by other members. We have made clear the three conditions which any proposal for reducing the official sterling balances would have to satisfy: notably, of course, the protection of the interests of balance holders and the avoidance of unacceptable burdens on our balance of payments.

Progress towards economic and monetary union and the future of sterling in an enlarged Community do involve enormously complex problems. It has to be considered, for example, what alternative asset would be generally acceptable for sterling holders, what arrangements would be needed for holders to acquire such an asset, and what form and maturity of corresponding liability might be undertaken by us. These are not matters to which the Community has clear and agreed answers. They would need a great deal of discussion, both within the enlarged Community and with others concerned. It would be impossible to settle these problems in the context of these negotiations. It is an advantage to us, not a weakness, that they are now left for discussion after our accession, when we should contribute as members of the enlarged Community to the processes of discussion and decision-making.

Two things have happened in our discussions with the Six, and my right hon. and learned Friend was asked a supplementary question about this matter yesterday. First, the Six have become clearer about the size and complexity of the problems to be dealt with in this area. Secondly, they have accepted that, if we become members of the Community, we shall be ready to discuss the whole subject in a fully Community spirit, without preconceptions or prejudices about how to deal with the problems. That is why we are not asked for and have not entered into any specific undertakings or commitments on methods or timetables, and that is why my right hon. and learned Friend's statement of our position has been accepted as disposing of the whole question in the context of the negotiations.