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The risk of fumbling the Europe poll

Ed Balls

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The Scottish referendum showed negativity can win the battle but not the war, says Ed Balls



A national referendum is always a momentous event, and it carries monumental risks. To hold one such referendum in a generation is bold enough. Yet Britain is holding two in three years.

Last year's referendum on Scotland's future was destabilising; I remember well how much concern that vote caused the business community, and the paralysing impact on investment. And by 2017 the UK faces an equally seismic choice on whether to stay in the EU.



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Referendums risk pitting political short-termism and emotion against long-term economic logic — never an attractive prospect for investors. Contrast that with Britain's last big call on Europe, when the government opted to stay out of the euro. That decision was taken in cabinet, on the basis of a Treasury assessment of Britain's long-term national economic interest.

The famous "five tests" guiding that assessment were revealed to a Financial Times reporter from the back of a New York taxi, but that is not where they were drawn up, as myth would have it. They were carefully worked out during visits to Bonn, Paris and Brussels in the year before Labour took power.

While Gordon Brown, who became chancellor in 1997, undoubtedly had an open mind as to whether the tests could be met, I suspected from the outset that they would not be. Twelve years on, with the eurozone locked in a costly crisis, the government's decision seems sounder by the day.

If Britain were to base its judgment on whether to stay in the EU on a similar long-term economic assessment, what would the decision be? Pro-Europeans who say the economic case is unambiguous do their cause a disservice. To deny the serious economic problems involved in continued EU membership is factually absurd and politically unwise.

In economic terms, last September's vote on Scottish independence was about whether to maintain an effective, centuries-old currency union with strong fiscal, regulatory and political underpinning. No one could say the same of the current arrangements of the eurozone, where the focus on Greece's gaping wound is distracting attention from a whole series of maladies facing the bloc's bigger economies.



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Any feasible future for the eurozone will require a much closer union in fiscal, banking and monetary policy. While the UK will thankfully stand outside those arrangements, that undoubtedly makes it harder to maintain influence and prevent the decisions of the eurozone from damaging British interests.

On top of that, increasing labour mobility is becoming ever more necessary as a means of adjustment for under-developed EU countries, just when open migration is becoming increasingly unsustainable — politically and economically — in the UK and elsewhere.

Given all those concerns, I understand the viewpoint of pessimists who cannot see an acceptable future for Britain within Europe. I also agree with Prime Minister David Cameron's insistence on the need for reforms of the single market, labour mobility and benefits, as difficult as they will be to deliver. But the challenges of continued EU membership do not outweigh the economic advantages and potential opportunities.

Europe is our biggest trading partner. We gain hugely from the single market's liberal trade policies and regulatory harmonisation. Much investment in the UK by foreign companies depends on our continuing membership. And our voice in economic negotiations with America and Asia is stronger if we remain part of the European trading bloc than it would be if we were shouting on our own.

In every conversation I have ever had in America, from the White House to the wider business world, the view has been unanimous: do not leave, fight for reform and open markets from the inside.

“The challenges of continued EU membership do not outweigh the economic advantages and potential opportunities”

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A referendum is now unavoidable — I will be voting to stay in — but there are two problems with the government's strategy for winning it.

The first is that Europe's future will be determined over the next five to 10 years. There is no chance of securing meaningful treaty change in the next 24 months. Our EU partners neither have the time nor the inclination to make Britain's needs their urgent priority. It would have been better to offer a referendum after showing that the conditions of continued membership had been met, not just on the promise of future change.

The second (and more serious) problem is the government's reluctance to enter the debate until progress has been made towards a deal on reforms. The eurosceptics are gleefully filling the vacuum, while the pro-Europeans are hampered from making the positive case.

Yet if there is one important lesson from the Scottish referendum it is that, while campaigning on a negative may be enough to clinch the battle, it risks losing the war. The Scottish National party's general election landslide showed how much ground they won with their appeals to youth, patriotism and optimism.

The pro-EU campaign must not repeat the unionists' mistake. It cannot just say Britain will lose jobs and influence if we leave. We have to win the argument that — despite Europe's problems — Britain can be stronger, wealthier and more influential if we stay in and fight our corner.

The government needs to make this case now, rather than wait for the end of renegotiation efforts that in truth can only ever be a work-in-progress. Unionists allowed the end to be dictated by the separatists in one referendum. Twice would be truly reckless.

The writer is a senior fellow at the Harvard Kennedy School and a former UK shadow chancellor and cabinet minister

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