Treasury Committee

Oral evidence: The economic and financial costs and benefits of UK membership of the EU, HC 499

Wednesday 2 March 2016

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Watch the meeting

Members present: Andrew Tyrie (Chair); Mr Steve Baker, Mark Garnier, Helen Goodman, Stephen Hammond, George Kerevan, Chris Philp, Mr Jacob Rees-Mogg, Rachel Reeves, Wes Streeting

Questions 842 - 991

Examination of Witnesses

Witnesses: **Lord Rose**, Chairman, Britain Stronger in Europe, and **Will Straw**, Executive Director, Britain Stronger in Europe, gave evidence.

Q842 Chair: Thank you very much for coming in this afternoon. We will be seeing the "out" campaign and we have a good number of other witnesses to see in the course of this hearing. Lord Rose, you are the Chairman of the "in" campaign and you led the media launch in October. You made a number of claims there. One of your claims, which you quoted as a fact and which is still on your website as a fact, was that EU membership is worth £3,000 to every household in this country. How did you arrive at that figure and what efforts have you made to check it?

Lord Rose: Chairman, good afternoon and thank you for inviting us here this afternoon. As you know, I am Chairman of the campaign and Will is Chief Executive of the campaign, so together we can hopefully give you some granularity on our claims for Britain being stronger in Europe. Yes, I did make the claim and I stand by the claim. This is a number that is derived from quite a number of bits of research. There are five or six different bits of research that went into it. It is a CBI number, and a number that I have been challenged on several times. I was recently challenged on the number on Radio 4. We have been back and had a look at this number, but this is a number that we believe is around £3,000, as a result of the benefits of our membership of the EU. That is predicated on the fact that from this research you can say that the benefits to GDP over the time that we have been in the EU is either 2.5% or 9.5%, and we have taken roughly the middle number of about 5%. That number is between £2,700 and £3,300, which averages out at £3,000.

Q843 Chair: So you think there is a possibility that the benefits may be 9.5% of GDP and you have just taken an average.

Lord Rose: You well know, I am sure, that this is a very difficult area of all statistics. We could spend the rest of our lives arguing about these numbers.

Chair: We will not be doing that, but we might be spending some time this afternoon talking about it.

Lord Rose: Indeed. We do our best efforts. Perhaps I should step back and say that in this campaign we are trying to make sure that we get out facts about possibly one of the most important issues that this country has faced in the last 40 or 50 years. We do our best to make sure that the numbers that we use are numbers that are verifiable and that come from a number of different sources. Additionally, we go to great lengths to make sure that we can justify these numbers. I think there were 12 studies that went into this number. This was a number that the CBI refined down to seven studies. Of those seven studies, five of them came out giving a very positive demonstration of the benefits that came from membership of the EU, and the best possible number that came from that was around £3,000 per household.

Q844 Chair: You are right that they did use five studies. They have not done any work of their own. However, those five studies did not all say that there were benefits from membership of the EU. I do not know how carefully you have looked at these, but one of them says the opposite. Have you taken a look at that?

Lord Rose: Which one? You will have to repeat that, please.

Chair: You said that five studies had been taken by the CBI.

Lord Rose: I just did not hear the name of the study.

Q845 Chair: I have not named it yet. You said that five studies came out providing a benefit to the EU, but I have them in front of me and one of them does not, does it?

Lord Rose: If there were seven studies and five said they were positive, it would imply that two did not.

Chair: I am looking at the five that they did include.

Lord Rose: I have not got the five in front of me; to be honest with you, I have not read them in their entirety.

Q846 Chair: I thought you said that you had looked at this in some detail and that you had done your best to check the facts?

Lord Rose: I have looked at the summary of the findings. The summary of the findings shows that the long-term economic benefits of the UK's membership of the EU outweighs the cost of being in. The question is by how much it outweighs that. The number that we have arrived at is £3,000, which is a number that is effectively mid-way between the 2.5% benefit to GDP and the 9.5% benefit.

Q847 Chair: You are repeating what you have just said. Try to stick to new points if you possibly can. I agree that that is an important point, which we might come back to later. I just want to stick with these five studies. When was the most recent of these conducted?

Lord Rose: I cannot give you the date of that.

Q848 Chair: That was nearly 10 years ago. When was the earliest of those conducted?

Lord Rose: I cannot give you that date either.

Q849 Chair: That was in 2002. How many of these are specific to the UK?

Lord Rose: Will, you will perhaps have to help me.

Q850 Chair: No, I am going to ask Lord Rose these questions. You led with this in your campaign; you led with this as a main point in your speeches. You have begun this hearing by saying that you stand by this number and you have said that you have been into this in detail and that we should examine the whole issue with granularity this afternoon. That is what I am now doing, and I am asking you whether you know which of these five studies, on which the CBI based this number, are UK-specific?

Lord Rose: When I was challenged most recently on this number, I went back to my colleagues in the organisation and we reviewed these numbers. We went back to the CBI and asked them. The CBI themselves reiterated on 5 February that they stood by the number. I have taken that as being the number that I wish to stand by. If you are asking me a different question—

Q851 Chair: No, I am asking you—and I will repeat it in case you have not understood it—

***Lord* Rose**: I have understood it well.

Q852 Chair: The question is: which of these studies is UK-specific?

Lord Rose: I have not read all of the studies myself; I want to make that quite clear.

Q853 Chair: Have you read anything in detail about these studies?

Lord Rose: I have read the summaries. However, you should understand, Chairman, that I am effectively the non-executive Chairman of this organisation.

Q854 Chair: As the Chairman of this body, you led the campaign. You have launched it and made several speeches using this figure. It is prominently fronted on your website. You have also used the figure in a newspaper article. You have defended it several times in the media, including on the *Today* programme, and you have also elaborated on it to claim that there is an investment to be derived from the net contributions that we are making to the EU. You have used the counterpart to that figure of £3,000 in order to obtain your investment. All of those claims are things that need careful examination. That is what we are doing this afternoon.

I will now give you the facts. Two of these five are not UK-specific; they are just general studies about the EU. None of the studies about the UK have been done in the last 10 years. They give widely varying answers based on wholly incompatible methodology. They are not capable of being added up and then averaged out. To do so would be, frankly, not just statistically incorrect but nothing short of a scandal. That is exactly what you have on your website. You purport to be leading a major campaign supporting one particular view in a decision that is very important to this country. What I would ask you to do is go back and take a look at this figure very carefully and think hard about whether you want to carry on giving out such misleading statistics. Do you even know how the CBI have described this figure in their own literature?

Lord Rose: Mr Tyrie, you have made it quite clear that you think the information that I have put out is absolute rubbish, and you are obviously entitled to your own opinion. I stand by what I have said. You are perfectly entitled to call my credibility into doubt, but you are effectively saying that the CBI, which is a much respected organisation in the UK representing business, is actually putting out propaganda that is untrue. Frankly, I find that quite incredible.

Q855 Chair: Do you know what the CBI have said about their own figure in the document? Did you read how they described this in their own document? This document was published three years ago by the CBI and is called "Our Global Future". Have you actually looked at the document?

Lord Rose: I have read millions of documents, Mr Tyrie.

Q856 Chair: I am not asking you about the millions of documents. I am asking you about whether you have actually ever looked at the document that you have been quoting directly in this campaign so far.

Lord Rose: I do not know which document you have in front of you. I am sure you are about to tell me. I have read all of the documentation that we have put out about this campaign and I am confident that the numbers that we are putting out are, to our best estimates, accurate. We are trying to put out best estimates. As you pointed out at the beginning of this conversation, it is very hard to get absolutely hard facts that are provable all the time. We are trying to give a general direction of travel. The general direction of travel proves, not only from this survey but many others, that actually the benefits of being in EU are outweighed by the costs. That is the fundamental debate that we are having. I stand by what I say.

Q857 Chair: You have told me that you have read this document. I am not absolutely clear from your answer whether or not you have in fact read it. Are you aware that the CBI have not described this as a fact, as you have? They have described this conclusion as an inference. They have said, "It is not unreasonable to infer".

Lord Rose: I will only quote what the CBI said on 5 February. They reaffirmed their views, sticking to the 4% to 5% and £3,000 figure. That is what they said on 5 February.

Q858 Chair: They have not described it as a fact. To do so strikes me, and I think any reasonable observer, as a scandalous misuse of data. Do you not even see any aspect of the suggestion that I am making that there is intellectual dishonesty in persisting with this?

Lord Rose: I rather regret you are implying that I am intellectually dishonest, which is what you are saying. I am a businessman who has been 45 years in business—

Chair: You have not looked at the detail.

Lord Rose: Mr Tyrie, perhaps I can have the benefit of being able to reply to your question. I have been in business for 45 years. I have worked in Europe. I have lived in Europe. I have imported from Europe. I have exported to Europe. I have hired people in Europe. I have fired people in Europe. I know Europe pretty well and I know by and large, from my practical experience, that there are benefits of being in Europe. That is why I have taken on this mantle of being Chair of this organisation.

We can sit here all afternoon debating the specifics of a document or documents, and I respect your intellectual rigour. However, at the end of the day I will stick by my number and you will sit here challenging my integrity.

Q859 Chair: You are leading the campaign with this number; this is not some recondite number in a footnote. I would quite understand if it was. This is one of the most important components of the case that you want to put for continued membership of the EU.

Lord Rose: Mr Tyrie, there are loads of other numbers—

Q860 Chair: Do you not think it is incumbent on you to make absolutely sure that number is—

Lord Rose: Yes, and to the best of my ability—

Chair: You come before the Committee and you did not even know that one of the five studies in question concluded that there were net disbenefits to being in the EU, nor did understand the methodology, did you, Lord Rose?

Lord Rose: I am sorry, Mr Tyrie. If we want to start insulting each other—

Q861 Chair: Did you understand the methodology?

Lord Rose: I understand it perfectly well, thank you very much indeed.

Q862 Chair: You do understand the methodology. In that case, when you gave me the reply that you did not know which of these were UK-specific and which were not, you were having a momentary lapse of memory?

Lord Rose: You can draw whatever conclusion you wish.

Q863 Chair: Now, let us turn to this investment figure that you have used. What is the return on the investment that you are citing in this 10:1 return?

Lord Rose: We are saying effectively that the cost of being in Europe is around £350 or £300 per person and the benefit is £3,000. It is a very quick and dirty, rudimentary return on investment.

Q864 Chair: What is the £300 figure?

Lord Rose: The £300 figure is a number that is effectively the cost of being in the EU. We will have another debate this afternoon about what the net cost of being in the EU is. If we believe that the average net cost over a five-year period is something like £7.1 billion and we divide that by the number of households, you get a number of around £350.

Q865 Chair: This is comparing contributions from the public purse, although you have not made this clear yet, with a completely different number, which is a division by household of a spurious assessment of the improvement in GDP as a consequence of membership?

Lord Rose: It is a net contribution.

Q866 Chair: I was not referring to whether it was gross or net. I am just trying to understand what the two components of this investment are: the investment and the return. It strikes me that you have not understood that either, and this is also prominent in your literature. The economists have come before this Committee and told us that it is intellectually dishonest to persist with these claims. I have not seen any evidence to suggest that there is anything that can support the word "fact" being associated with the claim that we are £3,000 per household worse off if we leave the EU. Do you not think you ought to take this back and take a look at it and see if, for the next four months, we can have a campaign based on something more reliable, and do we not owe the public something a little bit more reliable?

Lord Rose: We will never arrive at a number that we agree on. I am saying to you that, whether the number is £2,000 or £4,000—let us call it £3,000 on average—there is a benefit that accrues from us being members of the EU. I believe that to be the case and I have seen that with my own eyes.

Q867 Chair: There may well be, and many of us around the table may agree with you that there is a benefit to membership of the EU. It is not going to be derived from calculations as misleading as this.

Lord Rose: I think you said yourself at the beginning that there is no absolute number.

Q868 Chair: It is a great shame that the campaign should have begun with both the "ins" and the "outs", who we will be having before us shortly, making claims on the basis of a scandalous abuse of data that serves no public interest. I deeply regret that you are persisting in defending such a blatant—

Lord Rose: I deeply regret that you are impugning my integrity but that is a fact of life, is it not?

Chair: I have not impugned your integrity. I have tried to make clear that you should be trying yourself to make every effort to understand the numbers that you have put out.

Will Straw: Can I come back on some of those points? Obviously they relate to the campaign as well, and as the Chief Executive I would be keen to follow up on those. It is a very standard economic practice to carry out a literature review, looking at a range of different studies. That is what the CBI have done with this. With this statistic, and all the others that we have used, we have made every effort to ensure that we are using the most accurate piece of information. The reason for that is that when we have conversations with voters, which we do on numerous occasions, what is clear in this referendum debate is that people want information and want to understand what the benefits and costs are of EU membership. We have challenged and probed with this number and others, and we have satisfied ourselves and others people, including the InFacts website, which has looked at this number and said that our usage is okay, and we have continued to use it.

We have been careful in all of our literature, including the newsletter that we sent to 14 million households just after Christmas, to make sure that we were accurately sourcing the claims that we were making. I am sure that you will use the same rigour to challenge those from the other campaigns about the claims that they have made, which have been promulgated much more widely, that the cost of the EU is £55 million a day, or £350 million a week.

Q869 Chair: We are not going to discuss those today; they are for another day.

Will Straw: Just to be clear on that, we have always sourced and we have been clear about where the figure comes from. We have talked to the CBI again and again about this, to satisfy ourselves that the number we are using is accurate.

Q870 Chair: They are not describing this as a fact, Mr Straw.

Will Straw: We are saying it is the average benefit.

Chair: They are not describing it as a fact.

Will Straw: We are saying it is the average benefit to households. We are saying that it outweighs the costs and the net contribution by nearly 10 to 1. We have satisfied ourselves that that it is accurate and we will continue to use it. I understand that people will challenge that, as is absolutely their right. We are satisfied as a campaign that the figure that we are using is a central estimate of what the contribution of being in the EU over a 40-year period is. I might add, because you have implied it, that we have never claimed that the cost of leaving would be equivalent to £3,000 per household per year. We do not make that claim and we have not made that claim. The reason for that is this is a series of studies looking backwards on the benefits of being in the EU since we joined in 1973. It is much more uncertain about what the costs would be if we were to leave, which is why we have been very careful about that.

Q871 Chair: You are right to make that correction. That still leaves the gaping holes in the methodology of the £3,000, though, does it not, Mr Straw?

Will Straw: We do not believe so. I understand your line of questioning, but we believe that we have spent a huge amount of effort to verify this model, which is what it is. The model gives an average benefit per household per year of Britain's membership of the EU against a counterfactual of our having not joined in 1973. That is an extremely hard thing to calculate but this CBI study, which is based, as you have said, on a range of different studies, comes out with this central core estimate of 4% to 5% of GDP. When calculated on a per-household-per-year basis, this amounts to £3,000. We will continue to use it because we think that we can stand it up and we think that the CBI can stand it up as well.

Q872 Chair: You said you are Chief Executive. This is described as an inference—something that is not unreasonable to infer.

Will Straw: We have talked to the CBI—

Q873 Chair: Do you think that it might be a good idea if you at the very least change this figure on your website to make clear that this is an inference and not a fact? Do you not think it would be a good idea if you had a word with your Chairman, and tell him to desist from describing it as a fact?

Will Straw: I would not tell my Chairman to do that, no. We will continue to talk to the CBI and others about whether this is the best estimate of the benefits per household per year of our membership of the EU.

Q874 Chair: These are studies that have been done 10 or 15 years ago on different time periods and for different groups of countries, where the range of costs and benefits that each of those studies is considering varies widely. This is not just an "apples and pears" problem; this is an "apples and elephants" problem. The range of creatures involved in these studies is so different as to be absurdly incomparable. That is exactly what you have done by adding them up and describing them as a fact.

Will Straw: You will be used to economists coming in and giving evidence to this Committee and giving a wide range of different interpretations.

Q875 Chair: They have all come before us and told us that these numbers are nonsense and one of them described it as intellectually dishonest.

Will Straw: That has not been our experience of talking to the CBI, which derived this number, and understanding whether it is a fair use, which we will continue to do.

Q876 Mark Garnier: Good afternoon. Mr Straw, perhaps I can address my questions to you but, Lord Rose, please do leap in if you would like to present an answer. Can I switch to the trade balance that we have with Europe? I know one or two of my colleagues will want to talk about trade balance in goods but I want to concentrate on services in particular. It is fair to say that we have quite a significant trade surplus in terms of services. Would you happen to know the number? The reason I am asking is because I have not found out myself.

Stephen Hammond: £15.4 billion in 2014.

Mark Garnier: £15.4 billion. That massively reduces our trade deficit, if you take goods and services together. Therefore, services are clearly a very important part of this country's relationship with Europe and are something very beneficial to us. In 2013 the All-Party Parliamentary Group for European Reform concluded that there is no single market in services in the EU. The Department for Business, Innovation and Skills stated, "Where the single market is most obviously failing to fulfil its purpose is in services." What is interesting is that we have a trade surplus in services with a part of the EU that is not working as well as we would perhaps like it to. Do you see that that gives us an opportunity or a disadvantage? Do you think we have a trade surplus because it is not working, or do you think we have a trade surplus despite the fact that it is not working, Mr Straw?

Will Straw: It is an opportunity for the UK. We know that 78% of our economy is services. It is a larger proportion than some of our European neighbours. There is a huge prize to us from completing the single market in services. This is the case for financial services, which contributes hugely to that surplus in services trade, but also for newer industries like the creative industries. The European Union is trying to complete the digital single market at the moment. I think there is a huge prize for the UK. We produce some of the best content in the world, whether that is TV dramas or music, film or the post-production that we have here in London. The opportunity for the UK to be able to sell that content across Europe and to harmonise the way in which different platforms are used is a massive prize for us. I know that there have been some studies looking at what the potential benefits are for the UK, which we would be happy to provide as a supplementary answer.

It is clear to us as a campaign, and clear to me, that in services there is more work to be done but the benefits are very much from being inside the EU. You could draw a comparison with Canada, which is sometime cited by those wishing the UK to leave the EU as an example of a good free trading agreement. However, Canada does not even enjoy the same access to the single market and services that we currently have, so I think it would be hugely inferior to what we have at the moment.

Q877 Mark Garnier: The Government have repeatedly emphasised the importance of deepening the single market in services, so clearly it is to our advantage if that is the case. Do you think other member states are as enthusiastic as we are to deepen the single market in services?

Will Straw: It is fair to say that we will be one of the more enthusiastic countries in relation to services, partly because it is a larger part of our economy. Services makes up a very large proportion of other markets as well, and of other countries' economies. The key thing is that there has been progress with the digital single market. It has not been perfect. We all know that comprise is inherent in negotiating EU legislation. It is important that we get this right. I know that the Premier League and some of the music writers want to make sure that we get this absolutely right, and that is very important. However, because services is such a large part of our economy, if we were to leave the EU we would almost certainly want to negotiate single market access to services. We have a much better opportunity of being at the table, fighting for creative industries and financial services, by remaining part of the European Union.

Q878 Mark Garnier: I just want to go back to the point you made about Canada not having access to the single market in services. If that is the case, what is to say that, were we to come out of Europe, we would get exactly the same access—a Norwegian type of model, if you like? Is that not a risk to us? At the end of the day, most people in these campaigns are talking about the trade balance in goods rather than services? Clearly if we were to lose part of that trade advantage in services, our trade deficit in Europe would increase quite dramatically.

***Will* Straw**: I think it is a huge risk to the UK. We know, not least because of the documents the Government is publishing today looking at the most likely alternatives—with the exception of Norway, which I will come on to—whether it is Switzerland, which has no access to services, Canada, which has partial access to services, or WTO arrangements, which would increase tariffs on services by moving to the most favoured nation arrangements, that they are all detrimental to what we have at the moment. I do not think it is good enough to say that we would get a free trade agreement with friendly co-operation without thinking about the harm that that would have on the services sector in the UK, the harm that it would have on people working in the services sector in the UK—in financial services, the creative industries, other business and legal services—and the impact that it could have on prices.

Norway is an example of a country that has access to the single market in both goods and services, but they pay into the EU budget and accept the rules and regulations, including freedom of movement, yet have no say over how those rules and regulations are fixed. It was interesting to hear Lord Mandelson give a speech yesterday about the problems, if we came out of the EU, in negotiating a new deal with the EU. He recounted his experience as the EU Trade Commissioner, going into important trade talks and having the Norwegian Trade Minister try to grab him before he went into the talks because they had not been in the caucus meeting beforehand with all the Trade Ministers from other member states. That is not a situation that I think we want to be in. I do not think Britain should be trying to grab the arm of the Trade Commissioner as they go into important talks.

Q879 Mark Garnier: I agree with that. Turning back to the Swiss model, the Swiss economy is probably more similar to ours; the Norwegian economy is very much resources—oil and gas. For our economy and the Swiss economy, financial services are very important. Why has the Swiss Government not managed to secure access to the single market in services? Why is it only in goods?

Will Straw: That is probably a question better directed at a member of the Swiss Government. We have talked to people from Switzerland and Norway but not in that level of detail. I would be very happy to go away and provide supplementary information.

Q880 Mark Garnier: That would be incredibly helpful. It is a slightly strange argument that we keep having. People keep saying that BMW will want to sell us cars. It is a perfectly reasonable assumption to make. Of course they will, because we have this trade deficit with European goods, which is quite a significant one. We have a lot to lose in the service side of things.

Can I turn to a slightly different angle, which is about the Chinese? George Osborne has done very good work with the Chinese in terms of securing offshore renminbi headquarter trading in London. It is certainly the case, most people would agree, that London is the world class financial services and banking centre, and that it is the case that the offshore renminbi trading is here because we are the finest foreign exchange centre in the world. Is it not also the case when you go to other countries, such as America or China, and you ask them why they want to have financial services centred in the City of London, that it is in part to do with the fact that we have a world class business infrastructure and niche in this area, but it is also to do with the fact that the City of London provides a financial services gateway into the single market in Europe. Would you agree with that and can you discuss that?

Will Straw: I would absolutely agree with that. It was striking towards the end of last year that there were a number of interventions made by different leaders of major countries around the world, including President Obama, President Xi Jinping and Prime Minister Modi of India. I can provide the precise quotes, but essentially they were saying that one of the great attractions to their relationship with the UK was that we were a launch pad to the EU; I think that was the phrase that Prime Minister Modi used. That is clearly true in services, as it is in goods as well. In terms of our leadership in the world and not just our trading relationships, we would take a huge step back if we were to leave the EU.

Indeed, it has been claimed that the EU holds us back in some way in negotiating these new free trade agreements with America or with China. Nothing could be further from the truth. Why would you want to cast off the 50% of our trade with the EU in order to trade with these other countries that make up just 6% or 7% of our trade? Of course we want to trade more with countries like China and India, but I think it is noteworthy that Germany trades four times as much as we do with China and is inside the European Union.

Q881 Mark Garnier: There is an important point on this. You say that we would like to trade with India, China, America and all the rest. If you were to put yourself in the position of being an Indian, a Chinese or an American, would you see yourself trading with the UK or would you see yourself trading with Europe? That is a key difference. I suspect it might be the latter.

Lord Rose: I suspect it might be both, to be perfectly honest with you. To answer your question anecdotally, I travel an awful lot. Everybody that I speak to, whether it is in the Far East, the Middle East or North America, actually says, “The reason we do business with you is we want access to Europe”, and that is the reason that many of these countries do invest here and why such a large proportion of the FTSE 100 have bases in the UK. That is definitely the messaging I get.

Will Straw: The US trade representative Mike Froman could not have been clearer last year when he said that the US was only really interested in negotiating trade deals with regional blocks. We have seen for years the difficulty that the US Congress has in passing trade deals. They want to negotiate big trade deals with big groups of countries. He said that he did not think that the UK would be top of the list.

We also need to think about how we can get the best deal for British citizens. Simple arithmetic shows we can achieve more at the level of 500 million than we can at the level of 65 million. You only have to look at the trade deals that Switzerland negotiated with China recently. They are sometimes held up by those campaigning to leave the EU, but China gets immediate access to the Swiss market whereas Switzerland has to wait five to 15 years for access to the Chinese market. That does not sound like a good deal.

Q882 Mark Garnier: We would definitely be better than Switzerland; we are a bigger economy.

Will Straw: We are. That is true, but we are not as big as China. We are 5% of the size of China with its 1.2 billion people, whereas negotiating at the EU level we are just half the size. It is important, in doing what is right for Britain, not to talk us down and not to hold one hand behind our back by trying to go up against these very large countries with over 1 billion people. Let us club together at the European level to get the best deal for this country and for our citizens.

Q883 Stephen Hammond: Good afternoon. I will continue with Mr Garnier's thrust on economics and sovereignty. In terms of economic governance, the leaders of the EU have broadly agreed a set of principles that basically outline that those outside the eurozone banking union should not be discriminated against. What evidence can you point to that this is both legally binding and enforceable?

Lord Rose: The deal is legally binding. The deal is an international law decision; the Prime Minister cannot give away further powers without going to another referendum. Whether it is the Attorney General, a former Attorney General or the Solicitor General, they have all confirmed that this is legally binding.

Q884 Stephen Hammond: You are convinced that the UK staying outside the eurozone has the right to ensure that any decisions that the eurozone takes cannot affect the whole of the EU. You are convinced that that is enforceable by the courts.

Will Straw: The text of deal was placed at the United Nations last Wednesday. I think it is clear from the big debate last Wednesday. Of course, people can offer a range of different legal views. We are satisfied, and believe that the Government are satisfied, that this is legally binding.

Q885 Stephen Hammond: I mentioned earlier that there was a surplus in services—largely financial services—since 2005, and the 2014 surplus was £15.4 billion. I would be keen to understand where you see, if we were outside the EU, there would be specific threats to that, given that the UK trades more euros outside the eurozone than clearly the eurozone countries do. There are a number of people in the "leave" campaign that contest that the City of London is so well established. Those are the sort of examples that they point to when they say that £15.4 billion would not be under threat.

Will Straw: Take it from people in the financial services sector. It strikes me that they are best placed to talk about benefits of being in EU and of the impact of leaving. We know that the UK is a major global hub for international wholesale finance. We have got many important centres of financial services in the UK, not just London but Leeds, Liverpool, Birmingham, Bristol and Manchester, and 2 million people working in this sector. As we know, we lead the world in many specific aspects of financial services.

There have been a number of economic studies carried out by different financial services institutions. I saw this morning in the *Financial Times* that BlackRock produced another study on the back of reports from Morgan Stanley, HSBC and others, setting out the economic harm to the UK and indeed to the financial services sector. A number of individuals within the financial services sector have spoken on a number of occasions about the problems. In September 2015 the British Bankers' Association stated that banking needs access to the single market. The banking industry has been very clear in the past that our interests lie in the single market. London First, which represents a number of financial services firms and others, say that the single market of the EU has opened up European markets to competition by creating common rules.

Q886 Stephen Hammond: There have been a lot of people. Like a number of people around this table, I spent 20 years in financial services before I came to this place. It is a fairly balanced argument, with all of the numbers that you have talked about. There are two key things, it seems to me. One is around the potential to resist regulation from the EU that we do not want and that would impact on the City of London, most notably the bonus cap and the financial transaction tax. Equally the benefit is that we would ensure that EU denominated trades clear through London, which is likely to rise, if anything, given the amount of activity in the Far East. Can you give any sense of any work you have done on whether or not we can protect the clearing house aspect outside the EU?

Will Straw: I am not an expert on that, but I would be happy to provide supplementary evidence. What I would say is that there will of course be some aspects of financial regulation that parts of the City will not appreciate. The Treasury and Government Ministers arguing at the ECOFIN meetings, have the opportunity to put those views across. In some instances it has been UK authorities pushing for stricter rules, rather than it being from the EU. There will be give and take here. The important thing is that we have a seat at the table and can shape the discussion.

Lord Rose: I think that is the important thing. As has been pointed out by several people, we do enjoy a trade surplus. We are very good at what we do in terms of financial services. They cannot do without us and, as one of the Members pointed out quite rightly, overnight those services will still be required. It will certainly be an open door or an opportunity, if we were to come out of the EU, for those who want to claw back some power to the European banking centres, to do so. I think it would make our life harder. I concede that it will not happen overnight. We work very hard and we have pushed very hard for 20, 30 or 40 years to get to a position where we do enjoy that pre-eminence. We would risk it if we went the other way.

Q887 Helen Goodman: You will not be surprised to know that, as a Member of Parliament representing the North East, I am slightly more interested in the trade in goods. The proportion of our exporting goods to the EU has fallen in the last 15 years from 60% to 48%. Why do you think this is? I do not know which of you wants to answer.

Lord Rose: The world has got bigger; it is mathematics. I will start from a slightly different place. First of all, half of our business—48%—goes to Europe. That is something that we enjoy massive benefits from in terms of the ability for us to free-trade across those borders and we must protect that at all costs. My argument, simplistically as a businessman, would be: would you alienate your biggest customer when you went off and chased a new customer? No, you would not; you would put your arm round the customer who is your biggest customer and say, “Thank you very much indeed. We love your trade and want to continue with it,” and you go and grow your business elsewhere. It is true that some of the economies, like the BRICS—although not all of them—are growing pretty fast and that we have enjoyed some growth there. If you take the mathematics about what we sell to the BRICS economies—I do not know; around 6% or 7%—and what we have in Europe, you have to go a long way before you replace that 48%. Why can I not have both?

Will Straw: The volumes have also increased. To draw on Lord Rose’s point, although the percentage of our total share going to Europe has fallen over time, the actual volume has increased, and that has meant more jobs in the UK. We have seen that with the automotive sector as a shining example, thanks to a combination of industry ingenuity and industrial policy by the Government and inward investment. This was a sector that was on its knees just 20 or 30 years ago. It is absolutely growing and is a £60.5 billion industry now. Over 40% of the cars manufactured in the UK are exported to EU, supporting nearly 800,000 jobs. That is an example of how, when we have got policy right and when we have encouraged inward investment, we have been able to see our goods export increasing. I believe there is a surplus in the UK for the first time in years in trade in the automotive sector.

Q888 Helen Goodman: That is true; the automotive sector has been very successful but the deficit in our trade with Europe on goods has grown from £8 billion to £79 billion, so almost tenfold. Why do you think we have got such a big deficit with the Europeans on trading goods?

Will Straw: We have deficits with many countries in the world. If you look at China as an example, we would have a deficit as well in goods. The important thing here is that we do need to do more to improve the export performance of our manufacturing and other goods industries. Would that be helped by pulling out of the EU? Absolutely not.

Lord Rose: I think it would make it harder. I travel a lot in the UK and I have been around quite a number of businesses before I was involved in this role. Perhaps one in 10 or one in six manufacturers say to me that they could see some benefit from being out of the EU. They also see the benefit of being in. You have raised a completely different point, if I might say so. It is down to how good we are at innovating, how good our IPR is, and how good we are at creating product at the right value—price times quality—that people want to buy from us. It is easier for them to do that in an open market than a closed market. A guy said to me at a bicycle manufacturer the other day, “It is much easier for me to send things to Brussels than to Bogotá.” That is true.

Q889 Helen Goodman: That is true. Of course that is true and of course if we were to leave Europe we would face some tariffs that we do not face at the moment. Mr Straw, I think you used the figure of 800,000 jobs coming from exports to Europe.

Will Straw: In the total automotive sector.

Q890 Helen Goodman: No one would think that if we were to leave, all of those jobs would disappear or all of those exports would disappear. Have you got any sense, taking account of the elasticities, of what sort of reduction in the level of exports you would expect and what sort of reduction in the level of jobs you would expect?

Lord Rose: It goes without saying that if we were to have a termination of the existing arrangements that we have, we would have to work very hard to put in place arrangements as good.

Q891 Helen Goodman: I understand that. What I am trying to get at is we cannot claim that the whole 800,000 as a benefit of being in Europe. What can we claim?

Lord Rose: If it is 800,000 in automotive and 4 million in total that are associated with our export of goods and membership of Europe, and we were to become less competitive, then it follows logically that we would see some diminution in jobs. I have to point out that that is exactly what some of the "leave" campaigners themselves have said. They have said that there will be a reduction in jobs; there will be some pain. I think Arron Banks said it himself. That is out there and a risk. Can I quantify the risk? No, of course I cannot, but I seriously see that as a risk.

Will Straw: One of the problems in this debate is that we know what the benefits of being in the European Union are and we know that there are benefits of lower prices, jobs, exports, workers' rights and so on. We do not know what it would look like if we left. Even today we have had people on the other side of the debate being unable to give a clear explanation of what Britain's trading relationship would be with Europe and what Britain's future would be if we were to leave the EU. That is deeply problematic because it means that we cannot do a proper assessment of precisely the question you are asking, or other questions around what would happen to prices. It is incumbent that we get a clearer understanding from the other side about what it would look like. They have been honest that, as John Whittingdale said, there may be some costs if we leave, as Lord Rose just alluded to. Arron Banks said there would be pain and Dominic Cummings said there would be problems for some areas in terms of risk in the short term. We know that jobs would be lost; we cannot put a number on it. From my point of view, any jobs lost because we took this leap in the dark would be a huge mistake for this country and for workers in this country.

Q892 Helen Goodman: The average level of tariffs has fallen very significantly. It was 7.5% 20 years ago and now it is about 2.5%. The benefits from being in Europe on the trade basis would appear to be less than they were 20 years ago. Would you accept that proposition?

Will Straw: The problem is, as the Government's document on Article 50 outlined on Monday, if we were unable to come to a full agreement with the European Union within two years of a vote to leave the EU, we would automatically fall into the WTO most-favoured-nation arrangements. That would mean that the automotive sector would face a 10% tariff. That would of course increase the costs of cars for consumers and it would hit jobs in this country. I think that is a very dangerous situation and so far there has been no evidence provided at all that we would be able to get a deal for the UK on at least equivalent terms to what we have at the moment, within two years of our leaving. That is the great risk that we face in this referendum. We know what the positive benefits are; we know the benefits to the automotive industry and other manufacturing industries and services, as we have discussed. We have absolutely no idea what the consequences would be if we were to leave.

> **Q893 Helen Goodman:** You have made a significant play of the size of the automotive industry, and I agree with you that that is very significant. Do you not also think it is significant that Toyota, Rolls-Royce, Opel and Bentley have all said they would continue to invest in the UK and maintain their existing plants were we to leave?

Will Straw: There has been some debate about this. Toyota clarified and said that their statement was a general commitment to the UK market, not a specific statement about the potential Brexit. The Society of Motor Manufacturers and Traders have surveyed their members and found that 92% support continued British membership of the EU. The CEO of Nissan has said, "If anything has to change, we would need to reconsider our strategy and our investments for the future." The Chief Executive of Ford has said that it "cannot make any sense" to leave the EU. The Managing Director of Honda has said, "Anything that weakens our ability to trade with the region," referring to the EU, "would be detrimental to UK manufacturing." There may well be a debate in relation to the automotive industry, but I think the balance of evidence is very clearly on our side.

> **Q894 Helen Goodman:** Lord Rose, I just want to ask you one last question, given your background in retail. Asda have made a public statement that they wish to remain in the EU, but Sainsbury's, Morrisons and Tesco have refused to commit. Why do you think that is?

Lord Rose: The answer they will give you is that they do not want to take sides with their consumers, and I understand where they are coming from. My advice to them privately is to say, 'Look, first of all, you should inform yourself about the facts. Secondly, you should make sure you staff understand what the pros and cons are, what it would mean for investments, what it might mean for jobs and what it might mean for overseas exports, etc," and then give them those facts so that they can make an informed decision about it. They do not want to be seen by their consumers, which is what they say to me, to be taking sides.

Just going back to your previous point, whether tariffs have gone up or down—you are quite right that tariff levels appear to have gone down—any price increases that come through that might have an effect on pricing in the UK is something that is not to be desired. As a supplementary to that, look what has happened with the pound. I was in a separate meeting yesterday with a company that I am involved with. The pound has dropped, and for every cent that the pound has dropped against the euro and the dollar, it is costing this company £500,000 in terms of loss of revenue or loss of margin. We are going to have to pass that margin back on at some point in time to customers, so mathematically that says that if the pound does not recover, at some point in time we are going to have to put prices up. If you add those things to the possibility of new tariff increases, whether they are 3% or whether they are 7%, that says to the consumer, "More expensive goods; more expensive services; more expense." We need to be thoughtful about that.

Q895 Rachel Reeves: Building on the point that you have just made, Lord Rose, in answer to Helen Goodman's question, in terms of our exports, how price-sensitive do you think they are?

Lord Rose: I have been around so long that I have been through, pound low, pound high, expensive to sell, easy to sell. At the end of the day, clearly there is a price band. It goes back to the point about how good we are at exporting. We are as good at exporting as the quality of the goods; I do not mean the absolute quality but the "price times quality times innovation of what we produce". There is a price band. If it is too expensive, by virtue of the exchange mechanism we become uncompetitive. If it is cheap, it is obviously beneficial. We do not control that, but at the end of the day we have to be mindful of the fact that it does affect trade and it is something that we need to be thoughtful about.

Q896 Rachel Reeves: If tariffs were to go up because we left the European Union, what sort of impact do you think that would have on our exports?

Lord Rose: It depends. First of all, a lot of the companies are interlinked; we live in a global society. If we are manufacturing widgets in Wolverhampton, some of those parts of those widgets in Wolverhampton will come from raw materials that come from other parts of the world. If they come from Europe and they are now then taxed, you will be paying more for them. You will have to pass the cost on to somebody else. It is possible that the cost of the goods would go up to the party who is eventually buying the goods. I do not see that as a good journey.

Q897 Rachel Reeves: Do you think that we would lose business? Do you think manufacturers or the service sector would lose business if there were tariffs on our imports and exports?

Lord Rose: If we were to come out of Europe and we do not get as good a deal as we have currently got, then inevitably I see prices moving in one direction, and that is in a bad direction, yes.

Will Straw: If you look at one sector in particular, which is people planning on taking holidays this summer, with the effect on the pound, just in the last 10 days, the cost of holidays to Europe has increased. This is in terms of the cost of booking hotels and on those holidays, if the pound has not recovered, buying food and anything else while on holiday. That is an immediate effect that we can see. There have been reports from HSBC last week suggesting that the pound could fall 15% to 20% in the event of Brexit. That would be a very immediate effect and then, as Lord Rose has been discussing, the consequences of tariffs being increased if we were to move to the WTO arrangements would be very detrimental and would see prices increasing right across the board.

Q898 Rachel Reeves: So there are two impacts, one in terms of exports and one in terms of imports. In terms of exports, it could potentially make our exports more expensive because there would be a tariff, although that may be offset to some extent by a fall in sterling. For imports, it would push the price up, which would make consumers worse off. Have you quantified the extent of that?

Will Straw: It would be very hard to quantify this. Going back to the earlier discussion, we have sought to only make claims that we think that we can support. There have been a number of studies—perhaps not enough—looking at the positive benefits of our membership of the EU, which we have talked about. We are not seeking to make claims about the precise number of jobs that would be lost or the precise increase in prices. It is fairly easy to do in terms of currency for some purchases—for example foreign holidays, which would be denominated in another currency—and it is harder in others.

The important point is that there is huge uncertainty and until we have a clear view from those campaigning to leave about what Britain's future relationship would be with the EU and other countries, it is very hard to judge. We also have no way of knowing whether other European member states would give us that thing that we wanted. If we did not manage to meet that agreement within two years, as the Government document made clear, we would fall into the WTO.

We have quantified what it would mean if that scenario took place. That was a simple piece of arithmetic, to look across the UK and what the effects would be if we moved to all those different tariffs immediately. That cost was £11 billion across the economy.

Lord Rose: The first instinct you would have as a manufacturer, exporter or retailer of goods in the UK, is you would want to absorb that cost if you possible could. Luckily we are very good at what we do, so efficiency has improved dramatically over the last couple of decades. The margins are pretty thin; there is not much fat on the bone. Inevitably, that means that you would have to pass that cost on. However much the cost was, there would be some cost, as Mr Straw said. Quantifying it is quite difficult, but I cannot see it being any way than one-way traffic.

Q899 Rachel Reeves: Another possibility for a manufacturer facing those costs and that uncertainty is just to manufacture somewhere else.

Lord Rose: Yes, or to reduce stock.

Q900 Rachel Reeves: Looking at some of the potential positives, with all the bureaucracy involved in the EU, to negotiate a trade agreement with a country like China or Australia on behalf of 28 countries is obviously incredibly difficult. Would the UK not be in a better position to get a deal from one of those countries if we were negotiating solely in our own interests and just on behalf of one country rather than trying to marry up the interests of 28 different countries?

Lord Rose: This comes back to the debate about scale. Are you better off representing 500 million people going off to offer the market that you can offer them, on a quid pro quo basis, or are you better off going to argue your case for 65 million? Again, going back to my previous experience in business, scale does matter. I absolutely take your point that getting 27 other countries aligned is quite difficult, but if you take the case of the USA or what might happen in Japan, we are well on the way with those deals. I would be very reluctant to give up the benefit, and the benefit has been quantified around if those deals come about. I have a number in my head of something like £20 billion. It is a substantial sum of money.

Will Straw: The other thing that we would need to think about is that if we pulled away from the EU, not only would it be harder for us to get a good deal for British consumers from those countries that we are seeking to get deals with—if we could get them at all, given what I said earlier about the United States' view on a bilateral trade agreement with the UK—but we would also find that it took us many years to negotiate the deals that we already have with over 50 countries around the world that the EU has negotiated. Some of them took a long time; I believe the Canada deal took seven years to negotiate.

I have no doubt that our civil servants in the Business Department would be equipped to drive a hard bargain for the UK. I think they might find that the simple arithmetic will make it harder to get the current deals that we have. They would also have to skill up quite quickly because we do not have a large number of officials in the Business Department who are negotiating trade deals at the moment. We would need to divert huge Government resources, I presume, to try to simultaneously negotiate 50 deals. I think that would be a massive undertaking, and I think that is why the Government documents on Monday set out the length of time that it could take for negotiating not just our own new agreement with the EU, but also agreements that we currently enjoy with all of the other countries we deal with.

Lord Rose: One thing to worry about and one thing that businessmen hate—and I can only talk as a businessman, but business does create the wealth in the UK, by and large—is uncertainty. Forget what has happened with the pound, but just talking about boardrooms and people that I talk to, people are sitting on their hands. They are beginning not to make investment decisions. They will wait to see the outcome of this. Waiting for a week is one thing but waiting for four months is another. Four months in a financial year of a company is quite a long time. Effectively when you press the button to go again, if you decide to do that, you are not going to have any effect until 2017.

I was in Canada last week speaking to quite a number of businessmen. I was there on business. A man and a woman said to me, "Stuart, we have done a deal, but do not go there.' I do worry not about the outcome in 15 or 20 years' time, where you might be able to get something which is eight-tenths, seven-tenths or six-tenths as good as you got today, but about what is going to happen in the interim while you are trying to get those things sorted out. You are potentially facing a recessionary situation.

Q901 Rachel Reeves: Can just ask for clarity on one point? Within those two years we would need to renegotiate a deal with the European Union but we would also need to renegotiate the 50 other trade deals?

Will Straw: No, the chronology would be that we would first of all put our attention onto negotiating a deal with the European Union. We have a two-year deadline. The European Union could chose by unanimity, to extend that deadline but it would need agreement from all 27 other member states. As I have said, there are absolutely no guarantees that, having just had what would be quite an ugly divorce, they would be willing to give us anything like the current arrangements that we have got, particularly if, as those campaigning to leave seem to suggest, we were refusing to put any contributions to the budget and we did not want to accept rules and regulations such as free movement. Only once we have agreed that would we then turn to those other countries and try to negotiate free trade deals with them.

Q902 Rachel Reeves: What would happen at the end of the two years with the trade deals with the other 50 countries?

Will Straw: The Government document is clear that they would lapse.

Q903 Rachel Reeves: So after two years those 50 other trade deals that are between the EU and those individual countries would lapse.

Will Straw: That is correct.

Q904 Rachel Reeves: We would go to WTO.

Will Straw: We would go to WTO most-favoured-nation with those tariffs, as we could with the EU as well, if we had not reached an agreement after two years and they had not wanted to extend it.

Lord Rose: In truth, we do not know because it will all come down to negotiation. Clearly, nobody will do nothing. People will do something. However, what you do not know is what you will get.

Q905 Mr Rees-Mogg: First of all, welcome to both of you. Lord Rose, as a peer, you do not have to come before us so that is very kind of you, and, Mr Straw, you are the son of a very distinguished former Chairman of Select Committees and all sorts of other distinguished things. You are both very welcome and your evidence has been very interesting. I want to follow on from the point on our trade deals, because a lot of them were signed as a matter of joint competence. They are not solely signed by the EU; they are signed by the UK as well. It is highly debatable whether the Government's assertion that they fall is actually correct; in international law they are very likely to stand. There is a very respectable legal argument that they do stand, and I think it is important that that is recognised. You do not dispute that?

Will Straw: I have heard that argument. I have to say that I have read the Government's documents very closely and it is clear, as I think you know, that they would lapse. At this stage in the debate, until I see something that is very, very clear about the implications, I am going to take the Government's advice on this.

Q906 Mr Rees-Mogg: The Government is parti pris in this, but the United Kingdom is a signatory of these deals in its own right, not just the European Union. Therefore it would be an abrogation by the other side if they decided to walk away from the treaty. They would probably be entitled to but it is an assumption that they would automatically do that.

Will Straw: As I say, that is one interpretation and the other is much more clearly that they would lapse. The clear thing here is that there is uncertainty. We do not know. Either eventuality could come to pass, depending on what happened in that situation. Therefore it seems that there is a very clear risk—I would say a great risk, having read the Government document—that they would lapse and therefore we would need to renegotiate.

Q907 Mr Rees-Mogg: There is a modest risk. There is the WTO if these do fall away. The WTO tariffs are obviously important. You mentioned the automated tariffs of 10%. That would be a very important factor for the Germans to consider if they wanted to impose a 10% tariff on us, would it not? It would be very important for Mercedes and BMW; they would have an interest in that.

Will Straw: It absolutely would. However, the German car manufacturing industry is only one part of the German economy and Germany is only one part of the European Union. We would need to have qualified majority voting agreement at the EU level to get this deal. One of the things that is really worth considering in this debate is what the mood would be within European capitals if we chose to leave and then came back in saying, "Actually we want to have all of the same benefits as we had before", which is what I would imaging "leave" campaigners would want, "but we do not want to pay into the budget or accept the rules and regulations that we do not like, and we do not want to accept free movement." A number of different people have been very clear that the internal market, known as the single market, is indivisible from the four freedoms, including free movement. If we were not willing to accept the lot, I think we would really struggle to get as good a deal as we have now for consumers.

Q908 Mr Rees-Mogg: That assumes that the single market is beneficial and the regulations that it brings with it are not of greater cost to business than the benefits that we get.

Will Straw: We absolutely believe that the benefits outweigh the costs, and we believe that not just because we are taking a punt but because we have talked to people from a range of different industries and people within trade unions representing workers; we have talked to economists looking at what the impact would be on the UK.

Q909 Mr Rees-Mogg: Is this a religious belief, like your one on the £3,000 a year, or it is one based on hard fact and economic data that you can share with the Committee?

Will Straw: As I have said, on the £3,000 it is not religion. We believe it is the core estimate of what the benefits are to our membership. Similarly, of course people have to weigh up the different arguments in this debate. No doubt over the next three and a half months, people will passionately argue on both sides. I would not describe myself as a Europhile. If things changed and our membership of the EU was, for example, contingent in joining the euro, which is not the case at the moment, I would struggle to see why it was in the UK's interest to remain in the European Union.

However, on the balance of evidence—obviously leading this campaign I have seen a lot of it—it is absolutely clear, and it gets clearer by the day when you see these reports from organisations like BlackRock this week and HSBC last week about what the impact would be of our leaving. This is absolutely critical for our economy.

Q910 Mr Rees-Mogg: Your own evidence sometimes seems to be greater than that available to Her Majesty's Treasury. For example, you have said that the single market makes Britain more attractive for foreign investment but the Government have said that the evidence base is limited on whether EU membership and the single market are a draw for foreign direct investment to the UK or not. Why are you so much more certain than Her Majesty's Government?

Will Straw: When we look at what foreign leaders have said—I mentioned earlier Prime Minister Modi, President Xi Jinping and President Obama—about what they see as the importance of the relationships that we have with those countries, it is partly about the EU.

Q911 Mr Rees-Mogg: They represent the interests of their own countries; they do not represent the interests of the British people. It is slightly surprising that you would take the view of a Communist President of China on the democratic formulation of the United Kingdom and from the US State Department. You know as well as I do that Senator Kerry and Joseph Biden are no friends of the United Kingdom. Both of them were sympathetic to the IRA in the 1980s and blocked an extradition treaty for us to get IRA people back. I am not sure that they are best placed to advise us on how to run our own country.

Will Straw: I do not entirely see the relevance of that to this debate, but I take your point.

Q912 Mr Rees-Mogg: You were quoting them as authoritative figures.

Will Straw: I was quoting President Obama and Mike Froman, the US trade representative.

Q913 Mr Rees-Mogg: You also mentioned the President of China.

Will Straw: I did indeed, and the UK wants to negotiate trade deals with China. We may have concerns about various aspects of domestic policy within China. However, we are keen to ensure that UK manufacturers and service providers can sell into those markets. That has been a longstanding policy of different Governments. In terms of the point about investments, I think it is worth looking at what various business leaders have said. They have been clear—for example, Paul Kahn, the head of Airbus, about the effect of leaving the EU and what that could do to future investment decisions.

Q914 Mr Rees-Mogg: I am not asking you to quote other people's opinions; we can all put forward hearsay. I am asking whether you have evidence that the Government did not have when it said that the evidence base was limited on the single market attracting investment. We can all make assertions and no doubt we all do, but can your campaign bring forward statistics and data that bear this out?

Will Straw: It is a good challenge and we will provide some supplementary evidence on that.

Q915 Mr Rees-Mogg: Thank you; I look forward to receiving that. I want to come back to some of the issues relating to the pound, Lord Rose, and some of the interesting things that you were saying. First of all, the current account deficit is the second largest that it has been since the war. Would it not be quite extraordinary under those circumstances if the pound did not show some pressure?

Lord Rose: There are all sorts of factors that affect the value of the pound; I totally agree with that and I would not suggest for one moment that the value of the pound is totally dependent on our membership, or not, of the EU. It is clear that there seems to be a correlation between what has happened since this debate got going two weeks ago and what has happened to the pound, because the deficit has been around a lot longer than that.

Q916 Mr Rees-Mogg: But it has been getting much bigger and there has been considerable monetary-easing in the European zone, which has kept the euro down, and the pound is to some extent adjusting to a more normal level against the euro from a very high level. There is nothing abnormal in that state of affairs.

Lord Rose: I am not a banker; I am not a central banker. I would not like to opine on what the right level for the pound versus the euro or the dollar is. I just would not have a clue. However, it has dramatically dropped in the last few weeks and I would be uncomfortable if it dropped much further, but yes, markets are markets, and markets will do what markets do.

Q917 Mr Rees-Mogg: For some businesses, and I will make reference to my own declarations of interest because I include my own business, the fall in the pound is extremely helpful for exporting businesses. The conversion of revenues is now very positive. Historically, as when we came out of the exchange rate mechanism, which was thought to be a great disaster by pro-Europeans at the time, this can be a boost to competitive economic activity.

Lord Rose: There is two-way traffic, you are absolutely right, but most people who are importing goods into the UK with a weaker pound are uncomfortable. That will result in prices going up if the pound does not recover.

Q918 Mr Rees-Mogg: Except that it may be replaced by domestic manufacturing at lower prices.

Lord Rose: First of all, that would not happen overnight. Secondly, there are some skills, products, goods and services that we just cannot manufacture or provide.

Q919 Mr Rees-Mogg: In terms of tariffs outwards, the fall in the pound has more than taken account of the 2.4% average WTO tariff. It shows the general insignificance of the WTO tariff levels; relatively small moves in the currency are more important than WTO average tariff levels.

Lord Rose: I cannot tell you what the level would be and what the net impact would be, because I do not know. However, I still believe that the net impact would be a greater tariff than a lesser tariff.

Will Straw: If I may, because we run a trade deficit with the rest of the world, the immediate short-term effect would be that the cost of imports would increase, notwithstanding the long term effects that could take place. The corresponding reduction in the cost of exports would not compensate for that, so there would be a shock to the economy. That is why a number of different economic studies, pointing to what could happen with the depreciation of sterling, have looked at what the impacts would be both on a drop in GDP and indeed an increase in inflation.

Q920 Mr Rees-Mogg: I am not convinced by what you are saying: that the drop in the pound is going to make exports more competitive. Very often suppliers in a highly competitive world actually cut their prices to meet the requirements of the export market they are exporting to. We are in a global deflationary environment, so it is quite speculative to suggest that this would lead immediately to inflation. It is worth looking at the additional costs that have come from our membership of the European Union, which is the next point that I want to come to. The leaflet that went to however many households, of which I was privileged to be one, said that cost of goods would go up for households. We know that the cost of agricultural goods would go down because we would be able to import freely from the rest of the world, which is currently excluded by EU tariffs.

Will Straw: It depends who you ask. Some people campaigning to leave have said that agricultural subsidies would be compensated.

Q921 Mr Rees-Mogg: This is different. Agricultural subsidies are what we pay domestically. I am talking about tariffs against agricultural imports. The EU price of sugar has been consistently higher than world price for the last five years, at a general cost to all EU consumers. This is true in other agricultural products. If we were out of the EU, we would not need to impose those tariffs. We would be entirely free, and this was one of the main arguments in 1975, to have cheaper food.

Will Straw: We have looked at this. As I say, we could end up in a scenario where we could not reach an agreement with the EU and went onto the WTO, and indeed there are some people campaigning to leave the EU that think that that would be the best option for the UK. If we did, although there would be some sectors where it would be a benefit to the UK economy, across all sectors of the economy it would be a net cost. That net cost would be £11 billion.

Q922 Mr Rees-Mogg: Where would this come? This is on our exports, but on imports, where we do not have to charge any tariffs at all, it then becomes our decision. Economic theory would that having no tariffs, even without counter agreement, is economically beneficial. Do you broadly agree with that as a general statement of economic theory?

Will Straw: The general statement of economic history is that there are tit-for-tat consequences in trade disputes.

Q923 Mr Rees-Mogg: You do not have to do that. The UK does not have to impose tariffs on anybody. If you looked back to how we behaved in the 19th century we did not, to our huge advantage.

Will Straw: All I am saying is that we have looked at what the impact is.

Q924 Mr Rees-Mogg: Your £11 billion cost is based on us imposing tariffs on imports. Can I just clarify that: yes or no?

Will Straw: That is based on the tariffs, yes.

Q925 Mr Rees-Mogg: On us imposing tariffs? No sane person thinks the UK would impose tariffs on imports.

Will Straw: I think that if we were to leave the EU and fall into the WTO arrangements, it would be very unlikely with tariffs being imposed on our exports, that we would not want to impose—

Q926 Mr Rees-Mogg: Why?

Will Straw: First of all, there would be Government revenue that would be collected; that is always going to be an incentive.

Q927 Mr Rees-Mogg: It is a very small portion of Government revenue and it is very economically advantageous. You are assuming an £11 billion cost on lunatic economic policy.

Will Straw: I think it would be very unlikely that our domestic automotive manufacturers facing tariffs on exports to other countries would not put a lot of pressure on the Government to increase tariffs on our imports. The point here is that you are right in that that is a scenario that could happen, but we do not know. We do know what the situation is at the moment.

Q928 Mr Rees-Mogg: We do know that the UK has had a history of free trade. It has been one of the most longstanding advocates of free trade and it would be completely perverse for a UK Government to retreat behind tariff barriers. That is a big reduction in cost and in competitiveness.

Will Straw: I think it is a very noble principle to think that as a country facing tariffs on our exports, there would not be pressure to put tariffs on imports.

Q929 Mr Rees-Mogg: It makes your estimate of £11 billion entirely speculative.

Will Straw: Indeed, but so are all of these discussions about what leaving the EU would look like.

Chair: That is where we started in this discussion.

Q930 Mr Rees-Mogg: Before the Chairman glares at me and tells me to shut up, I want to ask one more thing on trade agreements. Countries like Iceland have managed to conduct trade agreements and Singapore had a trade agreement with the United States in I think 2004. It follows on from Rachel Reeves' question; actually the UK believes in free trade. It would be much more nimble in getting these trade agreements than getting 28 countries to agree. TTIP is held up over French films and parmesan cheese, which are issues that are of no concern to the UK, and crucially excludes financial services as a US quid pro quo for not getting Hollywood films in and not wanting to have Greek banks selling freely into the US. If we were doing our own free trade deals, we would be in a much stronger position, both to do them faster but also to include the businesses that are of greatest concern.

Will Straw: I simply do not accept that for three reasons. First of all, as we have talked about, the simple arithmetic of the size of our economy versus the size of the EU would mean that we get a detrimental deal. We would certainly get a better deal than Switzerland and Iceland—the arithmetic would dictate that—but China has immediate access to their markets and it will take five to 15 years for them to access China's markets.

Q931 Mr Rees-Mogg: Hold on. The EU cannot do a deal with China, can it, because it insists on a human rights clause in all its free trade agreements, and China is not going to agree to the EU judging its human rights?

Will Straw: There is progress being made on that deal. Let us take the US.

Mr Rees-Mogg: What is it going to do about its human rights angle?

Will Straw: While we are at the table, if we wanted the EU to move from that position, and some in this country would and some would not, but if we wanted democratically to push it in that direction, we would have some influence that we would not have outside. Take the US, for example. This is really important. Not only, as with China, would it be a detrimental deal, but the US trade representative has actually made clear that we would not get a deal. They would not be willing to do it.

Mr Rees-Mogg: You keep on quoting what the US trade representative is saying.

Chair: This really is one last quick go and then we are moving on.

Q932 Mr Rees-Mogg: You know perfectly well that the British Government are asking their mates in other Governments to make supportive statements. If you doubt me, have a look at the way Neil Kinnock was treated when he went to see Ronald Reagan before the 1987 general election. Governments say things that are supportive of the policy of their friendly associates. Of course the US will do a deal with us; it did a deal with Singapore, which has a population under a tenth of ours.

Will Straw: I do not accept that. I also worked in America at a time when it was trying to get free trade deals through with Peru and Colombia, and it was incredibly difficult to get them through Congress. The way that their Congress works and the way that trade agreements have to be negotiated are extremely difficult.

Mr Rees-Mogg: I know how the Congress of the United States works.

Will Straw: It is for that reason—domestic politics, not the special relationship—that they came out with those statements. I think we have to take them on face value, which is certainly what we are doing as a campaign.

Mr Rees-Mogg: Of course you are taking them on face value, because they are generating support for the Government's position.

George Kerevan: I always like to listen to Jacob. It is always instructing. Good afternoon, Lord Rose and Mr Straw. We are testing your arguments; our questions do not necessarily reflect our personal views.

Mr Rees-Mogg: They might do.

Lord Rose: We are pretty thick-skinned; do not worry.

Q933 George Kerevan: I am actually going to be asking you about EU regulation, but I am fascinated by the debate that has emerged over exchange rates, so, just very briefly on that, the worry appears to be that adverse exchange rates following Brexit would have an impact on our trade flows. Lord Rose, when you were running Marks & Spencer, surely you used hedging to offset any potential adverse effects on your supply inputs from exchange rate fluctuations.

Lord Rose: I did but, nevertheless, if there is a downward pressure on your pound/dollar/euro rate, and you set your rate at 150, let us say, and it is now 140, you are going to have to reflect that at some point, because it costs you. Secondly, I cannot mention the company, but the company that I mentioned yesterday that is suffering a little has actually come to a point where its hedges are no longer applicable, because it has fallen outside the hedge lines. That is an issue; you cannot hedge for everything.

Q934 George Kerevan: I accept that, but it is not as black and white as exchange rate fluctuations, as you can hedge. For the record, by the way, though sterling has dropped precipitously against the dollar for a variety of reasons, the sterling/euro rate is exactly where it was at the end of 2014. It is actually higher than it was two years ago so, whatever the Brexit impact is, it has not actually significantly shifted the euro rate at the moment. To go back to regulation, do you think from your business experience, Lord Rose, that we are over-regulated by the EU?

Lord Rose: I am not a dyed-in-the-wool Europhile. I am on the public record as being pretty Eurosceptic. I have lived in Europe and I have worked in Europe. It is a very imperfect place to live and work in, but it works. I can only take from my own experience, and I have run five companies as a chief executive, all of which have had overseas businesses of some sort or another, whether export or import, and my experience is that, over time, there is more benefit. This is hard to quantify, but it is easier to sit down and do business in a place where you know you have free access across 27 other markets. That is the case. It is very difficult to go sometimes and do business in other places. We talked about China. I was involved in a Chinese negotiation some years ago and it is quite tricky. If you know that you have the strength of an insurance company like the EU behind you, that is quite a good piece of insurance.

Q935 George Kerevan: Do I read that regulation is the cost of doing business in the EU?

Lord Rose: There is a quid pro quo, absolutely. There is a cost. Is it so damned awkward that I do not want to do it or is it worth me putting up with the hassle? I am completely in favour of deregulating. I am completely in favour of getting rid of unnecessary red tape. Indeed, the Prime Minister came back last week with some movement in that direction. I could be cynical and say that we have always been saying we are going to reduce red tape in Europe. There is quite a lot of red tape in the UK of our own generation.

Q936 George Kerevan: Are we over-regulated by the EU?

Lord Rose: No, I do not believe so. It goes up and down. Can we manage? Can we do business? Can you get the most essential things done pretty quickly and more easily than you can get them done outside that market? Yes. It goes back to my Brussels and Bogotá comment.

Q937 George Kerevan: When you were very involved in Business for Britain two years ago, in January 2014, Business for Britain produced a rather interesting report that suggested that 95% of firms that do not trade regularly with the EU should not have to comply with the single market rules, just like that. Single market rules should only apply to the 5% of firms that are intimately involved in EU trade. Would you still hold with that?

Lord Rose: This is the argument that, if you are in the club, you have to abide by the club's rules. At the end of the day, I am not in favour of having solutions for minorities. You mentioned my Business for Britain involvement; I was involved with them when they said we would have reform, but stay in the EU. They have moved away from that. I stood still and they moved. They moved to the position that we will move away without reform, so I am no longer associated with them.

Q938 George Kerevan: Mr Straw, do you think that the movement that is suggested on deregulation in the European Council agreement is a real movement? Do you think there is real gain there on deregulation?

Will Straw: I think there is some real movement there. When I was a civil servant in the Treasury, I worked on what is called Better Regulation policy, the continuation of regulatory outcomes while reducing administrative burdens. One of the successes of the Labour Government at that time, continued by the Conservative Government, has been to improve the way that the EU brings in regulations, including the imposition of impact assessments, which we have been doing for a number of years. That means that all new proposals have to consider both the benefits and the costs, and should only be taken forward if the benefits outweigh the costs. I sometimes find it surprising when reports are put out on the so-called costs of Brussels regulations that do not actually look at the benefits.

To take a few examples, no doubt some hard-strapped businesses would see workers' rights as a cost, but actually they bestow on the workers paid holidays, maternity and paternity rights. It seems to me that, as a society, we have come to the conclusion that those regulations are legitimate. Whether they are coming from the EU, as many of them do, or from the UK, what is essential is that you drive down the administrative costs—the form-filling, the paperwork, the enforcement and inspection. There has been a lot of work domestically, because that generally is about the domestic agencies, rather than in Brussels. What Commissioner Timmermans has been doing with his Better Regulation agenda, scrapping 80 bits of legislation last year, is a step in the right direction. We should scrutinise this and make sure that important protections are not being reserved but, if we can improve the environment for businesses, while not pulling back on important protections, it is very encouraging.

Q939 George Kerevan: Your argument is really that the EU has brought significant social protection and that is an advantage.

Will Straw: I believe that the EU has brought us social protection, environmental protection, protection in our product markets and protection in our capital markets. These are all critical to our wellbeing as a society. Indeed, the benefit of doing it at the EU level is that, if somebody wanted to go and work in another European country, they would know that they had the same rights at work. We can only deal with cross-border issues around pollution or climate change if we do it collectively and we know that a company in another European country is not getting an easy ride from us.

It is good for business to have the harmonisation of regulations across the piece, so that we can sell into other markets very easily. I was in Cardiff just before Christmas talking to a guy who runs several tea shops in Cardiff, but he also has an import-export business. He said, "It is so easy for me to export into Europe, because the paperwork is basically the same as it is here, whereas when I want to import or export from India or China, the paperwork is just overwhelming." That gives an example of how these regulations, often maligned, actually help us as a society.

Q940 George Kerevan: Lord Rose, if the UK pulled out of the EU, presumably we would be exported into the EU. We would still be subject to EU-defined laws on quality and safety.

Lord Rose: This comes to the question about what sort of arrangement we would have. That is the Norway argument, which is that they want to be able to export their goods into the EU. To do so, they have to abide by the rules and regulations. They have to pay a membership fee for doing so, but do not have any say at the table in terms of setting new rules and regulations or, indeed, anything that might be detrimental to them in the future. It is one-way traffic. Going back to the previous question about the scale of our exports to Europe, at 48%, it is huge.

Q941 George Kerevan: To go back to where Mr Straw was taking us, if the issue about regulatory burdens is not the nature of the regulations themselves, but the cost of managing the regulations, can you give me some examples of where there has been mismanagement in the EU that needs to be reformed in terms of implementing the regulatory system?

Will Straw: In terms of individual laws, 80 were repealed last year. Regulations will pass their sell-by dates: markets will move on; consumer patterns will move on; we will not need to regulate things in the same way. It is fair to say that, in the past, the EU had been a bit sluggish about that but, with the UK's leadership and the leadership of countries like the Netherlands, we have made great progress in streamlining those processes. Of course there is further to go, but it should be a goal of policy, whether in the UK or in Brussels, to make sure we get the balance right.

Lord Rose: I would put it in a slightly different context. On the big issues, I do not think we have much debate. They are all largely beneficial. It is the niggle factor. There are lots of niggles. Any SME or large business that you go and visit in the UK will always come out with a laundry list of things that niggle them, but that does not actually stop them doing business. It is just something they would rather not have. Now I believe that, if we would rather not have it, we would have more chance of influencing that by being inside than we have by being outside complaining about it.

Q942 George Kerevan: Suppose I say that the debate we have just had, over the last few questions, is better suited to a debate about manufactured goods, but there is an issue over financial regulation, where the City, for want of a better phrase, and our regulator do take exception to some of the regulations that have been imposed by a majority in the EU. We could talk about the bank bonus. We could talk about the prospect of a financial transaction tax that might be coming up. Where does the campaign stand on that?

Lord Rose: I will answer the big picture. You will understand when I say that I am not an expert on banking regulations or some of the minutiae of that. Despite those difficulties, the City has thrived in Europe. We have done damn well. We have grown our proportion, we have a massive surplus there and we can go and get better. Despite the fact that you are facing a headwind, despite the fact that you are facing opposition from the French and the Germans about how much they want to let you have, we have gone and got it. It has not not worked for us, if I can use a double negative.

Will Straw: As I said in my earlier answer to Mr Hammond, there will be some regulations that the City does not like, but there is an opportunity sitting at the table to affect them. If we wanted continued access to the single market in services, which I think would be a key goal if we were to leave the EU, then we would have to be a rule taker and not a rule maker. That would be very damaging for the UK economy.

Q943 Wes Streeting: Good afternoon. My line of questioning is around immigration and free movement, beginning with the Prime Minister's negotiation and the mechanism to restrict in-work benefits. When the level of migration to the UK from the EU affects essential aspects of the social security system, including work benefits, do you agree with the Government's view and the European Commission's view, that migration from the EU is already at such a level that it meets the criteria that the Prime Minister has negotiated?

Lord Rose: If I could start with the big picture again, immigration is a big issue. I understand that it is a big issue in the country and I understand that it is putting pressure on social housing, social services, the Health Service and whatever else. Again—and I am on the record as saying this—at the moment in the UK, we are still lucky; we pretty well have full employment. We have some 2 million people working here. They come here, work hard, pay their taxes and make a contribution. Indeed, I would go further to say that it is probably quite likely that, in certain areas, whether it is in transport, whether it is in the Health Service, whether it is in home care, whether it is in the agricultural industry, we would probably come to a grinding halt without them. They are a necessary part. Equally, there are a lot of Brits who are living abroad very happily, with these systems in place.

Do I think that there is a short-term problem? Yes, I think there is a problem. Do I think that we need to try to find a route around to solve that problem? Yes. Do I think the Prime Minister has got a better deal than we had before he went to Brussels? Yes. Do I think the impact of what he has got will have some effect on the levels of migration? Yes, I do. Can I quantify it? No, I cannot.

Q944 Wes Streeting: Do you want to come in specifically on the issue of whether we have met the criteria?

Will Straw: Like you, Mr Streeting, I stood for the Labour Party at the general election, in my case unsuccessfully, on a manifesto that called for a restriction to in-work benefits for people coming to the UK for the first time. This is a policy that the Conservatives also had and that I think is fair. People do want a fairer immigration system, not a free-for-all. From the many conversations I have had on immigration with voters, people recognise that those who come here, work hard, pay their taxes and contribute to society should be welcomed. As Lord Rose says, there is a huge contribution to our Health Service, to public transport and so on.

I think people are just a bit incredulous when they find out that people come here and are immediately able to access in-work benefits. We know of course that there are a number of people coming into our country each year. We should welcome those who are working and contributing, but I do not think it is unreasonable for people to wait a few years until they pay in. I was personally pleased but, as a campaign, we were pleased that the Prime Minister got that part of the deal and that the European Commission immediately said that it could have effect.

Q945 Wes Streeting: What do you say to those voters, and there will be many of them in my constituency and across the country, who say, "I am voting to leave, because it is the only way that we can regain control over our borders, and stop all this immigration that is putting pressure on public services and access to housing and school places".

Lord Rose: The cost of being in the EU is that we have free movement across borders. As I mentioned, we have people coming here and we have people who live in Spain, Portugal, France and wherever else. At the moment, we are seeing one-way traffic because our economy is growing and the European economy has had a very tough time. There will probably be a point, in five or 10 years' time, when it goes the other way and we will all want to go and work in Europe, so let us not shut the door, before we see that we may want that opportunity for our children and for our grandchildren. I say to them, "Yes, that is the cost". Do we understand the pressures? Yes. We need to do something about that. We need to make sure we build infrastructure. We need to make sure that we take the pressure off social housing and whatever else, and make sure that we ameliorate the cost in terms of some of the benefits. Yes, it is a cost.

Will Straw: There is a really important point at the heart of this debate, which is about what we would want if we left the EU. It is absolutely clear that you cannot simultaneously have access to the single market, with all the benefits that that brings for lower prices, jobs and so on, and end free movement. Some people in this debate have been guilty of claiming that you can have both those things simultaneously. There is no precedent for it and the EU could not be clearer that the four freedoms—of goods, services, capital and labour—are indivisible from the internal market.

If we were to say that the number one priority was to end free movement, we would need to be careful what we wish for. There is a risk that we would be throwing the baby out with the bathwater, to coin a phrase. The problem is that, first of all, we would lose access to the single market. That would mean, for all the reasons that we have discussed today, that jobs would be lost and prices would rise. To what extent we do not know, but it is very clear that that would be one eventuality.

Secondly, the opportunities for people in this country to work, travel, study and retire in Europe would be harmed. They would almost certainly need to apply for visas, if we were imposing visas on those coming to this country. There are 2.2 million British citizens living abroad. Actually, there are more citizens of this country living elsewhere in the EU than citizens of any other EU member state living in another member state. They might well find that access to healthcare and the right to buy property was diminished as well. The consequences for the UK could be very severe. It is important to note and to keep making the point, no matter how difficult it is, that migration from the EU has been a net benefit to this country. There are a lot of studies that have been carried out to examine that. We should be careful what we wish for.

Lord Rose: Like you, I talk to a lot of people and I absolutely understand the line of questioning you must get. Of course, it is unfortunate at the moment that we have this existential problem with migration coming from outside of the EU, which would be there if we were in the EU or outside the EU. This is a global problem that global leaders have to sort out. It is a terrible tragedy. Anybody who saw the television last night could not fail to be moved by it. Again, I personally believe that we are probably better able to sort out such a problem by working together in Europe, than by being on our own trying to sort it out. I know that a lot of people who talk to me in the UK are concerned about migration, not immigration.

Q946 Wes Streeting: There are lots of people who, if they voted to leave the EU on the basis of stopping immigration, would feel cheated when they see that immigration drives the economy and no Government in their right mind would pull up the drawbridge. There is a different dimension to the immigration debate, which, particularly for some of my constituents in Ilford North, will weigh on their minds when they are casting their vote. I have a very personal view about how ineffective the Government's immigration policy is, and that they are barking up the wrong tree. Whatever your view on the Government's immigration policy, there is this focus on numbers, a migration cap and a target they have not been able to meet. I do not think it is realistic. Constituents of mine who have family in India, Bangladesh and Pakistan are finding that our immigration system is highlight punitive now, compared to people from the European Union. What would you say in terms of their concerns? Perhaps a message they hear is that leaving the

European Union would make our immigration system more flexible, responsive and open to those parts of the world.

Will Straw: I think this is a concern that we have heard in other parts of the country as well. People who hold the view that, somehow, it would become easier for people from the Indian subcontinent or other parts of the world outside the EU to enter the UK if we were to leave the EU need to think carefully about the circumstances in which that would happen. Do we think that Nigel Farage, who would just have been the leader and victor of a campaign to pull Britain out of the EU, would suddenly want to have more people coming from outside the EU? I do not think that that stacks up. What I would say is that people who have concerns about the difficulties entering this country from outside the EU should be challenging and questioning the Government policy, as is completely legitimate, but not think that there is a Holy Grail of pulling out of the EU. I think it is quite the reverse; pulling out of the EU could make the debate on immigration in this country even more toxic.

Q947 Wes Streeting: Moving on to the issue of immigration and the impact on wages very briefly, if free movement were to end following Brexit, is it not reasonable to suppose that we could see increases in wages for low-skilled workers in the UK, just off the back of the economic impact of free movement on wages?

Lord Rose: If you are short of labour, the price of labour will go up, so yes, but that is not necessarily a good thing.

Will Straw: It is hard to know, because there would be such an array of different economic consequences if that happened. In that scenario where we ended free movement, we would also lose access to the single market. Any economist, at that stage, would perhaps have an even harder job than working out the benefits of our membership now, of working out what precisely had caused the changes in economic fundamentals.

Q948 Chair: Lord Rose, a moment ago you said that immigration and free movement are a cost. What did you mean by that?

Lord Rose: I meant it in the broader sense that, if you join a club, there is a club rule. We may not like all the rules of any club that we choose to join but, on balance, we decide whether there are more rules we like than dislike, and that is why we decide to join the club. We joined the club; that is one of the rules.

Q949 Chair: Is it the rule that is the cost or the migration that is the cost?

Lord Rose: One of the pledges is freedom of goods, services and—

Chair: We have understood that. I am just trying to work out what the cost is. Is it an economic cost?

Lord Rose: I may have used the wrong word. What I meant was that that is one of the conditions of membership of the EU. The condition of being a member of the EU is that we allow all members of the EU to have movement without let or hindrance.

Q950 Chair: It is a condition of membership. I understand; that is helpful clarification. Mr Straw, you said that studies show immigration has been economically beneficial, and it is certainly the case that there has been a good number. There has also been the House of Lords Economic Affairs Committee study suggesting a different conclusion. Have you examined that?

Will Straw: I was talking specifically about migration from the EU.

Chair: I think it might be helpful if we have considered written analysis on that specific issue, if you are able to do that.

Will Straw: I would be very happy to do that.

Q951 Chris Philp: Lord Rose and Will Straw, welcome to the Treasury Select Committee. I would like to follow up one or two of the previous questions about trade, which strikes me as being at the heart of the case for remaining in the European Union, and in particular the prospects for a decent deal if we left. It is the case, is it not, that we have an aggregate trade deficit with the EU to the tune of about £60 billion a year, whereas we have a trade surplus with the rest of the world to the tune of about £30 billion. Given that the European Union sends us more goods and services than we send them in aggregate, would they not have an incentive—one might say a sharper incentive than we do—to negotiate a reasonably decent deal that suits both sides?

Lord Rose: If I might go first here, the answer is: yes, I understand the argument. The argument is an interesting argument, but the fact of the matter is that, if we go through a divorce and we say that we effectively want to have everything we had before, but we do not want to be penalised in any way, it would be slightly wishful thinking. I can only really base that on my own practical experience of doing business with lots of people over lots of time. I very rarely put two fingers up to people and then turned around and had a better deal.

Will Straw: If I could just add, one of the things that is important is to think about relative scale. Some 44% of our total exports go to the European Union but, as a bloc, just 15% of the EU's external exports come to the UK. It makes up a much smaller part of their economy overall. It is that which drives where the incentives would be. As we have discussed with the scenario where we faced tariffs from the WTO, we would potentially be facing costs increasing on 50% of our exports whereas, for the rest of the EU, which of course is a market of 440 million people, so a much larger market, it is just 15%. That figure, which is often used to focus on the deficit, misunderstands the relative size of the two blocs.

Q952 Chris Philp: It is the case that the average WTO tariffs, these days, are something like 2% or 3%, which is much lower than they were 20 or 30 years ago. Would you agree that a 2% or 3% tariff would not be such a serious thing, particularly when you have exchange rate fluctuations that far exceed that on almost a week-to-week base?

Will Straw: Lord Rose is the retail expert. All I would say is that that is an average, but it would be 10% on automotive and 20% on Scotch whisky, so some of our prestige industries in the UK would be adversely harmed. I do not see why we would want to increase costs on any sector when we could help it.

Lord Rose: I would raise the general argument, which we have used before, and that is that any cost increase, through any level of tariff, is going to be unhelpful. We have to accept or understand that the market at the moment, certainly the consumer market in the UK, is a very competitive and tough market out there. Therefore, any cost will have to be passed on.

Chris Philp: There are non-tariff barriers as well that you might refer to.

Will Straw: Absolutely.

Lord Rose: Yes, indeed.

Q953 Chris Philp: When it comes to the question of deregulation, you have obviously made an assessment of the benefits of our trading relationship. Have you made a numerical assessment of the costs of the regulation that we suffer that go over and above the regulations that the UK has imposed in any case?

Will Straw: As a campaign, we have not done that. I know there are studies that a number of different organisations have put out over the years, looking at the costs of EU regulations. As I said earlier, one of the risks with those studies is that they only look at one half of the equation. They look at the costs, but not the benefits to the economy. Any regulation that is brought in, if it is worth its salt, should have a positive net benefit to the economy overall.

Q954 Chris Philp: Turning to the question of the EU's budget, which the Chairman has asked me to query, something like 40% of the EU's budget goes on the common agricultural policy. In the past, we had promises that it will be reformed, which have never been delivered. Someone called Tony Blair, who you may have heard of, promised that it would be reformed some years ago, in exchange for giving up some of our rebate. It never happened. Do you think it is a good idea, in this day and age—the 21st century—to be spending 40% of an organisation's budget on the common agricultural policy? Agriculture is something like 1% or 2% of our economy in Europe.

Lord Rose: Listen, the common agricultural policy is flawed. You know perfectly very well that it is a regulation or a rule that was set before we joined the EU. We knew that when we went in. We knew what the downside was. Is there hope over time that that will be less onerous? Yes. There is the other side of that, of course, and it is an argument I am making up as I go along.

Q955 Chris Philp: There may be a hope, but not an expectation, bearing in mind past experience.

Lord Rose: Yes. We need to worry about food availability, sustainability and those issues in a different context now, in terms of climate change, in terms of population growth, in terms of availability of food and in terms of feasts and famines. The world is not what it was. You cannot just go out and buy large quantities of food as you wish. Mr Rees-Mogg mentioned that we would do very well if we were able to come out of the EU and go and buy it elsewhere. Yes, you can, but unfortunately you can only buy bananas one day and pears the next. The customers might not want them that way round, so you need to be a little bit more careful about that. If we could have some modification of the CAP, or indeed if we came out, we would still have to support our farmers in some way, I feel quite sure. I do not think it is all a saving. Is it an inefficiency? Yes. Is it something I would rather not have to the degree that we have now? Yes, but I am hopeful that it will be sorted.

Will Straw: There have been some positive movements. When we joined the European Union, the common agricultural policy made up more like 80% of the overall budget, so there has been a shift over time. I know that reducing the common agricultural policy was a key objective of both Tony Blair's Government in 2005, negotiating that financial perspective, and then again David Cameron, negotiating the financial perspective in 2012-13. In both instances, the amount of money spent on what most people in the UK would regard as a better use of expenditure, as expenditure on growth, competitiveness and innovation, increased and the UK has been a very substantial beneficiary of that. There has been movement, but there is clearly further to go.

Q956 Chris Philp: We make a net contribution to the EU budget, even valuing the fiscal transfers back at face value—and you might argue that that is not quite the right way to count it, because those are effectively hypothecated—but taking those into account we make a net contribution of about £8.5 billion a year to participate in a trading bloc with which we have a £60 billion-a-year trade deficit. Is that really good value for money?

Will Straw: I think it is. This goes back to the first question. The overall benefits that we get are an order of magnitude greater.

Q957 Chris Philp: Can you enumerate those benefits? Given we have a trade deficit with them, can you enumerate the benefits?

Will Straw: They are benefits in terms of low prices that we enjoy in our supermarkets, in buying imported cars, imported TVs and so on, the lower prices of cheap airfares and of roaming charges having been brought down. They are the benefits that we get from jobs in those exporting industries—automotive, financial services and so on. They are the benefits that we get from inward investments into this country and to growth overall. Can I say how refreshing it is to hear you using the net contribution figure? You said £8.5 billion. We have another figure, which is an average over the last five years, of £7.1 billion. When divided by the population of the country that works out at 30p a day. Divided by the number of households it is £263. It is significantly lower than the figure that we frequently hear from campaigners on the other side of the debate.

Chair: We are going to hear from them next week. You have brought them into the conversation a couple of times, but we are going to come back to that when we see them. It is really your views we are interested in today.

Q958 Chris Philp: I had two more brief questions, if I may, Chairman. It has been pointed out, or you have pointed out, that were we to leave the European Union and seek a Norway-type arrangement or perhaps more likely a Switzerland-type arrangement, we would still have to pay in. Both those countries pay in. You have just given us figures a minute ago on a household basis. Per person, it is about £128; per household it is roughly £250. We currently pay in £128 net. In Switzerland, they only pay about £53 net. Although you are right to point out that we would be paying in if we adopted a Swiss-type arrangement, the amount per head we would pay in would be considerably less, would it not? It would be £53 per head compared to £128.

Lord Rose: One of the things they do not get is access to services, so I do not think that is a level playing field.

Will Straw: Switzerland has no access to services, which is four-fifths of our economy. The key thing in this debate again, and I hope I am not testing the Chair's patience, is that campaigner after campaigner on the other side has said this this entire—

Chair: You are testing the Chair's patience. Perhaps you would like to stick to answering the substance of the question.

Will Straw: I think it is relevant to the substance, because we might make a modest saving in our contribution, but certainly not of the entire gross cost of EU membership, not taking into account all the things we get back directly, but then we would not have the same access that we have at the moment. If we want to retain all the benefits of being in a single market that we have at the moment, the best way to achieve that is to remain in the European Union. Anything else would give us an inferior deal.

Q959 Chris Philp: One thing I am personally concerned about, representing a constituency where lots of people commute into the City, is the financial transaction tax, which Mr Kerevan alluded to. If eurozone countries choose to impose it on each other that is fine, but I am concerned that we may be forced to collect that in London, even though we are not part of the eurozone, whereas transactions booked via New York, Singapore or anywhere else may not have to collect it. That would disadvantage the clearing of trades through London. Can you give any categorical assurance that we in London will never be obligated to collect the financial transaction tax that would disadvantage us compared to, say, New York?

Lord Rose: It is my understanding that we would not have to pay it.

Q960 Mr Rees-Mogg: We would have to pay it on transactions in French bonds that went through a London market, and pay the money to France.

Lord Rose: That is in the existing world.

Mr Rees-Mogg: That is under the existing arrangements in the European Union, if they go ahead for enhanced co-operation. We would not have to levy it on UK gilts unless one of the participants was a French institution or one of the other member states involved. It is where a party is from a nation or the instrument is from a nation within the enhanced co-operation. We would have to collect it and pay it to the member Government. That is the proposal.

Chair: We are not going to have a discussion about this in the Committee.

Q961 Mr Baker: Good afternoon. Thank you for coming. I am sure you both know but, for the record, I should say that I am closely associated with Vote Leave. If I may say so, Lord Rose, I was very grateful that you changed the tone on the campaign on the first day by stamping on the line about patriots versus quitters, for which I was grateful. I would also like to put on the record that I take for granted your love of the country, along with everybody else on your side of the debate. I am very grateful that you changed the tone on the first day.

Can I put to you the business support, Lord Rose? On 19 February, the *Daily Mail* reported that at least 80 of the FTSE 100 would sign a letter of business support. On 22 February, the *Guardian* said it would be more than half. On the day, 36 FTSE 100 companies signed. Were you disappointed by the lukewarm support from these companies?

Lord Rose: I was not disappointed and I was not surprised. It only leads you to remind yourself that you should not believe anything you read in the newspapers, number one. Number two, it is early in the campaign. No, I do not think I was disappointed at all. On a personal basis, I would like business to speak up. Actually, I am very happy for them to speak up on either side of the argument, but I would like them to speak up. Business has been a bit reticent about coming out either way and, as far as I am concerned, the more the merrier.

Q962 Mr Baker: To what do you ascribe that reticence?

Lord Rose: There are all sorts of things, as I am sure you are aware of yourself. Businesses probably want to keep their heads below the parapet. They will be worried about their consumers, if they are consumer-facing businesses. They are worried about sticking their heads above the parapet. They think it is very early in the debate. There was a lot of noise before the Prime Minister came back from Brussels about, “I am not sure what I am supposed to be giving an opinion on". As we are now into week three of the campaign, you will see more and more businesspeople coming out and opining. They are clearly not all going to opine in favour of staying in.

Q963 Mr Baker: I am sure that is the case. You attended a lobby and gave a speech to lobby journalists, which I attended, in which you described the EU as a "maddening place", "a bureaucratic place" and "a sluggish place". Is your heart in this campaign?

Lord Rose: Absolutely. I am a European. You may or may not know that I am not British born. I am a beneficiary of being the son of an immigrant. My father came here from Russia and my mother came here from Egypt. This country has given me my life, but I regard myself as a British European.

Q964 Mr Baker: Do you agree with the Business Secretary, who wrote in the MailOnline, "It's clear now the United Kingdom should never have joined the European Union. In many ways, it's a failing project, an overblown bureaucracy in need of wide-ranging and urgent reform". I appreciate he went somewhat further than you, but I hear parallels in what he is saying. Do you have sympathy with the Business Secretary's view?

Lord Rose: No, I do not agree. Could repeat the statement, because I do not think I heard it clearly? I think he was diametrically opposed to where I am.

Q965 Mr Baker: Actually, he said, "With a heavy heart and no enthusiasm, I shall be voting for the UK to remain a member of the European Union". On several occasions, I have heard you express misgivings about the way the EU works.

Lord Rose: If he is more Eurosceptic than I am, that is fine. Yes, I am a Eurosceptic but, on balance, I am in favour of being in. As I have said, that is based on experience. It is based on working, living, employing, hiring and firing in Europe. Yes, I see the benefits.

Q966 Mr Baker: Just in terms of the conduct of the campaign and picking up on some of the things that have been said already, in talking about job losses on Sky News, you said, "I think it is ridiculous to suggest that everybody is going to suddenly go offshore". You said, "I don't believe that for one moment". Later in the interview you said, about this scaremongering about job losses, "I think this is all a red herring and it is just scaremongering". Is this still your view?

Lord Rose: Forgive me, because I am not quite sure of the context in which that was said.

Mr Baker: The context was a discussion on the Murnaghan programme. It was Sky News, in a transcript of an interview with Lord Rose on 19 April. You were talking about job losses and uncertainty. Is it still your view that a lot of this discussion is "a red herring" and "scaremongering"?

Lord Rose: We need to be careful in this campaign that we do not go down the route of scaremongering. We started off at the very beginning of this meeting making sure that we are pretty rigorous, or as rigorous as we can be, about the quality of the information that we put out. I have been on record as well for saying that I do not believe that, if we came out of Europe on a Friday night, the lights would go out. We would go through a process.

What I am saying is that it is not binary. It is not dark or light. There will be a process that we go through. What I have been trying to say, and maybe not in a very articulate fashion, is that there will be a period of uncertainty. There will be a period where we have to try to regain what we have. I think what we are giving up is greater than what we think we are going to get. One of the big worries that I personally have, and the campaign has, is that we have not had a clear articulation of what "out" actually looks like. We have to explain that to the person who goes to the ballot box. They need to know what it looks like.

Q967 Mr Baker: In your *Times* interview on 17 October, you said, "I personally would be very disappointed if there was a fear campaign. I wouldn't want to be associated with it and you won't hear that from me." You have clarified some of that in what you have just said. How do you feel the Government are running the campaign at the moment and are you satisfied with the conduct of the campaign and its tone?

Lord Rose: I am associated with the campaign for staying in and I endorse everything that has been said. There will be times when we might wince about this or wince about that, and that is a personal opinion. This is going to be a long campaign. There will be good days, bad days, high days and low days. I said at the lobby speech that I made that we are trying not to run a fear campaign; we are trying to run a fact campaign.

Q968 Mr Baker: You said at that lobby lunch that you are not a politician. That met with some criticism at the time, because you are chairing this campaign and you are in the House of Lords. Do you think that the difference of tone from you and the Prime Minister is because you are, at heart, a businessperson and not a politician?

Lord Rose: I have always said, to be light-hearted for a second, that businessmen make lousy politicians and politicians make lousy businessmen, by and large, so you can draw your own conclusions.

Mr Baker: I have done both too, but there we are.

Lord Rose: Not many have been as successful as you were.

Q969 Mr Baker: I did alright. Mr Straw, your campaign has repeatedly claimed that 3 million jobs would be endangered if we voted to leave. Now, I understand that this figure came from the Britain in Europe campaign group in 2000, and it was Dr Martin Weale's work that was traduced. It was how he responded at the time, as reported in the *Sun*. He said, "It's pure Goebbels. In many years of academic research, I cannot recall such a wilful distortion of the facts." Do you stand by this 3 million jobs claim?

Will Straw: We do stand by it, and we stand by it because a number of different studies have been carried out looking at what the benefit has been to the UK, in terms of jobs. They have ended up with a figure between 3 million and 4 million. Organisations including the Centre for Economics and Business Research and previous Treasury studies have looked at this. In fact, more recently the Centre for Economics and Business Research did a study that came out with a number that was 4.175 million. We have chosen to use the lower end of that spectrum. We think that that is robust.

It is important to be clear about what we are not claiming. We have not and have never claimed that 3 million jobs would be lost if we left the EU, but what we are saying is that some of those jobs would be at risk. That is clearly something that colleagues of yours in Vote Leave, including Dominic Cummings, have admitted to in debates with me and with others. We think that it is a useful illustration of the positive benefits of being in the EU, and that it is for people on the other side of the debate to tell us that no jobs would be at risk, which they have not been willing to do so far.

Q970 Mr Baker: Would you be willing to agree with the Prime Minister, who said that "If we were outside the EU altogether, we'd still be trading with all these European countries. Of course we would… Of course this trading would go on. Sometimes … there's a lot of scaremongering on all sides of this debate. Of course the trading would go on"? Would you agree with the Prime Minister?

Will Straw: Absolutely, and the tone of the discussion today has been that the world would not fall in; we would survive. Would we thrive as a country and what would be the impact, in terms of tariffs, in terms of currency depreciation and in terms of a drying-up of investment? Those are the very real risks in this debate, and that is why we have found, in the repeated conversations and debates that we have had with people campaigning to leave, that they have not been willing to say that there would be no risks. They have not been willing to say that there would be no pain. They have not been willing to say that there would be no job losses. It is quite the reverse: they have repeatedly said that there would be pain, there would be risk and so on.

Q971 Mr Baker: It is clear that one of the campaign lines on your side of the argument is this idea of a leap into the dark, but Lord Rose told us previously that, "Nothing is going to happen if we come out of Europe. It's not going to be a step change or somebody's going to turn the lights out". What is the appropriate line to take on this from your perspective? Is it Lord Rose's, that nothing will change, or is it a leap into the dark?

Lord Rose: I would like to clarify. I said that nothing would change on day one, but there will be change.

Q972 Mr Baker: In your interview, it was very clear that you were talking about there being change in the long term, but you were clear that there would be no change in the short term.

Lord Rose: From Friday to Monday, there would be no change.

Q973 Mr Baker: Will Straw, what is the line that you wish to take on this point?

Will Straw: We think it would be a leap in the dark, and it is a leap in the dark because of the longer-term effects and the impact that it would have on our prosperity. It is obviously outside the scope of this inquiry, but it would impact on our leadership in the world and on our security arrangements. In the short term, what has been interesting is that nobody was anticipating what would happen in the currency markets. The last 10 days, after the narrowing of the probability of our leaving because of the events two weekends ago, have shown that there could well be some immediate effects that we were not anticipating at the start of the campaign in October.

Q974 Mr Baker: Do you agree with what Lord Rose has said that, in the short run, there would be no change?

Will Straw: I do not think there is any disagreement.

Lord Rose: With respect, you are trying to drive a wedge between us. We are both in the same place. I am merely saying that, in a very short period of time, nothing will happen. Am I concerned about what will happen in the medium term, i.e. the following week? Yes, and the week after that? Yes.

Q975 Mr Baker: I am quite happy to be perfectly honest with you. I am concerned that, nationally, the campaign is becoming a project of fear deliberately trying to tell the public that the world will fall apart the next day. That clearly is not the line that you have taken, Lord Rose, and Will Straw is shaking his head, but that nevertheless is what I am hearing from my own Prime Minister and I do not mind saying so. That is what I am trying to establish. You have given us an honest answer that you do not think, in the short run, there would be a step change and a sudden precipice off which our country would drop.

Lord Rose: I think there will be real uncertainty and fear on the day that that may happen. Pray to God that it does not. I cannot quantify what might happen. This is the conversation we had with Mr Rees-Mogg about what the markets will do; the markets will do what the markets do, but sentiment will play a part. Confidence will play a part. They are very powerful words and have a very powerful effect. They are very strong leaders.

Q976 Mr Baker: You have given a clear answer, thank you. Will Straw, do you agree with the Prime Minister's statement from February that the EU's Charter of Fundamental Rights should not be enforced in Britain?

Will Straw: I take a different view on some aspects of EU policy from people around the table and people in Government. Our campaign launched in October, because we believed then that the benefits outweighed the costs. As a campaign, we have not seen the negotiations being the defining change that would make us campaign to stay in. We certainly think that it improves the relationship and enhances the deal that we have.

Can I just say a word about the tone of the campaign, as well, since you asked about a project of fear? We have been very clear, from the start, that we want to run a positive and indeed patriotic campaign, setting out for people the key facts about being in the EU. We have sought to do that as best we can. We have sought to provide clear sourcing. We did that on the front of the newsletter that Mr Rees-Mogg and others received, setting out what the facts are, many of which we have discussed today. We do think it is appropriate to look at risk and uncertainty, partly because people campaigning to leave have not yet been clear about which model they want for the UK's relationship with the EU. Until that happens, it is very hard to make an assessment about what our future would be but, from the evidence presented by the Government today and by many other people, we think that all of the alternatives would be detrimental to our prosperity in this country. We will continue to make that positive case and set out the risks, but we will leave the scaremongering to others.

Q977 Mr Baker: I am glad to hear it. On that point about what things look like, the Prime Minister has been outvoted in the Council 40 times, which is more than any other Prime Minister. Since records began, the UK has been outvoted 72 times, if I recall correctly. You nod, thank you. We know that the Five Presidents' Report tells us that the eurozone has to change. As far as I can see, there is nothing in this deal that brings any area of competence out of the jurisdiction of the ECJ. Can you tell me what the European Union will look like in five years or 10 years?

Will Straw: Clearly, whether we are in or out of the European Union, we will want the European Union to be prospering, because it is our largest trading partner and because, as we all accept, we will continue trading with the EU, although the terms might be uncertain if we were to leave. The Five Presidents' Report, which is often cited, is specifically about the eurozone. It does not affect us.

One of the really important things about the Prime Minister's deal and something that "leave" campaigners have been calling for, for many, many years, is an ending of the ratchet, so that we are not included in ever closer union. We maintain the benefits of the economic deal that we have with the European Union, through the single market, but as we have not signed up to the euro and have not signed up to Schengen, we will not be part of ever closer union in the future. That is a really important thing. The deal clearly enhances our relationship. It does some important thing in terms of competitiveness, improving the regulatory environment, as we have discussed, improving the fairness of our immigration system, and putting in place these safeguards to stop the EU having a greater role in aspects of our country that we do not want it to.

Q978 Mr Baker: Do you accept that the European Court of Justice will continue to have the same jurisdiction after this deal as it has today?

Will Straw: Yes, but let us not forget that the European Court of Justice is there to enforce the single market. It was something that Margaret Thatcher was keen on in the 1980s, when the Single European Act was passed, precisely to stop protectionist countries from being able to block sensible regulations that enhanced our ability to trade across borders. It is important that it is in place and that it does undertake those rules. What we can do as a full member of the European Union is shape the laws that it enforces. If we leave and wanted to retain that access to the single market, as I said before, we would be a rule taker and not a rule maker.

Q979 Mr Baker: You have expressed misgivings about the euro in the course of your evidence. I think you said that you would be looking at this choice very differently if we had to join the euro. I would just like to read you the relevant bit of the conclusion, which I am sure you have read yourself, but just to put it on the record. If "two member states have, pursuant to Protocols 15 and 16 annexed to the Treaties, respectively no obligation to adopt the euro or an exemption from doing so. Accordingly, for as long as the said derogations are not abrogated or the said protocols have not ceased to apply following notification or request from the relevant member state, not all member states have the euro as their currency". Do you accept that that is a restatement of the current position and that, in fact, it leaves open the possibility that, in the longer term, the United Kingdom could choose to join the euro?

Will Straw: We could choose to join the euro. I think we would need our heads checked if we did. I do not think anybody is proposing that we do that immediately. Indeed, for a whole series of reasons, we would not want to do it. If there was a view that that was the right thing to do, we would clearly need a referendum and would go to people across the country to make a decision. I would be surprised if they wanted to give up the pound. It is quite clear that there is certainly no obligation on to us move to the euro, as is the case for other member states. That is a really important thing for the UK.

If I can just add, you mentioned earlier on about being outvoted in the European Council. The academic at the London School of Economics, Simon Hix, has done a study looking at how we have performed in the European Council over a number of years and, indeed, how Government priorities have chimed with the European Parliament. He has shown that we have been the second-most successful country overall. I think we should be proud of the achievements that we have had in Brussels, how we have shaped the European Union to our will, how we helped create the single market and how we helped create this buffer of democratic countries on the border with Russia.

Q980 Mr Baker: You are clearly a true believer, but on your board are some other true believers who previously advocated joining the euro, and that includes Lord Mandelson, Brendan Barber and Roland Rudd. They said that millions of jobs would be lost if Britain did not join the single currency. How many jobs do you think have been lost as a result of us not joining the euro?

Will Straw: It is very hard to know the counterfactual. Lord Rose, your position on the euro was quite clear.

Lord Rose: Yes, I believe Lord Mandelson was wrong, clearly. The answer is that we did not join the euro, thank God.

Mr Baker: On that happy note, Mr Chairman, thank you very much.

Chair: Mark Garnier has a quick rejoinder.

Q981 Mark Garnier: If I had the time I would have a thousand rejoinders but, Lord Rose, can I just pick you up on one point you made in response to Mr Baker's question about what would happen after we left Europe, were we to leave Europe? I am really interested in your answer from the point of view of being a businessman, not being a politician, not being a Member of the House of Lords, not being a campaigner, but absolutely from your point of view of speaking on behalf of businesses. Is it not the case that we have a binary choice on 23 June? The outcome of that could either be that we remain in Europe or we leave. Is it not the case that, if we remain in Europe, there will be less uncertainty about the future and, if we come out, there will be more uncertainty about the future, because we do not know what is going to happen? Even if we do not like Europe, at least we know how it is going to be.

Mr Baker: I will put you down as undecided.

Mark Garnier: The point is this: as a businessman, is the most fearful thing for business uncertainty? At least if you have certainty, you can deal with it. If you have uncertainty, you cannot.

Lord Rose: Uncertainty is a terrible thing in business. Without over-labouring it, I have been through 45 years of business. The terrible place to be is when you do not know what is happening. Everybody likes to see a runway in front of them. That applies to people's personal lives as well, which is why this debate is so important. People need to go to the ballot box understanding what it might mean for their jobs, what it is going to mean for their children, what it is going to mean for their grandchildren and what it is going to mean for the companies that they are working for. Will they invest or will they not invest? Those are the decisions that have to be made by the chief executives and the boards of those companies, so I entirely agree with you.

Q982 Chair: I just want to take you back to one point you made, Mr Straw, when you talked about jobs at risk and you defended the suggestion that there are jobs at risk. You first of all mentioned various Treasury studies that had shown this. Could you send us a list of these, please?

Will Straw: Absolutely. I will send you a full list of all the studies.

Chair: I am not asking for that. I am asking for the Treasury studies, the Government studies.

Will Straw: Yes, we will send you those.

Q983 Chair: We would be grateful for that. There are plenty of other studies; it was the reference to the Treasury that interested me. You have also increased the number of jobs that you are saying, as a campaign, are at risk from 3 million to 4 million. Did I hear that correctly?

Will Straw: No, we have used the 3 million figure in this publication.

Q984 Chair: I have seen that but, in oral evidence to us, just a moment ago, you used the 4 million. I just want to clarify what you were doing by mentioning 4 million.

Will Straw: What I was doing is showing that there are a range of different studies, not just the one that was—

Q985 Chair: That is not a claim that you are supporting. You do not agree with the view that it might be 4 million.

Will Straw: We are looking at a range of different studies and trying to be cautious in our use of those figures, as indeed I believe we have been with the use of the £3,000 figure. We have chosen to look at the smaller end of the range, the 3 million end, rather than the 4 million end. That is the number we have used on our literature, but I would just highlight that there are other studies, including one done quite recently that says 4 million.

Q986 Chair: We have got that point, but the campaign is not now suggesting that 3 million to 4 million jobs may be at risk. You are saying that only 3 million are at risk. Is that a yes to that point?

Will Straw: We have not used 3 million to 4 million as a range, to the best of my knowledge. On the literature that we have sent to many households in the country, we used the 3 million figure.

Q987 Chair: I was just trying to clarify that one very simple point. I would just like to clarify one other point with respect to this claim. The overwhelming consensus of economists is that these claims are bogus, and that is because of a well known economic idea known as the lump of labour fallacy. I am sure you looked at that and studied that. It is that the labour market adjusts after a while and, therefore, you cannot make any statement about how many jobs may be at risk. That perhaps is why Martin Weale, a high-class economist, described it as “pure Goebbels”. Why is it that you have persisted in a claim that 3 million jobs are at risk?

Will Straw: The American President Harry Truman said, “Find me a one-handed economist, because they always come in and say, ‘On the one hand this, and on the other hand that.’”

Q988 Chair: There are no economists out there saying that the lump of labour fallacy is not a fallacy, at least none that I have ever come across.

Will Straw: No, but there are economists out there who are standing by the use of these statistics. We are making an assessment as a campaign about which statistics are reasonable to use to illustrate the positive benefits of our being in the European Union.

Q989 Chair: It would be helpful if you could send us the references to the economists that are supporting the figure that 3 million jobs may be lost.

Will Straw: We have not said that. Just be very clear about that.

Chair: “At risk” does not mean very much. An economist is unlikely to give much substance to that. I am cross-examining Mr Straw’s points.

Will Straw: Can I just be clear about this? We have not said that 3 million jobs are at risk. We have said that 3 million jobs are linked to our trade. This goes to Mr Baker’s question.

Q990 Chair: Just be clear what the claim is. Give us in a sentence what the claim is, Mr Straw.

Will Straw: 3 million jobs are linked to our trade with the EU.

Q991 Chair: That is a very different claim. You have made a number of very powerful points in support of membership this afternoon, but I think many people will consider that you have devalued a good deal of those points by trying to persuade us that you should persist with the absurd suggestion that each household gains £3,000 as a consequence of membership. You have said that you need to be careful not to go down the route of scaremongering. That was a phrase of yours, Lord Rose. I think one of you said that you need to be pretty rigorous about the numbers that are put out. I would just end by asking you to consider whether you might be able to make a stronger case, over the next four months, by abandoning at the start numbers that so manifestly are misleading and stick to ones that, although perhaps less headline-grabbing initially, nonetheless will make your case more strongly in the end.

Will Straw: Obviously we have been very pleased to give evidence to the Committee. I take it from the tone that we have not convinced you, Chair, on these points, but we believe that we have been rigorous in considering the huge balance of evidence on the positive benefits of being in the EU, and have only used numbers where we feel that we can defend them. With our research teams, we are constantly scrutinising the claims that we are making, but we are satisfied that the ways in which we have used the figures around the benefit to households per year from being in the European Union, and indeed the number of jobs linked to our trade, are robust and we will continue to use them.

Chair: Thank you very much, both of you, for coming to give evidence. It has been interesting and enlightening in a number of ways, not always the ones we expected at the start. We will be cross-examining a number of other witnesses shortly, including the Governor of the Bank of England and the leaders of the "out" campaigns. Thank you very much for coming in this afternoon.

Lord Rose: Thank you, Chairman.

Will Straw: Thank you for the invitation.