

The UK's trillion euro counter-claim against the EU

Briefing note: March 2017

Miles Saltiel

In 2005, Deutsche Bank loaned (the then, Mr) Trump \$640m for a construction project in Chicago. By November 2008, \$40m was due for repayment. Trump declined to cough up and Deutsche took him to court. Trump responded that the 2008 economic crisis was a 'once-in-a-century credit tsunami', an Act of God equivalent to an earthquake; and that he was not obliged to pay the sum now falling due or the outstanding principal of \$330m. He went further, claiming that as Deutsche helped cause the crisis, it owed him \$3bn. As best I understand it, the bank never saw its money again.

That is how it's done. Anyone with experience of high-stakes negotiations, not least with public bodies, will have seen such gambits on innumerable occasions.



The EU's lead negotiator, Michel Barnier, has indicated that his first order of business after the UK's triggering of Article 50 will be to present a bill. This will be for the UK's share of future commitments (agreed policies, pensions and such like), less its share of the value of assets (mainly property). Barnier has also indicated that he wants to agree a sum or at least a formula for calculation, before moving on to anything else.

On 4th March, the House of Lords EU Financial Affairs Sub-Committee reported that Article 50 'allows the UK to leave the EU without being liable for outstanding financial obligations under the EU budget...'; that after Brexit, 'all EU law - including provisions concerning ongoing financial contributions and machinery for adjudication - will cease to apply, and the UK would be subject to no enforceable obligation to make any financial contribution at all'; and concludes that 'the UK will not be strictly obliged, as a matter of law, to render any payments at all after leaving'.

The sub-committee reached its conclusions on advice from the Counsel for European Legislation in the Commons, formerly a legal and policy adviser to the European Commission. No doubt, something along these lines will be the UK's opening 'high road' position. But if the EU fails to accept the principle that Brexit brings obligations to an end, then expect the 'low road' to kick in with a warning that the traffic goes two ways: the UK cannot rule out lodging its own counter-claim *à la* Trump.

The word is that Barnier is going for €60bn or so. If he sticks to this, HMG's negotiators would want to steer clear of taking a knife to a gunfight: they would wish to avoid the unforced error of confining their counter-claim to the €10bn of EIB assets apparently attributable to the UK or even to the larger sums in the ether, said to equal Barnier's own

€60bn. Instead they would want to channel their inner Donald. They would best do so by ventilating totals of the order of €1tn and invoking the provisions of the Treaty of Lisbon which oblige the EU to assume liability for its actions (II, Part Seven, Article 340).¹ The following preliminary estimates for heads of claim marginally exceed the headline total: bases of calculations follow from page 5.

1. Return of the current value of contributions accumulated since the UK's accession to the EU, where expended fraudulently, extravagantly, so lethargically as to defeat their purpose, under protest by HMG or UK MEPs, failing to satisfy auditors, or otherwise at odds with good practise: €200bn
2. Compensation for the accumulation of past increased military expenditure, arising out of EU recklessness in the Western Balkans (taken as incurred from 1992 to 2001) and the Ukraine (taken as incurred from 2009 to date): €65bn
3. Compensation for the accumulated loss of past output since 2009 for the failure since then to honour commitments to implement the Service Directive in full: €35bn
4. Compensation for the accumulated loss of past output since the UK's accession to the EU for its failure to ratify Free Trade Associations (FTAs) in a timely manner with Canada, Korea, Singapore, South Africa, and Vietnam: €15bn
5. Compensation as (4) for the EU's failure to initiate FTAs with Australia, China and Taiwan; and to conclude FTAs with Brazil, India, Japan and the US: €80bn
6. Present value of the accumulated and post-Brexit incremental NHS, social care and other expenditures for treating persons adversely affected by diesel and other pollution from motor vehicles, conforming or purporting to conform to emission regulations stemming from the Vehicle Directive (2007) and thereby represented by EU or member-state regulators as safe: €200bn
7. Present value of the accumulated and post-Brexit costs of economic output forgone, plus converting electrical power supply to efficient operation, to reverse the adverse effects of the Renewable Energy Directive (2009): €180bn
8. Present value of the post-Brexit costs of incremental education, health, security and welfare expenditures, arising out of persons residing in this country by reason of failings of border security falling out of the Schengen system, detrimental judgements of the ECJ, or other EU or member-state dysfunctions: €35bn
9. Provisions for the loss of output and stabilising the UK financial system in the event of failures by UK branches of European banks, passported into this country under EU single-market rules and whose prudent and timely recapitalisation has been frustrated by the ECB or member-state regulators: €55bn

1 As touched on below, it is most likely that the EU would reject the UK's complaints out of hand, but to the extent that a dispute was joined and played out before the bar of world opinion, the EU's negotiators would face some bear-traps. For example they would court disrepute, were they tempted to hide behind the Treaty's provisions for limitation periods and jurisdiction (IV, 4, Article 46). This is not so much because the conduct giving rise to these claims continues to this day, but rather that such a stance would position the EU as challenging the widely accepted principle of *nemo iudex in sua causa* (no-one may judge his own cause).

10. Provisions for the loss of output and stabilising the UK financial system and economy in the event of the failure of the Euro; reserving the right to obtain punitive damages for such injuries should it be shown that the ECB has interpreted its mandate at odds with the intentions of its framers; to the detriment of the public good; under protest from pertinent central banks, regulators or international bodies; at odds with the advice of its auditors; or otherwise recklessly: €200bn
11. Finally, token compensation for loss of reputation for association with the EU's chronic dysfunction and maladministration: €25bn

This is hardly an exhaustive list: once HMG's lawyers take the bit between their teeth, they may be expected to go to town. Of course, the UK was a party to some of the ill-judged decision-making, though our opt-outs on the Area of Freedom, Security and Justice, the Charter of Fundamental Rights, the Euro and Schengen help no end on this score. And not every claim can be expected to succeed in full, if at all. But all of them are (as the lawyers say) arguable.



A divorce, any sort of tough negotiation, cannot but be a trying business. In the normal course of diplomacy, negotiators strain to avoid putting the other side in an impossible position. But we know all too well that when unions go wrong, disputes about money make bad worse: those who once brought life into the world end up trading ruinous accusations. If Barnier presents his bill, then the EU in turn could be facing an invoice for policies alleged to have been disastrous for forty-five years. Should this occur, then to the extent that it became generally known (and why wouldn't it?), it is bound to upset apple-carts all round.

A counter-claim along these lines may be expected first to surprise Britons, then to rally them. Of course, there will be those who feel themselves constitutionally committed to the emissions regulations and Renewable Energy Directive. Elsewhere however, a costed complaint on such far-reaching bases is likely to inflame lay sentiment. This is so much the case that it risks hampering popular buy-in for any subsequent concessions. In this light, lodging a counter-claim may make most sense as the wherewithal for a campaign to cultivate opinion in anticipation of a breakdown in the talks. The UK would be after the more attractive optics of reluctantly leaving the negotiating table after the EU rejected its well-founded complaints, rather than baldly walking out in the face of a disagreeable bill.

Regardless, the UK would have no reason formally to withdraw its complaints and the EU's everyday business would eventually feel their effect. In the first instance no doubt, most in Brussels and the member states would dig in: this would also stand against any appetite for reform. With the passage of time, however, the implications of such complaints are likely to change the weather. Officials of a prudent disposition will revisit their views of reputation and liability, both personally and nationally; policy-makers with their own reservations about the conduct giving rise to the UK's claims will become all the more uneasy; those professionally involved in the EU's funding and the Euro's operation will be particularly troubled. Indeed as to this last, the bond rating agencies may be expected to weigh in.

This takes us to the international position. Such a wrangle would tease out the ambivalence inherent in the EU's reputation. On the one hand, third countries and bodies welcome the EU

for its promise to play a constructive part in the international system. In this light they would prefer it to see off a challenge of this kind promptly. On the other hand, they too have had to live with the consequences of the conduct complained of. Overall, we might expect a something between a moment of pause and an outright reset among those engaged with the EU, that is third-party trading jurisdictions (both countries and associations like the South American Mercosur); as well as such international bodies as the IMF, the Bank of International Settlements, regulatory and standard-setting bodies and the like.

What with one thing and another, it looks far better not to reach such a point. But if we ever do, the UK's negotiators will be able to join the kiddies in the playground by drawing the attention of Mr Barnier to his own remarks: after all, he started it.

Calculations of the UK's trillion euro counter-claim against the EU (Figures and legal doctrines should be taken as indicative)

Claim 1

Return of the current value of contributions accumulated since the UK's accession to the EU, where expended fraudulently, extravagantly, so lethargically as to defeat their purpose, under protest by HMG or UK MEPs, failing to satisfy auditors, or otherwise at odds with good practise.

Total claim (€bn)	205.6
So say (€bn)	200.0

Summary

€m

Total spend	Est misspent	Claim
1,027,935	20%	205,587

Date	b/f	Period	s/t	Statutory interest	c/f
1973	-	(1,217)	(1,217)	(97)	(1,314)
1974	(1,314)	(14)	(1,328)	(106)	(1,435)
1975	(1,435)	844	(591)	(47)	(638)
1976	(638)	(1,407)	(2,045)	(164)	(2,209)
1977	(2,209)	(2,784)	(4,993)	(399)	(5,393)
1978	(5,393)	(5,312)	(10,705)	(856)	(11,561)
1979	(11,561)	(5,684)	(17,245)	(1,380)	(18,625)
1980	(18,625)	(3,637)	(22,262)	(1,781)	(24,043)
1981	(24,043)	(1,656)	(25,699)	(2,056)	(27,755)
1982	(27,755)	(2,193)	(29,947)	(2,396)	(32,343)
1983	(32,343)	(2,102)	(34,445)	(2,756)	(37,200)
1984	(37,200)	(2,156)	(39,356)	(3,149)	(42,505)
1985	(42,505)	(6,364)	(48,869)	(3,910)	(52,779)
1986	(52,779)	3,394	(49,385)	(3,951)	(53,336)
1987	(53,336)	(1,263)	(54,599)	(4,368)	(58,966)

1988	(58,966)	910	(58,057)	(4,645)	(62,701)
1989	(62,701)	(2,782)	(65,484)	(5,239)	(70,722)
1990	(70,722)	(1,821)	(72,543)	(5,803)	(78,347)
1991	(78,347)	4,092	(74,255)	(5,940)	(80,195)
1992	(80,195)	(256)	(80,451)	(6,436)	(86,887)
1993	(86,887)	702	(86,185)	(6,895)	(93,080)
1994	(93,080)	(863)	(93,943)	(7,515)	(101,459)
1995	(101,459)	(5,182)	(106,641)	(8,531)	(115,172)
1996	(115,172)	3,060	(112,112)	(8,969)	(121,081)
1997	(121,081)	300	(120,781)	(9,662)	(130,444)
1998	(130,444)	(5,209)	(135,653)	(10,852)	(146,505)
1999	(146,505)	(682)	(147,187)	(11,775)	(158,961)
2000	(158,961)	(3,240)	(162,202)	(12,976)	(175,178)
2001	(175,178)	6,228	(168,950)	(13,516)	(182,466)
2002	(182,466)	332	(182,135)	(14,571)	(196,705)
2003	(196,705)	612	(196,093)	(15,687)	(211,781)
2004	(211,781)	1,951	(209,830)	(16,786)	(226,616)
2005	(226,616)	941	(225,675)	(18,054)	(243,729)
2006	(243,729)	5	(243,723)	(19,498)	(263,221)
2007	(263,221)	(792)	(264,013)	(21,121)	(285,134)
2008	(285,134)	2,774	(282,360)	(22,589)	(304,949)
2009	(304,949)	1,980	(302,969)	(24,237)	(327,206)
2010	(327,206)	(5,093)	(332,299)	(26,584)	(358,883)
2011	(358,883)	(5,115)	(363,998)	(29,120)	(393,117)
2012	(393,117)	(5,981)	(399,098)	(31,928)	(431,026)
2013	(431,026)	(8,105)	(439,131)	(35,130)	(474,261)
2014	(474,261)	(5,647)	(479,908)	(38,393)	(518,300)
2015	(518,300)	(8,586)	(526,886)	(42,151)	(569,037)
2016	(569,037)	(9,900)	(578,937)	(46,315)	(625,252)
2017	(625,252)	(9,900)	(635,152)	(50,812)	(685,964)
2018	(685,964)	(9,900)	(695,864)	(55,669)	(751,533)

2019	(751,533)	(9,900)	(761,433)	(60,915)	(822,348)
	Total				822,348
	Ten year average Euro/Pound				1.25
	Euros				1,027,935

Notes

Statutory interest rate on annual balance of 8%pa.

Period spend to 2014 is GCSM less GCSL less FKKI, adjusted to 2016 pounds using CZBH, where.

GCSM - Transactions with EU: total UK uses.

GCSL - Transactions with EU: total UK resources.

FKKL - Secondary Income (Credits) Govt Other Transfers [Abatement].

CZBH - Retail price index for all Items, percentage change over 12 months.

All data from ONS website or (period spend for 2015 and 2016) Blue Book, Chapter 11

Claim 2

Compensation for the accumulation of past increased military expenditure, arising out of EU recklessness in the Western Balkans (taken as incurred from 1992 to 2001) and the Ukraine (taken as incurred from 2009 to date).

Total claim (€bn) 64.2

So say (€bn) 65.0

UK defence expenditure £bn

	Spend in current £bn	Index no	Spend in 2016 £bn	Increment attrib Balkans 5%	Increment attrib Ukraine 5%
1991	24.4	47.5	51.4		
1992	26.0	50.5	51.5	2.6	
1993	26.3	52.4	50.2	2.5	
1994	26.0	53.3	48.9	2.4	
1995	25.6	54.6	46.9	2.3	
1996	24.7	56.6	43.6	2.2	
1997	25.1	58.0	43.3	2.2	
1998	24.4	59.8	40.8	2.0	
1999	26.8	61.9	43.2	2.2	
2000	27.8	62.9	44.2	2.2	
2001	29.9	64.8	46.1	2.3	
2002	28.3	66.0	42.9	2.1	
2003	30.0	67.1	44.7		
2004	32.4	69.1	46.9		
2005	33.4	71.3	46.9		
2006	35.2	73.3	48.0		
2007	36.6	75.8	48.3		
2008	38.3	79.2	48.4		
2009	41.0	82.5	49.7		2.5
2010	42.6	82.1	51.9		2.6
2011	44.9	86.0	52.3		2.6
2012	44.1	90.7	48.7		2.4

2013	41.9	93.7	44.7	2.2
2014	44.0	96.6	45.5	2.3
2015	45.2	99.0	45.7	2.3
2016	44.8	100.0	44.8	2.2
2017	45.6	100.0	45.6	2.3
2018	47.0	100.0	47.0	2.3
2019	49.5	100.0	49.5	2.5
Subtotals(€bn)		25.1	26.3	

Total (€bn)	51.3
Ten year average Euro/Pound	1.25
Total (€bn)	64.2

Claim 3

Compensation for the accumulated loss of past output since 2009 for the failure since then to honour commitments to implement the Service Directive in full.

Panel 1. UK Trade with EU

Imports from	Exports to	Total trade
220,150	133,832	353,982

Panel 2: Duration of claim

Date of nominal completion of service directive	2009
Date of departure	2019
Years arising	10

Panel 3. Calculation of loss of output - £m

Total trade arising	353,982
Split to services as overall UK proportion	79.2%
	280,354
Services /	1.0%
	2,804
Years arising	10
	28,035
Total (£m)	28,035
Ten year average Euro/Pound	1.25
Total (€m)	35,044

The value of I , the ratio of change in GDP growth to change in trade growth.

Values for I are taken from actuals, adjusted to combine to the 5% benefit over the five years shown in the economic literature on tariffs, NTMs and trade pacts, an example of which forms the basis for panel 4. The source focused on NTMs in apparel plus electrical and machinery sectors and showed \$90bn increment in welfare (eg GDP) mainly in Japan and the EU15 at 2003 prices. Panel 4 applies this to the UK.

Panel 4. UK, Estimates of increment in GDP

after removal of all NTMs on services,	Component of UK GDP, 2011 Index no	arising	Notes
£m			
Apparel	4,094		1
Machinery and equipment nec	10,536		1
Services less core government	989,090		1
	Index no "a" =	67.6	

Components of "Sector specific welfare impact"

Apparel	64,040	2
Machinery and equipment nec	11,740	2
Total increment in welfare	92,045	2
	Index no "b" =	0.82

2011 GDP \$tn

UK	2.4	3
EU 15	16.4	3
Adjust to EU 28	22.2	4
Japan	4.7	3
	Index no "c" =	0.09

Effects of abolition of NTMs on target industries and regions

– 2004 \$bn	66.4	
Adjust to 2011 US\$	79.6	5
Adjust to 2011 UK £	50.7	6
Estimated effect on UK 2011 £bn	249	7
Compare to total GDP – £bn	2,797	1
Increment	8.9%	

Sources and notes

- 1 Blue Book Table 2.3. ONS (2013).
- 2 Andriamananjara et al (2004). Table 3. Japan and EU15 only.
- 3 CIA (2014).
- 4 Eurostat (2014). This underestimates the effect as it uses EU17 as a denominator.
- 5 Inflation taken from the calculator provided by the US Department of Labor (2014).
- 6 Exchange rate taken from the website of the Board of Governors of the US Federal Reserve System (2014).
- 7 Figure in line above, multiplied by index nos "a", "b" and "c."

Panel 4 shows an increment of 8.9%, in GDP, without identifying a time period. This may be seen as ambitious, to be calibrated by taking reports from elsewhere in the literature and summarised in Panel 5.

Panel 5. Effect of selected trade reforms	Effect on GDP		Effect on trade		Notes
	Min	Max	Min	Max	
Tariffs on EU US trade demolished	\$46bn	\$86bn	\$37bn	\$37bn	1
EU/US NTMs demolished	3%	7%	na	na	2
Asia/US NTMs demolished	9%	10%	na	na	3
Asia/US NTMs demolished	na	na	7.5%	7.5%	4
TPP comes into effect	\$104bn	\$104bn	na	na	5
Asian FTA comes into effect	\$215bn	\$215bn	na	na	5

Sources and notes

1. Erixon and Bauer (2010). Introducing a zero tariff to EU US trade gives rise to \$46-\$86bn in GDP or welfare, variously measured, with export elasticity of 9x to 19x on static measures and 0.8x to 1.5x on dynamic, calculated over six years.
2. Berden et al (2007); calculated over eight years.
3. Andriamendjara et al (2013); calculated as though immediately.
4. Helble, Shepherd and Wilson (2007); calculated as though immediately.
5. Petri, Plummer and Zhai (2011); calculated over fifteen years.

Services Panel 5 presents a heterogeneous collection of results. Taken in the round and combined with Panel 5, they show a range of 3% to 10% increase in GDP. This justifies a view of 5% increase in output in services over five years, that is a value for I of 1% pa.

Goods Values for I in goods are also calculated with reference to evidence from Erixon and Bauer, who show a lower effect upon goods, justifying a 0.5% acceleration in growth also taken over five years, that is 0.1% pa.

Claim 4

Compensation for the accumulated loss of past output since the UK's accession to the EU for its failure to ratify Free Trade Associations (FTAs) in a timely manner with Canada, Korea, Singapore, South Africa, and Vietnam.

Total claim (€bn)	15.8
So say (€bn)	15.0

Panel 1. UK Trade with selected counterparties, 2015 - £m

	Imports from	Exports to	Total trade
Canada	9,523	3,842	13,365
Korea	4,343	4,719	9,062
Singapore	1,921	3,927	5,848
South Africa	3,933	2,201	6,134
Vietnam	3,140	376	3,516
Total trade arising			37,925

Panel 2: Duration of claim

Date of accession	1973
Date of departure	2019
Years arising	46
Less allowance for reasonable negotiation period	5
	41

Panel 3. Calculation of loss of output - £m

Total trade arising	37,925	
Split to services as overall UK proportion	79.2%	
	30,037	
Services /	1.0%	<i>As heads of claim 3, panels 4 and 5</i>
	300	
Years arising	41	
	12,315	
Split to goods as overall UK proportion	20.8%	

	7,888	
Goods /	0.1%	<i>As heads of claim 3, panels 4 and 5</i>
	8	
Years arising	41	
	323	

Total (£m)	12,638
Ten year average Euro/Pound	1.25
Total (€m)	15,798

Claim 5

Compensation for the accumulated loss of past output since the UK's accession to the EU for its failure to initiate FTAs with Australia, China and Taiwan; and to conclude FTAs with Brazil, India, Japan and the US.

Total claim (€bn)	82.3
So say (€bn)	80.0

Panel 1. UK Trade with selected counterparties, 2015 - £m

	Imports from	Exports to	Total trade
Australia	2,100	3,783	5,883
Brazil	2,460	2,143	4,603
China	36,103	18,070	54,173
India	6,063	9,091	15,154
Japan	7,028	4,310	11,338
Taiwan	3,179	1,160	4,339
US	35,291	45,278	80,569
Total trade arising			176,059

Panel 2: Duration of claim

Date of accession	1973
Date of departure	2019
Years arising	46

Panel 3. Calculation of loss of output - £m

Total trade arising	176,059	
Split to services as overall UK proportion	79.2%	
	139,439	
Services /	1.0%	As heads of claim 3, panels 4 and 5
	1,394	
Years arising	46	
	64,142	

Split to goods as overall UK proportion	20.8%	
	36,620	
Goods /	0.1%	<i>As heads of claim 3, panels 4 and 5</i>
	37	
Years arising	46	
	1,685	

Total (£m)	65,826
Ten year average Euro/Pound	1.25
Total (€m)	82,283

Claim 6

Present value of the accumulated and post-Brexit incremental NHS, social care and other expenditures for treating persons adversely affected by diesel and other pollution from motor vehicles, conforming or purporting to conform to emission regulations stemming from the Vehicle Directive (2007) and thereby represented by EU or member-state regulators as safe.

Total claim (€bn)	205.2			
So say (€bn)	200.0			
				<i>Notes</i>
Total Europe wide costs of respiratory disease pa (€bn)	379.6			<u>1</u>
UK population (m)	65.1			
EU population (m)	507.4			
Ratio arising	12.8%			
Pro rate cost of lung disease to UK (€bn)	48.7			
Estimate of increment in morbidity	25.0%			
Over period from 2014 to 2039	25	years	304.4	2
PV of increment (£bn) discounted at	2.5%	pa	164.2	3
Total (£bn)	164.2			
Ten year average Euro/Pound	1.25			
Total (€bn)	205.2			

1. Source: <http://www.erswhitebook.org/chapters/>

the-economic-burden-of-lung-disease/the-cost-of-respiratory-disease/

2. Commencement date of 2014 taken as mid-point in round of directives.

3. nb low figure as commencing from and discounted to 2014.

Claim 7

Present value of the post-Brexit costs of economic output forgone, plus converting electrical power supply to efficient operation, to reverse the adverse effects of the Renewable Energy Directive (2009).

Total claim (€bn) 184.2

So say (€bn) 180.0

	GDP current £m	Index no	GDP constant £m	Prop'n output forgone	Output forgone
2009	1,628,583	82.5	1,974,945	0.250%	4,937.4
2010	1,659,772	82.1	2,022,831	0.275%	5,562.8
2011	1,684,820	86.0	1,958,904	0.303%	5,925.7
2012	1,706,942	90.7	1,881,424	0.333%	6,260.4
2013	1,739,563	93.7	1,856,023	0.366%	6,793.5
2014	1,792,976	96.6	1,855,622	0.403%	7,471.2
2015	1,832,318	99.0	1,850,826	0.443%	8,197.1
2016	1,865,893	100.0	1,865,893	0.487%	9,090.2
2017	1,897,613	100.0	1,897,613	0.536%	10,169.3
2018	1,929,873	100.0	1,929,873	0.589%	11,376.3
2019	1,962,680	100.0	1,962,680	0.648%	12,726.7
2020	1,996,046	100.0	1,996,046	0.584%	11,648.8
2021	2,029,979	100.0	2,029,979	0.525%	10,662.1
2022	2,064,488	100.0	2,064,488	0.473%	9,759.0
2023	2,099,585	100.0	2,099,585	0.425%	8,932.4
2024	2,135,278	100.0	2,135,278	0.383%	8,175.9
2025	2,171,577	100.0	2,171,577	0.345%	7,483.4
2026	2,208,494	100.0	2,208,494	0.310%	6,849.5
2027	2,246,039	100.0	2,246,039	0.279%	6,269.4
2028	2,284,221	100.0	2,284,221	0.251%	5,738.4
2029	2,323,053	100.0	2,323,053	0.226%	5,252.3
2030	2,362,545	100.0	2,362,545	0.203%	4,807.4
2031	2,402,708	100.0	2,402,708	0.183%	4,400.3
2032	2,443,554	100.0	2,443,554	0.165%	4,027.6

2033	2,485,095	100.0	2,485,095	0.148%	3,686.4
2034	2,527,341	100.0	2,527,341	0.134%	3,374.2
2035	2,570,306	100.0	2,570,306	0.120%	3,088.4
2036	2,614,001	100.0	2,614,001	0.108%	2,826.8
2037	2,658,439	100.0	2,658,439	0.097%	2,587.4
2038	2,703,633	100.0	2,703,633	0.088%	2,368.2
2039	2,749,595	100.0	2,749,595	0.079%	2,167.6

Discounting rate	PV of output forgone
2.5%	147,337

Note: low figure as discounted to 2009

Total (£m)	147,337
Ten year average Euro/Pound	1.25
Total (£m)	184,172

Note. Nothing taken for costs of conversion

Claim 8

Present value of the post-Brexit costs of incremental education, health, security and welfare expenditures, arising out of persons residing in this country by reason of failings of border security falling out of the Schengen system, detrimental judgements of the ECJ, or other EU or member-state dysfunctions.

Total claim (€bn)	34.1		
So say (€bn)	35.0		
			<i>Notes</i>
UK welfare budget 2014/5 (£bn)	258		<u>1, 2</u>
UK police budget 2016/7 (£bn)	23		1, 3
Total (£bn)		281	
Asylum seekers in UK in 2014 as proportion of population		0.24%	4
Schengen convention introduced	1990		
Date of UK departure	2019		
Period arising		29	
Assumed fraction arising through operation of Schengen		10%	
Average age (est)		25	
Life expectancy		82	
Demographic load (years)		57	
Cost (£bn)		111.5	
PV at 2.5%		27.3	
Total (£bn)		27	
Ten year average Euro/Pound		1.25	
Total (€bn)		34	

Notes

1. Nothing taken for incremental education or health expenditures.

2. Source: <http://visual.ons.gov.uk/welfare-spending/>

Unadjusted to 2016/7

3. Source: <http://researchbriefings.files.parliament.uk/documents/CBP-7279/CBP-7279.pdf>

4. Source: <http://www.irr.org.uk/research/statistics/asylum/>

Claim 9

Provisions for the loss of output and stabilising the UK financial system in the event of failures by UK branches of European banks, passported into this country under EU single-market rules and whose prudent and timely recapitalisation has been frustrated by the ECB or member-state regulators.

Total claim (€bn)	56.2
So say (€bn)	55.0

Calculation of loss of output from ABMI series in ONS blue book

	Over GBC ¹	Post GBC ¹ average	Loss of output	Notes
Yr 1	(1.4%)	1.2%	2.6%	
Yr 2	(5.0%)	1.2%	6.2%	
Yr 3	1.1%	1.2%	0.1%	
Yr 4	0.7%	1.2%	0.5%	
Yr 5	0.6%	1.2%	0.6%	
Yr 6	1.3%	1.2%	n.a	
Cumulative			10.0%	(a)
UK GDP 2007 (£m)		1,712,996		
Index no (2016 - 100)		75.8	2,261,092	(b)
Loss of output (£m)			226,588	(a) times (b)
Cash outlay supporting banks (£m)			133,000	2
Total (£m)			359,588	
Estimate of damage by comparison with GBC ¹			25%	
Estimate of likelihood			50%	
Total (£m)			44,948	
Ten year average Euro/Pound			1.25	
Total (£m)			56,186	

Notes

1. *GBC - Global Banking Crisis*

2. *Source: <https://www.nao.org.uk/highlights/taxpayer-support-for-uk-banks-faqs/>*

Claim 10

Provisions for the loss of output and stabilising the UK financial system and economy in the event of the failure of the Euro; reserving the right to obtain punitive damages for such injuries should it be shown that the ECB has interpreted its mandate at odds with the intentions of its framers; to the detriment of the public good; under protest from pertinent central banks, regulators or international bodies; at odds with the advice of its auditors; or otherwise recklessly.

Calculation of loss of output from ABMI series in ONS blue book

	Over GBC ¹	Post GBC ¹ average	Loss of output	<i>Notes</i>
Yr 1	(1.4%)	1.2%	2.6%	
Yr 2	(5.0%)	1.2%	6.2%	
Yr 3	1.1%	1.2%	0.1%	
Yr 4	0.7%	1.2%	0.5%	
Yr 5	0.6%	1.2%	0.6%	
Yr 6	1.3%	1.2%	n.a	
Cumulative			10.0%	(a)
UK GDP 2007 (£m)		1,712,996		
Index no (2016 - 100)		75.8	2,261,092	(b)
Loss of output (£m)			226,588	(a) times (b)
Cash outlay supporting banks (£m)			133,000	2
Total (£m)			359,588	
Estimate of damage by comparison with GBC ¹			50%	
Estimate of likelihood			67%	
Total (£m)			119,863	
Ten year average Euro/Pound			1.25	
Total (£m)			149,828	

Notes

1. GBC - Global Banking Crisis

2. Source: <https://www.nao.org.uk/highlights/taxpayer-support-for-uk-banks-faqs/>

Claim 11

Token compensation for loss of reputation for association with the EU's chronic maladministration.

Total claim (€bn)	25.4
So say (€bn)	25.0

Taken as a token 2.5% of total of preceding heads of claim.

Heads of claim		€bn
1	Return of misspent contributions	200.0
2	Foreign misadventures	65.0
3	Service Directive - lethargic implementation	35.0
4	Stated FTAs - lethargic negotiation/ratification	15.0
5	Stated FTAs - failure to initiate or conclude	80.0
6	Vehicle directive --> diesel pollution	200.0
7	Renewable Energy Directive --> electrical generation	180.0
8	Schengen, ECJ, etc --> uncontrolled borders	35.0
9	Bank risk	55.0
10	Euro risk	150.0
	Total of preceding heads of claim	1,015.0
11	Token on preceding	2.50%
		25.4

Author

Miles Saltiel is a former investment banker and now serves as a Senior Fellow of the Adam Smith Institute. On their behalf, he led teams whose competition entry on Grexit was short-listed for the Wolfson Prize; and on Brexit was shortlisted by the IEA. He currently operates www.brexit2016.uk, a *pro bono* website hosting material circulated earlier to a restricted number of selected parliamentary, industrial and City figures, together with other interested parties. He read PPE at Oxford.



55 Tufton Street, London SW1P 3QL

T: 020 7799 6677

E: info@civitas.org.uk

Civitas: Institute for the Study of Civil Society is an independent think tank which seeks to facilitate informed public debate. We search for solutions to social and economic problems unconstrained by the short-term priorities of political parties or conventional wisdom. As an educational charity, we also offer supplementary schooling to help children reach their full potential and we provide teaching materials and speakers for schools.

Civitas is a registered charity (no. 1085494) and a company limited by guarantee, registered in England and Wales (no. 04023541).