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Britain’s singular other

*Germany and the Brexit crisis*

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The road to Brexit

The Fall of the Berlin Wall in 1989 was arguably the key event in post-war British politics. The UK’s role in the allied victory and its role in post-war Germany gave it an enhanced status and removed the rivalry that had scarred British–German relations in the preceding century. This privileged role for the UK was swept away by German unity, where Germany achieved full sovereignty and territorial expansion. It is this sense of loss that explains Prime Minister Thatcher’s hostility to German unification (Campbell 2004, 32–41).

German unity turned out to be a critical juncture and took Germany and the UK along different paths. The German government under Chancellor Kohl opted for the path of deeper integration in the Maastricht Treaties, while the UK made ever more frequent use of ‘opt-out’ provisions to escape the embrace of deeper integration. Until the onset of the eurozone crisis, these divergent paths did not appear to be an immediate existential threat to the EU, though the complete failure of the UK government to inform the British public about the EU obviously carried grave risks in the event of a crisis. With the breaking out of the crisis, the status quo no longer looked like an option for Germany and members of the eurozone and it was clear that at some point further steps would need to be taken to safeguard the eurozone. Within the UK, the eurozone crisis emboldened the Eurosceptics, who now perceived the EU as a failed enterprise, which they sought to exploit to effect a British
exit, and the defenders of British membership of the EU could not draw on a reservoir of public knowledge and support. The decisive blow however was probably Chancellor Merkel’s decision to allow Syrian refugees to proceed from Austria to Germany in August 2015, which was quickly exploited by the Eurosceptic press and politicians to give the (wholly mistaken) impression that Britain would be threatened by waves of refugees. Ironically both the eurozone and the issue of migration were covered by ‘opt outs’, but the low level of information about the EU in Britain allowed them to be used as an argument in favour of leaving.

David Cameron and renegotiation

Under pressure from Eurosceptics inside the Conservative Party and electoral pressure from UKIP, Prime Minister Cameron decided to hold an ‘in–out’ referendum on the UK membership of the EU, though it was labelled as an ‘advisory referendum’. This was to be preceded by a renegotiation of the terms of the UK membership where it was hoped that Britain would be granted major concessions in relation to ‘freedom of movement of labour’, the area where the Conservative government felt under most pressure from UKIP. In the renegotiation, David Cameron had hoped to secure concessions through relying on the ‘good offices’ of Germany to move other Member States to support sufficiently dramatic concessions so as to allow him to triumph. In taking this option, Cameron assumed that Germany occupied a hegemonic position. This calculation failed for a number of reasons. Whilst Germany operates as a ‘reluctant hegemon’ (Paterson 2011) in the eurozone, it lacks hegemonic power across the EU as a whole. Almost no attention was paid to other Member States whose agreement would have been necessary. Cameron also assumed a convergence of priorities between the UK and Germany, failing to understand that Germany was above all concerned with maintenance of the eurozone and of the EU as a whole. Ultimately, the UK’s ‘transactional’ approach to its EU membership clashed with a German approach that reserved significant space for fundamental values, freedom of movement being one of the more important. The British approach of demanding bespoke ‘opt-outs’ and its policy of promiscuous differentiation, which had been so successful in the past, would therefore have its limits. In the Brexit post-mortem, many in the UK continue to argue that, had there been one more concerted push, German Chancellor Angela Merkel would have conceded on free movement. There is no evidence for this view and even if she had conceded some ground, it would not have been accepted by other Member States.
After the referendum

The balance of UK policy towards Germany changed sharply with the arrival of Theresa May as prime minister, who reversed the policy and personnel choices of her predecessor. There was a perception that David Cameron over-invested in Germany, and after an initial visit to Berlin by Prime Minister May no great effort was made to court Germany or any other major Member States. With the arrival of President Trump, attention has been concentrated on Washington and potential trade partners rather than European partners. A ‘Remainer’ in the referendum campaign, May subsequently positioned herself at the head of a ‘hard Brexit’ course and appointed three pro-Brexit ministers (Boris Johnson, David Davis and Liam Fox) to key ministerial posts. One of the assumptions of the ‘hard Brexit’ position is that the negotiating advantage lies with the UK and that the correct course is to press the British position strongly (whilst being prepared to leave if progress does not result). This highly risky position which reflects a visceral dislike of the EU rests, to some extent, on the view that Cameron’s renegotiation failed largely because he had indicated a strong preference to remain and had not stressed that he would be prepared to exit if the renegotiation failed.

For the German government, Brexit has slipped sharply down the list of priorities. Chancellor Merkel’s first priority, especially after a temporary surge in support for the Social Democratic Party’s candidate, Martin Schulz, was to secure re-election. The second priority was maintaining the unity of the remaining EU members post-Brexit, since a special responsibility is seen to fall on Germany in this regard. A third priority was to deal with the threats to the EU posed by Putin in Russia and Trump in the US, and a fourth was dealing with the eurozone and migration crises. Only then was Brexit considered a priority.

The economics of Brexit

In Cameron’s premiership there was a widely held view that Germany, and particularly Merkel, would throw its weight unequivocally behind the British negotiating position. This was always an unrealistic position which ignored the fact that Merkel had to take account of the preferences of other Member States and that ‘freedom of movement’ was a core EU value. Nevertheless the failure of Merkel to meet British expectations in this regard led to deep disappointment in the UK.
Post-referendum, attention has shifted in the direction of German business. Germany is the exporting nation *par excellence* and the interests of export-oriented business could be expected to weigh heavily. Moreover, German businesses are heavily invested in Britain. In 2016, Germany exported €86 billion worth of goods to the UK, while German imports from the UK were only half of that. Germany is also a major investor in the UK car industry with a very healthy trade balance in pharmaceuticals, machine building and electronics (Turner & Green 2017). In recent years a number of authors, notably Hans Kundnani (2014), have argued that German external preferences are essentially set by its export-oriented firms.

Although these factors might be expected to lend credence to the primacy of economics argument, in actual fact the evidence points the other way. Trade with Britain is much smaller than trade with the rest of the EU. Merkel’s priority, accepted by German business, is to keep the EU together and the Single Market flourishing (Savage 2017). Hans Kundnani’s view that business is becoming more dominant in preference-formation seems to be the reverse of what is happening. Traditionally, the German export industry indeed shaped German preferences, but in a series of recent decisions the relationship has been the other way around. Merkel overruled the objections of business, for instance, in order to press sanctions against Russia in the Ukraine crisis. Even more strikingly, the support that German business gave the proposals for a TTIP gained no traction whatsoever, and on Brexit German firms were forced to bow to the wider interest. There is an obvious symmetry here with UK businesses, which have also been unable to make their preferences in favour of British Single Market membership count.

**The politics of Brexit**

If the view that the economic interests of Germany will be enough to secure a favourable outcome for Britain in the Brexit negotiations is misplaced, it is reasonable to ask whether the political environment will be any more benign.

The clouds gather

The starting point is the feeling of annoyance generated by Brexit. Germany had taken the lead in offering Britain concessions in successive
negotiations since the UK’s original entry into the EEC in 1973. These concessions were often made against strong resistance from France. The German government felt it had gone as far as it could in the negotiations with Cameron, and was therefore surprised and disappointed that Cameron was unable to sell the deal to the British public despite continually assuring them that victory was inevitable. They were further irritated by post-referendum British claims that this was the fault of the Germans, who had been unreasonable in not making concessions on freedom of movement. This charge ignores the fact that limitations on free movement would have received even less support from the other Member States. The harsh tone employed by Prime Minister May towards the EU, and her identification with President Trump, also succeeded in further alienating German opinion.

Germany’s lonely position

A British exit from the EU leaves Germany with a number of unwelcome problems. The UK is a major contributor to the EU budget and its departure raises awkward questions in relation to financing, with a number of Member States entertaining expectations that Germany – as the richest and largest Member State – will fill the gap. The financing issue also explains the firmness of the German insistence that Britain must settle its debts before the negotiation of any future trade deal can begin. In relation to the EU27, the focus of the German government will be on containing expenditure and exporting its brand of austerity. This was an area where Britain was a dependable ally. Germany thus also stands to lose its most powerful ally against (economic) statism. The departure of the UK also leaves Germany even more exposed as the dominant power in the EU. A great deal now hinges on the recovery of France under Emmanuel Macron.

Germany’s position as ‘reluctant hegemon’ is also likely to come under more pressure after Brexit. The term applies especially to Germany’s role in the eurozone crisis. In the past, Germany would have sought to deal with the crisis through the Franco-German relationship but France’s weakening economy meant that it became clear quite quickly that it was not a viable partner in this regard. Germany’s ever-strengthening economy and principal creditor status placed it in the driving seat in relation to setting the rules in the eurozone.

Germany’s historical past and the costs associated with a hegemonic role meant that it was one it accepted with some reluctance. By some measures the largest economy, it is now even more obvious
that Germany is the dominant Member State, a role that comes with increased expectations and responsibilities. This is at its most obvious in relation to the migration crisis where the Eastern European Member States continue to benefit from substantial EU funds while refusing to play their part in a fair distribution of incoming refugees. In that context, demands from Britain that it be afforded a bespoke Brexit deal are especially irksome.

Changing geopolitics

These added burdens have arisen at a time when the political sands are shifting around Merkel’s feet. Geopolitically, she is the first German Chancellor to face a challenge from a US president. Barack Obama had been a staunch ally of Chancellor Merkel whilst in office, but Donald Trump’s cry of ‘America First’ has made enemies of the liberal world order generally – and China and Germany specifically – because of their large trade surpluses with the US. Things started to normalise after the Chancellor’s visit to Washington, and Trump became somewhat less hostile, but he is still a long way from being a supporter of Germany and made a number of statements critical of Germany at the G20 Conference in Hamburg (Gathmann & Wittrock 2017). The fact that the UK continues to support the position of President Trump, despite its oft-proclaimed support for global free trade and the Paris Climate Accord, is a source of bafflement and annoyance to many Germans. Merkel is further pressured by the actions of President Putin in Syria and the Ukraine. Whereas her Social Democrat coalition partners offer strong support in her dealings with the US, they have continued to privilege engagement, not containment, in her dealings with Russia. The emergence of illiberal governments in Hungary and Poland is a source of further pressure on Chancellor Merkel.

The envisaged departure of the UK has not led to the contagion effect some predicted, although in truth this was a view that was only really held by the British. Nevertheless, the EU remains fractious, with southern Europeans attacking Germany’s austerity policy and Eastern Europeans opposing Merkel’s refugee policy. Faced with these challenges, Merkel’s priority has to be to focus on keeping the EU together, rather than spend time and political capital on the Brexit negotiations.

The election of Emmanuel Macron to the French Presidency has transformed the mood and reduced the German sense of isolation. Macron is a pro-European who is keen to revive the Franco-German
alliance, although French economic weakness will mean that Germany remains the indispensable and dominant partner in this relationship, with all the attendant responsibilities. Nevertheless, the Franco-German relationship represents the future and policy attention will be centred on that relationship rather than pandering to the British as they vanish in the rear-view mirror.

In relation to the negotiations themselves, one immediate problem arising is the relative readiness of the respective negotiating teams. The German team, despite still coping with the migration and eurozone crises, is formidably well prepared. They have, in turn, been shocked by the ignorance and lack of preparedness on the part of the UK. The British coordination mechanism on the EU was traditionally regarded with great admiration by other Member States, with the UK’s Permanent Representation to the EU (UKREP) in Brussels considered formidably well briefed. The resignation of the hugely respected Sir Ivan Rogers as UK Permanent Representative on 7 January 2017 and his replacement by Sir Tim Barrow, a non-EU security specialist without any of Sir Ivan’s vast knowledge, has gravely weakened UKREP. Moreover, the new ministries established to deal with Brexit – the Department for Exiting the EU and the Department for International Trade – are headed by ministers with no recent experience of dealing with the EU, and are seriously understaffed. This leads to myriad difficulties. The UK government’s desire for a quick deal on the rights of EU nationals in the UK, seen as essential for the operation of the British labour market, ignores many of the legal and technical complexities involved. The insistence on abolishing the jurisdiction of the CJEU while aiming for the best possible access to the Single Market is viewed with confusion in Germany. If Britain were to secure favourable terms of access to the Single Market, it would need to be on the basis of equivalent regulation, for which there would have to exist some process to monitor divergence and resolve conflicts. An alternative to the CJEU would be cumbersome and extremely difficult to agree upon.

Whilst the area of trade policy is of the greatest interest to the two governments, the ‘red lines’ set out by the UK government in Prime Minister May’s Lancaster House speech (May 2017a) will make agreement very difficult. The area of security and counter terrorism should be much easier to resolve given the UK’s acceptance of Europol and the obvious common interest both countries have in this area. Here too the ‘red line’ on the oversight of the CJEU would create obstacles in the technical details of cooperation in areas such as data protection, which is extremely sensitive in Germany for historical reasons.
Cooperation in the area of foreign policy, which has always been intergovernmental and is outside the jurisdiction of the CJEU, will be easier. The danger here is that the UK regards security as its ‘get out of jail’ card, able to produce large concessions on the trade front. The German view is that security is best understood as a common good that is in the interests of both countries and should therefore not be used to extract leverage in other areas. Although cooperation with the UK is seen as desirable, the German government is stepping up defence cooperation with France, including the joint development of a fighter aircraft and increasing spending on Germany’s own defence forces to ensure continued security after Brexit.

Conclusions

The future is uncertain, more so than usual, and the outcome of the Brexit negotiations are unclear. What is clear is that the result of the UK referendum marks a deep caesura in UK–German relations. After an awkward initial start under Margaret Thatcher, the post-German unity relations between Britain and Germany have been unprecedentedly close. This closeness required the exercise of tact and restraint on both sides, but especially on the German side. A united Germany inevitably reduced the importance of the UK, even in regard to relations with the US, traditionally a cornerstone of British self-regard. Although they diverged on integration issues, the two countries were close on trade and security. Under David Cameron, who relied totally on Germany in his renegotiation bid, relations were probably closer than at any time in recent history.

Theresa May began her tenure as prime minister with a successful visit to Berlin, but since then relations have rapidly worsened. The German government has been dismayed by May’s uncritical support for President Trump and her jettisoning of the more traditional UK role acting as a ‘bridge’ between the US and Europe. A series of veiled threats on security and the possibility of the UK adopting a low-tax ‘Singaporean’ model in the event of talks breaking down have been received poorly in Germany, where it is pointed out these would harm the UK more than the EU.

The decision by Theresa May to attempt to strengthen her majority by calling a snap election on 8 June 2017 turned out very badly for her, resulting in a ‘hung parliament’. Prime Minister May was forced to strike a deal with the Democratic Unionist Party of
Northern Ireland to secure a majority. It is quite difficult to establish what the voters intended but at the very least it indicates a lack of support for Prime Minister May’s ‘hard Brexit course’. It was not at all clear that Prime Minister May would be able to survive as prime minister beyond the initial weeks. The weakness of the British government has provoked some alarm in Germany and Foreign Minister Sigmar Gabriel in an interview with Welt am Sonntag indicated that the German government might be prepared to make concessions to encourage a ‘soft Brexit’; in particular he floated the idea of a joint court rather than the CJEU to arbitrate disputes (Maidment 2017).

The Chancellor has been extremely sparing in any comments in the run-up to the Federal Election of 24 September.

Whatever option finally emerges, Germany will not, and cannot, act as a comfort blanket for the UK in the future. The British hope that the US might fulfil this role also looks unlikely, after President Trump indicated that a trade agreement with the EU will take precedence over a similar deal with the UK. For Germany, the departure of the UK will be regrettable on trade and budgetary issues, but it will not make a significant dent on Germany’s upwards rise, either politically or economically. For Britain the results will be economically and psychologically very painful.