

German industry must influence Brussels

Why Hammond and Davis are right

by Hans-Olaf Henkel in Berlin

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On Tuesday Philip Hammond, the UK chancellor of the exchequer, and David Davis, Britain's minister for leaving the European Union, wrote an article in the Frankfurter Allgemeine Zeitung. The piece was aimed at German industry leaders, bypassing the German government.

The strategy proposed by Hammond and Davis is intended to appeal to the German business community, foremost the Federation of German Industries, to support Britain's position. It is in Germany's interest to minimise the damage done by Brexit. It would be even better if German industry backed the call for an [exit from Brexit](#) and demanded Brussels propose a new deal that would prevent this disaster.

Berlin has delegated the entire Brexit strategy to Michel Barnier, the European Commission's chief negotiator. He is more focused on punishing the British than optimising Brexit – this is a strategy which will harm British and German industry. Brexit is a 'lose-lose situation' for Britain and the EU. It would be better still to prevent it altogether – even the best possible Brexit with the longest possible transition period would damage both economies.

It is sad to see the passivity of leading representatives of the German industry associations. Their positions range from, 'It's a political problem and not ours,' to, 'It's Britain's turn, because they've caused Brexit!' In this respect, the position of Hammond and Davis is completely understandable: it is a wake-up call to German industry and, at the same time, a cry for help.

In the light of the everlasting negotiations for a new government in Berlin, it may be unsurprising that no one in Germany has tried to influence Barnier's Brexit strategy – but it is still irresponsible. Barnier clearly does not represent the interests of the European business community. He has a purely political agenda. On one hand he wants to prevent other countries from considering leaving the union. On the other he supports French President Emmanuel Macron's line of 'more Europe'. This view is confirmed by politicians like Martin Schulz and Sigmar Gabriel, the present and former leader of the Social Democratic Party. They aim at less subsidiarity and more centralisation; less competition in the EU and more harmonisation; less responsibility for a country's banks and its public debt and more solidarity through new funding mechanisms; and the dissemination of financial risks in the euro area. For these europhiles, Britain is simply a nuisance.

Hammond and Davis point out that Germany is heavily dependent on the UK as an export market; Britain is the third largest market for German products after the US and France. It is therefore in the interest of German industry to accommodate the British as much as possible. The UK is and will remain the EU's largest export market, ahead of the US and China. That is why Germany should urge Brussels to support British demands for uninterrupted access to the service and financial sectors.

German industry subordinates its interests to those of the financial sector, and prospects of new finance jobs in Frankfurt seem to obscure the risks to other parts of the economy. Hammond and Davis rightly raise a point that is almost entirely absent from the German discussion on Brexit. A new trade agreement between the EU and Canada, South Korea or Japan is one thing. But continuing integration of British companies with those on the continent, relationships that have developed over decades, is a completely different matter. It is not only about the internal market, it is about logistics chains and supplier and customer relationships.

It is high time that Germany started to take British views on Brexit seriously – before it is too late.

Hans-Olaf Henkel is a Member of the European Parliament and Vice Chair of the European Conservatives and Reformists. Henkel is former President of the Federation of German Industries and part of a group of prominent German business figures [campaigning to keep Britain in the European Union](#) by persuading Brussels to offer concessions on freedom of movement. OMFIF is organising a [dinner discussion with Henkel on 23 January](#) on the possibility of an 'exit from Brexit'.