

Brexit, the German Perspective

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Abstract— This research paper focuses on the German perspective of a possible British exit (i.e. Brexit) from the European Union. In the aftermath of the Eurozone crisis, as well as in the wake of a migrant crisis, the future of the European Union is in doubt amongst United Kingdom voters. In June 2016, British voters will hold a referendum as to whether the United Kingdom should remain in the European Union or withdraw. Germany, being the European Union's de facto leader nation, is under pressure from European Union member states to try to keep the second largest European economy in the Union. A possible United Kingdom exit from the European Union will have a large effect on European economies, trade, migration, as well as the European Union's influence in the international arena.

Index Terms— Brexit, Germany, Economy, Migration, Political Unions, United Kingdom, European Union, Eurozone Crisis.

Throughout its history, the United Kingdom of Great Britain and Northern Ireland has always shared a cautious relationship with the remainder of its European neighbors. This summer, on the 23rd of June, that relationship will take another turn when the United Kingdom will hold a referendum in which it will ask British voters the following question, "should the United Kingdom remain a member of the European Union or leave the European Union?"¹

The United Kingdom's long time apparent reluctance in fully integrating with the European Union has been attributed by BBC News writer Sam Wilson as "Britain's island mentality, combined with that imperial hangover, that is at play - Britain is used to giving orders, not taking them."² Predating the European Union was the European Coal and Steel Community, initiated in 1951, and during that period Britain had declined to join the six founding countries. However, economic struggles eventually led the UK to have a change of heart and ultimately apply to the European Economic Community (EEC) in 1961. Then French President Charles de Gaulle twice vetoed the Kingdom's application, accusing Britain of having "a 'deep-seated hostility' towards European construction, and of being more interested in links with the U.S."³ Eventually, the UK joined the EEC in 1973, under the leadership of then Prime Minister Edward Heath. In

1975, the UK held its first referendum in regards to membership in the EEC; that referendum resulted in a majority vote of just over 67 percent voting in favor of remaining in the EEC.

Lately predicaments have troubled the European continent, further increasing tensions between the UK and the EU, which ultimately lead to a second referendum 41 years after the first referendum. One such instance is the Eurozone crisis, which demonstrated how vulnerable and susceptible the euro currency is to the behavior of EU member states. The Eurozone crisis was later coupled with a refugee crisis that has been described by the Organization for Economic Co-operation and Development (OECD) as "unprecedented" with the organization stating that, "Given the complexity of its main deriving forces, there is unfortunately little hope that the situation will improve significantly."⁴

As expected, the referendum has led to a reaction from other EU member states. Most notably of which is the Union's most prominent member, Germany, which former U.S. Secretary of State Henry Kissinger once described as being "too big for Europe, too small for the world."⁵ Germany has long held a favorable view towards its British counterpart, notably demonstrated in a conversation between Konrad Adenauer, Germany's first post-war Chancellor, and then British Prime Minister Winston Churchill in 1951, in which Churchill stated to Adenauer "you may be assured, Great Britain will always stand by Europe's side." Leading Adenauer to reply, "Prime Minister, you disappoint me somewhat. England is a part

¹ Wilkinson, Michael. "EU Referendum: What Is It and When Is It?" The Telegraph. Telegraph Media Group, 22 Feb. 2016. Web.
<<http://www.telegraph.co.uk/news/newsttopics/eureferendum/11324069/What-is-the-EU-referendum-and-when-is-it.html>>.

² Wilson, Sam. "Britain and the EU: A Long and Rocky Relationship." BBC News. The British Broadcasting Corporation, 1 Apr. 2014. Web.
<<http://www.bbc.com/news/uk-politics-26515129>>.

³ Wilson, Sam. "Britain and the EU: A Long and Rocky Relationship." BBC News. The British Broadcasting Corporation, 1 Apr. 2014. Web.
<<http://www.bbc.com/news/uk-politics-26515129>>.

⁴ Giugliano, Ferdinando. "Europe Faces Unprecedented Migrant Crisis, Warns OECD." Financial Times. The Financial Times, 22 Sept. 2015. Web.

⁵ Jacobs, Frank. "Kohr Principles." The Opinion Pages. The New York Times, 5 June 2012. Web.
<http://opinionator.blogs.nytimes.com/2012/06/05/kohr-principles/?_r=0>.

of Europe."⁶ This conversation also succeeds in revealing a long established British perception of isolation and independence from the remainder of the continent.

This favorable relationship between the two countries has persevered 65 years later, with Germany hoping that the UK remain in the European Union. Chancellor Angela Merkel has become British Prime Minister David Cameron's strongest ally in the battle to convince other countries to agree to British reforms, in order to keep the UK in the EU. This has led officials to claim that Berlin is intending to "use its influence with other countries to resolve potential disputes over reforms which the U.K. is demanding ahead of a referendum vote on its EU membership. Including on the increasingly problematic issue of migration policy."⁷

While speaking to the German Parliament, Chancellor Merkel stated that retaining the United Kingdom in the Union is "not just in Britain's but also in Germany's interest, and that of Europe as a whole."⁸ When addressing both Houses of Parliament in the Royal Gallery of the Palace of Westminster, Chancellor Angela Merkel also exhibited a willingness to reach a compromise between the UK and the EU, she stated "Germany and Great Britain both aim for a strong, competitive European Union. Together and determined we can make our values and interests relevant to the modern world. To reach this aim we need a strong United Kingdom with a strong voice within the European Union. That way we achieve the necessary changes - for the good of all."⁹

British Prime Minister David Cameron has presented four key objectives to the EU in order for the UK

to remain a member. The first of which is to ensure that "further financial union cannot be imposed on non-Eurozone members and the UK will not have to contribute to Eurozone bailouts,"¹⁰ as well as ensuring that the euro will not be the sole currency in use within the Union. Second is the reduction of excessive regulation as well as extending the single market. Third, "allowing Britain to opt out from the EU's founding ambition to forge an 'ever closer union' of the people of Europe so it will not be drawn into further political integration,"¹¹ with Cameron ultimately stating that Britain will never be part of a "European super-state."¹² Finally, restricting access to in-work and out-of-work benefits to EU migrants; aiming to "stop those coming to the UK from claiming certain benefits until they have been a resident for four years."¹³

Cameron's final objective, restricting access to welfare benefits to EU migrants, has put German Chancellor Angela Merkel in an uncomfortable situation. Welfare benefits to EU migrants are exorbitant, ultimately costing the British government approximately 25 million pounds a year¹⁴, with Germany suffering similar, if not higher, costs. It has been indicated by Merkel that, "restrictions on British welfare benefits for EU migrants could be adopted in Germany."¹⁵ This leaves Germany in a position where it must appear to defend the interests of the EU as a whole, while simultaneously attempting to put forward reforms that could also be in their benefit as well as that of the UK.

⁶ Kielinger, Thomas. "Britain, Don't Leave Us! We Germans Need You in the EU - and We'll Bend over Backwards to Keep You." The Telegraph. Telegraph Media Group, 17 Dec. 2015. Web.

<<http://www.telegraph.co.uk/news/worldnews/europe/germany/12055450/Britain-dont-leave-us-We-Germans-need-you-in-the-EU-and-well-bend-over-backwards-to-keep-you.html>>.

⁷ Palmeri, Tara. "Germany Wants to Be a Brexit Broker." Politico Europe. Politico, 24 Nov. 2015. Web. <<http://www.politico.eu/article/germany-merkel-wants-to-be-a-brexite-cameron-broker/>>.

⁸ Witte, Griff. "Europe Wants Britain to Stay in the E.U., but Not at Any Cost." Washington Post. The Washington Post, 17 Feb. 2016. Web. <https://www.washingtonpost.com/world/europe/europe-wants-britain-to-stay-in-the-eu-but-not-at-any-cost/2016/02/17/1aeb45c8-d048-11e5-90d3-34c2c42653ac_story.html>.

⁹ "Angela Merkel Praises Relationship with UK." The Telegraph. Telegraph Media Group, 27 Feb. 2016. Web. <<http://www.telegraph.co.uk/news/worldnews/europe/germany/angela-merkel/10665996/Angela-Merkel-praises-relationship-with-UK.html>>.

¹⁰ "Q&A: What Britain Wants from Europe." BBC News. The British Broadcasting Corporation, 17 Feb. 2016. Web. <<http://www.bbc.com/news/uk-politics-32695399>>.

¹¹ Ibid.

¹² "The Latest: Cameron Says New Deal Means UK Should Stay in EU." AP. The Associated Press, 19 Feb. 2016. Web. <<http://bigstory.ap.org/article/be46eb572d064c4d9e7b00f9c8ba1a85/latest-hollande-eu-deal-must-keep-financial-regulation>>.

¹³ "Q&A: What Britain Wants from Europe." BBC News. The British Broadcasting Corporation, 17 Feb. 2016. Web. <<http://www.bbc.com/news/uk-politics-32695399>>.

¹⁴ Holehouse, Matthew, Peter Foster, and Steven Swinford. "EU Summit Sticking Points: What Does Every European Leader Think about Britain's Demands?" The Telegraph. Telegraph Media Group, 19 Feb. 2016. Web. <<http://www.telegraph.co.uk/news/newstopping/eureferendum/11698556/EU-referendum-What-does-every-European-leader-think-about-Britains-demands.html>>.

¹⁵ McCathie, Andrew. "Brexit Has Consequences for Britain's Foreign Investor, Biggest Trading Partner Germany." ABC News. The Australian Broadcasting Corporation, 01 Mar. 2016. Web. <<http://www.abc.net.au/news/2016-03-01/brexit-s-consequences-for-trading-partner-germany/7211424>>.

Initially, it appeared that Chancellor Merkel had maneuvered this situation adequately, by not offering the UK special exceptions; she claimed that an agreement would not be a "Lex Britannica", where reforms would not only apply to the UK, and that "rights for governments to limit EU migrants welfare, would be valid for all EU members."¹⁶

However, Chancellor Merkel's aspiration for the application of the British reforms led to a conflict with Poland and other eastern European states at the European Council meetings held in Brussels in mid-February. Polish Prime Minister Beata Szydlo as well as the leaders of Slovakia, the Czech Republic, and Hungary were "infuriated by plans to reduce the amount of child benefits that migrants working in the UK can send back home."¹⁷

Poland was especially concerned that these reforms would be utilized by other member states of the EU, most notably of which Germany, where hundreds of thousands of Polish citizens reside. "Beata Szydlo lead the fight against Mr. Cameron's benefit reforms being made available to Germany, Austria, and Denmark, a move that would have affected up to 600,000 Polish citizens working in Europe."¹⁸

Numerous options had been discussed regarding welfare benefits; one of which was a five-year transition period for restrictions; while the other would allow the UK to impose the ban immediately whilst also including a longer wait on implementation from the other EU member states. The issue of benefit reforms appears to be one that will continue vehemently throughout the negotiations regarding a British exit from the EU; as indicated by a Polish official during the council meetings by stating "we thought it was just Great Britain. Now it the whole European Union, we are shocked. It is difficult for us to come to terms with it."¹⁹ This problematic situation will ultimately leave Germany, which is regarded as the European Union's leading member state, in a difficult position where it must ease the concerns of the eastern

European countries while also applying reforms that benefit itself as well as its British counterpart.

Another important motivating factor encouraging Germany to keep the UK in the EU, while also implementing the suggested British reforms, is trade. One of David Cameron's main objectives is to reduce excessive regulation and promote competitiveness. Competitiveness is one of Chancellor Merkel's favorite words, as she launched a "pact for competitiveness" in 2011 as a solution to the Eurozone crisis and is a frequent proponent of increased competition in the continent with the rest of the world.

As Germany is the United Kingdom's largest trading partner, the two countries share significant trade ties, ties that could be disturbed should the UK opt to leave the EU; leaving both countries with significant gaps in their respective foreign trade. A report by Global Council claims, "the German trade surplus with the UK - at over 28 billion pounds in 2013 - dwarfs that of any other country and is the equivalent of 1 percent of GDP."²⁰ The report also claims that German manufacturers alone exported 67.5 billion euros to the UK that year, with about every fifth car produced in Germany eventually sold in the UK, making it the second biggest destination for all German exports after the US.²¹ German services, in particular financial services, also exported 4.1 billion euros that year, amounting to a total of 71.6 billion euros from those two sectors alone. Meanwhile British exports to Germany amounted to 90 billion euros annually.²² These large figures indicate that Germany, as well as the UK; will be intent to preserve their trade ties by keeping the UK in the EU.

Germany is also a significant foreign investor in the UK, "with 2,500 of its companies employing 370,000 people in Britain."²³ German bank Deutsche Bank alone employs 9,000 people in the UK, lately however the bank has "set up a group to consider moving some of its British operations to Germany if the UK leaves the European Union."²⁴ In fact, a survey conducted by Bertelsmann

¹⁶ Wagstyl, Stefan. "Merkel Pledges German Support to Prevent Brexit." *Financial Times*. The Financial Times, 12 Feb. 2016. Web.

<<http://www.ft.com/intl/cms/s/0/5a2f90ea-d183-11e5-986a-62c79fcbcead.html>>.

¹⁷ Holehouse, Matthew, Peter Foster, and Steven Swinford. "EU Summit Sticking Points: What Does Every European Leader Think about Britain's Demands?" *The Telegraph*. Telegraph Media Group, 19 Feb. 2016. Web.

¹⁸ Ibid.

¹⁹ Holehouse, Matthew, Peter Foster, and Steven Swinford. "EU Summit Sticking Points: What Does Every European Leader Think about Britain's Demands?" *The Telegraph*. Telegraph Media Group, 19 Feb. 2016. Web.

²⁰ Irwin, Gregor. "BREXIT: The Impact on the UK and the EU." *Global Counsel*. June 2015. Web.

<http://www.global-counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf>.

²¹ McCathie, Andrew. "Brexit Has Consequences for Britain's Foreign Investor, Biggest Trading Partner Germany." *ABC News*. The Australian Broadcasting Corporation, 01 Mar. 2016. Web.

<<http://www.abc.net.au/news/2016-03-01/brexit-s-consequences-for-trading-partner-germany/7211424>>.

²² Ibid.

²³ Ibid.

²⁴ Irwin, Gregor. "BREXIT: The Impact on the UK and the EU." *Global Counsel*. June 2015. Web.

<http://www.global-counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf>.

Foundation, surveying 700 British and German firms found that one out of every three German firms would "cut capacity or relocate" should the UK leave the EU, with 80% of firms supporting the UK remaining in the Union.²⁵

Another seldom-discussed aspect of a possible British exit from the EU is the possible affect on security, since the UK is "the strongest European military power in NATO,"²⁶ a British exit could produce unwanted consequences. Daniel Keohane, Senior Researcher at the Center for Security Studies (CSS), claims that "Brexit could damage European defense cooperation because it would greatly strain political relationships with other European allies, especially with the next two leading military powers in the European part of NATO: France and Germany."²⁷

Keohane cites the European split in regards to the 2003 Iraq War, when the British government strongly supported a U.S. led invasion while France and Germany strongly opposed. This split led Germany and France to flirt with the idea of forming a European Union military headquarters, which was always blocked by the British "for fear that it would undermine NATO structures."²⁸

However should the UK leave the EU, there are no guarantees that the two countries would not attempt to bring back a EU military headquarters. Keohane concludes by stating that "at the very least, Brexit would hardly help EU-NATO cooperation, because the United Kingdom would no longer be a party to European Union security policies."²⁹ With the current state of the geopolitical climate, security disruptions of any kind would be very unwelcome, not only for Germany and the UK, but for the rest of the European continent as well.

Germany also requires that the UK remain in the EU from a policy and decision making standpoint, since the UK acts as a counterweight to France in policy debates regarding free trade and reform. A report by Global Council speculates that, "after Brexit the balance in the European Council on economic policy debates would shift,

with the loss of a large member state supporting liberalization. Germany, in particular, would find it harder to assemble a blocking minority or to act as the swing state in regulatory debates. Germany would become more exposed politically, by having to lead opposition to illiberal measures."³⁰

Hans Kundnani, of the London School of Economics and Political Science, argues that since Germany only makes up 28 percent of total GDP, and since a grouping of France (21 percent) and Italy (16 percent) outweighs it, it is a "semi-hegemon" and not a hegemon. Kundnani claims that "part of the nature of this semi-hegemonic position is that it leads to a perception of dominance and therefore resistance," which could pressure other countries into establishing coalitions to "balance against German power." Kundnani suggests that Germany would be weaker should the UK leave the EU, adding that it will also have to cope with increased expectations placed by other EU member states, "leading to even greater anger at Germany than at present for its inability or unwillingness to solve Europe's problems."³¹

Germany needs the presence of the UK in the EU for the numerous reasons stated above. However, it is extremely interesting to note how Berlin has effectively been taking advantage of British discontent with the EU, as well as the threat of a British exit, as a method of achieving favorable policy goals and reforms that would have been significantly more difficult to implement had the threat of Brexit not existed.

A German-led reform of welfare-state-benefits to EU migrants would have been even more of an uphill battle. Considering that the challenge facing Berlin as the massive arrival of refugees into the continent "has triggered deep divisions among the European Union's 28 member states about how to handle the crisis and invigorating support for right wing anti-EU political parties."³²

counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf>.

²⁵ Oltermann, Philip. "German Poll Finds One in Three Firms Would Leave UK after Brexit." *The Guardian*. Guardian News and Media, 14 Feb. 2016. Web. <<http://www.theguardian.com/politics/2016/feb/14/eu-referendum-poll-1-in-3-firms-leave-uk-brexit>>.

²⁶ Keohane, Daniel. "European Defense and Brexit: A Tale of Three Cities." *Carnegie Europe*. Carnegie Endowment for International Peace, 1 Mar. 2016. Web. <<http://carnegieeurope.eu/strategieurope/?fa=62922>>.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Keohane, Daniel. "European Defense and Brexit: A Tale of Three Cities." *Carnegie Europe*. Carnegie Endowment for International Peace, 1 Mar. 2016. Web. <<http://carnegieeurope.eu/strategieurope/?fa=62922>>.

³⁰ Irwin, Gregor. "BREXIT: The Impact on the UK and the EU." *Global Counsel*. June 2015. Web.

<http://www.global-counsel.co.uk/system/files/publications/Global_Counsel_Impact_of_Brexit_June_2015.pdf>.

³¹ Kundnani, Hans. "Enough of the Hegemony: Why Germany Really Wants the UK to Stay in the 3EU." *The London School of Economics and Political Science*, 23 Feb. 2016. Web.

<<http://blogs.lse.ac.uk/brexitvote/2016/02/23/enough-of-the-hegemony-why-germany-really-wants-the-uk-to-stay-in-the-eu/>>.

³² McCathie, Andrew. "Brexit Has Consequences for Britain's Foreign Investor, Biggest Trading Partner Germany." *ABC News*. The Australian Broadcasting Corporation, 01 Mar. 2016. Web.

<<http://www.abc.net.au/news/2016-03-01/brexit-s-consequences-for-trading-partner-germany/7211424>>.

A long and complicated history between the UK and the EU will take another interesting turn in the summer of 2016. Whether or not British voters decide to remain in the EU or leave is still unknown, however it is clear that both the UK and the European Union are better off should the British voters decide to remain a part of the Union.

British historian Vernon Bogdanor claims "Europe has been a toxic issue in British politics, not just because it caused division between parties, but also deep divisions within the parties. Some might argue that the fundamental conflict in post war British politics is not so much between left and right as between those who believe that Britain's future lies with Europe and those who believe it does not."³³ According to Bogdanor, whether the United Kingdom leaves the European Union or not, the discussion of European integration appears to be one that will not end anytime soon.

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³³ Wilson, Sam. "Britain and the EU: A Long and Rocky Relationship." BBC News. The British Broadcasting Corporation, 1 Apr. 2014. Web.
<<http://www.bbc.com/news/uk-politics-26515129>>.