



WHY GERMANY SHOULD – BUT MAYBE “KANT” – BE THE UK’S PERFECT BREXIT ALLY

Paul Krugman is not the first to observe a Kantian element in German politics – and deride it. In 1999, he argued: “It’s not Karl Marx vs. Adam Smith, it’s Immanuel Kant’s categorical imperative versus William James’ pragmatism. What the Germans really want is a clear set of principles: rules that specify the nature of truth, the basis of morality, when shops will be open, and what a Deutsche mark is worth. Americans, by contrast, are philosophically and personally sloppy: they go with whatever seems more or less to work”. Krugman has a point. This Anglo-Saxon pragmatism is quite foreign to Germans, especially when it comes to European integration.

EUROPE FIRST, CONTAGION ANGST

European unity and stability has been a priority of German politics since the beginning of post-war European integration. Back then, it was the major goal (and achievement) of Germany to be readmitted into a community of civilised nations. And still today, with some allowance for depreciation, this historical motive plays a role in German European politics. Nowhere else can one find such strong evidence for a sort of “sacralisation” of the European project making it almost taboo to question European integration, even where criticism is due or a healthy dose of “sloppiness” could help.

The German position during the Brexit negotiations will be shaped by the same two “typically German” attitudes: stickling about principles and prioritising European unity. In terms of principles, Angela Merkel and politicians across the German party spectrum made very clear early on that the “four free-

doms” of the European single market were “inseparable”, meaning that if the UK wanted to remain a member of the single market for goods, services and capital, it would also have to accept the free movement of EU citizens (in addition to EU budgetary contributions, EU legislation and European Court of Justice jurisdiction over matters relating to the single market). More than just a German obsession, this Kantian insistence on principles being applicable to all was widely shared by EU member states and, of course, EU institutions. Such categorical consent of the EU27 may have driven Theresa May to drop the “Norwegian” option of leaving the EU while remaining in the single market, although in Berlin this was long held to be the best option for Germany, the EU, and the UK, as well.

Meanwhile, Angela and Theresa, both daughters of pastors (and thus perhaps influenced by Protestant ethics), have made their point. Now it remains to be seen how they (and many other players) can reach pragmatic solutions. On purely economic grounds, it would be reasonable for Germany and the EU to seek as much free trade as possible with the UK – which, after all, has a sizeable current account deficit with the EU27, and with Germany, in particular. In terms of political strategy, however, the fear of the Brexit “bug” becoming contagious due to an excessively amicable divorce is likely to counter economic pragmatism, prompting other EU leaders to play hardball and make an “example” of the UK. It is argued that further exit referenda used to achieve special statuses within the EU by way of opt-outs, concessions or rebates would undermine the EU as a political, legal and economic unity. If the UK’s former position

of being a member of the EU while enjoying many opt-outs has been only reluctantly accepted, the UK leaving the club while gaining many opt-ins to attractive fields of cooperation is likely to be even more unacceptable.

ECONOMIC VERSUS POLITICAL RATIONALITY

To be sure, the UK government will have much to offer, such as its foreign policy expertise, military power and intelligence capacity precisely in areas where the EU is now facing new challenges. And provided that European leaders overcome the fallacy of trade as a zero-sum game, a “wide reaching, bold and ambitious free trade agreement” should indeed be in the mutual interest of all parties. On purely economic grounds, this also holds for financial services. If the EU were to cut itself off from London as Europe’s largest and most attractive global financial centre, it would be mutually damaging and cause an artificial and costly fragmentation of financial services. But this issue is heavily politicised. Voters may not appreciate the EU giving post-Brexit “privileges” (passports) to London’s City bankers. At the same time, and with a certain amount of Schadenfreude, German politicians and media outlets celebrate news of some of these London bankers possibly being relocated to Frankfurt. In the end, I expect a free-trade agreement to emerge that would entail some compromise between the “four freedoms”, notwithstanding the UK’s decision to leave the single market. I also expect that Germany will at some stage support parallel Brexit and FTA discussions, in order to avoid the cliff edge for business on both sides of the Channel. After all, it would be bizarre to deny the UK – Germany’s closest and amongst its largest trading partners, and which has complied with EU market regulations since 1973 – greater market access than, say, Canada or South Korea.

Still, the mantra of the “indivisibility of the four freedoms” is likely to re-emerge during the negotiations, due to the political mantra that no leaver should be “better off out”. Expect not only Poland or Romania to demand some freedom of movement into the UK. The German government is also likely to press for this; not just for the sake of stickling about principles, but out of self-interest. If the UK were to decide to limit drastically the access of unskilled EU-citizens, many of them would turn to another attractive labour market and even more attractive welfare state: Germany.

BEWARE THE GERMAN ELECTIONS

Will the September 2017 general elections have an impact on the Brexit negotiations? Traditionally, centre-right and centre-left basically agree on Germany’s constructive role in the EU. Still, in the run-up to the elections, the UK should not expect much goodwill from the German government. Until a new

government is formed sometime in October, there will be no settled German position. This effectively reduces the timeframe for pragmatic Article 50 negotiations by half a year.

Yet, the election outcome could make a difference. With the entry into the race of former European Parliament President Martin Schulz, it has become conceivable that Angela Merkel might not add another four years to her 12 years as German chancellor. Merkel or Schulz. Once we enter the phase of serious Brexit negotiations, the difference matters. If there is one thing known about where Martin Schulz stands, it is his position as a diehard EU federalist who had a fair number of unpleasant encounters with certain proponents of UK independence in the European Parliament. Schulz might take some pleasure in punishing the Brits for their decision to leave, in order to demonstrate that the “European social (democrat) model” is superior to what he dismisses as British “neo-liberalism”. Compared to Schulz, Angela Merkel would take a more pragmatic approach and try to secure mutual gains through trade and joint commitment to as many policy projects as possible.

“EUROPE HAS TO HURT”?

But, again, both Merkel or Schulz will be ready to sacrifice some economic gains for the political priority of averting other member states’ attempts to make leaving the Union a success. And both see “Europe à la carte” as the worst possible model of integration. It takes a most extraordinary German to find full sympathy with the UK both before and after Brexit, and yet I found one: Ralf Dahrendorf (1929-2009), Member of the German Parliament, Parliamentary Secretary of State at the Foreign Office of Germany, European Commissioner, Director of the London School of Economics, and Member of the House of Lords. In his 1979 Jean Monnet Lecture, he said:

“I have often been struck by the prevailing view in Community circles that the worst that can happen is any movement towards what is called a Europe à la carte. This is not only somewhat odd for someone who likes to make his own choices, but also illustrates that strange puritanism, not to say masochism, which underlies much of Community action: Europe has to hurt in order to be good ... The European interest (it is said) is either general or it does not exist ... I believe that ... such a view is not only wrong, but in fact an obstacle to further European integration”.

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