

Bob Bischof, leading voice of German business in the UK, plays down fears of a Brexit 'car crash'

It was the turn of German business to present a view on Brexit to a meeting of the AEJ's UK Section on February 20th. Speaking on "Britain before and after Brexit: a German perspective", Bob Bischof, Vice President of the German British Chamber of Industry and Commerce and a leading voice of German business in Britain, said German business is confident that a Brexit deal will be done between the UK and the European Union with details hammered out during the transition period after the UK leaves the EU on 29th March 2019. But, he warned, German exporters to the UK would weather the consequences more easily than UK businesses. Mr Bischof's remarks and the subsequent discussion are summarised by AEJ member Peter Norman.

"There will be a deal. Both sides want it," Bob Bischof told the AEJ's lunchtime meeting confidently. He added that economic trends among the EU 27 and political developments in Germany were making conditions more favourable for agreement.

Faster growth on the continent and the devaluation of sterling since Brexit were lessening the pressure of immigration into the UK from other EU member states. In the event of the next Federal Government in Germany being a coalition of Christian Democrat and Social Democrat parties (subject to a vote of SPD members that runs to March 2nd with the result due on March 4th), Berlin will place greater emphasis on the Social Democrats' policies of "more Europe".

SPD-inspired policies of "more Europe" in Germany will make things easier for Britain in the Brexit negotiations, Mr Bischof claimed. The reason? There is a growing feeling in Europe that with Britain "out of the way" as a member, the EU will evolve faster towards greater integration or a United States of Europe. This sentiment would aid the UK in the Brexit negotiations. On the other hand, the hurdles would be higher should Britain ever want to re-enter the EU - even though he believes progress towards greater European integration was likely to be incremental with nothing happening "in a great rush".

German industry would overcome the problems of Brexit, whatever the outcome, Mr Bischof predicted. He was less upbeat about the prospects for UK business in the post-Brexit world.

The reason lay in the structure and governance of German industry compared to its British counterpart. The important *Mittelstand* of medium sized German companies did not depend on the stock market for finance. German companies could afford to take the long view and invest retained profits in export markets and market share. Tariffs, if imposed after Brexit, would add costs but these would be overcome, just as revaluations of the D-mark had been overcome in the past before introduction of the euro. He was rather confident, too, that the maintenance of supply chains for components between UK and German plants, which is a cause of major concern in the UK, would be sorted out in the Brexit deal and the transition period afterwards.

However, British companies, with their short-term focus on profit and shareholder value and their lack of long term investment, would feel the burden of tariff barriers much more when exporting to the EU 27. It would be difficult for UK companies to replace component suppliers based in Germany with domestic producers because German companies will be in no rush to give up their market share in the UK.

Mr Bischof, who has lived and worked in the UK for 40 years, told the AEJ that he had warned German business people that Brexit would happen some six months before the 2016 referendum.

From his home in Cheshire he had observed UK antipathy towards the EU over many years. He began his remarks by naming a number of factors which he believed lay behind the Leave vote.

The UK, he said, was not good at managing immigration. The absence of identity cards and government exit controls at airports meant people overstayed their permitted stays in the UK in a way that simply would not happen in Germany.

This was part of a broader phenomenon - the British distaste for structures and regulations. It began with the English language itself "which has no rules". It was reflected in the UK reliance on case law and the absence of a written constitution. There were advantages in this approach, such as the UK's labour market flexibility. But the free-flowing nature of UK society put it at odds with the more structured societies across the English Channel.

Mr Bischof also detected a certain "alienation" in British society. In a country where so much was foreign owned -- from football teams to power stations and railway companies -- the British people put their hearts before their heads and voted for Brexit. The press too had played a part in alienating Britain from its European neighbours --though Mr Bischof argued that the anti-EU newspapers reflected rather than guided the opinions of their readers.

In these circumstances, the EU referendum had managed to unite the nationalist right and the 'downtrodden left' in opposition to the EU.

This all added up in his view to a great missed opportunity. Throughout his career, Mr Bischof has been convinced that Germany and Britain have much to learn from each other. A mix of British entrepreneurship and creativity with German management and organisational skills could have created a winning combination in Europe. However, because of Brexit, this no longer appears in prospect.