

Anglo-German relations and the EU question

Blog post by Senior Associate Thomas Gratowski, 19 October 2017

Brexit was conspicuous by its absence in the German election campaign. Migration, Islam and relations with Turkey dominated the only TV debate in early September. Relations with the second largest European economy were not even mentioned once. The EU itself also hardly figured in the campaign, beyond the usual vague commitments to the union, and having more of it. That changed after the election, when German debate about the big ideas being floated by Emmanuel Macron gathered steam. Whether or not Germany should be openly debating its future relationship with the UK, its debate over the future of the EU is likely to have important implications for that relationship.

Wolfgang Schäuble was on familiar territory when he circulated a draft proposal at his last Eurogroup meeting last week, demanding the strengthening of the ESM to supervise Eurozone stability rules, a duty that currently rests with the European Commission. What was more unusual was the way in which the Foreign Ministry (admittedly in the person of SPD Minister Sigmar Gabriel) responded: accusing the finance ministry of failure to invest in the European idea, undermining the democratic legitimacy of the EU and failing to rise to the challenge laid down by Macron.

To be sure, it is far from clear that Berlin and Paris will ultimately find common ground on the future of the Eurozone, or where. But they share an ambition and willingness to deepen the monetary union – either in terms of governance, or shared liability, or both. Commission President Jean Claude Juncker in mid-September interpreted the Macron election as an invitation to table his own ideas for a deeper European Union. He focused on closing the gaps between the Eurozone, the banking union and the EU – essentially a call for rebooting the EU around its monetary union. He backed Schäuble’s idea of fiscal policy coordination – albeit from Brussels rather than the Eurogroup.

The future of the EU and Eurozone will play a role in German coalition talks which start this week. The FDP is likely to take a tough line on fiscal union or pooled liabilities of any kind. But Germany will nevertheless be pulled into a debate on the future of the EU and is ultimately likely to back deepening of the Eurozone over the alternative.

Why does this matter for Brexit? Because it is a reminder that the EU the UK is leaving is changing itself, and in ways that the UK has never been comfortable with. Juncker himself implied in his state of the union speech that one of the reasons for the estrangement between the UK and the rest over the years had been the closer integration within the Eurozone – and the divisions this created in the EU and the way it affected internal balances of power and influence. It is worth remembering that a big part of the ‘deal’ that David Cameron put to the British in 2016 was not about migration at all, but the balance of voting weights between euro and non-euro states.

Junker's wider message also implied that with the largest non-euro state out of the way it was time to return to this work with new ambition. If he is right, and if Berlin ultimately agrees, this will determine what the UK has left, how far 'out' of the EU it is, and how much compromise might be required to be back 'in'. This may be as relevant to the long-term relationship between Germany and the UK as any other factor in the bilateral relations between the two.