Priorities, Sensitivities, Anxieties

German and Central European Perceptions of Brexit

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Executive summary

It is important to underline the likely influence of national figures in key member states and groups of member states on the process of Brexit. In this discussion, the results of private seminars held with policy-makers in Germany and Bratislava (involving representatives of Slovakia, Poland, the Czech Republic and Hungary – the so-called Visegrád group of countries, or V4) are presented.

In Germany, a high priority is attached to the integrity of the single market, and having a “level playing field” of rules. That means that the UK’s “red line” of withdrawing from the jurisdiction of the European Court of Justice presents a significant problem – more so than the “red line” to introduce restrictions on free movement. Attempts to agree sectoral trade deals, or to have a new regime to determine regulatory equivalence between the EU and the UK, will be difficult to achieve, although there is greater openness towards transitional arrangements on single market access. Support for the EU’s integrity is shared across practically all parts of the political spectrum likely to form part of the next German government after the 2017 elections.

In the V4, possibilities of trade deals are viewed more pragmatically than in Germany, and the automotive sector is a particular concern. The UK’s potential contribution to security and defence policy is also of interest, especially to Poland. However, for these countries the UK’s “red line” around free movement presents a significant stumbling block. Although the benefits of outward labour migration to the UK are increasingly questioned (being associated with “brain drain”), the position of current residents from V4 nations, especially Poland, would need to be regularised, and even this may not prove adequate for the Polish government.

Each of these countries is gearing up for the Brexit negotiations. The German
government is formidably well-prepared, will be influential in shaping the EU position, and is resistant to any “bilateralisation” of negotiations. The V4 countries’ civil service capacity is more limited, but they are also becoming prepared. Bullish commentary from British politicians about the strength of their hand, and threats to engage in competitive reduction in levels of corporate taxation, are serving to sour the climate prior to negotiations, and there is a sense across these countries that the UK government is over-estimating the strength of its negotiating position. Suggestions that continued UK contributions towards defence might “buy” goodwill in the area of the single market are received sceptically. However, financial contributions towards the EU in the future could serve several important purposes, reducing the need for a further increase in Germany’s role as Europe’s “paymaster in chief”, mitigating the impending loss of structural funds to the V4, and compensating for regulatory advantages the UK might gain from leaving the single market. The negotiations will prove a challenge, however: notwithstanding the mutual benefits from reaching an agreement on EU-UK links, a negative, “tit for tat” dynamic, with each side punishing the other for perceived defeats in the process, is a realistic possibility, leading to an exit on WTO rules. The likelihood of such an outcome is increased due to the significant number of key players at EU, national and even regional level with a veto.

It is hard to discern shared visions between these countries for the future of the EU. Germany retains an interest in holding the EU together, and in the resolution of other crises (the Eurozone, the flow of refugees into the EU, and relations with Russia). It is sanguine about the likely increase in its budgetary contributions after Brexit. Improved relations with smaller EU member states, now that three-country leadership of the EU has passed, and a possible strengthening of the role of the European Commission, may be prioritised. For the V4, domestic and elite opinion, while still broadly supportive of EU membership, would not necessarily welcome a “deepening” of integration. A reduction in benefits of EU membership, as structural funds decline and free movement is eroded, may question this further. At the same time, the V4 encompasses four different state positions towards the EU, including their differentiated approach to Germany’s role. While Slovakia is a Eurozone member and the Czech Republic has close economic ties to Germany, Poland and Hungary are both currently ruled by single party governments that articulate a more lukewarm approach to European integration. A particular point of division will be relations to Russia, with Poland anxious about growing Russian power geopolitically, but Hungary and Slovakia supporting a softer line – a perspective shared by Germany’s Social Democrats.

There are very significant obstacles standing in the way of a mutually beneficial outcome of the Brexit process. While each of the countries recognises the potential usefulness of bilateral and multilateral links in the future, and that the UK is leaving the European Union, not the continent of Europe, the UK’s “red lines” will make it very hard to achieve a positive deal.
1. Introduction

Coverage of attitudes towards Brexit has tended to focus either on the European Union, or the attitudes of particular, powerful leaders. Such a focus is understandable: the institutions of the EU are tasked with negotiating the terms of Brexit and any future relationship, and the role of Angela Merkel, especially if she is re-elected in 2017, will be crucial in determining the EU position. However, just as some scholars powerfully argued over two decades ago that a failure to disaggregate the EU and look beneath its institutions to the attitudes and interest of members states and domestic politics was a mistake, so there is good reason to probe the attitudes of decision-makers and their key officials, in order to anticipate better EU negotiating priorities and strategies. As Peter Foster rightly noted, “it is striking, even after Brexit, how little effort both the British media and its politicians have made to understand the positions and emotions of their soon-to-be-former EU colleagues and now adversaries at the negotiating table”.

“This is striking, even after Brexit, how little effort both the British media and its politicians have made to understand the positions and emotions of their soon-to-be-former EU colleagues.”
- Peter Forster

This report focuses on the outcomes of two seminars, held with politicians and opinion formers in Berlin and Bratislava in January and February 2017, shortly before the UK is scheduled to trigger Article 50 and begin the formal process of exiting the EU. The seminars were jointly organised by the Aston Centre for Europe, the Comenius University in Bratislava, and the German Institute for International and Security Affairs.

In these discussions, we attempted to probe, first of all, local attitudes to Brexit, and likely negotiating positions to be taken. We were interested in exploring which issues were key, what pri-

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1 We are grateful to the Economic and Social Research Council’s UK in a Changing Europe Programme for its financial contribution to the German seminar, and to the Aston Centre for Europe, the Comenius University in Bratislava, the British Embassy in Slovakia, and the German Institute for International and Security Affairs for their contributions, both financially and logistically. We are naturally indebted to those who joined us at these events. We appreciated the feedback of Vladimir Bičík, Anand Menon, Carolyn Rowe, and Balázs Szent-Ivanyi on an earlier version of this paper, and the assistance of Janina Lang in recording discussions at the Berlin seminar. Nonetheless, the views expressed herein are of course those of the authors alone.

2 C. Wypolsz (2016 ed.): What to do with the UK?: EU Perspectives on Brexit (London: CEPR Press) is a notable exception.


orities would be pursued, and what approach would be taken to the process of the negotiation itself. More broadly, we were interested in the underpinnings of these views – whether there were differences between domestic political actors (for instance, between different political parties, industries or key ministries) and the role played in shaping positions by domestic public opinion. Finally, we explored views on how the EU itself might change after Brexit.

The focal points of our analysis are Germany and the Visegrád countries (Slovakia, the Czech Republic, Poland and Hungary). Germany was chosen as undoubtedly the single most influential member of the EU, likely to be decisive in determining the outcome of negotiations, and Brexit now challenges it to re-examine its approaches to and relationships within the EU. As early as 2011, Germany had been memorably cast as a ‘reluctant hegemon’ and a critical question for the EU is whether Brexit changes either Germany’s hegemonic status or its previous reluctance to act accordingly. Second, Brexit will have a major impact on the so-called Visegrád countries of the Czech Republic, Slovakia, Poland and Hungary. With the ONS estimating that 1.2 million nationals lived in the UK in 2015, the Visegrád (V4) countries, especially Poland, have an immediate interest in what Brexit means for the legal status and welfare rights of their citizens. But their wider ties to the UK are strong too: the UK staunchly supported their accession to the EU in 2004 and have often agreed on common positions, for instance in relation to security policy or questions of competitiveness. Slovakia held the EU Council Presidency in the second half of 2016. While the operation of the Slovak EU Council Presidency itself was hardly affected by Brexit, its work gave a flavour of some likely EU preferences in the run-up to exit negotiations with the UK and practical difficulties that will face future Council Presidencies once Article 50 of the Lisbon Treaty is triggered.

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7 Although several key political representatives in Hungary, Slovakia and the Czech Republic have publicly questioned EU sanctions against Russia, these countries have also consistently supported the EU consensus on sanctions.

2. German priorities

Key Points

- Germany is at the centre of the Eurozone crisis, and the refugee crisis – Brexit is not its sole or principal concern.

- The UK’s “red line” of no longer accepting European Court of Justice is a major obstacle to future trade agreement.

- There is scepticism about sectoral trade deals, but more support for an interim agreement to avoid a damaging “cliff edge”.

- Co-operation on security, at least in the area of “day to day” work around borders, if not around counter-terrorism, will become more difficult if the ECJ has no role in mediating difficult issues like data protection.

- This relatively “hard” line on Brexit, and a view that remaining EU members should be willing to bear costs in order to preserve the integrity of the EU and particularly the single market, is shared across most of the German political spectrum.

Clearly, there is great interest in "Brexit" in Germany, both because of Germany's leading role in Europe, but also historic links between the two countries. However, Germany finds itself at the centre of at least three European “crises”: the difficulties in holding together the Eurozone (of course underpinned by Germany's financial clout), handling the wave of refugees approaching Germany from Syria, North Africa and beyond, and Brexit. Of these, Brexit has the lowest domestic profile and is perhaps the one with the lowest direct impact.

Public commentary in the UK has particularly focused upon the difficulty of Theresa May’s “red line” concerning an end to free movement to Britain from the rest of Europe, due to the feeling in much of the EU and particularly in Germany, that the “four freedoms” of free movement of capital, labour, goods and services, are indivisible – a point reinforced...
by Angela Merkel in January. However, it is clear that the “red line” that Britain will “bring an end to the jurisdiction of the European Court of Justice” is at least as much of a problem for Germany. Simply put, the participants in our seminar believed that only through adherence to the Acquis Communautaire – the body of EU law – can free and fair competition be guaranteed within the single market, which would otherwise be undermined by divergent regulation. If Britain were to have favourable terms of access to the single market, it would need to be on the basis of equivalent regulation, and there would have to be some process to monitor divergence and resolve conflicts. For Germany, the integrity of the single market is of the highest priority.

It is possible to devise methods which do not involve the ECJ in order to ensure a level playing field for trade exists – for instance, along the lines of that which exists in the EU-Canada Trade Agreement (CETA), with an Investment Court System and a legal tribunal formed with judges from the EU, Canada and third parties. However, there are concerns in Germany about this on several levels. It would need to identify and handle divergence from the time of the Great Repeal Bill onwards (including settling the cost for regulatory variations). There is a risk of undermining the EU, which has, in separate negotiations with Switzerland, sought to extend the jurisdiction of the ECJ. Indeed, Germany and the EU more broadly are dissatisfied with current arrangements with Switzerland and would be unlikely to adopt a similar agreement in the future. In addition, this is precisely the sort of area which might become difficult to ratify – dispute resolution mechanisms (notably the forerunner of the Investment Court System, the ISDS – Investor State Dispute Settlement) are politically controversial, and could run into difficulty in the national or regional parliaments of Europe where ratification of a future trade deal would probably be required.

Of course, there is a recognition that Britain leaving the single market would be costly – for instance, for the prosperous German region of Bavaria, the UK is the second biggest trade partner behind the US, underpinned by thriving automobile and pharmaceutical sectors. There are also worries about the impact of a “cliff edge” with an overnight change from market integration to the application of World Trade Organisation rules, especially on financial stability. These might be mitigated by an interim arrangement (especially if the Great Repeal Bill faithfully transposed the entirety of the Acquis, which is a stated commitment of the UK government) but such an agreement could fall foul of the “red line” on ECJ jurisdiction.

The area of trade policy is a priority for the German government, and Germany will have a major role in determining the EU’s position. It has been suggested that other areas such as security policy may be easier to resolve, given the UK’s acceptance of Europol and the obvious and pressing case for co-operation in fields like counter-terrorism. Here, too, the red line of rejecting ECJ jurisdiction presents a problem for the German government.

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it would make it harder to oversee and scrutinise the technical details of co-operation in sensitive areas such as data protection (which has a high profile in Germany, for historical reasons and given the domestic role of liberal political actors such as the Green Party). It is possible that there would be greater flexibility in anti-terror work than on “day to day” business, for instance in border controls. Co-operation in the area of foreign policy would be possible in the future – this is less challenging as it has operated on an intergovernmental basis in any case, so Brexit’s significance is far more limited.

Although Germany faces federal elections in 2017, there does not appear to be a great deal of division between domestic political actors on these points. Currently, although the Foreign Affairs ministry is held by the Social Democratic SPD, Chancellor Merkel's CDU and its CSU partners hold the whip hand (principally through the Chancellery, also through the Finance Ministry); Merkel's speech in Cologne in 2017 emphasised that “cherry-picking” (Rosinenpicken) of obligations was incompatible with full access to the Single Market as it would swiftly undermine the EU’s integrity, as well as the indivisibility of the “four freedoms”. The SPD, under the erstwhile President of the European Parliament Martin Schulz, can be expected to take, if anything, an even harder line, which defends the integrity of the European Union, and the SPD’s resolution on this issue expressed a willingness to take the “short term” pain of a hard Brexit for the long-term prize of preserving the integrity of the EU. The smaller parties (with the exception of the populist right-wing Alternative for Germany and to some degree the Left Party), too, are united by a commitment to the EU, with threats from the UK of competitive reduction in corporate taxes in the case of failure to achieve a full deal going down particularly badly with the left wing of German politics. In terms of public opinion, although there have been no surveys specifically on the terms of the Brexit negotiation, support for the EU has grown since this decision, suggesting that a hard line from the German government protecting the integrity of the EU would find favour with the German public.

Merkel’s speech in Cologne in 2017 emphasised that “cherry-picking” (Rosinenpicken) of obligations was incompatible with full access to the Single Market as it would swiftly undermine the EU’s integrity, as well as the indivisibility of the “four freedoms”.


3. Priorities for the Visegrád countries

Key Points

• The V4 countries have strengthened their co-operation, especially in the light of their shared view on responses to the refugee crisis. There remain important differences between them, notably on relations with Russia and maybe also on possible approaches to Brexit reflecting their individual preferences in the EU.

• Particular priorities will be settling the position of nationals of these counties who live in the UK, and also safeguarding trade with the UK in important sectors, such as automotive manufacturing.

• The relationship with the EU is more “transactional” for these countries than it is for Germany. Public and elite opinion is more sceptical, although membership is still currently supported. This may lead to a more pragmatic stance on Brexit, and less support for bearing short and medium term costs in order to safeguard the integrity of the EU and the single market.

• Budgetary aspects of the Brexit settlement are important to these countries. There would also be support for a continued UK contribution to security and defence of the continent.

The four Visegrád countries (Hungary, Poland, the Czech Republic and Slovakia) have strengthened their co-operation in response to the refugee crisis, with a distinctive position far more reluctant to accept refugees than Germany and much of the rest of the EU. There are, of course, differences between them: the Czech Republic is led by a Social Democrat in coalition with centrists and Christian Democrats, while until March 2016 Slovakia was governed by a populist, nominally left-wing government led by Prime Minister Fico, who continues now as a leader of a broader coalition government that includes both Slovak National Party and ethnic Hungarians. Hungary and Poland are governed by the Conservative right that has increasingly distanced itself from Brussels – not just on migration – and has sought potential ideological alternatives to the EU such as illiberal democracy in the case of Hungary and the so-called Polish Intermarium14, i.e. a new

Central European alliance from the Baltic Sea to the Adriatic. Significantly, only Slovakia is a member of the Eurozone.

However, despite some of their growing distance from Brussels and increasing differences in their individual approaches to the EU, there are some important common threads between the countries in their likely approach to Brexit. First and foremost, the position of those of their citizens who reside in the UK having moved there, for longer or shorter periods of time, since they were granted access to the UK’s labour market in 2004, will be important. The sending of money from those citizens back to families remaining in Central Europe (of particular significance in poorer regions) is a key aspect of this. Second, the V4 countries will be keen to preserve their share of exports to the UK, especially the sale of cars, electronics and other manufactured goods. At first sight, there are reasons to believe that the V4 countries will be more likely to support a pragmatic agreement on Brexit. Their relationship with the EU appears somewhat more “transactional” than that of Germany, potentially leading to less of a willingness to accept major long-term sacrifices over Brexit in order to safeguard the integrity of the European “project” (notwithstanding Czech Republic’s and Slovakia’s economic ties to Germany and Polish nervousness about “geopolitics” if the EU and NATO become weaker as an actor vis-à-vis Russia).

There are two areas where there will be particular pressure to reach a favourable agreement. Firstly, in terms of trade policy, there will be a strong push, in particular from Slovakia (which has the biggest per capita car industry in the world), and British Jaguar Land Rover plans to open a new production plant in Slovakia in 2018), to reach some trade agreement benefiting the automotive sector, though the questions of oversight and enforcement of European rules identified in the foregoing discussion still apply. Secondly, the V4 (with the partial exception of the Czech Republic) share the feature of having a large number of citizens resident in the UK, while hosting relatively few British citizens, so will seek to regularise the position of their own nationals in the UK (and would encounter low costs from reciprocation).

One nuance in the debate on free movement after Brexit is domestic attitudes towards labour migration from the V4 countries are becoming increasingly sceptical. It is associated with the phenomenon of “brain drain”, leading to a loss of skilled workers to domestic economies. Thus,

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15 For economic data see C. Wyplosz (2016 ed.) What to Do with the UK? EU Perspectives on Brexit (London, CEPR Press)
for at least some V4 governments, restrictions on labour migration in future might be contemplated if the position of their nationals currently resident in the UK were guaranteed – Poland is less likely to consider such a deal than its counterparts.

Beyond these two biggest issues, there are other areas where the V4 would press for a positive agreement. The EU’s financial contribution to them, via structural funds17, is a hugely important aspect of membership, and so the budgetary aspects of a Brexit settlement are of particular interest – to some degree, the V4 may be more supportive of the UK “buying its way” into beneficial aspects of the future relationship with the EU. A British contribution to shared foreign policy goals (“Common Security and Defence Policy by another name”, as one of our contributors put it), would be another. More aspirationally, a UK contribution towards the completion of a digital market would be welcomed, as would any pressure it could exert as part of a future agreement in deepening the EU’s approach to regulation “light touch”. Finally, there is particular interest in how Brexit will affect the future shape of relations with Russia, with the countries having an eye to their energy security and their wider independence. However, in attitudes towards Russia they have differences in their approaches, with Hungary and Slovakia being more accommodating, and Poland taking a much tougher line.

While political elites in at least some of the V4 countries have been highly critical of the EU in recent times (over questions of refugee policy, and in the case of Hungary, Poland and to a lesser degree Slovakia over the EU’s questioning of the integrity of their domestic institutions), public opinion remains supportive, indeed possibly more so than elite opinion. In Slovakia, there was a drop in support for the EU due to the economic crisis (for which the Euro was held responsible, and the management of which brought down the Radičová led coalition government in 2012), the refugee crisis, and also corruption over structural funds (even though this is principally a problem for domestic politics rather than with the EU per se). There will, of course, be domestic pressure for a resolution of the situation of V4 countries’ citizens in the UK, and an eye to future possibilities for labour migration (where public pressure to veto a disadvantageous deal could be considerable). Indeed, a combination of a younger, more Eurosceptic generation coming of age, lower levels of benefit from structural funds, and potential restrictions on free movement could lead to a rising tide of Euroscepticism, and even contemplation of EU exit for Central European countries.

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17 On the importance and debates on structural funds and cohesion fund see for instance http://www.europeum.org/data/articles/the-eu-budget-seen-from-the-v4.pdf or https://www.pism.pl/files/?id_plik=11649
4. Approaches to the process of Brexit

Key Points

• The German government seems exceptionally well-prepared and co-ordinated for Brexit negotiations. “Bilateralisation” will be resisted by Germany, and it can be expected to play an important role in determining the position taken by the EU.

• The V4 countries are also gearing up for the negotiations, although their civil service capacity is lower than in Germany.

• For Germany, there is scepticism about “packaging” different aspects of policy, as apparently distinct issues are often felt to be linked, and there is also a risk of undermining the integrity of the EU. It is privately acknowledged that, in practice, issues of the future relationship of the UK will affect the nature of the UK’s exit, so a strict division between these discussions may not be possible.

• The areas of security and especially defence co-operation may not be a useful bargaining chip for the UK with positive spillovers into other areas of policy, as co-operation on these is to a large degree ad hoc, so it would not be realistic to expect long-term objectives in trade policy to result from a commitment to defence co-operation at a given point in time.

• The question of UK financial contributions to the EU might be of interest in several respects: to Germany to mitigate an even greater role as “paymaster general”; to the V4 to mitigate loss of structural funds; and to the EU to compensate for potential trade advantages gained by the UK from withdrawing from EU regulatory jurisdiction.

• There is a strong sense the UK is over-estimating the strength of its hand, and bullish pronouncements or threats of competitive reduction in corporate taxation are going down badly.

• There is a serious risk of “tit for tat” retaliation in the Brexit negotiations, whereby different actors punish each other in one policy domain for perceived “defeat” in another, and the outcome is a very hard Brexit indeed.
It should not surprise observers of European politics that the German civil service is already extremely well-prepared for the forthcoming negotiations. Working groups, within and between ministries are already up and running, being coordinated by the Foreign Office but with input from the Chancellory. Key lines of argument are already developed and are “ready to go” once article 50 is triggered and negotiations begin. These negotiations will work on two levels: there will be intra-EU negotiations, and then the substantive ones between the UK and the EU (with an open question being the extent of bilateral contacts in this phase). Indeed, in our discussions the view was expressed that the intra-EU negotiations might be just as challenging as the Brexit negotiations themselves, and the veto held not only by the European Parliament, but also by each national parliament (in some cases including both chambers) is significant. Furthermore, the veto power potentially held by a number of regional assemblies may push further towards a “lowest common denominator”, reducing the scope of any future deal. In Germany, there are concerns about “bilateralisation” (that is, the UK conducting separate negotiations with individual member states) – quite naturally, since the country is likely to play a decisive role in shaping the EU’s own position. The V4 countries are also preparing for Brexit (and in Slovakia’s case will have benefited from holding the EU presidency in the second half of 2016), both individually and through some international contacts, although inevitably the capacity of their civil services is lower than in the German case.

A current, topical issue is the extent to which there might be separate “packages” worked on and agreed, as well as the overarching question of whether the terms of the UK’s exit from the EU must be settled before the nature of any future relationship is discussed. In public, German politicians have stuck to the line that this is a very much a two-stage process, although privately the participants at the Berlin seminar expressed rather more pragmatism, and felt that the terms of leaving and of a future relationship would be difficult to disentangle. However, there are concerns about “packaging” different areas for discussion and agreement, and indeed about any move towards sectoral trade agreements. There are difficulties of a technical nature – for instance, an agreement covering the automotive sector would face problems of defining each element of the supply chain. There are also issues of principle, with nervousness about being seen to allow “cherry-picking”, and concerns over compatibility with WTO rules that insist on free trade agreements removing “substantially all” restrictions (which, by definition, a sectoral agreement would not do).18 On the nature of any future trade agreement, a senior German civil servant pointed out the German government would be keenly interested in the finer details of any trade agreement, and not just points of principle – British observers should be under no illusions about the difficulty of negotiating agreement in this area.

any assumption that agreement will necessarily be reached due to the prima facie strong and mutual economic benefits from a deal should be challenged.

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Across all five countries, there is a sense that the UK is over-estimating the strength of its hand. Moreover, the aforementioned threats to engage in competitive reductions in corporate taxation have served to sour the climate, as have bullish comments from UK politicians. Clearly, in public, it will suit all parties to imply they hold the strongest cards – we were struck by the consistency with which those arguments were repeated in private. To take but one example: it might be thought that the strength of the UK’s military and intelligence agencies could be a potential “bargaining chip”, whereby future commitments in that area might “buy” goodwill on single market questions. However, this policy area is somewhat iterative and ad hoc, so agreement on UK commitments at the time of Brexit are not necessarily of lasting value (in the way that concessions on the single market might be). Compromises in the area of the EU budget could, however, be of interest to both Germany and the V4 countries, the former because Brexit will lead to further financial burdens in its role as Europe’s “paymaster in chief”, the latter as beneficiaries of structural funds. These could also help smooth disagreements in the area of trade policy by compensating for regulatory disadvantages suffered by the EU vis-à-vis the UK.

Finally, and in a point partly related to the “spirit” of the negotiations, it is possible to anticipate negative spill-overs between different areas of policy, with disappointment in one policy area leading to “tit for tat “retaliation in another (for instance, if Poland is unhappy with the UK’s line on free movement, that could lead to a tough line being taken on the terms of single market access) – such a dynamic is all the more likely given the large number of actors with a veto on the final agreement. Such a dynamic would lead to a very “hard” Brexit, of mutual disadvantage to the UK and the EU.
5. The future shape of the EU

Key Points

• German sensitivity about its status as a “reluctant hegemon” will be exacerbated with the demise of any sense of “three country” leadership of the EU post-Brexit. This may lead to it supporting a stronger role for the European Commission, and a greater focus on links to smaller member states.

• With Brexit, the group of non-Eurozone states (including Poland, Hungary and the Czech Republic) has lost its most important member. But there is little appetite for them to join the Euro at this time.

• Germany feels that the financial consequences of Brexit for the EU budget (of around €10 billion – the level of the UK’s net contribution) are manageable.

• Future relations with Russia are a huge concern and have the potential to divide the EU. Already the V4 is divided, with Poland much more concerned about growing Russian assertiveness than Hungary and to a lesser extent Slovakia, which have sought friendly relations with the Russian regime. German Social Democrats have in recent times supported rapprochement with Russia. The sanctions regime on Russia faces an uncertain future.

• Enlargement of the EU, with the possible exception of some countries in the Western Balkans, is not foreseen. However, the nature of future relations with Turkey is a significant challenge – Germany will wish to maintain Turkish co-operation in handling flows of refugees.

• Domestic populism drives German and V4 interests in different directions. For instance, in Germany there is pressure to achieve co-operation on the distribution of refugees, and restrictions on child benefit for the children of migrants who do not live in the country. Pressures from populists in the V4 countries point in precisely the opposite direction.
EU member states began, during the Slovak EU Council Presidency, to consider the shape of the EU, following Brexit. There has been a diminution in the appetite to contemplate full-scale treaty change, however (with ratification a significant potential “headache”), and instead look towards incremental change.

One obvious potential consequence of Brexit is that any perception of “three country” leadership of the EU (Germany, France and the UK) is vanquished, and indeed German sensitivities about finding itself in an unwanted, hegemonic leadership role are exacerbated. This may lead to a strengthening of the role of Federalists, particularly in Germany, have expressed the view that Brexit will

“A key consequence of Brexit is that the group of non-Eurozone EU member states has lost its largest and most important member”

the European Commission in providing political leadership; it will also be in Germany’s interest to forge stronger alliances with smaller nation states (in the way Helmut Kohl was historically able to do).

A key consequence of Brexit is that the group of non-Eurozone EU member states has lost its largest and most important member (which provisionally secured greater rights for the group as part of its abortive renegotiation of the terms of membership). So far, however, this has not manifested itself in an increased likelihood of Hungary, Poland and the Czech Republic to join the Euro in the immediate future: domestic nervousness and a feeling in public opinion that the Euro has led to economic fail-
“unshackle” the European Union, allowing closer integration in areas which were previously blocked by Britain – a “federalist” perspective not welcomed in the V4 countries. The most obvious potential candidate for deeper integration is in the area of the Common Foreign and Security Policy (CFSP). Indeed, the view was expressed in Berlin that the need to develop CFSP is enhanced by the new unpredictability of US foreign policy, Russian assertiveness, and President Trump’s ambivalence towards NATO. However, politicians are circumspect about the possibilities here: although the UK certainty did act as a brake upon closer co-operation, it was the “front runner” and other nations also harboured reservations.

An uncertain area for the EU following Brexit is the shape of relations with Russia. The UK was at the tougher end of the scale with respect to sanctions. Within Germany, the Social Democrats have called a hard-line stance on Russia into question and supported the maintenance of dialogue; both Slovakia and Hungary have challenged the sanctions regime, of which Poland remains a strong supporter. The balance may be tipping towards a softer line, though clearly Russian foreign policy choices (shaped, in turn, by the actions of the new US government) will affect the future of the sanctions regime.

Notwithstanding the relatively distinctive (and particularly transactional) nature of the UK’s relationship with the EU, politicians across the continent are concerned about the spread of populism, of which this is but one, important manifestation. Reactions to this will shape the EU’s future direction in a number of key ways. For instance, while Germany wishes to see greater “burden sharing” and the adoption of a quota system on refugees, the V4 countries will resist this fiercely (both positions in part being a reaction to domestic political pressures). Similarly, wealthier nation states are concerned about migrants claiming child benefit – the issue was raised by Austria with the European Commission, although its proposal to pay benefit at the level of the country in which children were located was not accepted; just a few days later, the SPD’s then leader and now German Foreign Minister, Sigmar Gabriel, endorsed Austria’s demands. Again, populist pressures will drive the response of EU countries in opposing directions, with German (and Austrian) politicians needing to take a harder line, and the V4 countries risking adverse domestic political consequences if they fail to resist.

6. Conclusion

Key Points

• The mutual benefits to the UK and the EU of a favourable Brexit agreement should not hide the fact such agreement is going to be extremely difficult to reach. The “red lines” around the ECJ’s jurisdiction are a major challenge for Germany. For most of the V4, the position of nationals living in the UK is important.

• Sectoral deals as well as a comprehensive agreement would face high hurdles, especially from Germany, given the priority attached to safeguarding the integrity of the EU.

• There may be greater flexibility over transitional arrangements.

• Across these countries there is a recognition of the need for continued multi-lateral and bilateral relationships. However, the scope of these could be very limited, and the UK’s “red lines” present significant obstacles to the scope of such relationships.

We draw two key conclusions from our seminars. None of these will be a surprise to close observers of politics in Germany and the V4 countries, nor would we have expected to find enormous divergence in the public and private attitudes of policy-makers.

First and foremost, even though agreement on favourable terms of Brexit, especially with respect to access to the Single Market and the minimisation of future trade barriers, would appear to be in the interests of both sides, getting to that agreement is going to be extremely challenging. The V4 countries are potential allies, and may be expected to take a pragmatic approach, also towards sectoral deals and favourable transitional arrangements – but such pragmatism may be undermined if the UK retains a hard-line stance on freedom of movement, and in particular if no accommodation can be found for citizens of those coun-

“For Germany, the principle of commitment to the integrity of the single market, dissatisfaction with existing arrangements with Switzerland and nervousness about setting awkward precedents, means that any comprehensive or sectoral deals will need to overcome some very high hurdles”
tries who currently reside in the UK. For Germany, the principle of commitment to the integrity of the single market, dissatisfaction with existing arrangements with Switzerland and nervousness about setting awkward precedents, means that any comprehensive or sectoral deals will need to overcome some very high hurdles – there may be greater flexibility on the issue of transitional arrangements, especially if the Acquis is faithfully transposed into British law by the Great Repeal Bill.  

Bullish rhetoric from UK politicians is not being at all well-received and is likely to lose valuable goodwill on all sides, and it would appear to us that the UK risks (perhaps for the best of “tactical” reasons) overstating the strength of its negotiating position.

Secondly, both Germany and the V4 countries do recognise the importance of their relationships (bilaterally and multilaterally) with the UK post-Brexit. It is recognised that there will need to be dialogue on trade policy whatever the immediate post-Brexit agreement, and the UK’s strong role in European defence and also security is valued across the continent. However, we would do well not to over-estimate the scope for such co-operation: one Central European participant talked of a “Europe of concentric circles”, with the UK in the same circle as Ukraine; another talked about the usefulness of a “parliamentary forum”, of the sort the European Parliament has with numerous other nations. A third (German) participant talked of “occasional, catch-up meetings”. The UK may not be leaving Europe, but the emerging character of Brexit is looking very hard indeed.

20 It was noteworthy that former Prime Minister John Major expressed scepticism about whether Germany would embrace sectoral deals in his recent speech on Brexit. Cf. http://blogs.spectator.co.uk/2017/02/john-majors-brexit-speech-full-transcript/
7. About the authors

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