

# Brexit: A view from the DIHK

Policy Paper presented on the occasion of the Joint Brexit-symposium of the British Chamber of Commerce in Belgium and the Association of German Chambers of Commerce and Industry held in Brussels on 11.01.2017

Association of German Chambers of Commerce and Industry (DIHK e. V.)  
Breite Strasse 29 | D-10178 Berlin | Germany



## **Brexit: A view from the DIHK**

*The Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag – DIHK) is the umbrella organization of 79 Chambers in Germany (IHKs) and the worldwide network of 130 business representations abroad. All companies registered in Germany, with the exception of handicraft businesses, the liberal professions and farms, are required by law to join a Chamber. Thus, DIHK speaks for more than 3,6 million enterprises.*

**German enterprises continue to believe in the European integration. The EU and its Single Market are fundamental for business. Based on the free movement of goods, capital, workers and services, which are all intrinsically tied to each other, it provides free trade by overcoming internal borders and regulatory obstacles. The United Kingdom's decision to depart from the EU has led to great uncertainty among German companies and must be prevented from becoming a precedent for other Member States. Especially SMEs now fear the setting up of burdensome trade barriers. The Brexit-negotiations thus need to strengthen the European integration while keeping EU-UK-relations as firm and as close to the status quo as possible.**

### **Main points of DIHK's position:**

- Priority number one for German enterprises is preserving the EU and its Single Market. It provides each company with access to more than 500 Million consumers and the GDP of €11 billion. This makes the EU the greatest market on the planet. Especially SMEs profit from a single set of EU-wide product standards as well as the free movement of goods, capital, workers and services.
- Brexit will significantly impact the business environment for German and EU-businesses. DIHK will therefore be closely following the future negotiations and their impact. Given the close trade ties and interconnected value chains, the relationship with the UK should stay as strong as possible: With a trade volume of €127 billion UK is Germany's fifth largest trading partner. More than 2,500 German companies have branches in the UK and employ around 400,000 British, while British businesses are the largest direct investors in Germany. Workers mobility is thus of paramount importance for business to continue to prosper.
- As a DIHK-survey revealed, one out of four German businesses expect their UK-bound exports to decrease due to legal and political uncertainty in the short term. For the time after the Brexit, this number doubles. Also, 35% of businesses in Germany with branches in the UK are planning to reduce their investments in the UK. It is thus in the UK's best interest to present its Brexit-plans as soon as possible. DIHK stands ready and willing to work with all sides to ensure the best outcome for businesses and citizens alike.
- Both sides should continue to pursue a forward-looking and open trade policy. More than ever, there is a mutual interest in a common approach to further expanding the rule-based multilateral system of free trade.

## **The Business Perspective**

### Importance of the EU Single Market

Completing the EU Single Market is one of German businesses and thus DIHK's top priorities. The further opening of markets combined with the removal of bureaucratic obstacles and barriers to trade in the EU creates prosperity and makes the benefits of the European Union visible to companies and citizens. While abolishing tariff controls nearly 50 years ago has spurred cross-border trade, increased mobility of workers is crucial for businesses to compete and excel with their products and services. An EU-wide level playing field as regards public procurement helps saving taxpayers' money and the common application of EU-law gives enterprises much needed legal certainty. Furthermore, the Single Market ensures the EU's global competitiveness and increases its attractiveness as a place to invest. Given the worldwide emergence of new markets and competitors, this is more important than ever. The basic prerequisite to fully benefit from the Single Market is EU-Membership.

### German-UK relationship

Germany and the UK are closely connected both politically and economically. This close partnership should be preserved. The UK is Germany's fifth largest trading partner. The total sum of imports and exports between both countries exceeds €127 billion. The UK is Germany's third largest export-market after the US and France. More than 750,000 Jobs in Germany depend on trade with the UK. The UK-market is of particular importance for car-manufacturers, the chemical and pharmaceutical industry. Almost 15 percent of cars manufactured in Germany are sold in the United Kingdom. About 2,500 German companies have branches in the UK, employing about 400,000 British.

Furthermore, the UK and Germany are closely linked in the field of investment and banking. Therefore, investment protection should be a keen interest for both the EU and the UK. At the same time, it is hardly imaginable to have the central financial marketplace of the EU being based outside the Union.

### Which future for the EU-UK economic relationship?

Even with an EU-UK agreement that prevents new tariffs, additional bureaucracy will become necessary, e.g. formal notifications to customs authorities. Year by year, the German Chambers of Commerce and Industry issue millions of certificates of origin and other types of foreign trade documentation. When the UK will leave the EU, this will lead to a steep increase of these numbers. This administrative burden will hit German and British exporters. Especially small and medium-sized Enterprises often lack sufficient human and financial resources to tackle the new bureaucratic trade barriers. Thus, it should be in the interest of both sides, to keep burdensome measures as little as possible.

Furthermore, both sides should continue to pursue a forward-looking and open trade policy. Given the worldwide protectionist tendencies and policies on the rise, there is a mutual interest in a common approach to further expanding the rule-based multilateral system of free trade. Common initiatives for opening up world-wide markets would be excellent opportunities to underline the strong commitment of both sides towards each other.

Given the unsettling degree of uncertainty for business created by the UK's decision to depart from the EU, the UK should present its plans for a future EU-UK relationship as soon as possible. Bearing in mind the interests of EU-business, the EU-27 should then strive to achieve an outcome that ensures the seamless continuation of free trade between the EU and the UK. At the same time, it has to be clear, that full access to the Single Market can only apply to EU-Members: A precedent for further cherry-picking could lead to the dissolution of a level playing field in Europe. This is a threat for the long-term perspective of the Single Market and to the detriment of German business interests.

#### DIHK Brexit survey amongst German businesses (30th June 2016, 5,600 responses)

- One out of four businesses expect their UK-bound exports to decrease in the short term. For the time after the Brexit, when the UK has actually left the EU, half of all businesses expect lower exports compared to the status quo.
- 35% of businesses in Germany with branches in the UK plan to invest less there because of the Brexit. 26% of businesses expect to reduce the number of employees in the UK.
- More than every fifth British business in Germany plans to expand its investments in Germany because of Brexit.
- German businesses judge an increase of non-tariff barriers to trade through additional red tape as the biggest risk induced by Brexit (e.g. additional trade documents, certificates or customs bureaucracy). With 73% of businesses choosing this risk it is even more important than the introduction of tariffs (named by 68%).