

# GERMAN INDUSTRY UK

THE VOICE OF GERMAN BUSINESS IN THE UNITED KINGDOM



## Business between Germany and the UK after Brexit

### TRADE AND INVESTMENT

#### Germany – Trade

The UK is today the 5<sup>th</sup> biggest export market for German goods worldwide after the US, France, China and the Netherlands. 6.6% of all German exports in goods go to the UK. The total value is £82 billion per year. The total value of German services exports to the UK is £26 billion per year.

We estimate that some 25,000 German companies do business with the UK today, 15,000 sell direct and 7,500 via agents and distributors, 2,500 set up subsidiaries here. About 750,000 jobs in Germany depend on business with the UK.

German industry sells mainly machinery, automotive, electrical, as well as chemical and pharmaceutical products. German food has also been doing well for some time. The main exports are motor vehicles, indeed the UK is Germany's 3<sup>rd</sup> most important market for motor vehicles worldwide after the US and China. 14% of all passenger cars made in Germany are sold to the UK.

#### Germany – Investment

The UK is the second most important location for Germany's direct and indirect investment worldwide after the US. German companies have investments to the value of more than £124 billion in the UK.

2,500 German businesses are located in the UK, of which 2,000 are sales and services and 500 manufacturing companies, employing some 400,000 people.

Major German companies in the UK are: Aldi, Allianz (since their takeover of Cornhill Insurance), BASF (Boots), Bayer, BMW (Mini and Rolls-Royce), Bosch (Atco-Qualcast and Worcester Heating), Daimler, Deutsche Bahn (Arriva and EWS), Deutsche Bank (Morgan Grenfell), Deutsche Post (DHL), Eon (Midlands Electricity, Powergen and TXU), Heidelberg Cement (Hanson), Lidl, Linde (BOC), McKesson Europe AG formerly Celesio (Lloyds Pharmacy and AAH), Otto Group (Freemans and Grattan), RWE (npower), Siemens, TUI (Thompson and First Choice), ThyssenKrupp and Volkswagen (Bentley).

Deutsche Post (50,000 employees), Deutsche Bahn (33,000), Aldi (32,000), McKesson (25,000) and Lidl (20,000) are the largest German companies in this country.

#### UK – Trade

Germany is the second most important export destination for the UK worldwide after the US. 9.7% of UK exports of goods worldwide go to Germany. The total value is £32 billion per year. The total value of UK services exports to Germany is £24 billion per year. Altogether British exports of goods and services have a value of £56 billion per year.

15% of all UK imports of goods and services come from Germany. The total value is £78 billion per year.

We estimate some 10,000 British companies do business with Germany today. They sell mainly machines, engines and pumps, electronic equipment, motor vehicles, oil, pharmaceuticals,

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plastics, medical and technical equipment, organic chemicals, aircraft and spacecraft and iron and steel.

## **UK – Investment**

Germany is a very important location for UK's direct and indirect investment. Some 1,200 British companies are located in Germany employing 220,000 people. Amongst the biggest are Rolls Royce with 11,000, GKN with 8,000 and BP with 5,000 employees.

**The UK and Germany are vital business partners.**

## **AFTER BREXIT**

German business did not want the UK to leave the EU but accepted the vote of the people in June 2016.

Brexit finally happened on 31 January and following the departure, the UK entered a transition period which lasts until the end of the year. During this period the UK's trading relationship with the EU will remain more or less the same. Uncertainty for business ends for the time being, we have clarity for now. The UK and the EU will negotiate a comprehensive free trade deal. At the same time, many other aspects of the UK's future relationship with the EU, including law enforcement, data sharing and security, will need to be agreed. If an agreement is ready on time, the UK's new relationship with the EU can begin immediately after the transition. If not, we are possibly back to a no-deal and the UK and the EU face the prospect of having to trade under WTO rules. This would mean border controls, quotes and tariffs, a disaster for business.

Both the UK and the EU have said that they want a friendly and constructive relationship, one which delivers the mutual commitment of the UK and the EU, as outlined in the revised Political Declaration, to develop an ambitious, wide-ranging and balanced economic partnership.

However, there are concerns. Can a comprehensive deal be negotiated with only 11 months left? The EU says it is not possible and talks about an extension after the end of the year. The Prime Minister has ruled this out. The Prime Minister has also ruled out alignment of any kind with EU rules. The UK would then diverge from EU rules in future. The EU said that alignment with EU rules would be inextricably linked to any agreement on future trade. Non alignment would add to the regulatory burden on many businesses since companies would then be required to meet multiple different standards for different markets, including the UK, not what we want. The Prime Minister also said the UK will restore full sovereign control over borders and immigration. We would like continued free and open collaboration with at least the red tape around the future movement of labour kept to a minimum as we need to deploy skilled people to and from Europe.

Will a comprehensive agreement now be possible by the end of the year? We can only hope for the best. Investment of German business is now mostly on hold, waiting for the outcome of the transition period.

February 2020