A Post Brexit UK will be major competitor for the EU

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During the recent working dinner with President Macron in Paris on October 12th, the German Chancellor declared that "with the departure of Great Britain, a potential competitor in the global market will of course emerge for us, that is to say, in addition to China and the US, there will be Great Britain as well" … "that means we have to work faster, work more consistently, and the new European Commission with Ursula von der Leyen at its head, should also become operational as quickly as possible". The declaration comes as Mrs Von der Leyen's Commission is almost certain not to be ready to take office as scheduled on November 1st, after three members of her team were rejected by the European Parliament, including France's nominee Sylvie Goulard, in revenge for Mr Macron's sinking of the so-called Spitzencandidat system, which could have made German politician Manfred Weber, the leader of the EPP group in the European Parliament, the next Commission President. Growing distrust between German Conservatives in the EP and the French Government have prompted the latter to comment that its candidate "had been victim to the political game that affects the European Commission as a whole".

Other than within the EU, tensions are also running high in Germany. The German economy has shrunk between April and June, the second contraction in less than twelve months and its manufacturing sector is rapidly declining with German export orders dropping at the fastest rate for ten years. US-China tariffs, the car emissions scandal, and heavy trade dependence on China have hit German production resulting in a permanent 10% decline in its exports and a 4.8% cut of its GDP forecast for the next four years. The recent WTO ruling concerning plane manufacturer Airbus illegal subsides for the past 15 years has also paved the way for the US to hit the EU with tariffs of up to 25%, as early as next month. Undoubtedly the combination of President Trump's US tariffs and the realistic prospect of a no – deal Brexit will cause a systemic damage to the German economy and the Euro survival, now on the edge of a yet another financial breakdown. With Britain the second contributor to the EU budget (+7,431) and accounting, amongst others, for a fifth of German car exports overall, a no – deal Brexit could halve total exports to the UK market – the highest in profit margins, according to Germany's IWH Institute. Already Austrian finance Minister Eduard Muller announced that the EU would need to tighten its belt after Britain, which makes an annual contribution of £13 billion, leaves the bloc and has vehemently opposed Mrs Von der Leyen insistence that each of the 27 member states pay, after Brexit, a higher minimum annual contribution to the budget now fixed at 1.1%. The intransigence displayed by Brussels in the Brexit negotiations betrays Germany's and the EU's need to avoid an additional economic fall-out resulting from a no-deal Brexit at this crucial timing. The European project is essential to Germany's political and economic survival. As a driving force behind the "European project", Germany has sofar benefited the most. But its economic success has been built on a cheap currency and the EMU debt crisis, which has given Germany and the creditor states the upper hand over the debtor countries. By strictly adhering to a balanced budget, a trade surplus orthodoxy and pursuing a policy of a "total lack of investment in the Eurozone … always at the expense of others", in the words of French Finance Minister Bruno Le Maire, Germany will now not necessarily be able to prevent a looming Eurozone implosion. With Eurozone bond markets distressed, and the ECB cutting interest rates again last month, the Eurozone's fragile banking sector could by all means be severely hit, of which German banks are not immune. Sofar, initiatives towards fiscal stimulus, have been opposed to the detriment of the Eurozone growth and in favour of a German national aversion to borrowing and national profit. However, Germany is now heading towards an economic recession, therefore, "German fiscal policy must change" according to the Director General of the BDI industry group. Lack of fiscal stimulus would most likely finally cause bond markets to crack in Italy, France and Germany itself. Having greatly benefited from the Eurozone, Germany is now expected to reciprocate if it wants to keep the Eurozone project ongoing. Avoiding a no-deal Brexit is of paramount importance to Germany's ailing economy and the EU.