

Hamburg Speech, 26 April: Brits and Germans: myth and reality

I want to talk about the reality of the partnership between Britain and Germany and the myths affecting it.

Look at the key issues of the day –Europe; Transatlantic relationship; from security of energy supply to climate change; from adapting to globalisation to championing free trade; from combating terrorism to defending the democratic freedoms and values for which Europe stands.

Britain and Germany share a common interest and a similar approach on all of them. Personalities are important, especially at the head of government level. The personalities can change. My contention is that our partnership is based on a very strong communality of interests.

But you might say: surely not! Just look at the British press. Or what about your reluctant support for reunification?

Or you might say: Britain and Germany have fundamentally differing views on Europe and European integration. Surely France/Germany much more in common.

Do not these differences rule out a meaningful partnership?

First, then, perceptions. Is there a particular problem about the UK perception of Germany? If so, not ever thus.

The 18th Century was marked by the personal union between the Monarch in Britain and Hanover.

British and German soldiers fought side by side in every major conflict. This included the American War of Independence.

And of course there was also Blücher and Waterloo. Late, but better late than never!

The early Victorians in Britain saw Germany as the land of music, poetry and philosophy. The land of Goethe, Schiller, Brahms and Beethoven.

For them, the Germans were serious and pious people.

At the time of the Franco/Prussian war, Carlyle compared “noble, patient, deep, pious and solid Germany” with “vapouring, vainglorious, gesticulating, quarrelsome, restless and over-sensitive France.”

And, when in the 1880s Cecil Rhodes set up his scholarships for foreign students at Oxford, only two countries were eligible: the US and Germany.

Sadly the events changed our perception of Prussia and then Germany.

And 60 years after the war, many Germans have the impression that the UK media are still anti-German.

Last year, headlines replayed in Bild Zeitung such as “From Hitler Youth to Paparazzi” shocked and upset many Germans.

But had they read the articles they would have seen the following.

The Sun: “we applaud a man who understands that values are not negotiable.”

The Daily Mail: “His past is honourable. He grew up in a Catholic environment which rejected the Nazis.”

The problem is not that Britain is obsessed with Germany’s past. It is that present-day Germany is not sufficiently well-known in Britain.

Why? Not enough young kids from UK come here. 60% of young Germans have been to the UK: only 37% of young Brits have been to Germany.

For all that, a recent PEW poll showed that 75% of Britons have a positive image of Germany.

And now – thanks to Easyjet and Ryanair - we are coming together more.

There are now more British visitors to Berlin than from any other country in the world, including the USA. And more Brits come to Germany than French.

What about **reunification**? Mrs Thatcher's handling of the issue has coloured perceptions of British attitudes ever since.

But how far Mrs Thatcher's fears were typical of opinion in the UK is much more doubtful.

Of the serious press, the Guardian, the Observer, the Independent and the Financial Times were all very critical of Mrs Thatcher's policy.

What about our differing attitudes to **European integration**? Do these stand in the way of a natural partnership?

It is true that Germany – thanks to its history – has consistently taken a more integrationist line on Europe than Britain.

Chancellors from Adenauer to Kohl sought to make a repetition of past catastrophes impossible by subordinating Germany to supranational structures.

They also sought to break the destructive cycle of 20th Century history by ending Franco-German enmity.

By contrast, Britain had won the war. Until Suez in 1956, the elite lived under the illusion that we were still a world power.

The following years saw a gradual reappraisal of Britain's role. Despite two French vetoes, this culminated in the successful application to join in EU in 1973.

But – more than 30 years on - there still remains a perception that Britain is somehow less European than the other members of the EU and therefore scope for UK/Germany co-operation less than, say, Germany/France.

Let me try to address this charge in the context of **the challenges facing Europe today**.

What is the biggest challenge: not constitution, not terrorism, not divisions over money.

The biggest is the need to stimulate growth and create jobs.

With 20 million unemployed, and 92 million people economically inactive, Europe literally isn't working. A third of our working age population is unable or unwilling to find employment.

Germany's record is a particular cause for concern.

30 years ago – end 1970's - Britain was the sick man: Germany the economic giant.

But, since 1992 - ERM, the British economy has grown almost 40%, Germany's economy barely 10%.

IN 1978 Germany's GNP was twice the UK's. In 1992 it was 15% higher. Today it is 10% lower. Unemployment in Germany is double, participation rates 10% less than in the UK.

Despite that, the German economy remains by far the largest in Europe. But if it is not firing on all cylinders, all of us in Europe suffer as a result.

Hence the importance - not just in Germany but for all of us in Europe - that Germany should successfully drive through its necessary economic reform.

Let's compare **Europe and the US**.

You may be 4 times more likely to lose your job in the US than in Germany. But, if you do, you are 10 times more likely to find another job there than here.

We need the same flexibility here.

We also need legislation which encourages, not deters, entrepreneurs from taking people on.

And we need to spend more on education. France, Germany and the UK spend about 1% of GNP on higher education: the US 3%. We are falling behind the US in research and technology, patents and thus also in terms of growth.

Before enlargement, Europe had 80 million more people than the US, but produced 20% less wealth every year. On current growth trends, 40% less by 2010.

Meanwhile, **China and India** are emerging as a major competitive challenge for UK and Germany.

We have all benefited enormously from globalisation. Especially Germany as the world's leading exporter.

But to meet the challenge from China on the one side and the US on the other, Europe needs to modernise and to reform.

Thanks to Mrs Thatcher, British companies started the process of adaptation earlier than in Germany. But German industry is now also restructuring in a very impressive way.

In both our countries, globalisation will mean that some of our industries will not be able to keep up.

But the right response is not to try to protect industries or to stop the process of globalisation. We simply can't.

We need to spend more on R&D to create the knowledge based jobs of the future. And we need to help those who lose jobs in the old industries to find employment in the new ones.

The key here is retraining, education, subsidies for low-paid jobs and, if necessary, direct income transfers.

This has not been widely understood on the continent. In the last 30 years, many continental countries have developed social systems which protects those in work at the expense of the unemployed or the low skilled.

But Instead of facing up to these concerns, Europe – for four years - conducted a debate over our new **Constitution**.

A detailed and careful piece of work setting out the new rules to govern an enlarged EU.

It was endorsed by all Governments. It was supported by all leaders.

It was then comprehensively rejected by the people in France and Holland.

Why? Because the referendum on the Constitution became the vehicle to register a wider and deeper discontent with Europe and its perceived failure to generate jobs, growth and prosperity.

So what are we, Germany and the UK , doing about it? Labour market reform is one area where Britain and Germany are working closely together. UK experience in combating long term, and youth unemployment, has been closely scrutinised here.

More generally, the election of Frau Merkel will mean that the British and German approach to tackling issues of economic reform will be closer than ever.

We both stand for a liberal, outward looking, competitive and self confident Europe – not for an inward looking and protectionist one.

But getting Europe into shape requires not just economic reform: it requires that the **EU has a sensible budget**.

Britain – even with the rebate - and Germany are the two largest net contributors to the EU budget. We have an obvious common interest in working together in this area.

It simply does not make sense for Europe to spend over 40 per cent of its budget on the CAP.

Agriculture represents just 5 per cent of the EU population producing less than 2 per cent of the EU's output.

The current budget spends seven times as much on agriculture as on R&D, science, technology, education and support for innovation combined.

This is not a budget for the future.

With the indispensable assistance of the new German government – the British Presidency secured agreement in December to a budget which begins the process of much needed reform.

And we have the prospect of fundamentally restructuring expenditure from 2008.

The budget deal which we negotiated in December will make a start in tackling these problems. The deal is a major step forward for the EU.

Another major interest which Britain and Germany share is to see the successful completion of the **enlargement** process.

We both championed EU/NATO relationship for new countries of Eastern Europe in the 1990s. That's been achieved.

Since then enlargement, and globalisation, have sometimes come to be seen in Germany as a threat rather than as an opportunity. This, despite the fact that no country has benefited more from enlargement than Germany.

Germany increased its exports to the new member states by 14% in 2005, faster than in any other emerging market except China.

For the UK, we opened our borders to workers from the new member states from the day they joined the EU. 300,000 Poles, Lithuanians etc have now found jobs in UK.

They have not done so at the expense of UK workers. They are welcome because they bring skills which we need and because they contribute strongly to the success of our economy.

Yes, yes you may say: but Britain is still not fully committed to **further integration**. Of course, the British don't want integration for integration's sake.

Nor do the populations of most EU member states.

The no's of the French and Dutch referenda showed that.

The first priority for the majority of Europe's citizens is not institutional change but action on things that matter to them – jobs, security, and the environment.

So we need to produce convincing answers to the concerns which led to the rejection of the EU Constitution in France and Holland before we can revive the Constitution itself.

So shaping the future of Europe in an area in which Britain and Germany very clearly share a natural partnership.

Where else does that natural partnership extend?

One obvious area is **defence and the Transatlantic relationship**.

In contrast to differences over European integration, the relationship between Britain and Germany in matters of security has always been close.

As long ago as 1950, Britain backed the Pleven plan which aimed to create a European Defence Community and with it a West German military component in a European army.

When this plan was voted down in the French parliament, Britain became the strongest advocate for German membership of NATO.

Throughout the Cold War, Britain and Germany accepted that defence against the Warsaw Pact was only possible with the US.

But today's world has been reshaped by 9/11 and 11/9: the Fall of the Berlin Wall and by the attack on the World Trade Centre.

The change in the strategic context has lead to strains in the Europe/America relationship.

Key features of the change have been the collapse of the Soviet Union; the gradual perception of a new threat from international terrorism and the risk that they acquire nuclear weapons; the rise of China; the enlargement of the EU; and economic globalisation.

Now that Germany is no longer on the front line of the Cold War, the US needs it less; it needs the US less.

Europe too is less central to US strategic thinking. This is increasingly focussed on the Pacific and the Gulf rather than the Atlantic.

This change found expression in Iraq. This was the first time since WWII that Germany opposed the US on a major foreign policy issue.

Perhaps this was a sign of normality. Germany has come of age.

And let's not forget the positive. In 1992, Germany had no troops outside NATO area. It now has 3,000 in Kosovo, 2,000 in Afghanistan, 1,000 in Bosnia.

The UK has worked with Germany in Kosovo, Bosnia and Afghanistan. That bodes well for the future of British-German and transatlantic co-operation.

There will no doubt be more disagreements in the future: there always are between friends. But Britain and Germany agree that the relationship with the US must remain the bedrock to our security in Europe.

Let me end by looking briefly at **some of the many other areas where UK/German co-operation is indispensable** to achieving our joint objectives.

First the UK and Germany are leading the way in tackling **illegal immigration**.

We are also strong partners in developing **regional protection programmes in Africa** and elsewhere.

Why? So that those who seek refuge from civil war or natural disasters will no longer need to risk their lives trying to enter the EU illegally. They will receive better protection near or in their own countries.

Germany is a valued partner for the UK in all aspects of sustainable development, including **climate change**.

Climate change is truly a cross-border problem. We need to tackle it as a global community. Bilaterally, in the EU and in the G8 and at the UN, the UK and Germany are leading the way.

Then there is **energy**. The Russia/Ukraine gas dispute showed the need for closer EU cooperation. During our Presidency, we proposed an integrated EU energy policy.

Germany, at the heart of Europe's energy network and as its largest energy consumer, will play a key role in achieving such a policy.

Open and competitive energy markets ultimately contribute to the reliability of our energy supplies.

More needs to be done in Germany to open up energy markets to competition. But we continue to work together to share our experience.

We also have a huge common interest on trade.

Our bilateral trade amounts to some Euros 95 billion per year. Germany is the UK's most important market in the World after the US. We are your third largest market.

The UK is Germany's favourite investment location in Europe. Around 1800 German subsidiaries, with a combined value of €64bn have invested in the UK, employing 290,000 people. British companies are huge investors in Germany, with around 830 British companies, worth €45bn, employing 230,000 workers.

The bilateral benefits of openness to trade and investment are clear. It creates economies of scale, allows specialisation, promotes technology transfer, and raises productivity.

Germany and the UK as leading trading nations recognise and promote these benefits.

But the challenge is also clear – can we make trade work for all of us. Or do we continue with a system with 2 billion people locked out of prosperity and denied a chance to work their way out of poverty?

It's for this reason that both the UK and Germany attach huge importance to the successful completion of the Doha Trade talks.

The last trade round added \$500 billion to world GDP. Pascal Lamy, Head of the WTO, estimates cutting trade barriers by a third would boost the world economy by almost \$600 billion.

A successful Doha Round offer benefits to all. We and Germany working closely to secure deal this year. Ambitious but doable.

Conclusion

Stereotypes exist, but we should not exaggerate them.

The areas in which Britain and Germany work together are many, the co-operation deep, and the importance to both our countries enormous. We are natural partners.

The problems which we have to tackle are not just British or German ones. They are challenges we all face in Europe.

But it is only by recognising those challenges, not by pretending they don't exist, that we can hope to overcome them.

I hope I have shown that Britain and Germany, myths to the contrary notwithstanding, are natural partners in these debates; and that - by working together - they can do much to influence its outcome.

[World Cuppery here!]

