
AS BREXIT THREAT LOOMS, GERMAN FIRMS IN THE UK BRACE FOR THE UNKNOWN

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The reality of a British exit from the EU has called into question the future of German firms operating inside the UK. For observers, it's still not clear what impact a Brexit would have on these companies.

As Britons prepare to head for the polls on June 23 in a referendum that could decide whether the UK remains a part of the 28-member bloc, German companies are waiting with bated breath.

And there is good reason for that. The UK is Germany's third largest market abroad after the US and France. Germany is one of the UK's most important trading partners and also one of its biggest foreign investors, with over 2,500 subsidiaries in the country employing around 500,000 Britons, according to German Industry UK (GIUK), an organization representing German companies in Britain. In addition, the country has been of strategic importance for German multinationals looking to make acquisitions □ firms like BMW, Volkswagen and Deutsche Post, all of which have purchased British companies over the years.

Clearly, Germany will be strongly affected if Britons vote "Leave," so it's no surprise, then, that German businesses in the UK have thrown their weight behind the "Remain" camp. German engineering firm Siemens, which is investing 160 million pounds (204.1 million euros, \$233 million) in wind turbine production in Yorkshire, said a Brexit "could make the UK a less attractive place to do business."

A leaked letter, sent in March by the heads of six British companies owned by BMW, was even starker in its outlook, warning that a Brexit could lead to "higher costs and higher prices" and hinting that its employment base could be affected.

Who's afraid of Brexit?

The BMW Group, which has a large presence in the UK, has expressed opposition to a Brexit

From the German business community's perspective, there are several concerns about a Brexit. A major one is that it would lead to higher tariffs and import duties, in effect making it harder for foreign companies to get a foothold in the UK market. Another concern is the change in regulations that would result from a Brexit, as that would make it more difficult for German firms to operate there. Finally, companies are worried about how a Brexit would affect its employment base, as being part of the EU allows for the easy movement of workers between the UK and Europe.

Whatever the real impact of a Brexit might be, Professor Andrew Liekierman of the London Business School said it's impossible to really tell how German companies would be affected. "It so depends on the terms of renegotiation [following a Brexit]," he told DW. "We don't have a precedent for something of this kind."

A spokesperson for the UK branch of German engineering firm Bosch echoed his statement.

"If there is a vote to leave, we don't know what kind of trading relationship the UK would establish with the EU," said Ojeh Rianne in an email to DW. "Until we do it is difficult to predict what the economic impact, if any, may be. If the decision is made to leave the EU, we will carefully assess the changes and the impact this will have on the UK operations of Bosch."

'Wait and see' attitude

David Cameron visits Hull, in Yorkshire, where Siemens has invested in new wind turbine technology

According to Dr. Bernd Atenstaedt, Chairman and Chief Executive of GIUK, other German companies with a presence in the UK are being similarly tight-lipped, and have offered few hints about what measures they would take in light of a possible Brexit. However, he did acknowledge that such a decision could lead to a change in how German companies invest in the UK in the future.

Still, Atenstaedt thinks business relations between the two countries would remain fundamentally unchanged. "It is such an important market [for Germany] and we aren't likely to disappear," he told DW. "We are likely to continue doing business with the UK as before."

Liekerman, who emphasized that his views were his own and didn't necessarily reflect those of his school, offered a different perspective, saying that while it was too soon to predict what exactly would happen following a Brexit, the consequences for foreign businesses in the UK would be negative and there would be fewer jobs in the country as a result. "I can't conceive of a renegotiation that would make the UK a more desirable place to operate," he said.

"I'm sure there will be warm relations with Germany and the UK on many levels, but the fact is that tariffs are tariffs," Liekerman added. "That is bound to affect trading relationships."