

## Brexit

# Schäuble says post-Brexit trade deal with UK can be done quickly

German finance minister strikes positive note but dismisses tax-slashing threats



German finance minister Wolfgang Schäuble at the World Economic Forum in Davos © AFP

YESTERDAY by: **Chris Giles** in Davos

Germany's finance minister has signalled a willingness to reach a quick deal on

trade with Britain, giving hope to the UK government that [Brexit](https://www.ft.com/topics/themes/Brexit) (<https://www.ft.com/topics/themes/Brexit>) negotiations with the EU can be constructive and successful.

Speaking at the World Economic Forum on Friday, [Wolfgang Schäuble](https://www.ft.com/topics/people/Wolfgang_Sch%C3%A4uble) ([https://www.ft.com/topics/people/Wolfgang\\_Sch%C3%A4uble](https://www.ft.com/topics/people/Wolfgang_Sch%C3%A4uble)) held out the olive branch but also stuck to his view that leaving the EU would damage the British economy, adding that threats to turn the UK into a version of Singapore with low taxes was beneath a great nation.

His words will reassure UK ministers in their belief that both the “divorce” phase and the establishment of what the prime minister calls a “comprehensive, bold and ambitious free-trade agreement” with the EU can be made to work.

However, Mr Schäuble gave no indication as to what terms for a new trading relationship he would find acceptable.

The German finance minister was appearing with Philip Hammond, his British counterpart, who presented the government’s Brexit plans to an audience in the Swiss resort of Davos. The UK chancellor said he was looking for a positive spirit of negotiation on Brexit and a comprehensive free-trade deal that made the flow of goods across borders as “frictionless as possible”.

Mr Hammond struck a positive note on the UK’s economic health, saying: “We end 2016 as the fastest-growing part of the large developed economies. Much of

that has depended on consumer demand remaining very strong.”

However, he made it clear the transition [process for leaving the EU \(http://next.ft.com/content/3501446a-de36-11e6-86ac-f253db7791c6\)](http://next.ft.com/content/3501446a-de36-11e6-86ac-f253db7791c6) was likely to make households poorer. “We have seen since the referendum our currency depreciate significantly,” he said. “The currency depreciation is now feeding through into inflation, which will increasingly affect consumer behaviour during this year — hence the lower forecast for economic growth in 2017.”

The chancellor’s words came as official [retail sales figures \(http://next.ft.com/content/227238dc-deee-11e6-86ac-f253db7791c6\)](http://next.ft.com/content/227238dc-deee-11e6-86ac-f253db7791c6) for December showed volumes on the high street and online fell 2 per cent. With the rate of inflation rising to 1.6 per cent, the squeeze on household finances is likely to intensify in 2017 as price rises begin to exceed wage rises.

Mr Hammond sought to press home the message that Britain wanted the EU and the eurozone to remain strong and Britain’s largest trading partner. “We don’t want to see those trade patterns disrupted. We want to see them able to continue,” he said.

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Mr Schäuble said the Brexit result had to be managed “in the best way to minimise any damage for UK and for Europe, not only for Germany. The

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The prime minister has threatened to turn Britain into a low-tax Singapore of the west



German government will work in this negotiation so that we minimise any risk of damage for both of us.”

Agreeing that London will remain an important financial centre for Europe, he said that while transitional deals were difficult, this was less of a problem after Prime Minister Theresa May’s speech pledging to take Britain out of the European single market and customs union.

“Now we know the final outcome, we can start to work and we will do everything we can to avoid a [disruptive] outcome. I think we can get it done,” he said.

Nonetheless, Mr Schäuble said negotiations would be “much more complicated than the opening speeches” and he indicated that he thought that threats by Mrs May and Mr Hammond to [walk away from an agreement \(http://next.ft.com/content/c3741ca2-dcc6-11e6-86ac-f253db7791c6\)](http://next.ft.com/content/c3741ca2-dcc6-11e6-86ac-f253db7791c6) were empty ones.

Mrs May said on Tuesday that if the EU sought a “punitive” deal, Britain would have the freedom to change its economic model and “set the competitive tax rates and embrace the policies that would attract the world’s best companies and

biggest investors”.

Mr Schäuble made his opinion of this clear. “I can’t really imagine that the UK, this great nation, could [compare itself with Singapore \(http://next.ft.com/content/3501446a-de36-11e6-86ac-f253db7791c6\)](http://next.ft.com/content/3501446a-de36-11e6-86ac-f253db7791c6), so I am not going to be shocked,” he said.

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