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## How will China be affected if Britain leaves European Union?

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### *Beijing could lose influence within the bloc without London's support*

A possible exit of Britain from the European Union may add barriers to Chinese access to the European continent and add uncertainty to trade and investment talks with the bloc, analysts said.

They also said it might push Central and East European countries to seek closer economic ties with China.

With the US Federal Reserve deciding last week to hold off on an interest rate increase, all eyes turned to the other side of the Atlantic and Thursday's British referendum on whether to leave the EU – a so-called "Brexit" – or remain in it.

Polls for the yes-or-no vote will open around Britain at 7am (2pm HK time) on Thursday, with the votes to be counted at 382 local centres from 10pm (7am HK time), when they close. A final result is expected to be announced by the end of the trading day in Asia on Friday.

Economists said a vote to leave the EU could panic financial markets and lead to capital outflows in mainland China, adding to depreciation pressure on the yuan and challenging the central bank's management of monetary policy.

### [Asia wary of economic shockwaves as Brexit risk looms](#) [1]

In the long run, a Brexit could affect China's strategy in dealing with the EU as it might lose influence within the bloc without the support of Britain, which has backed an investment pact between China and EU and agreed to launch a joint feasibility study on China-EU free-trade agreement talks.

The European Union [without the presence of Britain] is likely to adopt a more protectionist approach when dealing with China

He Weiwen, China-US-EU Study Centre

Beijing signalled its concerns about the possible negative impact of a Brexit during German Chancellor Angela Merkel's visit to China last week, a diplomatic source said.



A campaigner for 'Vote Leave' holds a placard during a rally in London's Hyde Park on Sunday. Photo: AFP

China would have to make extra efforts to boost ties with European Union countries if Britain left the bloc, said He Weiwen, co-director of the China-US-EU Study Centre under the China Association of International Trade, which is part of the Ministry of Commerce.

“The European Union [without the presence of Britain] is likely to adopt a more protectionist approach when dealing with China. [The cooperation between China and the EU] may become more difficult,” he said. “For Chinese companies which have set up headquarters or branches in the UK, they may not be able to enjoy tariff-free access to the wider European market after Britain leave the EU.”

#### [Europe is in deep trouble whichever way the UK's Brexit vote turns out \[2\]](#)

Chinese companies have established a high-visibility presence in Britain, including stakes in the London Taxi Company, Heathrow Airport and Manchester Airport, while hi-tech and internet firms such as Huawei and Tencent have set up research and development centres there.

Between 2000 and 2015, Britain was the top European destination for Chinese outbound direct investment, with cumulative investment of US\$16.6 billion, according to the US-based Brookings Institution. It is also the second-largest trading partner with China inside the EU.

CK Hutchison chairman Li Ka-shing, Hong Kong's richest man, told Bloomberg that a Brexit would be “detrimental to the UK, and it will have a negative impact to the whole of Europe”. Li said three months ago that he would scale back his investment in Britain. According to Dealogic, he has invested around US\$50 billion in Britain since 1995.



CK Hutchison chairman Li Ka-shing says a Brexit would be bad for Britain and Europe. Photo: Sam Tsang

“China will probably not give up entirely on the UK, but it will treat it as what it will be: a medium-sized economy with a strong financial focus and not much of an industry left,” said Philippe Le Corre, a researcher with the Brookings Institution and co-author of *China’s Offensive in Europe*, a book published last month.

Beijing was pragmatic and the chances it would treat Britain as a “best friend” might weaken, he said.

Wang Yiwei, dean of the Centre for European Studies at Renmin University, said Brexit would be an unlikely result, with the referendum having been used as a lever by the British government to bargain with the EU for favourable policies and as an outlet for domestic discontent.

### [As Brexit looms, financial markets won’t be a place for the faint-hearted](#) [3]

Duncan Wrigley, head of China research at North Square Blue Oak, a London-based investment bank, said that if Britain did vote to leave the EU it would not leave straight away and it would take years to negotiate details such as trade arrangements with the EU, EU members and Britain’s other trading partners.

“Over the medium term, there will be a lot of uncertainties as things are negotiated,” Wrigley said. “For China, it (Britain) is not the most important market. The EU is the bigger market as a whole.”

He Weiwen also said it would take time to tell the actual impact of a Brexit, and other countries such as Germany, France and Luxembourg, London’s rivals in the offshore yuan business, would continue to serve as China’s gateways to the EU.

Chen Long, an economist with Bank of Dongguan, said: “Over the long run, a Brexit may push the European continent, especially Central and Eastern European countries, to be more actively involved in China’s ‘One Belt, One Road’ programmes.”



Postal ballot papers for Thursday’s referendum. Photo: Reuters

“Britain’s economy is one of the best performers in the EU,” Chen said. “Its exit will leave Germany to stand alone with the problems confronting the bloc, which will ultimately push them to seek cooperation with China over the long run, such as more support for infrastructure investment in Central and Eastern Europe.”

#### [Rivals let rip in Brexit TV debate, accusing each other of lies and scaremongering](#) [4]

Wrigley also warned that a Brexit would “send a ripple effect” to other EU members, such as Greece, which was struggling with stringent conditions imposed by the EU following debt and economic difficulties.

China’s biggest shipping company, state-owned Cosco, bought a 67 per cent stake in Port of Piraeus in Greece earlier this year, but the deal and the Greek government’s intention to sell another port have triggered protests in the country.

#### **Topics:** Brexit

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