

China

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# The Great Brexit Debate

## Views from other parts of the World

### What does the business community in China think about the UK's EU referendum?

In order to answer these questions, we contacted and collected information from our clients who are doing business or are planning to have offices in the UK or the continent.

An often-heard comment here in China is that the UK referendum debate has produced great uncertainty. It seems that investors need to wait to see the result of

the referendum before making any decisions to invest in the UK. Of course, this also could be an invaluable opportunity for speculators to do arbitrage. Most Chinese investors are wagering that Britain will definitely vote to continue its membership of the EU at the last minute, while there are still others who are not so optimistic and concerned that an exit may

adversely affect the UK's influence over the EU market. Some people argue that a "leave" vote might lead to a weakening of the UK's ties to the European continent, and if so, they will have to reconsider where to set up their business centers. A UK business headquarter without free access to the EU market definitely appears unattractive to Chinese investors.

### How might a possible Brexit affect foreign direct investment from your jurisdiction into the UK? And into the rest of the EU?

Investors expect a place where they can make the most use of the location. They are worrying that a Brexit may lead to the UK losing the advantage of the freedom of movement of goods, services

and people in the EU. Chinese investors would prefer to have their headquarters in one country and expand their business to as many countries as possible. There is also concern among Chinese

investors that a Brexit may isolate UK headquartered companies from the rest of Europe. So, if the UK withdrew from the EU, Chinese investors may be more likely to move to the continent.



# Is the Brexit debate seen purely in economic terms, or does it expose a wider disagreement about the role of supra-national rules-based collaboration models?

At present, investors mainly look at this as an economic issue and we have not received any comments on its political implication.

## In the event that the UK votes to remain in the EU, what is the view about whether the referendum process has strengthened or weakened the EU as a concept? What might be the long term effects of this?

The view here is that after one referendum, it would be very difficult for another to happen. A UK vote to remain is more likely to strengthen the EU and enhance EU stability in the longer term.

## What is the view on whether a Brexit would be the first step towards the drastic reorganisation or even collapse of the European Union?

Reorganisation is more likely than collapse in our view. In the event of a leave vote, Chinese investors expect that agreement would be reached between the UK and other member states to manage the exit as soon as possible. No one we have spoken to believes that the EU would collapse in the event of a

UK vote to leave. Either way, some form of compromise is thought to be the only realistic result. Given the current reform package obtained by the British government and the existence of special treatment for some member states, further reorganisation of the EU is likely to be the most pragmatic solution.

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