

Brexit from an East Asian point of view

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The decision of the British voters to leave the European Union has made headlines in all East Asian media. Before the fateful day of the referendum interest in the issue of whether Britain will stay in the EU had not been very substantial. Most people believed that the vote for remaining in Europe would clearly win the day. Particularly Chinese are a very pragmatic people and they did not see how a nation would seriously damage its economy and its position in the world. Immediately after the British vote financial markets in the Far East were severely impacted and the Japanese Yen surged as people looked for a safe haven. In the meantime nerves have calmed down and a lot of lost territory has been regained on the stock markets.

It is indeed still too early to make statements about the longer term prospects. British politics is currently in too much turmoil for the country to provide clear signals about what is going to happen in the coming years. One thing is clear, there will not be an immediate collapse of the existing order as the exiting of Great Britain from the European Union will be a lengthy process covering at least two years. Until the exit is firmly in place nobody can be sure what the relations between the UK and the EU will look like.

Last October the Chinese leader Xi Jinping made a high profile state visit to the United Kingdom. All the trappings of protocol were there, including a state banquet hosted by the Queen. There was a lot of talk about a special relationship between Britain and the People's Republic of China. Amongst other things London was going to be a major trading point for the Chinese currency. Many Chinese firms, on the back of the great welcome that the Chinese leader had had in London, were betting on the UK being their gateway to Europe. Some substantial investments had already been made and more were going to come. From Beijing's point of view Britain was a convenient partner as the British had been very accommodating when dealing with delicate political issues such as human rights and, pragmatically, put business before idealistic issues.

There can be no doubt that many Chinese have been surprised if not shocked by the British decision to leave the EU. Already we are hearing critical voices that plead for a change in business strategy and to move from the island to the continent. Of course, Beijing has always seen Europe as secondary to the United States and is currently working at a new US-Chinese world order, labelled not G-2 but C-2, "cooperation between the two". Whatever capacity and interest is left for a Europe that is seen as too fragmented will come second. Of course, like Washington Beijing, too, has for some time now realized that the strong power in Europe is Germany and that the UK lies at the fringes of the European order. With Brexit the importance of Germany is going to be further enhanced and this will most certainly also be reflected in the commercial and business relations between Berlin and Beijing.

Japan had been immediately impacted by the British voters' decision in that the Yen rose substantially. This of course is not to the liking of the Japanese government as a high Yen has a serious negative impact on the Japanese export industry. Prime Minister Abe made it very clear that he expects the British government to undertake everything to stabilize the financial markets and to insure that the interests of the many Japanese companies and banks that do business in the United Kingdom will not be adversely afflicted.

After Tokyo Singapore and Hong Kong are the most important international financial markets in East Asia. Both these cities have been British colonies and their elites have, therefore, strong emotional and business ties with the United Kingdom. There have been reports that Hong Kong's foremost tycoon Li Ka-shing, who has important business assets in Great Britain, has expressed concern and worry. The Hong Kong and Shanghai Bank (HSBC), Hong Kong's prime bank, has strong bases and a lot of engagements in Britain and most notably on the financial markets in London.

Singapore, too, has been surprised by the British decision. A few days after the vote one of its major lenders, the UOB, announced that it was suspending loans for property purchases in the United Kingdom. The bank cited uncertainty about the future of the British Pound and, significantly, a downgrading of Britain by major ratings agencies, a move that will have a negative impact both on the creditworthiness of the UK and its borrowing costs.

Not least because of the status of English as a world language and because of a prominent international exposure of major British media, the United Kingdom always has played a more significant role in East Asia's perception of Europe than France or Germany. It will be interesting to see how this will pan out. One commentator predicted that from the Far East Great Britain will disappear behind the fog that frequently rises on the Channel.

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