

The golden age of Sino-British relations has begun. Quitting the EU could halt it

blogs.lse.ac.uk/brexit/2015/11/23/only-continued-membership-of-the-uk-in-the-european-project-can-ensure-a-long-lasting-strategic-partnership-with-china/

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*China is afraid of a British exit from the European Union. **Yu Jie (Cherry)** claims that the historic Sino-British strategic partnership in the making is as much about money as it is about power, and hence its importance rests on the UK's role in a united Europe. Beijing sees its cooperation with London as the foundation of a new world order where China plays a much greater role in international affairs.*



Apart from a gliding pageantry and the reddest of the red carpets, the state visit made by the Chinese President Xi Jinping sealed several mega-deals that upgraded the bilateral trade ties between the UK and the People's Republic of China (PRC). Yet, Mr Xi has joined other world leaders including the US President Barack Obama, who have openly voiced that they would prefer the UK to remain in the EU. A statement made by the Chinese Ministry of Foreign Affairs saying that "China hopes to see a prosperous Europe and a united EU, and hopes Britain, as an important member of the EU, can play an even more positive and constructive role in promoting the deepening development of China-EU ties" only reinforced that message.

There are three crucial reasons why Beijing fears a potential Brexit and would prefer the UK to remain inside the EU. First and foremost, market access to the European Union is vital to sustain a slowing Chinese economy. As echoed by several Tory ministers, such as George Osborne and Philip Hammond, Britain wants to be "China's best partner in the West—a gateway to Europe".

However, a Brexit would only diminish the hope of both the British and the Chinese in placing the UK as an entry point to the European market. The UK is currently ranking as the most popular investment destination for the Chinese (greenfield investments and M&A activities) among the 28 member states of the EU. Chinese enterprises, regardless of their ownership, have a long-term involvement in the well-regulated, safe and robust investment environment in the UK. The UK's membership within the EU is a vital component of that milieu.

Chancellor George Osborne has made an enormous effort to make London the first offshore Renminbi (RMB) international trading point. He succeeded in bypassing Frankfurt and other European financial capitals. The British government will secure enormous amount of tax and revenue generated by RMB transactions made by various financial houses in the City. The Chinese would definitely seek alternatives to London in their RMB business should Britain leave the EU. This would certainly result in grave financial losses for the UK. Chinese companies such as Shanghai Automotive (SAIC), Geely and ZTC have always treated the UK as the first point of entry to the vast EU market since their first ventures in Europe. Without the EU membership, the UK would lose its attractiveness to these major Chinese corporates.



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Secondly, the UK's continued EU membership could help China in dealing with trade disputes between Beijing and Brussels. China and the EU have long been at odds with each other over trade and Market Economy Status (MES) issues. In particular, the MES has remained a perennial obstacle to furthering EU-China relations. The UK, under both Labour and Tory governments, has long been a strong advocate for China in Brussels.

Thirdly and most importantly, much policy discussion and media coverage on the UK-China relations have been focused on trade and investments. Despite championing their bilateral ties as a "Comprehensive Strategic Partnership", it seems that the strategic geopolitical element of these relations has not explicitly been on the agenda of David Cameron and Xi Jinping. Both China and the UK are permanent members of UN Security Council, and are gravely affected by common transnational challenges such as global warming and Islamic extremism. Beijing does not constrain the partnership to trade and investments. Rather, it seeks more international cooperation, and wants to use this cooperation for its global influence.

China has become the engine of global economic growth in the past two decades that represented a major shift in the global balance of power. The consequences of this remain uncertain. China's power and influence have grown beyond the expectations even of its own leaders. It is essential that the Chinese leadership demonstrates its credentials as an advocate of new types of major power relations which will allow China to take a proactive role on various fronts of global affairs. One should not deny China's willingness to become an agenda setter in the international arena. However, Beijing has only recently shifted from the periphery to the centre of the global stage. It lacks sufficient experience in articulating its foreign policy from meeting immediate economic needs to a more wide-ranging and forward-looking one. A fully implemented strategic partnership between Beijing and London could be a great vehicle for increasing China's capacity to shoulder more global responsibilities.

Both the UK and China believe they have entered a "golden era" of their bilateral partnership with an unprecedented growth in trade and investments. Yet the uncertainty over the UK's continued membership of the EU is casting a shadow over the relationship. From the perspective of Beijing, only a partnership with London that is firmly rooted in the European Union can allow China to play a greater role in the international arena in this age of turbulence.

This article represents the views of the author and not those of the BrexitVote blog or the LSE.

About the author

Dr Yu Jie (Cherry) is China Foresight Project Manager and Dahrendorf Senior Research Associate at LSE IDEAS. Her research focuses on Decision-making process of the Chinese Foreign Policy and broader issues on China-EU Relations. Prior to LSE, she was a management consultant and China Desk at Roland Berger Strategy Consultants, GmbH and worked extensively with European conglomerates and Chinese State-owned enterprises.



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