The Analysis of Brexit Influence on the Global and the Chinese Economy

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Abstract. June 24, the British decided to withdraw from the EU (Brexit). As the negotiations the United Kingdom and other EU countries, there are still large uncertainties, even if the British Parliament approved the referendum result and immediately start the retreat Europe mechanism, Britain will continue as an EU member to participate in international activities within two years. Our analysis based on the current of objective facts and predictable macro-trend, to show how Brexit will affect the global and the Chinese economy.

The Reason of Brexit

Economic Reason
The basic reason of Brexit is the weakness of EU economy. In October 1973, the global first outbreak of the first oil crisis, the continental European economy has been hit by a serious drag on suspected British sentiment in Europe in 1975, Britain was the first off the EU referendum, 67.2\% of the public support to stay in Europe, with the rapid economic recovery, the EU suspect emotional restraint. 2009 outbreak of the debt crisis, the influx of European immigrants crowding British jobs of ordinary people, dilution medical education resources, suspect the European force to rise again, leading to the referendum off the root cause of Europe.

Political Reason
The direct power which could turn "suspect European sentiment" into "referendum act" has come out when British Conservative Party use it to be the campaign tool. Because Cameron pursued in his first term in the economic and social policies hurt the interests of the middle and lower classes, resulting in protests continue, resentment, 2015 election in order to defeat left-wing Labour Party, the Conservative Party will take off in Europe as a referendum on the transfer of public opinion focus and an important means of competition for votes of the right-wing groups.

The Influence on the Global Economy
Taking into account the British financial industry, the economic structure of pillar industries and the EU position in the global economy, the Brexit will mainly make in the short term capital market volatility, panic is expected to further exacerbate capital market volatility, so that by international trade produce adverse effects on the global
real economy; in the long run, capital market uncertainty intensified, global integration process may result in disruption of global trade and the real economy suffer.

**The Influence on the Global Financial Market**

Britain is one of the global financial center, from the behavior of the EU will bring a significant negative impact on global financial markets. In the short term, volatility in stock markets is inevitable, June 24, by the British off the impact of Europe, the European FTSE 100 index fell 9.03%, while Japan's Nikkei 225 index fell 7.92%, the US Dow Jones index fell 2.3%; Germany, French, Spanish and other stock market indices were down about 10%. National currency exchange rate fluctuations increased significantly, GBPUSD hit the biggest decline since 1985, the euro fell more than 3 percent against the dollar, US dollar, Japanese yen and other safe-haven assets, gold bucked the market, the central parity of RMB against the US dollar fell 599 points, a record low of five and a half. In the long term, London as the global largest foreign exchange market, the second-largest bond market, the third largest center of the international financial stock market will be weakened, international investment flows will change, panic in the financial sector will also be relatively a long time continued to spread, leading to the global financial market uncertainty increased.

**The Influence on the International Trade**

Brexit means the retrogression of globalization, which could be a negative impact on global trade. By 2015, the EU trade volume reached $3.7 trillion, accounting for 11.40 percent of total global trade, global trade is the third-largest economy. In the short term, the United Kingdom and the European Union will no longer enjoy preferential treatment to reach a free trade agreement countries, trade costs means that the UK and the "new EU" between will increase the volume of trade be reduced; although the two are in search of new markets at the same time It may have a positive spillover effect on other countries, but the effect is limited. In the long run, the United Kingdom off the symbolic impact of Europe on international trade is far greater than substantive impact, the British off the European symbol of European integration negative, to some extent, will also have a negative impact on the global economy, trade protectionism It may increase, thus affecting the growth in global trade.

**The Real Economy**

The influence on global finance market of Brexit will eventually transfer to the countries ‘real economy, the developed countries will suffers more than developing countries. In the short term, commodity volatility, may have adverse effects on the real economy, the price of gold rose, crude oil, industrial metals prices fell, the original recovery is weak world economy worse again. In the long run, the market is expected due to the uncertainty in the UK and the "new EU" enhanced development, trade and investment fell sharply to bring the national income, consumption levels may decline led by the UK real economy damage. According to the British Ministry of Finance is expected, after two years off in Europe, Britain's GDP will decline by 3.6%, the number of unemployed by 52 million people, 12 per cent devaluation of the pound, will result in £2600 per year to 5200 pounds of damage to each British family; IMF estimated in the optimistic scenario, England to 2018 GDP will decline by 1.3%, while in the pessimistic case, this figure will reach 2.5%. As a long-term hedge against the US currency, the dollar will continue to be strong in a given period, exports will be severely
affected, and the probability of rate hikes will also be reduced, thereby dragging down the domestic real economy. Developing countries are not affected.

**The Influence on the Chinese Economy**

In the short term, the impact of the Brexit on China's economy will be directly reflected in the exchange rate and related economic fields. British off the European day against the dollar fell 370 points to a five-year low of 6.61485 and a half, at the same time, offshore renminbi spot exchange rate also fell sharply to 6.6390, hit a four-month low. Devaluation will boost exports in the short term, the domestic real economy to provide short-term positive. But in the long run, the international environment facing the Chinese economy will have a greater degree of adjustment, de UK Europe on China's economy more harm than good.

Firstly, China's entry into the European channels blocked. Britain more actively promoted than other European countries and deepens the cooperation with China in the development of the EU regions, China served as a bridge to enter the European market, and the EU will lead to the weakening UK off this bridge, the Global Strategy on China's economy impact. In the process of internationalization of the RMB, for example, the United Kingdom will take off in Europe, London is striving to build offshore renminbi trading center adverse effects have been established in the UK-funded institutions, such as ICBC, Agricultural Bank of China, Bank of China and other European financial hub relying on radiation throughout London Europe's role will be greatly reduced.

Secondly, the uncertainty of Chinese foreign trade is increased. 2015 China-EU bilateral trade amounted to $560 million, accounting for 14.3% of China's total trade volume, it is China's largest trading partner. Within the EU, after Germany and the United Kingdom, it is China's second largest trading partner. Britain may make off Europe-UK or EU trade volume has increased, but taking into account the minority within Europe the UK is firmly support China's full market economy status, the EU would seriously weaken the British off the right to speak Chinese in European trade economy, thereby adversely affect foreign trade in China.

Thirdly, the Chinese foreign investment projects will be damaged. Europe will lead to the withdrawal of the British off the European economic and financial-related subject and a lot of money, the international community generally looks weak UK economic growth is expected, S & P, Fitch and Moody's three major international rating agencies have lowered the credit rating of the UK national. In recent years, Chinese investment in the depth and breadth of Britain to gradually expand, Barclays Bank has purchased, BP, Anglo American, Thames Water, Heathrow and Manchester airports stake and CGNPC to spend 60 billion pounds of investment and British participation in construction of nuclear power projects Hinckley angle value of the assets will be greatly reduced.

Fourthly, the process of internationalization of China will be affected. First, the worsening international economic environment is not conducive to improving the level of opening of the Chinese economy. Second, China in advance "along the way" and Asian investment banks and other national economic strategy, it will link the Eurasian continent as a whole is an important part. British off Europe could increase China continue to promote Europe's overall strategy difficult.
References

