Legal Implications and Economic Impact of Brexit On The UK Manufacturing Industry and Industry Productivity In Indonesia

Bayu Wicaksono [1*] Henny Saptatia Drajati Nugrahanir[2] dan Harry Djatmiko [3]

[1] School of Strategic and Global Studies (SSGS) Universitas Indonesia, Indonesia
[2] School of Strategic and Global Studies (SSGS) Universitas Indonesia, Indonesia
[3] School of Strategic and Global Studies (SSGS) Universitas Indonesia, Indonesia
bayu.wicaksono31@ui.ac.id

Abstract. On June 23, 2016, British voters decided to leave the European Union (EU) with a 52% to 48% margin. This decision, known as Brexit, has introduced significant legal and economic uncertainties for UK industries, particularly in manufacturing. Key issues include new trade policies, border controls, record-keeping requirements, employment regulations for EU citizens, and compliance with settlement policies. This study aims to analyze the legal implications and economic impact of Brexit on the UK manufacturing industry, focusing on the uncertainty it has generated and its effects on industrial productivity for UK companies operating in Indonesia. The research employs a qualitative analysis of trade data, legal policy changes, and industrial performance metrics to assess the impact of Brexit on UK manufacturing and its global repercussions, particularly in Indonesia. However this research is only the first part of the whole mix method research. The findings of the research are: first, legal and economic uncertainty in the UK manufacturing industry. The Brexit announcement has caused disruptions due to uncertainties in trade and border policies. Manufacturers report feeling unprepared for the changes, leading to disruptions in production and supply chains. Second, global economic impact. Brexit has not only affected the UK but also the global economy, altering trade balances and reducing exports and imports. UK exports to and from the EU have decreased by approximately 15% post-Brexit. Third, impact on Indonesia. The trade balance between the UK and Indonesia has been impacted, with noticeable reductions in export and import activities. Production disruptions due to delayed raw material supplies further compound these effects. Brexit has created substantial legal and economic uncertainties in the UK manufacturing industry, affecting global trade and industrial productivity, particularly in Indonesia. To mitigate these impacts, the UK requires an active, well-integrated, and well-funded industrial policy within a stable devolution framework.

Keywords: Brexit, UK Manufacturing Industry, Legal Implications, Indonesian Economy, EU Industry

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1 Introduction

On 23 June 2016, British voters voted to leave the European Union. Europe by 52% to 48%. Professor Whiteley stated that Brexit would become a constitutional change that will have an impact on the political world and society as a whole overall for a long period. The background to the UK's vote to leave the European Union involves a number of interrelated matters, namely (1) membership of the European Union has not yielded results; (2) The 2008 recession, the failure of the UK to recover effectively from the worst recession in more than 70 years colours the backdrop to the Brexit referendum; (3) The collapse of power in the Middle East. Some factors are a series of protests, riots, coups, demonstrations and civil wars that began in 2010 in the Middle East and North Africa, which has created a new wave of immigration to Europe; and (4) EU Austerity in managing its economy, which has caused significant problems for countries including Greece and Italy. Professor Whiteley believes tightening budgets fail, austerity has slowed economic recovery in Europe and the UK and encouraged scepticism towards the euro (Paul Whiteley, 2018).

The UK's decision to leave the EU in a referendum in June 2016 is an unexpected event and has increased uncertainty large, broad and long-lasting. Brexit also has a bigger impact on some companies compared to other companies, depending on the strength of their relationships (companies) with the European Continent. The Brexit process has had a negative impact on decisions on corporate investment in the UK in the three years since the referendum (Exton et al.,2019).

Britain's decision to leave Europe has caused uncertainty for UK industry. According to Exton et al. (2019), it has been more than three years since the referendum, but uncertainty over the UK's exit from the EU has remained the same. Britain's trade relations with the The post-Brexit EU starts from the position that tariffs could rise above existing commitments if negotiations fail. According to Bloom et al. (2018), the uncertainty of Brexit is increasing. Research by Hassan et al. (2024) explains that companies- international (non-UK) companies are most affected by Brexit uncertainty (second moment), significant loss of market value and reduced hiring and investment. International companies expect negative impacts at the time of the UK's decision to leave the European Union, particularly concerning asset prices, regulation and the impact of Brexit on the labour market. The UK's decision to leave the European Union has had an impact on UK industry, which is facing uncertainty about Brexit. According to research by Bouoiyour & Selmi (2018), Seven sectors of the UK stock index show that Brexit has had a significant impact on the valuation of UK companies. Although all industries are facing increasing uncertainty, the referendum results have varying sectoral impacts. According to Shepotylo & Satoglu (2023) who studied the UK creative industry in 2013 2014–2019 explain that Brexit has a negative impact on trade performance international creative sector of the UK during the Brexit referendum period due to uncertain trade policy.

The impact of Brexit on the business world in the UK is that it has a big impact on export business because costs are increasing along with the many tariff increases. This causing UK businesses to become less competitive in the EU and global markets. The impact of Brexit also impacts the possibility of a decrease in investment. Brexit have a negative impact on the inflow of Foreign Direct Investment (FDI) in the UK and likely to experience a decline of 22%. The uncertainty of trade relations between In the future, the UK and the EU could reduce FDI in the UK. If the UK leaves the EU, then the UK will lose access to the single market, which is part of the single market. has attracted many foreign investors to the UK because they do not have to face the barriers and high costs due to tariffs and can easily export to other EU countries (Vishnubhotla, 2024).

The uncertainty of Brexit has had a major impact on the UK manufacturing industry. According to MacRae et al. (2021) state that manufacturing companies feel less prepared due to the uncertainty surrounding implementing new policies in trade and supervision borders, new registration systems, lack of clarity regarding employment opportunities for EU citizens, and compliance with settlement policies. The lack of communication of critical information to the manufacturing industry has led to the continuation of uncertainty surrounding the risks facing its supply chain. There have been major failures in the UK Government in considering the implications of not communicating the risks of effectively leaving the EU to the manufacturing industry. Information on changes in policies, regulations, laws and workers' rights is obtained through the media and not from official Government bodies and professional industry bodies.
Thus, the UK's decision to leave the European Union provides political and economic turmoil in the UK that could have a major impact on companies in other countries and around the world, as well as the UK manufacturing industry. This research will discuss how (1) the uncertainty of the Brexit referendum will impact the UK industry and the productivity of the UK manufacturing industry and (2) the post-Brexit impact on UK manufacturing. And productivity of UK companies in Indonesia. Based on the research background, the problem formulation in this research is as follows: How Post-Brexit Impacts Trade Policy and Its Influence on Manufacturing Industry? How does Brexit affect corporate restructuring and productivity? UK multinationals in Indonesia?
Based on the formulation of the problem in the research, the objectives of this research are as follows: To find out the impact of post-Brexit on trade policy and its influence On the UK manufacturing industry. And, to determine the impact of Brexit on company restructuring and productivity. UK multinational in Indonesia. Based on the formulation of the problem proposed in this research, the research discussion is limited to the uncertainty of Brexit on industry in the UK starting after the Referendum Brexit 2016-2019 until after Brexit (Post-Brexit). This research is also limited to Brexit Uncertainty Discussion on UK Manufacturing Industry Productivity.

2 Research Methodology

The research method used in this study uses the qualitative methods method in order to obtain a better understanding of the theme raised. However this research in only a part of a mix method research, where the researchers start from qualitative and then develops to require a hypothesis that refers to quantitative data. So, research like this requires a mixed research method or mixed methods, which are a combination of qualitative and quantitative methods.

Mixed methods involve collecting, mixing or integrating quantitative and qualitative data in a study. Then, the three basic designs in mixed methods research consist of convergent methods, explanatory sequential, and exploratory sequential, where the design is adjusted according to the characteristics of the data collection needs and analysis features and approaches to interpreting and validating research (Creswell, 2011).

In this research design the researcher actively conducts qualitative elements in every phase of the research process. The researcher is responsible for analyzing the research components independently, and interpreting the results (Creswell & Pablo-Clark, 2011). The Regional Security Complex theory was also utilized to provide a more comprehensive explanation. The results of the description above were then analyzed to derive analytical conclusions. This method will be used to describe and analyze the strategies used by the UK and the European Union in the economic and industrial sectors, including the use of methods and systematic with patterns found in qualitative data.

Primary data sources, often referred to as raw data, are crucial in this study. They are obtained directly from official authorities, such as several official websites of the European Union, without any intermediaries. On the other hand, secondary data, which includes notes, evidence, or historical reports, is used as a reference and is obtained indirectly from archives or other documents, including academic results.

The author obtained this secondary data by conducting a literature study (Library Research) and searching for relevant journals, including interviews with five British companies in Indonesia. This secondary data is a source that includes books, journals, and other websites related to the research subject.

In analysing the impact of Brexit on the manufacturing industry, researchers use two concepts, namely Barry Buzan's Regional Security Complex and Ole Waever's, which are used to analyse the situation and conditions of the industry in Indonesia. Meanwhile, for the concept and strategy of the British government in the economic sector, the Security Dilemma concept by John H. Herz will be used, emphasising a structural idea with efforts taken by a country to maintain its economy. These efforts often trigger discomfort in other countries, especially in neighbouring countries. This is because each country thinks that the action is defensive, while the actions of other countries are considered threatening (John H. Herz, 1951, Political Realism and Political Idealism).

This study, with a keen focus on the policies and strategies in the industrial and manufacturing sectors of British companies post-Brexit, is particularly timely and relevant. It will provide a comprehensive analysis of the economic interaction between the UK and Indonesia, post-Brexit, a topic of immediate concern.

This study's analysis will use the Regional Security Complex (RSC) and the Security Dilemma (SD) concepts to analyze the pattern of interaction between the UK and Indonesia in the development of British companies in Indonesia. As for manufacturing and industry, the analysis uses the Security Dilemma Concept, where British companies need protection because they are no longer part of the European Union.

3 Result

UK Industry Uncertainty Post Brexit Referendum 2016-2019

Brexit has affected UK Businesses; it started with a sharp spike in uncertainty after the UK voted to leave the European Union in June 2016. The uncertainty has continued, and as time passes without an agreement on the terms of the UK's exit from the EU, companies have become increasingly uncertain about whether or not they will leave the EU. Brexit is essentially a political versus economic shock that is largely unpredictable.

Brexit is an unusual type of uncertainty shock because many factors are unknown and difficult for businesses to measure. Brexit has caused uncertainty for the industry, namely (1) uncertainty about the terms of the UK leaving the EU, (2) the UK's long-term relationship with the EU, (3) the availability of regulations regarding migrant workers and their products, (4) how the UK will transition to this end state, (5) what impact this will have on market access, and the impact of all of these on business prospects (Bloom et al., 2019).

To help understand the uncertainty caused by Brexit, the Bank of England, the University of Nottingham and Stanford University conducted the Decision Makers Panel, a survey of 7,500 UK business executives. The survey found that Brexit has been a significant source of uncertainty for many UK businesses: (1) It caused investment to fall by 6% in the first two years after the referendum and employment to fall by around 1.5%, and (2) Brexit reduced future UK productivity by around half a percentage point through the average effect of reallocating output from higher to lower productivity firms. Most business people anticipate that Brexit will ultimately result in lower sales and higher costs (Bloom et al., 2018). Here are the results of the executives' business uncertainty survey.

Companies consistently rank Brexit at the top of their list of sources of uncertainty. Results since the summer of 2018 show increased uncertainty due to Brexit. The number of companies responding that Brexit was a major cause of uncertainty rose from 36% in August 2016 to 54% in November 2018 and January 2019, with the proportion of companies saying Brexit was a major source of uncertainty rising from 9% to 23%.

UK Manufacturing Productivity Uncertainty Post Brexit Referendum 2016-2019

Uncertainty over the UK’s exit from the European Union (post-Brexit referendum 2016-2019) has impacted the productivity of the UK manufacturing industry. The UK manufacturing sector, which is part of the overall industrial output, experienced a decline in output of 0.6 per cent. The first quarter showed that industrial output only increased slightly by 0.1 per cent, and manufacturing growth slowed to 0.3 per cent. The UK economy slowed in 2017 after initially facing the shock of the decision by voters to leave the European Union in a referendum in June 2016 (Bratadharma, 2017).

Brexit has lowered future UK productivity growth. The companies most affected by Brexit, namely UK companies that export more goods and services to the EU, import more raw materials from the EU, and employ more workers from the EU, are the most uncertain and expect Brexit to have a worse impact on sales ultimately. Firms that are

more internationally exposed tend to be more productive than average. More productive firms expect Brexit to impact sales more than less productive firms negatively.
If Brexit reduces the output of highly productive firms by more than that of low-productivity firms, it could lead to lower average productivity through a batting average type effect. Estimates from the data suggest that this reallocation effect could ultimately reduce UK productivity by around 0.5%. Given that the UK economy has experienced low productivity growth of around 1% in recent years, this is equivalent to half a year of productivity growth (Boom et al., 2019).

Brexit uncertainty has had one impact: the decline in productivity in automotive companies. Uncertainty over the UK's exit from the EU has pushed UK car production to 1 million units in 2020. That is only half the level of next year's production projections made a few years ago. The UK Society of Motor Manufacturers and Traders (SMMT) in 2015 estimated that UK annual car production would reach 2 million units by 2020. Based on SMMT data, UK car production fell by 4 percent in October 2019. Since the Brexit vote 2016, UK car productivity has declined from 1.72 million units in 2016 to 1.67 million units in 2017 and further declined in 2018 by 1.51 million units. The decline also occurred in 2019 at around 1.3 million units. The UK SMMT assesses that without a trade deal, Brexit will give rise to new tariffs and a significant decline in production, so car manufacturers will likely switch from the UK to other countries. Therefore, cooperation with the government is needed to ensure frictionless, tariff-free trade, regulatory alignment and sustainable access after Brexit (post-Brexit).

Meanwhile, the Fitch rating agency estimates global sales will decline by 4% in 2019. This shows that Brexit uncertainty has affected manufacturing productivity because the automotive sector's contribution to UK exports is the largest, at around 14 per cent. Several car factories in the UK are facing obstacles. They are planning to migrate, for example (1) Honda plans to close its factory in the UK, which is capable of producing up to 150 thousand Civics per year; (2) Nissan canceled plans to produce the new X-Trail SUV in Sunderland, as well as Ford which plans to close its factory in Wales in 2020, the closure plan did not mention opening a factory in the UK; and Tesla CEO Elon Musk told Auto Express his reasons for opening his first European factory in Germany because Brexit uncertainty was too risky for the construction of a Gigafactory in the UK (Mike Hawes, 2019).

Post-Brexit Impact on Trade Policy and Its Impact on the UK Manufacturing Industry

The UK officially left the 27-member European Union on January 31, 2020. Under the new rules after the UK leaves the EU, all UK manufacturers will have tariff-free access to the EU's internal market. Thus, there are no import taxes on goods crossing the UK and EU territories (Jessica Parker, 2021). The UK's exit from the European Union means that the UK can have full sovereignty so that it does not have to comply with existing regulations and policies in the European Union. The new policy since the UK's exit has had an impact on the UK economy. This has had an impact on many international companies moving their large companies (headquarters) to European countries. The new policy has the potential for export-import trade goods to be stuck at ports. On the other hand, the trade policy between the UK and the European Union has been approved by parliament on December 30, 2020. The new policy also states that all UK manufacturers have tariff-free access to the EU's internal market (Jessica Parker, 2021). This means that import-export goods passing through the EU and UK are not subject to tax. The policy that has been agreed upon by the UK and the EU, the UK must be more careful in making decisions and can utilize the strength of the economy, politics, technology, security, and other sectors independently. This potential for the UK to utilize its strengths in various sectors to improve its economy is a source of hope and optimism for the future of the UK manufacturing industry post-Brexit (Dewi, 2021).

Research by Bailey et al. (2023) explains that the impact of the UK-EU trade agreement has so far been asymmetric due to the relative size of the two parties and because the UK has eliminated most import checks until 2024. This explains that EU companies can export to the UK without checks, while UK exporters to the EU must comply with EU customs requirements, this results in additional costs. Post-Brexit has an impact on the trade and manufacturing supply chain. The main manufacturing sector, a major part of the industry, such as automotive, is highly integrated into the supply chain across the European Union. Semi-finished goods often cross the borders of various EU and UK countries as they are shipped from factory to factory to undergo a value-added process before being assembled into a final product. Then, in turn, it can be sold in any EU country or even globally. Some sectors, such as chemicals, often require intermediate goods to be delivered 'just in time' to save on stockpiling costs. These costs include customs delays, customs form completion fees, and sanitary and phytosanitary (SPS) checks on agri-food, rules of origin compliance, regulatory alignment, and data protection issues.

Despite claims by former Prime Minister Boris Johnson that the Trade and Cooperation Agreement (TCA) guaranteed that there would be no non-tariff barriers, this is patently untrue as non-tariff barriers are back and on a large scale. Customs checks have caused delays for UK manufacturers at the UK-EU border. This has added costs and disrupted the tightly knit supply chain. This has meant that there is a backlog in the UK-UK trade process in terms of regulation and implementation. Manufacturers have found ways to mitigate risks such as delays, including stockpiling and changing supply or distribution routes. However, these have led to higher costs, which in turn have negatively impacted the competitiveness of UK manufacturers. However, the UK has repeatedly delayed the introduction of full customs checks on imports to maintain the flow of imported goods. Full customs checks have been postponed until 2024. This provides relief for manufacturers when bringing in components. However, there are still challenges in exports; for example, the most obvious is the cost of completing declarations.

The above is because the European Union has not eliminated Customs checks. From this explanation, practitioners and entrepreneurs can say that an asymmetry has been detrimental to UK manufacturers. Disadvantageous in this case, it is more likely because the UK has to spend a lot of time and money to comply with customs regulations in the EU region, while UK competitors from EU member countries are still trading freely with the UK. The findings of this study indicate that trade barriers have increased post-Brexit and have had the greatest impact on companies, especially small-scale companies. The implementation of new non-tariff barriers after Brexit has proven to be very challenging for companies, especially small companies in the supply chain in the manufacturing industry. According to MacRae et al., (2021), the risk of leaving the European Union (post Brexit) impacts business operations causing major delays in shipping, financial losses, and fundamental changes in the business world which are risk effects on the manufacturing industry.

During post-Brexit negotiations, to reduce the negative impact on the manufacturing industry, the UK Government should ensure timely information is disseminated to businesses throughout the UK. Official information from the government will allow for supply chain risk analysis. This is particularly relevant given that the UK has yet to commence Customs checks on EU imports. The manufacturing industry could benefit from the establishment of more formal and implicit networks to share experiences, skills, knowledge and information. Without robust and formal information from official sources, reliance on media channels provides a starting point for risk assessment, but this can distort risk perception and analysis.

In mid-2020, the UK in a Changing Europe published its report on the impact of Brexit on UK manufacturing and the likely impacts after the end of the transition period. The report on the impact of Brexit is an up-to-date view of the state of UK manufacturing post-Brexit, namely:

1. The Trade and Cooperation Agreement (TCA) helped to avoid tariff barriers. However, non-tariff barriers have returned, and the end of the transition period has had a negative impact on UK manufacturing. The Trade and Cooperation Agreement does not fully replace the previous frictionless trade and market integration;
2. Other major adverse impacts on administrative trade barriers include customs formalities, requirements for proof of rules of origin, and disruptions to labour flows, directly affecting certain manufacturing sectors and indirectly harming the manufacturing sector by damaging the services sector and its support, especially logistics and forwarding companies;
3. Adverse impacts are seen through reduced exports and imports to and from the EU (reduced by around 15% compared to a no-Brexit scenario) and production disruptions.

Any benefits that may arise from Brexit will not happen automatically. The UK therefore needs an active, integrated and well-funded industrial policy within a stronger devolution framework to enable the UK manufacturing sector to benefit from future growth opportunities. The impact of Brexit on UK manufacturing is likely to be greatest in the north and midlands, which will make levelling up more challenging (Rajic and Bailey, 2022).

After decades of membership of the European Union, the UK manufacturing sector has become deeply intertwined with the EU. Almost half of all UK goods imports and exports come from and to the EU. Many UK manufacturers, who have built their businesses around the EU, now face the challenge of adapting to new trade barriers. Furthermore, EU manufacturing workers often fill key skills gaps, such as in engineering, in the UK. It is therefore not surprising that new non-tariff barriers will be disruptive for UK manufacturers.

It can therefore be concluded that on the evidence, the end of the transition period is detrimental to UK manufacturing. This is simply because the TCA does not fully replace the frictionless trade and market integration that existed before. Regulatory differences, which are likely to be one of the main benefits of post-Brexit, have so far been very limited in scope. However, some changes have been proposed, such as more comprehensive data protection, and there is a potential for these to cause significant future trade disruption.

However, few manufacturers in sectors such as automotive, aerospace, pharmaceuticals or chemicals see any benefit from regulatory differences, and these companies only see additional costs after Brexit. In relation to the potential benefits that Brexit claims for UK manufacturing, there is little evidence of a positive impact post-Brexit. While there has been a diversion of exports to non-EU countries, this has not offset the decline in trade with the EU. So far the UK has only signed two genuinely new trade agreements, with New Zealand and Australia. While this is welcome, these two countries account for a small proportion of the UK's total trade, and the expected benefits from a trade deal with them are modest, while trade negotiations with the US are currently stalled. The UK government argues that after Brexit, they have more room to address issues such as industrial policy, state aid, and regional policies to take different actions (Bailey and Rajic, 2022).

For UK finances, Brexit also has a positive impact on the economy, namely;

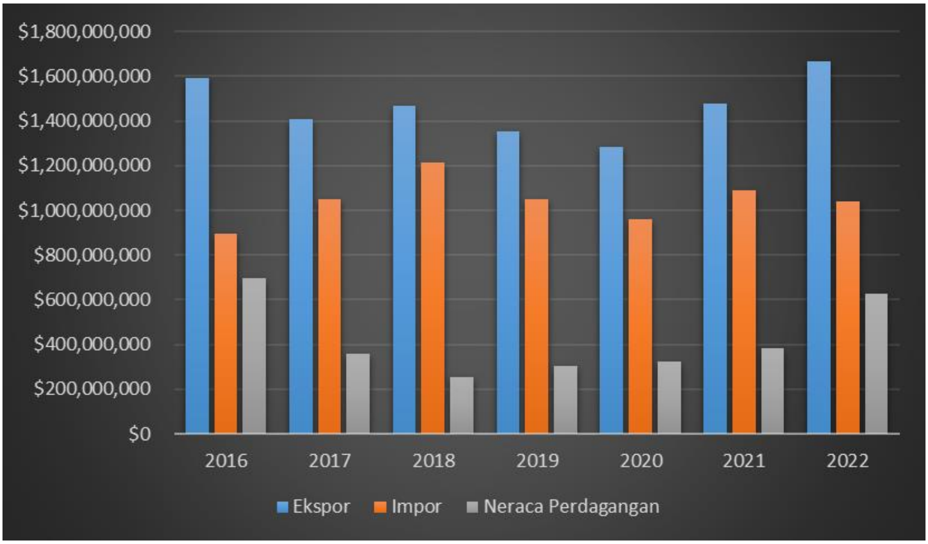
1. Free to make trade agreements. The UK has the opportunity to make business deals with countries around the world. Countries such as China and Australia have started to make trade agreements with the UK after Brexit;
2. Lower regulations and obligations. The UK is no longer required to pay the 9 million Euro European Union membership fee, because the UK is a major contributor, the UK can spend all its money on its own growth (Vishnubhotla, 2024).

4 Discussion

The Impact of Brexit on the Restructuring and Productivity of UK Multinational Companies in Indonesia

The announcement of the UK leaving the European Union (Brexit) has affected the global economy and the rules set by the UK government. This is of course the main impact of the economic system that has been running for a long time. The role of the UK government in this case is very dominant because it is to save the domestic economy. This worldwide impact also affects Indonesia in the context of the trade balance between the UK and Indonesia as seen in Figure below:

Indonesia and UK Trade Balance



Source: various sources, analyzed by researchers

The trade balance between Indonesia and the UK has decreased since the Brexit referendum, which was seen from 2017 to 2020, but after Brexit (post Brexit) it began to increase in 2021-2022. The movement of the trade balance between Indonesia and the UK is more influenced by exports, which tended to decrease during the Brexit referendum and began to increase after Brexit. Meanwhile, imports tend to be stable, although there have been increases and decreases. Thus, Brexit also has an impact on the trade balance between Indonesia and the UK. Brexit also has an impact on UK multinational companies, both in the UK and in Indonesia. However, the impact between companies varies.

Regarding bilateral political relations, Indonesia is unaffected by the UK's decision to leave the EU. However, the impact on UK companies in Indonesia is an internal problem for these companies.

Graph 1. The Impact of Brexit on British Petroleum (BP)

Graph 2: The Demonstration of Oil and Gas employees due to layoff.

Hundreds of Former BP Migas Employees Laid Off Ahead of PT CPI's Transition to Pertamina Protest at 5 Minas Gate Points

According to the Country Head of British Petroleum (BP) Indonesia, Dharmawan Samsu stated that the impact of the announcement of the British Exit (Brexit) referendum was shocking. However, not for the oil and gas world because this announcement did not significantly impact the British company's business line. The European Union referendum did not significantly impact British Petroleum's activities in the UK and Europe in general. Dharmawan also explained that the impact of Britain's exit from the European Union would not have an impact on British Petroleum's head offices in other regions, including Indonesia; it would not have an impact on employees currently working at BP Indonesia, as well as BP's head offices in other regional areas and also its employees. Dharmawan also explained that related to production in Indonesia, British Petroleum Indonesia remains committed to producing by the agreement in the work plan and budget (Work Plan & Budget/WP&B), which it has submitted to the Special Task Force for Upstream Oil and Gas Business Activities (Artanti, 2016).

However, the British exit from the EU impacts British Petroleum in the UK, namely British Petroleum Company Limited, which has temporarily closed several gas stations due to a shortage of truck drivers. The labour crisis in the UK has occurred since the Brexit policy or Britain's exit from the European Union, which has been implemented. British Petroleum Company Limited experienced problems at several gas stations in the UK and had to close temporarily. British Petroleum Company Limited stated that the limited number of truck drivers caused supply chain problems in the UK. British Petroleum Company Limited prioritizes sending fuel to toll road areas, main roads and places with high fuel demand. British Petroleum Company Limited did not specify how many gas stations were affected. British Petroleum Company Limited temporarily closed several gas stations due to distribution problems. According to the Road Haulage Association, the UK has 100 thousand truck drivers, 20 thousand of whom are EU citizens and must leave the UK after Brexit (Buchanan, 2021).

The labour problem in the food and agriculture sector, mirroring the challenges faced by BP, is a pressing issue. With 500 thousand job vacancies and the looming threat of food waste due to insufficient workers, the situation demands immediate attention. Industry associations have urged British Prime Minister Boris Johnson to introduce a "Covid Recovery Visa" to alleviate the burden of worker shortages across the supply chain (Buchanan, 2021).

Graph. 3. Dozens of Shell Gas Station (SPBU) employees in Medan protested at the Medan Heroes' Cemetery on Wednesday (1/5/2024).
They were demanding their rights, one of which was severance pay.

The chief executive of one of the world's largest companies, Royal Dutch Shell, has warned that oil and gas companies will be negatively impacted if Britons again leave the European Union through a referendum. The Anglo-Dutch company, which is currently seeking shareholder approval for its attempt to acquire the UK's BG Group, will suffer if the UK leaves the bloc. Royal Dutch Shell is a company with a strong UK and European heritage. A real split between the two will affect freedom of movement and trade, and companies will be affected if the UK leaves the EU. There will be a divergence path, which creates many inefficiencies in the company (Reuters, 2017).

Graph 4. The Demonstration of Shell employees claiming for severance pay. Shell Indonesia employees in the city of Medan held a protest on Labor Day, Demand Severance Pay at the Shell gas station on Sisingamangaraja Street, Medan, Wednesday (1/5/2024).

Meanwhile, the UK's exit from the European Union does not significantly affect Royal Dutch Shell in Indonesia. The large market share of Royal Dutch Shell Indonesia is very strong, so it will not be affected by Brexit. This refers to Shell's business sector in the downstream sector which is quite strong in Indonesia and Shell is the first international oil company engaged in the retail gas station business in Indonesia with more than 100 gas station operating locations in Indonesia spread across the Jabodetabek (cities of: Jakarta, Bogor, Depok, Tangerang and Bekasi), West Java, East Java, and North Sumatra regions. Royal Dutch Shell Indonesia owns and operates a fuel terminal in Gresik. In addition, Brexit has no impact on the productivity of Shell companies in Indonesia because Royal Dutch Shell in Indonesia is one of the largest lubricant market share holders in Indonesia serving motor vehicle owners and customers from the industrial sector. As a commitment from Royal Dutch Shell to invest in Indonesia by opening a lubricant factory in Bekasi. Operationally, Shell's lubricant business, production is carried out in Indonesia to meet the market in Indonesia.

This explains that Brexit has no impact on the productivity or restructuring of Royal Dutch Shell in Indonesia because it is not related to the UK and EU trade agreements which are affected by non-tariff barriers that have had a negative impact on the UK manufacturing sector. In addition, Royal Dutch Shell in Indonesia is not affected by administrative barriers to trade, namely Customs formalities, requirements for proof of origin of goods, and disruption to the flow of labour, both directly impacting certain manufacturing sectors and indirectly harming the manufacturing sector by damaging the service sector (e.g. logistics) that supports it. Royal Dutch Shell in Indonesia focuses on fulfilling sales so that there are no export activities to EU regions and members.

Graph 5. On Monday, April 4, 2022, Unilever's factory in Surabaya was protested by Unilever employees who were laid off.

After the referendum, Unilever's headquarters in the UK underwent a Restructuring. Consumer goods manufacturer Unilever announced that it would close its headquarters in London, England, and make its headquarters in Rotterdam, the Netherlands, Unilever's sole legal headquarters. The decision to move the headquarters came almost a year before Britain's exit from the European Union. After rejecting a US$ 143 billion takeover offer from Kraft Heinz, Unilever is reviewing the company's dual leadership structure. Unilever was forced to rethink its corporate structure after trying to reject Kraft's largest acquisition offer in 2017. Unilever immediately rejected the offer, and Kraft withdrew within days.

Despite the challenges, the incident prompted Unilever to enhance its business operations. The decision to relocate its headquarters was a strategic move to simplify its structure, enhance corporate governance, and pave the way for future acquisitions. Unilever, formed in 1930 from the merger of Dutch margarine maker Margarine Unie and British soap maker Lever Brothers, assured its 7,300 UK employees that they would not be affected by the move. The company will continue to list its shares in London, Amsterdam, and New York. As part of its restructuring, Unilever will establish three divisions, with the Beauty and Personal Care and Home Care divisions headquartered in London, and the Foods and Refreshment division in Rotterdam (Sebayang, 2018).

Brexit Boosts British American Tobacco's Bid for Reynolds American The Brexit vote has made it easier for British American Tobacco to fund the proposed deal. British American Tobacco's share price has risen more than 12% since Britain voted to leave the European Union. The UK's vote to leave the EU was a key factor behind British American Tobacco's BATS rising 0.71%; green indicates a decision triangle to launch a $47 billion takeover bid for Reynolds American Inc., despite a general slowdown in dealmaking in the UK (Dummets, 2016).

Graph 6: Tobacco farmers held a protest in front of PT. Bentoel's office in Pamekasan on Thursday, 22/08/2019.

British American Tobacco, taking over Reynolds' US stake, reported a fall in first-half net profit, but sales surged as the pound took a hit from Brexit. After-tax profits fell 15 per cent to £2.3 billion ($3.0 billion, 2.6 billion euros) from six months to June 30 from a year earlier. British American Tobacco, whose cigarette brands include Dunhill and Kent, added that sales jumped 15.7 per cent to £7.71 billion in the reporting period. The pound has fallen since the June 2016 referendum in favour of Britain leaving the European Union, making British American Tobacco's products more attractive to US buyers. The group's performance in the first six months of the year aligned with expectations and showed good organic progress for British American Tobacco. British American Tobacco paid almost $50 billion (€47 billion) for control of Reynolds American, targeting the lucrative US market and the fast-growing e-cigarette sector. As a result of the deal, the enlarged group has a balanced presence in high-growth emerging markets and highly profitable developed markets, combined with direct access to the attractive US market (Agencee et al., 2017).

In Indonesia, British American Tobacco is affiliated with cigarette issuer PT Bentoel International Investama Tbk. In the financial report for the first half of 2019 on the Indonesia Stock Exchange, Bentoel experienced a net loss of IDR 312.32 billion, although a 42% decrease from the net loss in the first half of 2018 of IDR 537.53 billion. The company's sales were recorded to have increased by 0.29% to IDR 10.22 trillion from last year, IDR 10.19 trillion. The loss has been going on for the past seven years.

British American Tobacco Plc is also undergoing restructuring; the company will lay off 2,300 employees globally, which will be carried out in January 2020. British American Tobacco Chief Executive Jack Bowles explained that the effort aimed to improve the company. Around 20% of employees at the senior level will be laid off. This restructuring is important to achieve the target of 5 million pounds in revenue in 2023/2024. British American Tobacco Plc took the restructuring step as an efficiency measure. The company wants to simplify its operating structure (Mangkuto & Oktarianisa, 2019).

A Brexit-supporting company that donates to the Conservative Party is set to save £73m as the sole direct beneficiary of post-Brexit trade reforms. The government has confirmed that the company will be able to import 260,000 tonnes of raw sugarcane from anywhere in the world, tariff-free. The only company currently importing raw sugarcane is Tate & Lyle Sugars, which is the only major company to support Brexit publicly. Tate and Lyle's name was also on the lanyards Tory attendees wore at the 2017 conference. The sponsorship was recorded as an £8,000 donation by the Electoral Commission. The new tariff-free quota is equivalent to a saving of £72.8m.

The introduction of the quota follows a long public lobbying campaign by the company. Greenpeace said Tate & Lyle had held at least ten meetings with senior ministers over the past three years. The reforms are the latest in a Brexit subplot that has divided the UK sugar industry. Paul Kenward, managing director of British Sugar, a sugar beet refiner, explained that the UK can decide its international trade policy post-Brexit by balancing the interests of all players in the market, including domestic sugar beet players. A spokesperson for the Department for International Trade stated that the Government has sought to balance strategic trade objectives, such as achieving the UK's trade ambitions and FTA trade agenda, with the interests of domestic production, processing and consumption while maintaining the government's commitment to development. To achieve this balance, the UK's global tariff maintains tariffs on sugar products, while opening up new autonomous tariff quotas to ensure supplies remain secure while protecting developing country preferences. The UK's global tariff schedule is tailored to the UK economy and designed to support UK businesses, ensuring they compete fairly with the rest of the world (Michael Savage, 2020). The positive impact of Brexit on Tate and Lyle in the UK is also positive in Indonesia. In addition, Tate and Lyle in Indonesia did not experience a decrease in productivity or restructuring. Tate and Lyle in Indonesia are also unrelated to the UK and EU trade agreements that are affected by non-tariff barriers and are not affected by administrative barriers to trade.

5 Conclusion

Post-Brexit Referendum 2016-2019 caused uncertainty in the UK Industry. Brexit is an unusual type of uncertainty shock because many factors are unknown and difficult for the industry to measure, namely uncertainty about the terms of the UK leaving the EU, the UK's long-term relationship with the EU, the availability of regulations on migrant workers and their products, how the UK will transition to other countries, and what the impact is on market access, and the impact on business prospects.

The uncertainty of the UK's exit from the European Union after the 2016-2019 Brexit referendum has impacted the productivity of the UK manufacturing industry. The UK manufacturing sector experienced a decline in output. Companies that were greatly affected by Brexit were companies in the UK that exported more goods and services to the EU, imported more Raw Materials from the EU, and employed more workers from the EU. These companies were the most uncertain and expected Brexit to have a worse impact on sales ultimately. Companies that are more internationally exposed tend to be more productive than average. More productive companies expect the impact of Brexit on sales to be more negative than less productive companies. Brexit uncertainty also has a significant impact on the decline of productivity in automotive companies.

Post-Brexit Impact on Trade Policy and Its Impact on UK Manufacturing Industry The new rules after the UK leaves the EU are that all UK manufacturers will have tariff-free access to the EU internal market, so there are no import duties on goods crossing the UK and EU. However, the impact of the UK-EU trade agreement is asymmetric due to the relative size of the two parties and because the UK has removed most import checks until 2024. This means that EU companies can export to the UK without checks, while UK exporters to the EU are subject to EU customs requirements, which incur additional costs. Post-Brexit impacts on trade and manufacturing supply chains. The impact of Brexit on UK manufacturing The Trade and Cooperation Agreement (TCA) helped avoid tariff barriers. However, non-tariff barriers have returned, and the end of the transition period has had a negative impact on the UK manufacturing sector; The main negative impact of Brexit regards administrative barriers to trade, namely Customs formalities, requirements for proof of origin of goods, disruption to the flow of labor, both directly impacting certain manufacturing sectors and indirectly harming the manufacturing sector by damaging the supporting company sector, in this case logistics and shipping companies.

One visible impact of Brexit, as evidenced by statistics, is the reduction in exports and imports to and from the European Union. The UK's exports and imports to and from the EU have decreased by approximately 15% compared to pre-Brexit levels. This figure does not account for several production disruptions, such as late supplies of raw materials. Therefore, it is crucial for the UK to establish an active, well-integrated, and strongly funded industrial policy within a stable devolution framework. This will ensure that the UK manufacturing sector can seize future growth opportunities independently.

The study's findings reveal that Brexit has a significant impact on the trade balances of both Indonesia and the UK. The impact on UK multinational companies in Indonesia, however, is not uniform. In line with Bouoiyour & Selmi's research (2018), all industries are facing increasing uncertainty, but the referendum results have different sectoral impacts. This underscores the varying effects of Brexit on different UK multinational companies in Indonesia.

Several UK multinational companies in Indonesia, namely British Petroleum (BP), Royal Dutch Shell, Tate and Lyle, Unilever, and British American Tobacco, experienced different Brexit impacts between companies. For UK companies in Indonesia in the oil and gas sector, it did not have a significant impact on the British Petroleum (BP) and Royal Dutch Shell business lines.

After the referendum, Unilever's head office in the UK underwent a restructuring with the transfer of its head office in the UK to the European Union (Netherlands). This had no impact on Unilever Indonesia. Likewise, Tate and Lyle Indonesia's productivity was not affected by Brexit. Brexit had a positive impact on Tate and Lyle as supporters of Brexit. The UK government has ensured that companies will be able to import 260,000 tons of raw sugar cane from anywhere in the world, tariff-free. The only company currently importing raw sugar cane is Tate & Lyle Sugars, which is the only major company that openly supports Brexit. Tariff-free for this company will increase the company's productivity.

One of the affected UK companies in Indonesia was the British American Tobacco company affiliated with cigarette issuer PT Bentoel International Investama Tbk. The impact of the restructuring process, one of which was the layoffs of 2,300 employees globally in January 2020, which also had an impact on British American Tobacco's layoffs in Indonesia. The company's restructuring to achieve efficiency by simplifying the organizational structure to achieve a revenue target of 5 million pounds in 2023/2024 aims to increase shareholder income.

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