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Original Paper

Navigating Global Business: The Economic Strengths, Competitiveness, and Post-Brexit Challenges

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Abstract

The is the sixth-largest economy in the world, renowned for its significant role in service exports and global trade. This article explores the competitiveness in the global business environment, including price and non-price competitiveness, its reliance on international trade and investment, and its strengths and weaknesses. Despite challenges such as lagging productivity and insufficient IT innovation, remains a key player in the global market due to its flexible labor market and favorable investment policies. The article also examines the profound impacts of Brexit on the economy and its relationship with the EU, as well as solutions to address issues like tariffs, the financial system, and foreign investment policies in the post-Brexit era.

Keywords

global competitiveness, price competitiveness, non-price competitiveness, international trade, foreign investment

1. Introduction

As the sixth-largest economy in the world, the United Kingdom holds a prominent position in global trade and service exports. With the acceleration of globalization, the UK's competitiveness in the global business environment has become a focal point for both academia and policymakers. This article aims to explore the UK's economic strengths, competitiveness, and its role in international trade and investment. It analyzes the UK's price and non-price competitiveness and examines its strengths and weaknesses in the global market.In recent years, the UK has undergone significant economic transformations and challenges, particularly due to the profound impact of Brexit. Brexit has not only altered the UK's trade relationships with the European Union but also significantly affected its financial system, foreign investment policies, and overall economic environment. Understanding and addressing these changes is crucial for maintaining and enhancing the UK's competitiveness in the global market.This article will first provide an overview of the UK's position and importance in the global business environment, followed by an exploration of various aspects of its competitiveness, including price and non-price competitiveness. Next, it will analyze the UK's performance in international trade and investment, highlighting its major economic strengths and challenges. Finally, the article will delve into the impacts of Brexit on the UK economy and propose strategies and recommendations for addressing economic challenges in the post-Brexit era. Through these analyses, this article aims to offer valuable insights into understanding and navigating the UK's role in the global business environment.

The UK is one of the world's largest economy ranked 6th in the world. It is also listed as the second position for service exports after the US and is also ranked 6th in world trading (Hill & Hult, 2017). It is also the center of attraction for headquarters for various global companies. It has more base than combined in both Germany and France of the global companies setting up their European offices. The UK marked its dominance and importance in the world economy by hosting the Olympics games in 2012 grandly (Newman & Fransman, 2017). According to World Bank, the UK is one the best and most comfortable place to set up a business the Europe as it takes an average of 13 days in setting up business in the UK. The UK is one of the most sought-after destinations for business and trade.

2. Competitiveness

The ability to compete effectively at the global level defines competitiveness of a country. Measuring of the competitiveness is very important for a nation, and there are specific ways to measure the competitiveness of a nation (Held, 2016). These methods include:

- The expert prices of the country as compared to the export prices of other countries. This is called relative export price (Sampson, 2017).
- Calculating the cost of the labour for the output produced by the labour.
- The labour productivity which is also defined as GDP per worker (Mazzucato et al., 2016).
- The ratio of export and import prices of the company is referred to as Terms of Trade of the company (The Chu, 2016).

The UK is ranked among the top 10 competitive nations in the world. In the annual report of global competitiveness, the WEF scores every nation. It provides the score to the nation by 12 "pillars of competitiveness," which varies from the state of the infrastructure to the health, education, and institutions. The UK has one of the most flexible labour markets in the world with a policy of hire and fire (Schot, 2016). This policy helps the firms to hire and fire workers and makes it easier for the firms to achieve success and profit. It helps in increasing the effectiveness and efficiency of the labour. WEF also noted that the competitiveness of UK is also increasing due to the reforms made by the government (Akman et al., 2017). Creating a workforce which is more educated, a tax system which is more simplified than before helped to achieve the status in the business world. The rate of corporate tax was reduced, burdensome rules and regulations were laid to rest, and planning rules are more simplified than ever, all helping in creating an environment more suited for development (Bourne, 2016).

2.1 Price Competitiveness

It measures the exports done by the UK regarding the price when compared to other countries. It is measured in some factors :

- Inflation- the small differences can build-up annually to create a significant amount. The UK keeps a check on the inflation to avoid losing the grip on the market (Stokstad, 2016).
- Labour costs- it includes the costs of wages and non-wages and also the contributions made by an employer to pensions. The UK has a very flexible policy regarding labour and employees (Barr, 2017). It includes hire and fire policy for labours which helps increase the efficiency and effectiveness of the work.

2.2 Non-price Competitiveness

It measures the performance of the branded goods and services exported by the UK in the global market. It includes:

- The design and quality of the products exported from the UK (Fekete, 2017).
- Developing and researching on new products for them to be successful against the competition.
- The weakness and also the strengths of the local brands (Sampson, 2017).
- It also measures the effective marketing strategies done by the UK in the overseas market.
- The UK also tries to invest in new technologies and innovations to increase the quality and reliability of the product (Evans, 2017).

2.3 Weakness of UK in Global Market

- The UK lags behind the competition regarding productivity (Inglehart & Norris, 2016).
- This lack of competition provided by the UK to major countries such as the US, Germany, and Japan is known as the productivity gap (Cowell et al., 2017).
- Less use of IT innovations is hurting the market in the Europe and this the main reason they are lagging behind the competition (Mendez-Parra et al., 2016).
- The primary productivity gap in the UK is due to skills that the people are lacking.
- Formal degrees in education is one the primary reasons for lagging behind. The number of jobs not being applied is more due to the qualifications standard not met (Heisbourg, 2016).

2.4 Strengths of UK in Global Market

- The UK provides high volumes of aid to the immigrants due to the strengths of the economy (Pisani-Ferry et al., 2016).
- The UK also imposes low taxes on the products in agriculture and also some dairy products.
- The limitations on the import of services are less than other countries (Sampson, 2017).
- The UK provides high subsidy rates for the research and development programs by companies.
- The overseas students are attracted to the institutions in the UK for better creative industries in music, arts, technology and fashion (Dorling, 2016).

3. International Trade and Investments

The economy of the UK is very dependent on the international trade. Due to this dependency on the trade, the government of UK has very few restrictions on trade and investments in the overseas market. The main partner in trade for the UK is EU. Out of the total exports, 58% exports are for the EU nations from the UK. The major markets for exports for the UK are Germany with 12 percent of the total exports, 12 percent of the total exports to France and 8 percent of the exports to the Netherlands (Murray, 2017). The most significant single market for the exports of UK is the USA, which takes a big chunk of 13 percent of the total exports of the country. The USA is also one of the largest provider of imports to the country at 14 percent. The EU as a group provides a total of 53 percent of the imports to the UK. Out of this 53 percent, Germany accounts for 13 percent, France accounts for 9 percent, Netherlands accounts for 7 percent (Akman et al., 2017). The United Kingdom is engaged in trade with more than 90 countries around the world.

The British pound has always maintained its grip over the market as one of the significant and robust currencies of the world. Due to this the economy of UK is considered healthy and has attracted many foreign investors to set-up and start business inside the country. This investment makes the UK the second most significant destination for the foreign investors (O'Rourke, 2016). From all the investments done in EU, 30 percent of the total share is done in the UK by the foreign investors. The investments done by the Britishers in other countries is also significant as the UK has invested in billions abroad. The most significant foreign investor in the United Kingdom is US which accounts for more 40 percent of the total investments done in the UK. The annual investment done by US firms and investors in the UK amounts to more than the US $100 billion (Akman et al., 2017). The US considers the UK as one of the biggest markets around the world and the investments were done is the proof. The total investment done by America in the UK is more than combined investment in France, Germany, Netherlands, and Italy done by them. To make sense of this investment, we can note that the total investment was more than 5 percent of the GDP (Adler-Nissen et al., 2017).

The United Kingdom has suffered due to the trade deficits over several decades now. The country has imported more services, good and investments than it has exported to other countries around the world. Due to this trade deficit, the deficit amount accounted for more than US$ 25 billion which was equal to 1.5 percent of the GDP. This deficit is the reason of the total investment made by the foreign investors in the UK due to the attractive market conditions (Song, 2016). However, the money that foreign investors bring into the nation exceeds the money that the UK loses through trade deficits which allow the country to fund the deficits. The foreign companies which are being set-up in the UK account for more than 40 percent of the total exports from the country. Their presence in the manufacturing sector is very significant. Of all the companies being set-up in the country, 20 percent companies are foreign-owned. A total of 16 percent of the employment is due to the foreign firm's investment in the country. There were a total of 25,800 firms from foreign countries in the United Kingdom (Gelb, 2016). Few of the most prominent foreign firms in the country are Dupont from America, Ciba from

Switzerland and Coca-Cola.

The attraction of investing in the UK is due to the winning programs by the government over a period. There are established enterprise zones which are being set-up by regional and local government bodies (Ziv et al., 2017). By investing in these particular zones, companies can levy some of their taxes and can receive reimbursements for the constructions in the zones. The government also provide incentives for the companies who are located in the economically backward urban areas.

4. The UK and the EU

The path to Brexit was set by the new conservative government of the UK. The British parliament passed the referendum bill after negotiating UK's membership terms. The Prime Minister wanted to have more control over the new states, put a limit on immigrants' benefits, fast trade deals (Farnsworth, 2017). The Brexit can lead to severe impacts on the economy of UK, resign of PM and significant splitting of media and businesses around the country.

4.1 Impacts of Brexit:

- The regulations that are being made will grow over the time and will result in the increased price of the trade which will, in turn, have an impact on the volumes of the supply and UK's place in supplying the services and goods (Dhingra et al., 2016).
- As far as the Europe is concerned, the UK is considered as a less attractive destination as the base of the headquarters.
- Due to Brexit UK loses the much-needed influence in EU regulation. The freedom to regulate without any interference of EU is not gained (Crawford et al., 2017).
- The country now has more flexibility over its industrial policy. It, however, loses influence in some areas and scale.
- The policies of immigration are tightened, thus damaging competitiveness in the capital city (Dhingra et al., 2016).
- The high competitive edge that the UK retains will most likely be gone as the UK is likely to lose business due to lack of service provided to European countries.
- The trade disputes the UK has and is also a low priority partner when it comes to negotiations of trade (Wild et al., 2014).
- The benefit of controlling and influencing both the ins and out of Europe will most likely be lost. This will have a significant impact on the economic and foreign policy interests of the country.
- Brexit is a long process having an impact on the business in the country over an extended period with the endpoint not defined (Cumming & Zahra, 2016).
- Apart from one or two centers of finance, all other households and businesses will suffer due to the increased cost of services and goods.
- Europe will become a somewhat less attractive destination for the investor's post-Brexit. The EU will lose some states due to political weight behind the negotiations (Ferraro & Briody, 2017).

4.2 Effects on Trade Within Europe

- The membership with Europe boosted the trade of goods with other states by over 55%, which accounts for more than £100bn in 2013 (Griffin & Pustay, 2011). The cost to the consumers in the footwear, agriculture and clothing sectors might fall but there will an overall increase in the prices (Hine, 2017).
- Post-Brexit, the reduction in a trade or the increase in the cost of trade will be damaging to both the UK and for rest of Europe. The importance of EU is more in trading to the UK than the UK is to EU (Pappas, 2017).
- Out of the total economy of EU, UK account for only one-sixth of the total part. The UK, however, is a more important source for the rest of the EU.
- There are only a few countries of EU which run a trade deficit with the UK. Ireland is the primary example, but the UK is an essential bilateral for many Irish firms (Meyer & Peng, 2016).

4.3 Issues and Their Solutions Post Brexit:

4.3.1 Tariffs and Trade

Tariffs usually do not prevent the import and export of bilateral goods and services, but increase cross-border trade costs. There is less barrier between countries in a single market.

According to Downing Street reported that the British side of the European commodity circulation border frankly "simple" until the new "tariff cooperation." After the transition period, the UK hopes to reach a wide range of trade partnerships with the EU. British trade union "zero tariffs", "frictionless trade," the British "customs union" close to "Europe." However, the EU will be out of this.

Britain is a single market member, and as a member of the European Union, according to the EU and other countries and regions signed trade agreements, but also enjoy free trade with these countries and regions.

After the British referendum, Canada and Europe signed a free trade agreement will no longer include the United Kingdom. After the United States, the United Kingdom and Canada and other countries and regions need to sign trade and investment agreement. Barnier said the decision to leave the UK for a single market and customs union meant that any agreement reached would be close to trade agreements with Canada and the European Union.

The primary focus of some of the former senators of the government is to keep up with the economic development because they are already large and do not need to focus on reforming the economy (Cavusgil et al., 2014). The focus is on trade agreements with other non-EU countries around the world.

4.3.2 Attention to the Financial System

Britain is also out of the European Union, but also from the European Common Market. Such a choice would threaten the UK's financial industry, particularly London as the world's financial center, as many international banking businesses could leave London.

Under the "single market" mechanism, financial institutions operating in the UK can sell financial services unrestricted throughout the European Common Market. Once the European bank led the Bank of England no longer enjoy the "privilege" of the common market, which means that British banks want to continue to provide financial services to European customers, must re-obtain administrative approval and accreditation, which will give the leading British banks European business has brought great obstacles.

The British government can take a paid way to continue to maintain this channel, to maintain the stability of the British and European financial markets. To get more autonomy as much as possible while seeking to reduce trade barriers.

4.3.3 Breakup Fee

In the negotiations, the British from the EU to pay "breakup fee" figures, has become the focus of characteristic differences between the two sides.

The BBC reports that the European Commission has said it wants to reach a "single financial solution," including the UK's commitment to pay the EU budget, including the UK investment agency

According to multimedia sources, "breakup fee" may be as high as 60 billion pounds, or even estimated to reach 100 billion pounds. "We will work with the European Union to establish a just solution to the rights and obligations of the United Kingdom as an outgoing member," said David Davis, a retired minister of the United Kingdom, in a statement to Parliament that " Financial settlement ."

British chief negotiator Davis said the British had said that this was a recognition of the country's international responsibility and rights, but he did not want to do so. So far, the British government has not been willing to pay a "breakup fee" clear response.

4.3.4 EU Citizenship

For the EU, another core issue is the maintenance of EU citizenship. There are currently 3.5 million EU members living and working in the UK, while in the EU countries there are 1.2 million British citizens.

The European Commission says it will "guarantee the rights of British British citizens in the EU to British citizens and their families," including the right to take effect in the future, such as pensions. The British government also agrees that the protection of civil rights is a problem that needs to be resolved early in the negotiations. However, the two sides on this issue also have "fundamental differences."

The EU believes that the European Court of Justice in Luxembourg should be the ultimate arbiter of British and European civil rights, as this will ensure consistency of the policy of the European Court of Justice. However, the British side believes that after Europe, the European Court of Justice can no longer exercise the jurisdiction of the United Kingdom. The British plan to develop new legal rights for EU citizens and to enforce them in the English legal system.

4.3.5 Foreign Investors New Policies and Tax Haven

The government has to set up new and better policies for the foreign investors (Morrison, 2011). The once sought-after destination will be a haven for foreign investors once again under the new and improved policies such as tax evasion or reimbursement and incentives to the investors.

The UK government after the euro is expected to have more autonomy in tax policy formulation, including new tax treaties with EU member states or the European Union, the establishment of an independent tariff system and the operation of an independent VAT management system.

From the perspective of continuing to attract capital inflows, the UK government may implement more flexible and competitive tax policies after taking off Europe.

The primary concentration was on two features, income tax should be collected from the income which arises within the border of the country and the tax system should be precise, concise, and bright, easily operated and can balance the rights of the citizens and state (Gordon, 2016).

By above discussion, it can be concluded that UK was one of the major countries in the EU when it comes to the trading treaties. Due to the flexible policies of the government, it was considered as one of the best investing countries for major foreign companies. Out of the top 10 vehicle producing companies in the UK, six are from foreign countries. The flexible policies of the UK companies such as hire and fire also helped in the efficiency and effectiveness of the labor. The significant policies of the UK government such as evasion of some tax from the foreign investors who were willing to invest in the exclusive economic zones set-up by the government. The government has also policies such as providing reimbursement for the companies who invest in infrastructure and also incentives who invests in urban areas deprived of economic advancements. The primary trading partner for the UK is US who invests a lot in the UK trading scene. Post-Brexit, the treaties had huge changes within them. The UK is considered as a lower priority within the trade treaties. The importance of EU to the UK was more critical as UK was to EU. Brexit also fuelled some problems at the border with Ireland and the government will work on the same problems after it has all set-up and running.

5. Conclusion

The United Kingdom has long been a major player in the global economy, known for its significant role in service exports and international trade. Despite facing challenges such as productivity gaps and lagging IT innovation, the UK has maintained its competitiveness through a flexible labor market, favorable investment policies, and a strong economic infrastructure.Brexit has introduced new complexities to the UK's economic landscape, impacting trade relationships, financial stability, and regulatory frameworks. While Brexit presents challenges, it also offers the UK opportunities to redefine its economic policies, forge new trade agreements, and attract foreign investment under new terms.The analysis in this article underscores the importance of addressing both the strengths and weaknesses of the UK's economic position. The country's ability to adapt to post-Brexit realities, leverage its competitive advantages, and implement strategic economic policies will be crucial for its continued success in the global market.Moving forward, the UK must focus on closing the productivity gap, enhancing IT innovation, and developing a skilled workforce to maintain and enhance its global competitiveness. Additionally, the government's role in creating a conducive environment for business through simplified tax systems, incentives for research and development, and supportive trade policies will be pivotal.In conclusion, the UK's journey in the global business environment is marked by resilience and adaptability. By addressing current challenges and capitalizing on new opportunities, the UK can continue to thrive as a leading economy on the world stage.

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