

The Impact of Brexit on the Performance of Local Companies as Competitors of Uk Companies in Indonesia and the Indonesian Government in Business Competition

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ABSTRACT:

Brexit, or the UK's decision to leave the European Union (EU), has significantly impacted the global economy, including Indonesia. British companies in fast-moving consumer goods (FMCG) and energy sectors, such as Unilever, British Petroleum (BP), and British American Tobacco (BAT), face new challenges. Rising import tariffs, regulatory changes, and supply chain disruptions have increased operating costs, affecting product prices, market competitiveness, and business strategies post-Brexit. Conversely, Indonesian companies like Indofood, Mayora, and Garudafood have leveraged this situation to strengthen their domestic market position. Access to affordable, stable local raw materials has helped maintain competitive pricing. Additionally, their product diversification and innovation have expanded market shares domestically and internationally. Support from the Indonesian government and banking sector, in the form of low-interest credit and hedging services, further supports these companies in managing exchange rate risks. This research concludes Brexit poses challenges to British firms in Indonesia but creates growth opportunities for local products. Supportive fiscal policies, active banking sector roles, and local companies' adaptive innovations amid global uncertainty enhance competitive advantages for Indonesian products in an increasingly challenging market.

Keywords: Brexit; British Companies; FMCG; Local Indonesian Companies; Supply Chain; Government; Banking Sector; Local Products.

INTRODUCTION

Brexit, the UK's strategic decision to leave the European Union (EU), is one of the biggest geopolitical events of the modern era, having far-reaching impacts on the global economy (Gorynia et al., 2021). One of the most visible impacts is on the foreign direct investment (FDI) sector (Opoku et al., 2019). Before Brexit, the UK was one of the largest recipients of FDI among developed countries, with approximately 42.6% of its foreign investment coming from EU countries (The Guardian, 2017).

However, since the Brexit referendum in 2016, investment from the European Union into the UK has begun to show a significant decline, from 48.8% in 2011 to 42.6% in 2018 (Nurse & Sykes, 2019). This decline highlights how the uncertainty arising from Brexit has reduced the attractiveness of the UK as a major investment destination (Ebell & Warren, 2016).

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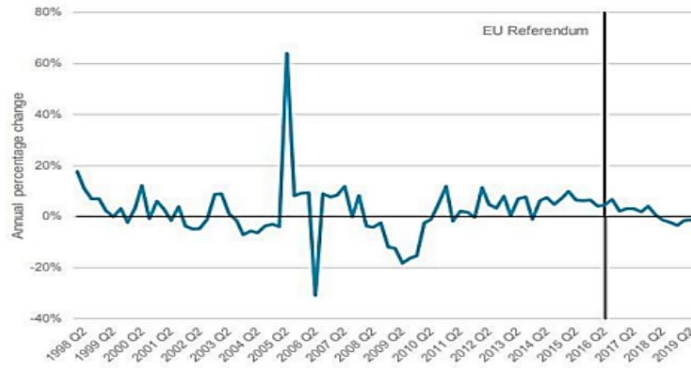


Chart 1. UK Foreign Investment

Source: Hope, 2019

The graph above shows the annual change in foreign direct investment (FDI) flows into the UK before and after the EU referendum in the second quarter of 2016 (Khan, 2023). The significant fluctuation in the percentage of foreign investment after the referendum reflects the uncertainty faced by investors regarding the UK's trading status outside the EU (Milas et al., 2024). While there were increases in some quarters, the overall trend shows a consistent decline in foreign investment following the UK's decision to leave the EU (Ebell & Warren, 2016).

Before the referendum, the UK enjoyed a stable and relatively high flow of foreign investment, driven by direct access to the European Union's single market (Bruno et al., 2017). With the free movement of capital between EU member states, multinational companies felt comfortable investing in the UK (O'brien, 2016). After the referendum, concerns about tariff increases, regulatory changes, and economic uncertainty made investors cautious about their investments (Abberger et al., 2016). This decline was primarily due to investor doubts about how the UK would navigate its new trade relationship with the EU and non-EU countries (Ebell & Warren, 2016).

The UK's exit from the European Union has not only impacted investment flows but also significantly impacted international trade (Ciuriak et al., 2015). UK companies that previously enjoyed free trade with EU countries are now faced with increased tariffs and new, more complex regulations (Ikenson et al., 2018). Disruptions to global supply chains, increased operational costs, and the need to adapt business strategies are major challenges for multinational companies operating outside the EU, including Indonesia (Bloom et al., 2019; Hassan et al., 2023).

Indonesia, with a population of over 270 million, is one of the largest consumer markets in Southeast Asia and a strategic investment destination for British companies such as Unilever, British Petroleum (BP), British American Tobacco (BAT), Shell, and Tate & Lyle. Before Brexit, these companies benefited from the stability of cross-border trade between the UK and the European Union, allowing them unhindered access to European and Southeast Asian markets (Chowdhury, 2025). However, after Brexit, these companies have had to contend with higher trade tariffs, regulatory changes, and supply chain disruptions, which have directly impacted their operational costs in Indonesia (Hassan et al., 2023).

The biggest impact of Brexit in Indonesia is seen on Unilever, a leading company in the Fast-Moving Consumer Goods (FMCG) sector (Jota et al., 2025). Before Brexit, Unilever relied on imported raw materials from the European Union at lower costs (Shaoping, 2023). However, after Brexit, rising import tariffs and increased bureaucracy slowed the raw material procurement process, ultimately increasing production costs. This condition caused Unilever's product prices in Indonesia to increase, which reduced the company's competitiveness in the domestic market. Similar challenges were also experienced by energy companies such as BP and Shell, which had to adapt their global supply chains to reduce rising operational costs and regulatory changes after Brexit (Finlay, 2020).

While British multinationals face challenges, an interesting phenomenon is occurring among local Indonesian companies such as Indofood, Mayora, and Garudafood. These companies are able to capitalize on the global uncertainty caused by Brexit to strengthen their position in the domestic market. While British companies experience supply chain disruptions and rising costs, local companies with better access to domestic raw materials are able to offer products at more affordable prices. This strengthens their competitiveness in an increasingly competitive domestic market (Surya Tabah, 2021).

For example, Indofood successfully increased its production capacity by utilizing cheaper local raw materials. This enabled Indofood to offer more competitive prices in the FMCG sector. Mayora and Garudafood have followed similar steps by diversifying their products and increasing innovation, both for the domestic and export markets. This innovation not only increased their competitiveness in the local market but also expanded their market share abroad (Anshari & Rusdiyanta, 2021).

In this context, the Indonesian government plays a crucial role in supporting the competitiveness of local companies amidst global uncertainty. Supportive fiscal policies, such as tax incentives for local companies, help lower production costs and increase the competitiveness of domestic products. Furthermore, the government collaborates with the banking sector to facilitate financing for companies seeking to expand their production capacity. Major banks such as Bank Mandiri, BRI, and BNI provide financial support with low interest rates and hedging services that help local companies manage the risk of exchange rate fluctuations (Hasan et al., 2023).

This study aims to examine the impact of Brexit on five major British companies operating in Indonesia: Unilever, BP, Shell, British American Tobacco (BAT), and Tate & Lyle. These companies face significant challenges in adapting to the new post-Brexit environment, particularly in terms of increased operational costs and supply chain disruptions. Unilever, the most impacted, has struggled to adjust its product prices in the Indonesian market due to rising production costs. Their local competitors, such as Indofood, Mayora, and Garudafood, have successfully exploited this gap to strengthen their positions in both local and international markets (Surya Tabah, 2021).

This research aims to: (1) analyze the comprehensive impact of Brexit on the operational performance and business strategies of major British companies (Unilever, BP, Shell, BAT, Tate & Lyle) operating in Indonesia; (2) identify and analyze the competitive strategies implemented

by local Indonesian companies (Indofood, Mayora, Garudafood) to capitalize on opportunities created by global uncertainty; (3) critically evaluate the role of fiscal policy and banking support in creating a conducive business environment for the growth of local companies; and (4) identify the positive impacts and long-term opportunities created for local Indonesian products.

The scope of this research is limited to the fast-moving consumer goods (FMCG) and energy sectors in Indonesia, with a focus on five major British multinational companies (Unilever, BP, Shell, BAT, Tate & Lyle) and three significant local Indonesian companies (Indofood, Mayora, Garudafood). The research also analyzes specific policies implemented by the Indonesian government and banking support mechanisms available to local companies.

METHOD

This study utilized a descriptive qualitative method with a comparative analysis design to thoroughly investigate the complex impact of the Brexit geopolitical event on competition dynamics within the Indonesian market. This approach was selected to facilitate an in-depth understanding of the context, causal mechanisms, and diverse perspectives of various stakeholders, moving beyond mere numerical data to capture the nuanced realities of the post-Brexit business environment.

Data was gathered exclusively through a comprehensive documentary study, drawing upon a wide array of high-quality secondary sources. These sources included financial reports from both UK multinationals and local Indonesian companies from 2015 to 2023, academic research publications, and official policy documents from the Indonesian government. Furthermore, reports from national financial institutions like Bank Mandiri and BRI, as well as international bodies such as the Bank of England, provided crucial insights into banking support mechanisms and the global trade impacts of Brexit.

The analysis of this collected data was conducted using systematic qualitative thematic analysis. This process began with in-depth thematic coding to identify key patterns related to tariffs, supply chain disruptions, and competitive strategies. The identified themes were then organized into coherent categories, which formed the basis for a systematic comparative analysis. This comparison between UK and local Indonesian companies was crucial for identifying significant patterns of difference and similarity in their respective strategies and performances, with all findings being interpreted within the broader context of global geopolitics influencing the local economy.

The research was specifically situated in the Indonesian market, with a focused examination on the Fast-Moving Consumer Goods (FMCG) and energy sectors. The temporal scope of the study spanned from 2015 to 2023, a deliberate timeframe that enabled a robust longitudinal analysis. This period allowed the researchers to compare pre-Brexit baseline conditions, assess the transitional phase following the referendum, and evaluate the medium- to long-term consequences of Brexit's implementation on business operations and the overall competitive landscape in Indonesia.

RESULTS AND DISCUSSION

The Impact of Brexit on the Performance of British Companies in Indonesia

Brexit has brought significant changes to the global economic and trade landscape, particularly for British companies operating in international markets, including Indonesia. British companies in the fast-moving consumer goods (FMCG) sector, such as Unilever and Tate & Lyle, have been severely impacted by changes in trade regulations and economic policies post- Brexit. The uncertainty arising from the UK's exit from the European Union (EU) has created new challenges that impact these companies' operations, supply chains, and business strategies (Bloom et al., 2019; Hassan et al., 2023).

Before Brexit, the UK enjoyed a free trade relationship with the European Union, allowing British multinational companies to import raw materials from EU member states tariff-free. This provided a competitive advantage in the form of lower raw material costs and a streamlined supply chain. However, after Brexit, British companies operating outside the EU, including in Indonesia, faced significant increases in import tariffs. This directly impacted operational costs, as raw materials previously imported at low cost from Europe were now subject to higher tariffs.

Unilever, as one of the largest FMCG companies, is directly impacted by this tariff increase. Unilever's reliance on imported raw materials from the European Union has increased operational costs in Indonesia, which in turn has led to higher product prices in the local market. These increased costs require the company to raise its product prices, potentially reducing Unilever's competitiveness in Indonesia. This risks driving consumers to switch to local products, which are often cheaper and more competitive (Finlay, 2020).

In addition to tariff increases, Brexit also brought about major changes in international trade regulations. These regulatory changes relate to product standards, food safety, and stricter import certification compared to the pre- Brexit era (Bloom et al., 2019).

Additional certification requirements for raw materials imported from the European Union, as well as increased customs paperwork, have led to delays in the shipping and distribution of goods. Unilever and British American Tobacco (BAT) in Indonesia, for example, have had to adapt to more complex bureaucratic processes to ensure their products meet new standards. This slower process impacts operational efficiency, slows production, and reduces the companies' flexibility to respond quickly to market demand (Hasan et al., 2023).

Global supply chain disruptions are also a major challenge for British companies operating in Indonesia. Before Brexit, British companies had unfettered access to the European Union's single market, allowing for the smooth flow of goods and raw materials without tariffs or regulatory barriers. However, after Brexit, these companies faced challenges in maintaining the stability of their supply chains, forcing them to find solutions to adapt to the new conditions. British Petroleum (BP) and Shell, two British energy companies, were also impacted by these supply chain disruptions. They faced difficulties shipping oil and gas from Europe to Southeast Asia, leading to increased logistics and distribution costs. These increased costs impacted energy prices in Indonesia, ultimately impacting the local economy and pricing strategies in the energy sector (Bloom et al., 2019).

To address this issue, BP and Shell were forced to diversify their energy sources from other regions such as the Middle East and Asia to maintain a sustainable energy supply in Indonesia. Another challenge faced by British companies in Indonesia post- Brexit is adjusting their business strategies. To address rising tariffs, supply chain disruptions, and regulatory changes, British companies have had to make significant adjustments. Unilever, for example, shifted most of its production from Europe to Asia, including Indonesia, to reduce its dependence on imported raw materials from Europe. Diversifying raw material suppliers is also part of their strategy to avoid greater risks from rising tariffs and logistical disruptions. These measures have enabled companies to maintain smooth operations in Indonesia despite facing complex trade policy changes and global market fluctuations (Hasan et al., 2023).

In the energy sector, BP and Shell have also had to adapt to new post- Brexit trading conditions. They have begun exploring options to diversify their energy sources by relying more heavily on supplies from countries outside the European Union, particularly in the Middle East and Asia. This diversification aims to mitigate the negative impact of tariff changes and supply disruptions caused by Brexit, while maintaining energy price stability in Indonesia. These measures provide the companies with greater flexibility in managing operational risk amid ongoing global uncertainty.

In the long term, Brexit is expected to continue to impact the performance of British companies operating in Indonesia, particularly in the FMCG and energy sectors. British companies must continue to adapt to a stricter regulatory environment and higher tariffs in the European Union, as well as navigate increasingly complex changes in international trade policies. Rising production and distribution costs are expected to impact the final price of products, which will impact their competitiveness in the increasingly competitive Indonesian market. These challenges are forcing British multinational companies to continuously innovate and adapt their business strategies to survive in a rapidly changing global market. For British companies in the FMCG and energy sectors operating in Indonesia, the ability to adapt and innovate will be key to successfully maintaining and expanding their market share amidst intense competition from local companies (Anshari & Rusdiyanta, 2021).

Indonesian Local Companies' Strategies to Compete with British Companies Post- Brexit

Brexit presents significant challenges for British multinational companies, particularly those in the fast-moving consumer goods (FMCG) sector, such as Unilever. British companies are experiencing increased operating costs due to import tariffs and regulatory changes affecting their supply chains. Meanwhile, local Indonesian companies, such as Indofood, Mayora, and Garudafood, have successfully capitalized on this opportunity to strengthen their domestic market positions. The competitive advantage of local companies lies in easier and more affordable access to local raw materials, as well as the ability to innovate in terms of products and operations (Anshari & Rusdiyanta, 2021).

One key factor in the success of these local companies is the use of local raw materials, which are unaffected by the post- Brexit increase in import tariffs. Indofood, for example, utilizes

local raw materials to maintain stable production costs, allowing them to offer more competitive product prices compared to products from multinational companies like Unilever. In the context of the FMCG market, competitive pricing is crucial for maintaining and expanding market share. In addition to Indofood, Mayora and Garudafood also utilize local resources effectively, allowing them to reduce costs and meet market demand more quickly. This efficiency provides a competitive advantage that multinational companies cannot enjoy, which face rising import tariffs and supply chain disruptions (Surya Tabah, 2021).

In addition, local Indonesian companies are also implementing product diversification strategies to compete effectively with multinational companies. Indofood not only maintains competitive prices in the domestic market but also expands its product portfolio to cater to various consumer segments. This diversification broadens the company's appeal in an increasingly competitive market and meets evolving consumer needs. Mayora and Garudafood have adopted similar strategies by introducing new product innovations and improving their product quality. This innovation helps local companies maintain consumer loyalty amidst intense competition, both domestically and internationally.

Market expansion is also a key part of local companies' strategies. Mayora, for example, expanded its market to Southeast Asia, Europe, and the Americas. This move leveraged the stability of its production in Indonesia as a base for international growth, enabling it to compete globally. These companies not only capitalized on the opportunities created by Brexit uncertainty but also leveraged innovation in products, production processes, and marketing to expand their market share overseas (Surya Tabah, 2021).

In addition to product diversification, local companies are also increasing innovation in production and operational processes. Indofood, for example, has implemented modern technologies such as automation in its production lines to increase efficiency and lower production costs. This innovation allows the company to increase its production capacity without significantly increasing operational costs. Garudafood also continues to innovate, particularly in product packaging and marketing strategies. The use of environmentally friendly packaging and an aggressive digital marketing strategy helps Garudafood attract new consumers and maintain market share amid changing consumer preferences.

Flexibility and adaptability to global uncertainty are also key to the success of local Indonesian companies. Indofood, Mayora, and Garudafood have successfully reduced their dependence on imported raw materials and focused on local resources to maintain operational stability. Furthermore, support from the government and the banking sector, through fiscal policies such as tax incentives and easy access to financing, has helped these companies continue to grow. Bank Mandiri, BRI, and BNI provide low-interest credit facilities designed to encourage local companies to increase production capacity and expand their operations in both domestic and international markets (Hassan et al., 2023).

The strategies implemented by local Indonesian companies not only provide short-term benefits but also lay the foundation for long-term success. By leveraging local resources and reducing reliance on imports, companies like Indofood, Mayora, and Garudafood have been able

to strengthen their market share in Indonesia and continue to compete effectively in the global marketplace. Support from the government and the banking sector will continue to play a crucial role in ensuring that local companies remain competitive amidst the global challenges faced by multinational corporations (Darwis & Howay, 2021).

The Role of the Indonesian Government and Banking Sector in Supporting Local Companies

Brexit poses significant global challenges for multinational companies, including those operating in Indonesia. Amid uncertainty stemming from changes in international trade policies, the Indonesian government and banking sector are playing a key role in supporting local companies to remain competitive. Through supportive fiscal policies, tax incentives, and easier access to financing, local Indonesian companies such as Indofood, Mayora, and Garudafood have successfully capitalized on these global conditions to increase their competitiveness.

The Indonesian government has taken proactive steps by implementing fiscal policies to support the fast-moving consumer goods (FMCG) and energy sectors, which have been directly impacted by Brexit. One key policy is providing tax incentives for companies investing in research and development (R&D) and expanding production capacity. This policy helps lower production costs and encourages innovation among local companies. Furthermore, the government has also cut tax rates for companies focused on increasing exports, providing local companies with the space to stabilize their operations amidst global challenges (Darwis & Howay, 2021).

Another policy supporting the competitiveness of local companies is streamlining investment licensing procedures in the manufacturing and FMCG sectors. By facilitating access to domestic raw materials, local companies can maintain operational stability without relying on more expensive imported raw materials post- Brexit. This allows Indofood and Mayora to maintain competitive product prices in the domestic market while expanding their market share internationally (Surya Tabah, 2021).

The national banking sector, through major banks such as Bank Mandiri, BRI, and BNI, also plays a crucial role in providing financial support to local companies. These banks offer low-interest credit facilities, enabling companies to expand their production capacity. Facing post-Brexit uncertainty, affordable access to financing is a key factor in helping local companies maintain operational stability and competitiveness. In addition to credit facilities, the hedging services provided by these banks are crucial in managing the risk of exchange rate fluctuations. This is particularly important given the increased exchange rate volatility post- Brexit, particularly as British multinational companies face the impact of the pound's depreciation (Hassan et al., 2023).

Banking support also includes consulting services for local companies on risk management and investment strategies. This provides an additional competitive advantage for local companies, enabling them to be more flexible and responsive to changing global market conditions. Furthermore, the government provides investment incentives that enable local companies to expand production capacity and develop new sectors through easier access to investment funds.

This scheme facilitates companies like Garudafood to innovate in developing new products for both the domestic and export markets (Darwis & Howay, 2021).

The government's efforts to support technological innovation have also been a major driver for local companies. Through research and development funding programs, local companies are empowered to create innovative, more competitive products. This allows them to compete with multinational corporations such as Unilever and Tate & Lyle, which also operate in Indonesia. This support allows local companies to expand their operations and reduce their reliance on more expensive imported raw materials post- Brexit (Surya Tabah, 2021).

Overall, government fiscal policies, banking support, and investment facilitation have significantly contributed to increasing the competitiveness of local companies. Indofood and Mayora, for example, have successfully strengthened their positions in the domestic market by leveraging incentives and financing support to expand production capacity and improve operational efficiency. This support has also enabled them to expand their penetration into international markets, with Mayora expanding its reach to Europe and the Americas, while Garudafood expanded into Southeast Asia.

In the long term, policies implemented by the government and the banking sector are expected to continue to improve the competitiveness of local companies. With incentives that encourage innovation and efficiency, local companies are expected to continue growing and developing amidst global uncertainty. Local companies that have strengthened their export capacity are expected to continue to emerge as major players in international markets, while maintaining operational stability in the domestic market (Darwis & Howay, 2021).

The Positive Impact of Brexit on the Growth of Local Products in Indonesia

Brexit not only presents challenges for multinational companies, but also opens opportunities for local companies in Indonesia to strengthen their positions in domestic and international markets. One positive impact is the creation of opportunities for local companies to fill market gaps left by British multinationals facing rising production costs and post- Brexit global supply chain disruptions. This situation allows local companies to take advantage of global economic changes and increase their competitiveness (Surya Tabah, 2021).

One example of success in capitalizing on Brexit opportunities is Indofood, which successfully expanded its market share in the Fast-Moving Consumer Goods (FMCG) sector by offering high-quality products at more affordable prices. With better access to cheaper local raw materials, Indofood was able to maintain price stability for its products amidst the global raw material price uncertainty faced by British multinational companies. Rising import tariffs and more complex bureaucracy post- Brexit have caused companies like Unilever and Tate & Lyle to face significant increases in production costs, which has made their products more expensive in the Indonesian domestic market (Anshari & Rusdiyanta, 2021).

Furthermore, companies like Mayora and Garudafood are capitalizing on this situation by increasing product innovation and diversifying their portfolios. Innovation is key to maintaining and expanding market share. Mayora continues to launch new products that better suit the needs

of domestic consumers, while Garudafood is expanding its portfolio by utilizing cheaper and more stable local raw materials, enabling it to compete with multinational companies facing rising operational costs (Surya Tabah, 2021).

Not only in the domestic market, but local Indonesian companies have also successfully capitalized on the global uncertainty caused by Brexit to strengthen their position in the international market. With price stability and production efficiency supported by local raw materials, companies such as Indofood, Mayora, and Garudafood are increasing their market expansion abroad. Amidst changes in global trade policies post- Brexit, local Indonesian companies see opportunities to expand their export market share, particularly in countries also affected by changes in international trade. For example, Mayora increased exports of its FMCG products to European and American markets, capitalizing on global consumers' need for high-quality products at affordable prices. Garudafood expanded its reach in Southeast Asia and the Middle East, capitalizing on the demand for products based on local raw materials. In this context, Brexit presents an opportunity for local Indonesian companies to increase production capacity and diversify their markets (Anshari & Rusdiyanta, 2021).

Brexit has also triggered a greater role for the Indonesian government and banking sector in supporting the growth of local products. The government has implemented supportive fiscal policies, including tax incentives and investment facilitation, which have helped lower production costs and encourage innovation. The government has also provided regulatory support to facilitate local companies' export growth, particularly to countries affected by post- Brexit changes in global trade policy (Darwis & Howay, 2021).

The Indonesian banking sector, through major banks such as Bank Mandiri, BRI, and BNI, plays a crucial role in providing low-interest credit facilities and hedging services to help local companies mitigate the risk of exchange rate fluctuations. With easier access to financing, local companies are able to increase their production capacity, innovate their products, and expand their international markets (Hassan et al., 2023).

In the long term, Brexit's positive impact on the growth of local products in Indonesia is expected to continue. Local companies that successfully capitalize on opportunities arising from this global uncertainty will be stronger in facing competition in domestic and international markets. Continued support from the government and the banking sector will continue to encourage local companies to innovate and increase their production capacity, enabling them to maintain a competitive position amidst global economic changes. The opportunities generated by Brexit pave the way for local Indonesian products to grow in broader markets, both domestically and internationally (Anshari & Rusdiyanta, 2021).

Increase in Import Tariffs and Operating Costs

Brexit has triggered the imposition of new import tariffs on products and raw materials originating from the European Union. Before Brexit, British companies operating in Indonesia, such as Unilever and British American Tobacco (BAT), benefited from free trade with EU countries. This allowed them to import raw materials from Europe at low cost and without

incurring additional tariffs. However, after Brexit, new tariffs were imposed on raw material imports from Europe, significantly increasing the operating costs of British companies in Indonesia (Bloom et al., 2019).

For example, Unilever, which relies heavily on raw materials from Europe, now has to pay higher import tariffs, leading to increased production costs. These tariff increases not only increase the company's operational burden but also hamper production efficiency. This situation places British companies under greater pressure to maintain competitive product prices in the Indonesian market (Finlay, 2020).

In the long term, these rising operational costs could threaten the sustainability of their businesses in Indonesia, especially when they must compete with local companies that have easier and cheaper access to domestic raw materials. This is exacerbated by the uncertainty of ever-changing post-Brexit regulations, which makes it difficult for UK companies to plan long-term strategies and maintain operational efficiency. If this situation continues, it is possible that UK companies will lose significant market share in Indonesia, providing greater opportunities for local companies to dominate sectors such as FMCG and energy.

Declining Price Competitiveness

The increase in operating costs caused by post-Brexit import tariffs has directly impacted the price competitiveness of British companies' products in the Indonesian market. Before Brexit, companies like Unilever were able to offer products at competitive prices due to their low production costs. However, after Brexit, the additional costs they had to bear, including increased import tariffs and logistics costs, forced them to raise their product prices (Hassan et al., 2023).

These price increases make British companies' products less competitive compared to local products that can be produced at lower costs. In the fast-moving consumer goods (FMCG) market, competitive pricing is a key factor in attracting consumers. When British companies' products become more expensive, consumers tend to switch to local products that offer similar quality but at more affordable prices. This decline in price competitiveness directly reduces the market share of British companies in Indonesia, which was previously quite dominant.

Disruptions in the Supply Chain

Brexit also caused major disruptions to the previously loosely integrated global supply chain between the UK and European Union countries. Before Brexit, companies such as British Petroleum (BP) and Shell in the energy sector utilized integrated European supply chain networks to ensure the smooth distribution of energy and raw materials. These supply chain disruptions, caused by tariffs, regulatory changes, and more complex bureaucracy, resulted in increased logistics costs and delays in shipping goods to Indonesia. Ebell & Warren, 2016).

This supply chain disruption has created uncertainty for British companies operating in Indonesia, which previously relied on a steady flow of raw materials from Europe. For example, BP and Shell have faced challenges in ensuring a stable energy supply to meet demand in the

Indonesian market. This disruption has forced British companies to make significant adjustments to their distribution strategies, including seeking alternative supplies from regions outside Europe.

Diversification of Energy Sources and Raw Materials

To address the challenges posed by supply chain disruptions and rising import tariffs, British companies in Indonesia have been forced to diversify their energy and raw material sources. This diversification aims to reduce dependence on supplies from the European Union, which is directly impacted by Brexit. Companies like BP and Shell, for example, have begun exploring alternative energy sources from the Middle East and Asia to ensure stability amid the uncertainty caused by Brexit. (Hassan et al., 2023).

This diversification not only helps UK companies maintain their operations but also opens up opportunities for them to explore energy and raw material markets outside Europe. By tapping into resources from more stable regions and avoiding high tariffs, UK companies can minimize the negative impact of Brexit on their operations in Indonesia. However, this diversification also requires additional investment in both infrastructure and logistics, potentially increasing short-term costs.

Decrease in Profitability

Due to the various challenges faced post- Brexit, including increased import tariffs, supply chain disruptions, and reduced-price competitiveness, the profitability of British companies in Indonesia has significantly declined. Companies such as Unilever, BAT, BP, and Shell have been forced to bear significant additional costs, which have directly impacted on their profit margins. With higher operating costs and less competitive product prices, these companies are struggling to maintain their profitability in an increasingly competitive market (Finlay, 2020).

This decline in profitability has also forced UK companies to implement operational efficiencies, including cost-cutting and workforce reductions. However, these measures are often insufficient to address significant margin declines, especially in the face of increasing competition from local companies offering more competitive prices.

Opportunities for Local Companies

Amidst the challenges faced by British companies post- Brexit, this situation has created opportunities for local Indonesian companies to strengthen their market position. Companies like Indofood, Mayora, and Garudafood have been able to capitalize on rising operating costs of British companies to increase their competitiveness. By utilizing cheaper local raw materials and having easier access to domestic resources, local companies can offer more affordable and competitive products in the market (Anshari & Rusdiyanta, 2021).

Local companies are also taking advantage of this situation by increasing product innovation and expanding their distribution networks in domestic and international markets. This innovation not only allows them to compete with British companies' products but also to expand their market share in the FMCG and energy sectors. In this context, Brexit presents a significant opportunity

for local companies to fill the gap left by British companies in the Indonesian market (Surya Tabah, 2021).

Consumer Shift to Local Products

Rising prices of British companies' products due to increased operational costs and import tariffs have caused Indonesian consumers to shift to cheaper and more competitive local products. Local products, such as those offered by Indofood and Mayora, not only offer comparable quality to imported products but also offer more affordable prices for price-sensitive Indonesian consumers (Surya Tabah, 2021).

With more competitive prices, local companies are able to attract consumers who previously used imported products from the UK. This strengthens local companies' position in the FMCG and energy markets, further increasing their market share amidst the global uncertainty caused by Brexit. Overall, Brexit has benefited local companies in Indonesia, which have successfully capitalized on the situation to expand their market share domestically and internationally.

CONCLUSION

Brexit has significantly affected British companies in Indonesia's FMCG and energy sectors, with firms like Unilever, BP, and Shell facing higher operating costs due to increased import tariffs, supply chain disruptions, and regulatory changes, leading to higher prices and diminished competitiveness. In contrast, local firms such as Indofood, Mayora, and Garudafood leveraged more affordable local raw materials, innovation, and product diversification to enhance their market positions both domestically and internationally. The Indonesian government's fiscal incentives and collaboration with banks like Bank Mandiri, BRI, and BNI, providing financing and hedging services, further supported local firms' growth amid Brexit-induced uncertainties. While Brexit challenges British multinationals, it simultaneously creates opportunities for Indonesian companies to strengthen production capacity and competitiveness. Future research should explore the long-term impacts of Brexit on bilateral trade flows and investment between the UK and Indonesia, and evaluate how evolving global trade policies might influence the strategic adaptations of both British and Indonesian firms in these sectors. This would provide a comprehensive understanding of Brexit's ongoing effects on Indonesia's business landscape.

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Bayu Wicaksono, Yon Machmudi , Basir. S, Mohamad Dian Revindo (2025)

First publication right:

Asian Journal of Engineering, Social and Health (AJESH)

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