Brexit's Influence on the FDI in the European Area

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Abstract: Being on a verge of a historic moment, the first country to leave the EU, we have as main objective the analysis on the impact in the media on the influence on Brexit’s FDI across the union. Unlike previous studies, our research falls between two key moments, the decision of the UK to leave the EU, until signing documents. Our research is a qualitative study carried out by analyzing the content of a set of articles from the period 2016-2017 of the first publications in the UK, both in terms of readers and granted confidence according to the ATLAS workbench for data processing. The result lies in a better understanding of the effect that it has Brexit on the FDI both in the UK and in the entire union. The added value of this paper constitutes a forecast of the situation in the foreign investments medium term in the European space with a legislative support.

Keywords: Great Britain; EU; Greenfield investment; Trade union; Tariff policy

JEL Classification: F10; F16; F21; F23

1. Introduction

Brexit is a media, economic, social shock that has not yet really shown his teeth, considering that the period analyzed by us is from the moment when the result of the referendum was announced on 23 June 2016 until the signing of the act of exit of the United Kingdom from the European Union on March 29. Such a process can be carried out in years, so everything that has happened so far with foreign investments in the kingdom can only be called a result of the media, alongside the precautionary measures of foreign investors in fear of pound collapse.

The European Union meets for the first time with the desire of a member state to withdraw from this political and economic union that still includes 28 states. We can all say that we are taking part in a historical moment that we can observe and we can analyze how a state will withdraw but also the effects of this decision.

The European Union only in recital of the first world economic power, adding the increased interest of any country or trade union, let us not forget about the relations built in years, it can be broadly defined as a whole, but at the same time we must keep in mind that anything big can suffer greatly because of the details in terms of the fair treatment offered to both the Member States and the partners. We must not overlook the time factor, the negotiation speed and the tariff policy inside it. Of all these factors that are some of the most important, the UK and FDI will no longer benefit from in the future.

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Instead, it matters after leaving the European Union, how the UK manages to manage its trade relations individually, considering that North America, Canada and several Asian countries have shown interest in future collaborations. On the other hand, it really matters if the UK manages to continue to have access to the single market, this may be a plus in convincing foreign investors to remain in the kingdom.

Globalization is also a financial phenomenon and inevitably it influences international trade, numerous direct foreign investments, the expansion and growth of international financial transactions. (Iftode & Pirju, 2014, pp. 304-313)

One of the largest imported parts of globalization is direct foreign investment. More than 50% of what is on the international financial market, whether we refer to products or services, are made by subsidiaries of transnational companies. (Sorcaru, 2016, pp. 28-38)

Taking the two valences of the European Union and FDI, Brexit may be a blockage between them, suffering not only the FDI in the Kingdom but also those around the world, considering London’s importance in the business market. Our study we want to be a qualitative one by analyzing some articles in the newspaper that is why we want all this to use it as a support for our research.

2. Literature

Even though we have as duration a very short period, less than a year, we have found many scientific articles that deal with the Brexit issue from various views. As I said earlier, the theme of Brexit is very diverse, it generates controversy and endless debates, an event of our day that we want to explore from a qualitative point of view, with the help of several articles from the British press, but especially about FDI that will be used for a better understanding of the phenomenon and how, and whether, and how, and in which way FDI will be affected after UK will have signed the papers of leaving EU.

In this respect, we have not found similar research to stop on newspaper articles, but in return we found a ton of articles debating the general issue of Brexit’s influence on FDI.

In the paper “International Business and Entrepreneurship Implications of Brexit”, the authors surprise in their research changes that may arise from Brexit on the financial market. North America wants to maintain its relations with both the European Union and the UK on trade relations, while remaining the main trading partners. They also want that even after Brexit to maintain these relationships, counting that after Brexit following negotiations between North America, Canada and the UK, tariffs will drop and at the same time they will not have to respect the barriers imposed by EU which can be an advantage for the three. Instead, they see London’s role declining still being considered a world leader in financial centers. At the same time, companies that provide financial services would in many cases be forced to move their headquarters to other cities in the European Union or New York. (Cumming & Zahra, 2016, pp. 687-692)

Continuing with the paper Brexit and foreign investment in the UK, where Nigel Driffield and Michail Karoglou saw that an impact on the fall of FDI in the kingdom may be based on the pound sterling variation, which in their view will suffer a long time of uncertainty. Another issue raised by them in their study is Great Britain’s stay or leave the free trade zone, a determinant factor for direct foreign investment they believe. (Driffield & Karoglou, 2016)

1 UE- European Union
Analyzing these two articles, which have been the basis for research on this topic, along with other articles that we will have as support, each dealing entirely or partially with the general question of our research, that is, the influence of Brexit on direct foreign investment.

3.1. Analytical Framework

Brexit was a financial, media and social shock, setting up an international fear on the stock market, London being well-known as the first power in the European stock market. Not being clear enough about the terms in which Britain's exit from the Union is being made and what treaty will be signed between these two parties, we can meet a phenomenon of stopping the FDI's involvement in the kingdom.

Knowing the situation in 2015 when UK FDI stocks reached £ 1.3 trillion, outpacing FDI stocks in Germany and France summed up according to the OECD. We continue to point out that the United Kingdom has managed to attract 40% of Greenfield capital investments of foreign investors into the EU, these figures bringing it to the top of European economies.¹

3.2. Data Source

In order to get quantitative data on the research problem and the effect of Brexit on FDI in the UK and the EU, we have created a database of 50 Brexit-themed articles from The Guardian. We chose the period from when the result of the referendum was public until the signing of the act by which Britain leaves the European Union.

3.3. Data Analysis

For this article, we used the ATLAS.ti workbench, a quality data analysis and processing software (CAQDAS), for a better understanding of this we used the work More than just coding? Evaluating CAQDAS in a discourse analysis of news texts of MacMillan. (MacMillan, 2005) To obtain qualitative and quantitative data from a set of 50 articles from The Guardian. Interpreting the results will help us get a closer response to “How does Brexit influence direct foreign investment in the UK and throughout the European Union?”

After importing 50 articles with the Brexit theme from The Guardian, we conducted a content analysis from June 2016 to March 2017.

To answer the research question “How does Brexit influence direct foreign investment in the UK and across the European Union?”, we chose keywords from a set of 50 articles to see the impact of the referendum of 23 June 2016 on local media in Britain in the period preceding the signing of the act by which Britain leaves the European Union.

In order to obtain quantitative data, we chose below the 8 codins key words with synonyms of words, partial synonyms or words that get close to the meaning used in Coding.

In order to see whether the articles are useful to our research and to the research question, we used the Word Crunccher function in the ATLAS.ti program applied to each individual article to see the frequency of the words needed for our research.

4. Results and Debates

In this part, we intended to evaluate how often the codes we chose in the 50 articles and the exact image at the moment were used. The frequencies of the chosen codes can also be seen in Figure 1, which is the result of our processing in Atlas.ti.

The first chosen code is “United Kingdom”, under which the coding is outside the chosen word also the “UK” abbreviation of the chosen word commonly used by the UK population and not only, but also in the media. Continuing with two more words “Great Britain” and “Britain” which in their turn can be translated as United Kingdom. The “United Kingdom” code, being the most often found in these articles at a frequency of n=735, shows the respect and trust of the publication to force and independence for a lengthy period of the United Kingdom, also shows positive thinking and support in decisions that will be taken after the amendment was signed.

The second code we chose is “European Union”, under this coding goes outside the chosen word also “UE” or “EU” abbreviations very common. Continuing with the city of “Brussels”, which in these articles represents km 0 on the map of the European Union. The “European Union” code has a frequency of n=478.

The third chosen code, “Brexit”, under this coding goes outside the chosen word also “BRITAIN EXIT”, “UK exit” and “British Exit” all leading to the same idea the origin of the word “Brexit” formed in English from two words “Britain” and “exit “, which is also the UK exit of the EU. This code has a frequency of.

The fourth chosen code, “Legislation”, under this coding goes outside the chosen word also the word “Law”, “Bill”, “Regulation”, “Constitution”, all leading to the same idea the origin of the word Legislation. This coding has a frequency of n=77.

The fifth chosen word is “Worries”, under this coding goes outside the chosen word also “Threat”, “Concern”, “Uncertainty” all leading to the same idea the origin of the word. We have also chosen the word “Fear” a basic feeling of the word worry. This coding has a frequency of n=72.
The sixth chosen word is “Risk”, under this coding goes outside the chosen word also the words “Disaster”, “Austerity”, “Damage” which also represent risk effects. This coding has a frequency of n=67.

The seventh chosen word “Foreign direct investment”, under this coding goes outside the chosen word also “Foreign investment”, “Foreign investor”, “Foreign capital” approaching partially or totally the basic sense of coding. This coding has a frequency of n=54.

At the same time, the “Brexit” code is present in each article unlike “Foreign direct investment” which does not even once appear in some articles, which may raise questions about our research, this being supported by the rather small total coding frequency. We mention that the articles have the general theme of Brexit and not FDI, the analyzed period is framed after finding out the results of the referendum until the signing of the official document of leaving the EU, helping us to have an overview over this period and our analysis not to be vitiated only by FDI articles in this period, but not directly related to Brexit.

We have resumed articles in which we have the frequency code of “Foreign Direct Investment” equal to 0 (articles 12, 13, 15, 16, 18, 19, 20, 21, 25, 29, 36, 37, 38, 39, 40, 41, 43, 44, 46, 47, 48, 49 according to the table), both the titles of the articles and most of the discussion topics in them are directed to FDI. By interpreting this situation we do not have a clear result in processing, but the general theme of the articles is the one analyzed, we can consider it a limitation of both the Atlas.ti software and ours in choosing appropriate encoding. Adding all 5 titles we consider to be representative of this segment of analysis: “Nissan demands Brexit compensation for new UK investment. Carmaker fears it could face tariffs to export UK-assembled cars to EU markets in the event of a ‘hard Brexit’”¹, “German poll finds one in three firms would leave UK after Brexit. Bertelsmann Foundation’s survey of 700 British and German firms finds 29% would cut capacity or relocate with 80% firmly behind UK staying in the EU”², “Ford considers closing factories and raising prices in Europe in wake of Brexit. Announcing disappointing results on Thursday, the motor company forecast EU referendum decision could cost the company $1bn over the next two years”³, “Post-Brexit UK economy demands a new type of Robin Hood tax”⁴, “Google and Facebook back post-Brexit UK, but tech worries linger”⁵, we can see that only one shows a tendency to consolidate some FDI in the UK, the other more inclined to the desire to leave the kingdom by foreign investors than to new investments in this area or to consolidate those already present.

Responding to the question, “How does Brexit influence direct foreign investment in the UK and throughout the European Union?” according to the results of processing 50 articles, we can say first that the share of the frequency of the code “Foreign Direct Investment” is a small one with a percentage of 3% of the sum of code frequencies in all articles, even if the FDI idea is present in most articles, at this time it is not seen as a problem that can be major.

² https://www.theguardian.com/politics/2016/feb/14/eu-referendum-poll-1-in-3-firms-leave-uk-brexit
⁵ https://www.theguardian.com/business/2016/nov/21/google-facebook-brexit-uk-technology-sector-skills
5. Conclusions

We wanted to capture through our research this phenomenon called Brexit in an important period, from finding out the results of the referendum to the signing of the papers of leaving European Union passports in the light of some articles in a newspaper. I chose The Guardian, because it has both high editions and a lot of trust in the content of articles given by most readers in the kingdom and not only.

The originality of the paper is given by the qualitative research using the Atlas.ti workbench to analyze the frequency of some words in 50 articles of The Guardian, knowing that a newspaper article cannot be very long, and by repeating some words we want to emphasize certain aspects.

Knowing the increased importance of FDI in the economy of each state, reading both several scientific papers debating this topic, which predicted Brexit's impact on FDI, in the kingdom, the EU and even the whole world, we expect our attention to be higher on this phenomenon also in the articles of the publication. Especially since the titles of many articles referred to them through certain decisions that took them some multinationals immediately after the result of the referendum.

To answer the question of our research, “How does Brexit influence direct foreign investment in the UK and throughout the European Union?”, we must take into account that our research is a qualitative one in which we analyze the frequency of some coding in 50 articles from The Guardian. Looking at the percent of 3% of the Foreign Direct Investment Code, it appears that in general this time the media attention was not directed directly to FDI or how it will evolve when the UK leaves the European Union. Instead, reading the titles and the content of the articles, in which the frequency of coding “Foreign Direct Investment” is equal to 0, we notice that in over 50% of their content attention is drawn to the presence of foreign renowned investors, and, more importantly, the problems that arise in their negotiation with the British state. By putting the issue of direct negotiation with the British state of some international groups, we can capture their increased importance for the UK.

If the intent to negotiate of some multinationals with the British state is known at the press, we believe that the period before the actual exit from the union will be defining for the UK in its relationship with the big foreign investors, the guarantees must be fructified in a rather short time, less than two years, and this must be facilitated by a preferential tariff policy for this type of investment, and for a period of time all these can be added to subventions to support foreign investors.

The possibility of relocating the stock exchange that is currently operating in London will be a major asset for attracting FDI into the kingdom over the next period, considering that this is the most important stock exchange in Europe. Instead, if it moves its activity outside the Union, this can have a major impact for the entire European Union.

Brexit is an ongoing phenomenon that we want to analyze as it develops, focusing our attention on new elements that will appear. Our qualitative research will be expanded both by creating a new database with the help of several media sources and by presenting new events that will be reported in the media, thus, by quantifying the obtained results, we will be able to launch new forecasts on the FDI situation both in the UK and in the European Union.
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