Effect Of Brexit On Digital Business

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Introduction

The 23rd June 2016 referendum marked the beginning of the exit from the EU for the UK. The UK may have had all the reasonable and valid reasons to leave the European Union. On the other hand, it expects that Brexit will favour the country's economy and, therefore, present a better future for its citizens. However, the move to exit the European Union created various forms of uncertainty for the international business world, including digital app development businesses (Mazzucato 2016). Many business people feel that they will have fewer chances left to employ employees from other countries in the EU. Also, many of the firms in the UK may find it hard to get grants from sponsors in the rest of the EU region. It becomes more uncertain how the companies in the UK will handle data that flows into and out of the country (McGoogan 2016). Before the exit, the EU region provided an avenue for various digital companies to bypass tariffs while importing and exporting various digital appliances across the EU region. The effect of Brexit seems to be more detrimental to the app development industry in the UK than advantageous.

Access to skills is likely to create some challenges for digital development companies. Many UK-based digital development companies, such as ARM, employ a good number of employees from the rest of the EU member countries. Brexit, therefore, creates uncertainty about whether employees from foreign countries will be allowed to continue staying in the country after the negotiations are over. For instance, ARM states that more than 200 employees who are from the rest of the EU member countries live and work in the UK. With Brexit, it is expected that their legality in the country will be challenged. Therefore, the employees will be required to have additional documentation to be able to work and live in the UK as usual (Bailey 2017). This means that digital companies will have a limited ability to secure skills from other countries. It will be hard to convince employees to leave their countries and live in the UK, where conditions for their stay will not be conducive. The digital development sector would face a challenge by being unable to source skills from the rest of the EU members effectively.

Brexit could also affect digital development companies negatively due to the possibility of the exit of financing agencies. The UK has had many digital startups across the country. The country is, therefore, good at the development of ideas and has the technology that supports them (Graziano 2018). However, many of the digital development companies have been supported by the European Fund. The exit from the EU, therefore, presents a chance for big financiers, such as the Luxembourg-based European Investment Fund, to leave the UK market and concentrate on the rest of the

countries in the EU (Tredinnick 2013). This could be a challenge to many of the companies and could, therefore, lead to a breakdown in digital development.

The decision to exit the EU would also have an impact on digital development companies in relation to tariffs imposed on their exports to the EU regions. Before Brexit, UK-based digital development companies could export their apps to other countries at lower fees without the need to pay tariffs (Baker 2016). However, the exit presents an opportunity for the EU to impose more tariffs on the products that the tech companies in the UK make. However, some of the digital companies state that they enjoy a larger market outside the EU region. It is therefore expected that they might take this as an opportunity to market their products elsewhere in the world, such as in Canada and in South Korea.

In the past, most UK-based digital companies relied on EU grants for their work-based research. Companies such as ARM are set to lose such grants in the future. Therefore, each of the companies will be expected to pay for its research and, therefore, have increased costs of production. For companies that are not well established, this may mean that the rate of development will be affected negatively (Dhingra 2016). With fewer grants for research, the rate of developing new and better apps will be slowed significantly.

It is also expected that there will be a shutdown of UK companies that are based in the rest of the EU region. The UK has various digital companies that are headquartered in the rest of the countries and only have some branches in the home country. The exit means that the respective digital companies will also have to exit the market (Bailey 2017). If an exit is not possible, then the UK companies in the rest of the EU region would have to operate at higher costs than before the exit.

Conclusion

The UK hopes that Brexit will bring about better prosperity for the country and the digital app development companies. Digital companies will be protected by the imposition of higher tariffs on digital companies in other EU countries that import products to the UK. However, the other countries are likely to retaliate in the same manner. The UK will have to meet higher costs than all the nations that exist under the EU. However, there has been a higher level of uncertainty for digital app development companies in the UK since Brexit. The consequences are expected to slow down the rate of digital development in the UK.

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