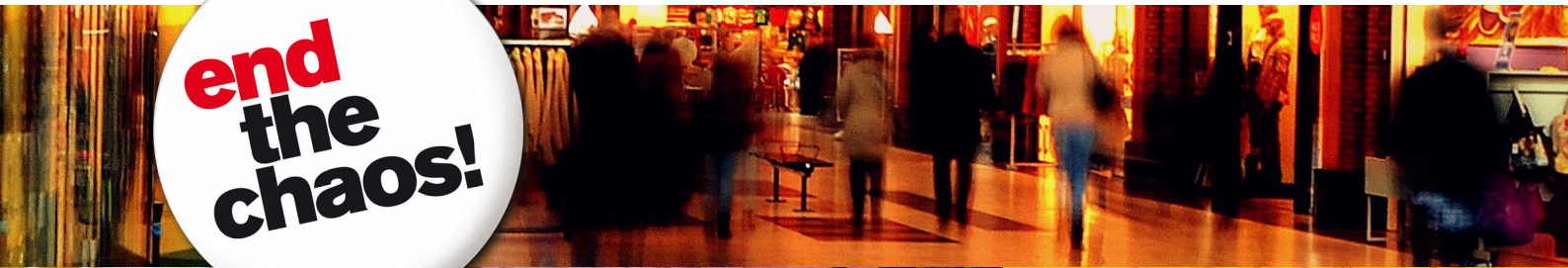


Brexit and the Fashion Industry

**end
the
chaos!**



Let the people decide



Brexit and the Fashion Industry

In the 2016 referendum, 90% of British fashion designers voted to remain in the EU. Here are some of the reasons why.

Size of the fashion industry

- contributed £32.3 billion to UK economy in 2017 – up by 5.4% from 2016
- employs over 890,000 people – largely young, diverse, mobile workforce
- industry employment rate is amongst fastest growing in the UK
- 90% of UK brands are small to medium-sized enterprises (SMEs)
- total of 59,395 SME fashion businesses in the UK

‘Soft power’ of UK fashion as a creative industry

it plays a significant role in cultural diplomacy and community

- seen by many as a fundamental driver of modern cultural and economic development – including tourism
- in fashion, increasingly seen as a global leader
- London Fashion Week ranks alongside New York, Milan, Paris
- UK fashion universities/colleges responsible for training many international stars

Importance of tariff-free frictionless borders

- 74% of UK fashion and textile exports goes to the EU
- industry relies on products crossing borders many times – e.g. a shirt:
 - could be designed in London
 - using a skilled pattern designer from the EU
 - be manufactured in Portugal
 - with fabrics from Italy, Turkey and India
 - then be photographed in Manchester
 - wholesaled to international buyers in Paris
 - and sold back to shops in the UK for global buyers and consumers
- up to 75% of components for UK products is imported
 - leather, yarn, cotton, silk, etc
 - much is from the EU and countries the EU has free-trade deals with
- the UK imports almost £10 billion worth of clothes/shoes from the EU each year

- any delays or increased costs at borders would cause significant problems for businesses and consumers
 - could lead to companies and workers relocating – including in the UK's leading FashTech sector, eg. Matchesfashion, Net-A-Porter, Farfetch

Importance of freedom of movement

- fashion houses/brands are based across the EU and the world
- workers for brands need to move freely - often at short notice
 - including designers, models, photographers, stylists, manufacturers etc
- typical London Fashion Week – 700 models, 30% from the EU
- many acclaimed young “British” designers are EU nationals – eg. Mary Katrantzou, Simone Rocha, Peter Pilotto
- UK fashion industry values creative input from EU designers/manufacturers
 - most leaders believe EU recruitment helps develop UK workforce by bringing workers into contact with best in their field
 - similarly, UK talent enriches EU labour market
- no fashion-conscious youngster, when buying clothes, is bothered whether the hot label of the moment is English or not - often overseas brands, particularly Italian, French or Spanish, appeal precisely because they are from overseas
- large numbers of young freelance workers rely on flexible working
 - hard for many to earn enough in the UK alone
 - if they can no longer work freely in the EU, they may choose to leave the UK

EU provides funding and support

- Erasmus programme
 - enables UK/EU students to travel and study – gaining valuable international experience
 - the UK is a world leader in higher education for arts and fashion – eg. RCA, University of the Arts
 - without Erasmus, it would be harder for the UK to recruit EU students – meaning standards likely to fall
- Creative Europe, Horizon 2020, European Capital of Culture
 - EU funds development of creative sectors – fashion also benefits
- EU supports other development initiatives, eg:
 - protecting human rights of garment workers
 - promoting safe environments for in manufacturing
- after Brexit, it is not clear whether this funding will continue



Protection of brands and trademarks

- brands and trademarks are essential to the fashion industry
- currently businesses can obtain protection from the EU Intellectual Property Office
 - this avoids the need to register separately with each EU country
- it is unclear whether similar protection will be available after Brexit
- any weakening of protection could see fashion businesses losing out to illegal copying

Post Brexit – freedom of movement restrictions

Industry leaders say losing access to EU talent would seriously harm UK fashion, with many calling on the Government to ensure:

- industry can bring in EU workers easily – both short-term and permanently
- reciprocal access to the EU for UK talent
- freelancers from the EU can set up businesses in the UK

The Government has said that there will be a minimum salary threshold – for highly skilled migrants of £30,000. However they have been some hints that this may be reviewed due to heavy lobbying from many sectors who rely on lower skilled workers who typically earn less than the proposed £30,000 salary cap.

- in fashion, ‘highly skilled’ often does not mean highly paid
- therefore, many vital roles may go unfilled

Other potential effects of a ‘hard’ or ‘no deal’ Brexit

- potential huge increase in red tape for doing business with the EU
 - WTO tariffs would be payable on each raw material – eg. yarn 4%, fabric 8%
 - WTO tariffs would also be payable on imports/exports of finished products – eg. clothing 12%, accessories 10-35%
 - visas may be required even for short-term visits by UK/EU workers
 - export documentation may be required to take samples on trade trips
- would take time for the UK to agree its own deals with countries the EU has free trade deals with – tariffs would be payable in the meantime
- other costs also likely to go up
 - potential loss of temporary import relief on products from the EU
 - VAT may become payable upfront on all imported goods/ components – causing businesses problems with cashflow
 - any fall in the value of Sterling would increase the cost of imports
 - all the above could lead to a huge increase in costs for businesses and consumers

Small fashion companies are likely to be the most affected

- some large UK businesses already establishing operations in the EU
 - not possible for most SMEs – so would be hit hardest by any border delays
 - small entrepreneurial businesses likely to have narrow margins
 - therefore less able to survive the financial impact of WTO tariffs, any new VAT payments, fall in Sterling etc
 - may be unable to afford more staff to deal with extra administration

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