



# BRITAIN ON THE BRINK

With the referendum on Brexit weeks away, Drapers gauges the mood of the fashion industry

Words by **KIRSTY MCGREGOR**

**T**here are only six weeks to go until the referendum on whether or not the UK should remain part of the European Union, yet confusion and uncertainty still reigns. While on the face of it most business leaders are in favour of staying, behind closed doors many have reservations. They may not be ready to leave the EU, but it does not follow that they are happy with the status quo.

The fashion and footwear industry is no exception. An online poll of 600 Drapers readers between February 23 and May 2, showed that 59% of you think we should remain in the EU and more than a quarter (29%) would back a Brexit. The remaining 22% are undecided.

Ann Summers chief executive Jacqueline Gold, Burberry chief executive Christopher Bailey, Kurt Geiger chief executive Neil Clifford, Mothercare chairman Alan Parker and former Marks & Spencer chief executive Marc Bolland have all publicly supported prime minister David Cameron's argument that a Brexit would put the economy at risk.

Other fashion names to have nailed their colours to the remain mast are London Fashion Week designer Amanda Wakeley, footwear designer Lucy Choi, and British outerwear and lifestyle brand Belstaff's chief executive, Gavin Haig, who have expressed concerns that a Brexit would make business more difficult, having a negative impact on trade and transatlantic relations.

Nitin Passi, chief executive of womenswear retailer Misguided, is among those who argue that the UK should remain in the EU: "A change in policy on the duties and taxes we benefit from could hit retailers' bottom lines hard and could lead to a lot of uncertainty and instability in the future," he says.

Robert de Keyser, managing director of fashion distributor Jonny Drama, believes trade tariffs are a concern for brands and their agents: "If we leave the EU and there is no trade agreement, we'd have to pay VAT at the port of entry, as well as a trade tariff. That would have very serious cash flow implications. I don't know how many brands would stand that easily."

He adds: "One of the problems is we don't know what Brexit means. I'm not personally the biggest fan of Europe and its meddling, but I believe we're better in because I don't know what the alternative is. Everything about Brexit is unknown. I think it would hurt consumer confidence."

Helen Mountney, managing partner at management consultancy Kurt Salmon, picks up on the tariff point: "With a 'leave' decision, one question is whether there would be additional tariffs on goods to and from the EU. Not only would exporting retailers risk higher costs, but outside the single market, imported goods may also become more expensive."

"Sourcing teams may have to re-look at the impact of potential extra costs and this could lead to changes in their supply base – not something they will be able to organise overnight. They may be faced with carrying any increase for some months while they search for other areas where they can perhaps shave off a percentage point or two to protect their margins." ►



## LEAVE THE EU

**Leave.eu campaign's arguments for Brexit**

**Impact on trade:** Leaving the European Union would allow Britain to trade more freely with the rest of the world. Given that the EU sells far more to the UK than is sold in the other direction, the remaining member states would seek a trade agreement to maintain the same level of free exchange of goods, services and capital. The UK could capitalise on its Commonwealth ties to introduce free trade with India, Australia and Malaysia, and extend that to emerging markets such as China, Indonesia and the United Arab Emirates – which the EU is yet to agree terms with – and offer UK firms a competitive advantage over rivals in mainland Europe and beyond.

**Impact on the economy:** The UK Treasury will be freed of its £15.3bn-a-year EU budget contribution. UK business will benefit from a less burdensome regulatory framework. EU regulations are estimated to have cost UK firms £33.3bn last year. Deregulation will reduce costs and create jobs.

## STAY IN THE EU

**Britain Stronger in Europe campaign's reasons to stay**

**Impact on trade:** The EU is our biggest trading partner. By being in the union, the UK and our businesses trade freely without tariffs and barriers. If we left, it would damage trade, harm UK business and growth, and put millions of jobs at risk. Negotiating as part of a 500 million-strong economy gives us clout we could never have on our own. As an EU member, we benefit from free trade with more than 50 countries around the world, and will gain from new free trade agreements the union is negotiating with countries such as the US, Australia and Japan. We currently enjoy the best of both worlds, as we are trading more and more with important emerging economies such as India and China.

**Impact on the economy:** We get out more than we put in. Our annual net contribution to the EU totals £340 per household, and the Confederation of British Industry estimates that membership is worth £3,000 for average households – almost 10 times what we put in.

Simon Carter, owner of the eponymous men's tailoring and accessories brand, says: "I can't think of a single good reason to leave. The EU is a massively flawed project but it's better than the alternative." Controversially, he dismisses the idea that there will be a negative impact on trade in the event of a Brexit: "There won't be a trade war with Europe. This is a pragmatic and connected world: we're not going to suddenly ban BMW imports. The economic arguments are a red herring."

**IT IS MORE** of a challenge to find people with pro-Brexit views – or, rather, those who will go on the record with them. In March, Next chief executive Lord Wolfson became the first – and so far only – leader of a large fashion multiple to stick his head above the parapet and back the campaign for Britain to leave the EU. He argued that "a nation that wants to stand still is a nation in decline". Specifically, he hit out at the red tape around planning at a national and EU level, which he said makes it difficult for retailers to open new stores.

Belinda Dickson, founder and creative director of cashmere brand Belinda Robertson, says: "I acknowledge a degree of uncertainty if we leave the EU, but it pales into insignificance when weighed against the advantages of being in charge of our own destiny and the increasing marginalisation that will inevitably occur if we stand on the sidelines as the unelected bureaucrats of Brussels drive Europe to become ever more integrated."

"I do not believe it will be difficult to do a trade deal with Europe, it is so clearly in their interests. It should be borne in mind that the Swiss had a referendum, which has to be part Swiss law this year, that restricts the free movement of people and they will retain their trade deal with the EU."

"Currently the EU has no deal with the US. If, as

*'The EU has forgotten who its customer is. There are too many countries, too many competing interests'*

Theo Paphitis, Boux Avenue

people expect, the EU and the US do not reach a deal shortly, the UK will be free to reach its own deal with the US. It must be easier to agree a deal between a single member state rather than the complex mix mash of national interests that is the EU."

Theo Paphitis, entrepreneur and owner of lingerie brand Boux Avenue, tells Drapers he has criticisms of both sides of the debate: "Like BHS, the EU has forgotten who its customer is," he argues. "There are too many countries, too many competing interests – it doesn't work."

Yet he is also mistrustful of the leave campaign: "Ultimately I have to go with my instinct, which is to remain in the EU."

Evidently, the fashion industry has some concerns about the relationship we have with the EU, but for most the existing set-up is still preferable to a Brexit. There is too much anxiety about what it would do to trade arrangements and the knock-on effect on prices and consumer confidence. Leave campaigners may have some answers, but they cannot make any solid promises about the UK's future outside of the EU.

As the next six weeks unfold until the vote on June 23, more leave supporters may emerge, but for most of the fashion industry the consensus seems to be: better the devil you know.

## A LEGAL PERSPECTIVE

Stephen Sidkin Chairman of the fashion law group at legal firm Fox Williams



- **UK retailers will continue to expand overseas, regardless of the outcome**
- **There will likely be tighter controls on the movement of goods from the UK**
- **It could become more difficult for EU brands to enter the UK market**

I do not think the referendum will have a big impact on decisions to create more retail space in the UK or expand overseas. Even if we wake up on Friday 24 June and the UK has voted to leave the European Union, there would be no significant change in our law for at least a couple of years. I expect new laws will be made that may have significance in respect of trade being done overseas, but we would not have to scrap legislation that has derived from the EU.

What is more unpredictable is what will happen when it comes to the sending of goods to, say,

France or Italy – whether for sale or to show at Who's Next in Paris or Pitti Uomo in Florence. There would need to be negotiations on free access and travel.

Some will argue that it will not make much difference because we are not part of the Schengen agreement [that allows passport-free travel within the EU]. But the controls will be upped. It would also take time to negotiate a customs zone so we can ship there and they can ship here on a duty-free basis. Some have argued that it is in the interests of the EU to put something in place. Maybe, maybe not.

I can see trade within the EU being more difficult and I can see it being more difficult for EU brands to enter the UK market. Where the EU has in place a trade agreement with a non-EU country, the UK will no longer be able to take advantage of that. We will have to put our own trade agreement in place, so there will be issues around opening stores and selling in those countries.