

GOVERNMENT

Brexit vote postponement leads to more confusion than answers

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Political chaos continues regarding Brexit. Image credit: Penhaligon's

By SARAH RAMIREZ

Uncertainty around a Brexit deal is mounting after Prime Minister Theresa May delayed a parliamentary vote on the proposed agreement for leaving the European Union.

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The vote was originally scheduled for Dec. 11, and no new date has been announced as negotiations between Ms. May and members of Parliament are expected to continue. This latest postponement comes amid growing concern that the United Kingdom will leave the E.U. without a deal in place by the March 2019 deadline, potentially creating more economic turmoil for British businesses.

"I think the consensus among many luxury goods producers in the U.K. has been that they are riding the crest of something of a wave at the moment," said John Kuzenski, professor at the department of management, innovation & entrepreneurship at [NC State University](#), Raleigh, NC. "Both marketing surveys and actual luxury consumer spending have been up in many elements of the luxury sector in the last few quarters, and some data suggest that British luxury consumers are not nearly as concerned as non-luxury consumers right now about the costs of goods and services.

"Uncertainty about political and economic policies is never good for any international business, however, luxury sector or not," he said.

Brexit blunders

It was widely expected that Ms. May's proposal would be rejected by a significant margin for being overly accommodating to the E.U.

Members of Parliament are especially concerned over a "backstop," which is meant to prevent a new hard border between Ireland and Northern Ireland. However, there is also widespread worry that the backstop will tie the U.K. to the E.U.'s trade laws indefinitely.

"When you look at the relationship between Great Britain and Ireland, that's something Brexit can't effect too deeply because of how Ireland has been divided by England," said Giacomo Santangelo, senior lecturer of economics at [Fordham University](#), New York.



British auto brands have seen record growth, but uncertainty about Brexit may impede that. Image credit: Rolls-Royce

Following news of the postponed vote, the British pound fell to a 20-month low.

After the U.K. triggered article 50, beginning the process of leaving the E.U., British luxury alliance Walpole made policy recommendations that would support the luxury industry's needs, including trade, talent and tourism. A valuable part of Britain's economy, the luxury sector represents 2.2 percent of the nation's total GDP.

Walpole stressed the need to allow brands the resources they need from the rest of Europe, whether materials or talent. Between 30 to 40 percent of workers in Britain's luxury business come from other parts of the E.U., and this statistic is even higher in hospitality companies ([see story](#)).

"Several fashion companies already prepared for Brexit by opening secondary locations within the EU in order to mitigate the risks of importing and exporting delays, additional tariffs, other logistics, production and the like," said Rania V. Sedhom, managing partner at [Sedhom Law Group](#), New York. "The confusion and state of flux of Brexit will only complicate matters further for luxury brands."



A Brexit "no deal" could lead to more hardship for luxury brands. Image courtesy of Burberry

The E.U. Withdrawal Act sets a Jan. 21 legislative deadline. If the U.K. is unable to negotiate a satisfactory deal by the end of next March, the country will have to leave the E.U. with no deal in place.

No deal would mean that the fruitful economic relationship that has long been held between the U.K. and E.U. would no longer be available, leading to extra hardship for luxury brands based in the U.K. or non-U.K. brands looking to target U.K. consumers ([see story](#)).

"I don't think anyone can say specifically there will or will not be a no deal," Fordham's Mr. Santangelo said. "What Britain is asking for is a bit silly, and the E.U. has made it perfectly clear they're going to use Britain as an example.

"It's difficult to predict what a specific outcome will be," he said.

Both Mr. Santangelo and Ms. Sedhom also cited how a no deal Brexit will impact the talent pool, since citizens of E.U. nations can currently work in other E.U. countries without worrying about complicated visa processes.

"A no deal Brexit and no bilateral trade deal with the E.U. subjects the U.K. to different trade rules," Ms. Sedhom said. "The end of zero-tariffs would result in increased costs of products, and perhaps shortages."

The British government has also organized a Retail Sector Council to ease the transition.

"The U.K. Government engages regularly with a range of retailers and will continue to work closely with the sector to understand their concerns," the U.K. Department for Business, Energy, and Industrial Strategy said in a statement. "Set up in March 2018, the Retail Sector Council is sector-led and provides a single source of strategic liaison between government and retailers to increase retail productivity and growth.

"All retail activity, including traditional and disruptive retailers, are represented," the statement continued. "Government will work with any sector which can self-organize behind strong leadership, offer a compelling case for sector specific action, and set out clear proposals to transform their sector."

Brexit impact

Luxury businesses across Britain have been preparing for Brexit since 2016, and many have already seen a financial impact.

According to a member survey from the Society of Motor Manufacturers and Traders, one in five automakers have already seen a loss in business. More than half of automakers have begun preparing for a "no deal" result in Brexit negotiations.

A quarter of members said they had postponed investment decisions in the U.K. due to Brexit, while 6.8 percent have canceled U.K. investments altogether. More than a tenth, 12.4 percent, of automakers plan to or are in the process of relocating U.K. operations to new or existing locations overseas ([see story](#)).

Walpole has also made statements urging the U.K. government to protect jobs in the nation post Brexit.

The group is hoping to see a pro-business Brexit to protect the country's luxury business, which it says contributes 32.2 billion pounds, or \$42 billion, to its economy. Walpole states that British luxury brands – which employ 110,000 individuals throughout the country – are committed to keeping their businesses within the country despite fears of a hard Brexit ([see story](#)).

"There are countless numbers of permutations right now about how a no-deal Brexit will affect the U.K. and the rest of the E.U., much less the rest of the world," NC State's Mr. Kuzenski said. "It's fair to say that more of them are negative than positive, but we have a lot of political and economic variables in play right now for which the values are just not sufficiently well-enough known to make advance predictions."