

UK Fashion & Textile Association– Written evidence (FFT0029)

Overview:

The UK fashion and textile industry is truly global in its outlook. We export finished goods and components to the EU27 and import from them. Over 85% of all world tradeshow activity for the fashion, textile and footwear sectors is based in the EU, specifically France, Germany and Italy. Many of these goods remain in the EU27 but a large proportion is re-exported to the USA, Japan, South Korea and other markets. For example, Italy remains the UK's largest export market for Goodyear Welted footwear and the Republic of Ireland is still an important export market for UK clothing, much of which is believed to be re-exported to the US.

The global nature of our industry supply chain and the speed at which things happen is mission critical. Whilst UKFT has spearheaded the return to UK fashion and textile manufacturing, many of our companies cannot afford to manufacture here (or the skills no longer exist in some areas) so they source those elements which are more easily available in the EU, notably in Italy, Spain, Portugal, Poland and the Czech Republic. This is especially important for designer brands which were born and raised in the EU but whose businesses are currently based in the UK and pay their taxes here. Until now, it has been easy to export and reimport goods from the EU and many businesses benefit from this hugely in their just-in-time supply chain. Even the most passionate "Made in UK" manufacturers are obliged to bring in goods and components from our closest neighbours in the EU, where these goods are still manufactured.

Since 1992, this been very easy as there was no paperwork or customs fees to pay and most businesses' supply chains have been predicated on this continuing under an ambitious UK-EU free trade agreement – our number one priority. Companies have been able to export and reimport to take advantage of skills mix and cost benefits.

Therefore, the UK fashion and textile industry is keen to see that a UK-EU free trade deal can be negotiated and in place by 1st December 2021 with as much warning as possible to industry to enable them to prepare for any substantive changes. The industry hopes the UK-EU FTA will mean that goods and business people can be exported and travel to the EU27 on a tariff-free and frictionless basis, based on reciprocity. This is important not just because of our UK-EU imports and exports but also because our wider exports beyond the EU will still be directly affected by the UK-EU trading relationship for the foreseeable future as the sector is still heavily influenced by decisions and activities within the EU27.

Key Challenges:

1. Technical Barriers

At present, there are no technical barriers to trade between the UK and the EU. Potentially this will change in 2021 especially if we see a dramatic change in UK

standards away from the current EU standards. However, the market itself is unlikely to want to see divergence. Businesses like to see simplified models and there is pressure on the fashion and textile industry in particular to raise standards rather than to lower them.

The UK Fashion & Textile Association believes that the EU is concerned that the newly independent UK outside the rules of the single market could lower working conditions and salaries to gain a competitive advantage over the EU27 or lower standards required on import. There is no evidence to suggest that this would happen. Indeed, the industry has recently been very much in the spotlight over poor working practices in a small handful of factories in Leicestershire.

UKFT and the majority of the industry believe that the UK is very much at the forefront of campaigning for an increasingly ethical and sustainable supply chain. Our designers at London Fashion Week, for example, are committed to ethical and sustainable production at home and overseas. Their brands depend on it. Similarly, Scottish, English and Welsh knitwear manufacturing and quality textile manufacturers in Yorkshire, Scotland and Northern Ireland trade at the top of the market with goods manufactured to the highest standards and workers paid well above the minimum wage.

The pressure on the industry is to ensure that employment and production standards continue to rise, not fall. In this, we believe that the UK has an important role to play in working with the EU to ensure that standards are maintained in the UK and the EU and to prevent other countries like China and India, for example, from undercutting manufacturing closer to home (be it on-shored, re-shored or near-shored). Both the market and the industry would like to see standards raised in the industry, not lowered. EU membership has not prevented the UK from tackling issues in the workplace but leaving the EU gives the UK the potential to raise standards on the goods we manufacture and import into the UK.

We believe that the UK has the potential to lead the conversation on ethical and sustainable fashion with Europe and for the UK to re-establish itself as a beacon of quality manufacturing, linked to and supported by renowned fashion and textile education and a business-friendly environment. UKFT is committed to working with Trading Standards and HMG to ensure that the minority of UK manufacturers which fall below the required ethical standards are addressed.

We believe that it is right for UK and EU conformity marking to be mutually recognised both sides of the channel and that it should be possible for UK companies to apply for CE marking in the UK and for EU companies to apply for UKCA marketing in the EU.

We believe that conformity testing should be available for CE and UKCA on both sides of the channel.

We believe that technology should be used wherever possible to ensure that the UK remains as open and frictionless as possible on the basis of reciprocity. That is to say we would not wish to see rules being applied to exports from the UK in a different way from those applied to goods entering the UK from the EU or elsewhere.

In the US, we have seen that it is often the burden of bureaucracy and form filling, rather than the duties themselves, which prevent UK companies from proactively targeting certain markets. Whilst we would like to see tariff-free trade between the UK and the EU, it is also important that additional paperwork and red tape be kept to a bare minimum on both sides so customs clearance, ATA carnets, tax statements, import/export documents should be kept as simple and as cheap as possible as the costs of this will inevitably have to be passed onto the consumer.

We believe that temporary re-export relief should be flexible and free of red tape to continue to encourage companies to bring their goods through the UK before re-exporting.

2. Rules of Origin

The UK's Rules of Origin are currently identical to those used in the EU. Indeed, these are effectively the same Rules of Origin which were in force in the UK before it joined the EU and the Single Market. For as long as the UK was a member of the EU, we used our substantial influence to resist calls for a more prescriptive approach. However, since the UK has left the EU, some southern European states have taken advantage of the UK's departure to encourage the EU to move to more prescriptive arrangements. As a result, the EU is likely to be taking a different path.

The industry sees no benefit from changing the current rules of origin (or origin labelling) but we accept that the EU27 are moving forward with a more prescriptive approach, including its Pan-Euromed policy. However, in context, the Pan-Euromed policy could be something the industry could live with if this were a pre-requisite for an ambitious UK-EU FTA.

Overall, UKFT wish to see the adoption of contemporary preferential rules of origin (as used in the EU's most recent third country FTAs eg with Canada). This would typically permit bilateral cumulation of inputs and processing between the UK and the EU to reach the qualifying threshold. Members' preference is also to have provision for diagonal cumulation between the UK, the EU, and other FTA partners (a tripartite relationship therefore) - to provide additional flexibility in components or processing to meet the 55% threshold of qualifying content for preferential tariff treatment for most products.

3. Customs and Trade

Customs is likely to be the area where there is the most to lose for the UK as we leave the single market. Traditionally, because the fashion industry exports finished goods to the EU and beyond, it has always been concerned about the very real risks of moving away from the world's largest consumer trading bloc (our largest customer by a very wide margin). The textile industry, whose exports are sold to other manufacturers in the EU and Asia, were slightly less concerned. However, post-Covid19, most businesses have had time consider the

prospects of more friction, delays and tariffs at the EU border and this issue is already weighing heavily with them.

UK manufacturing exporters (including a large number of London Fashion Week designers) are especially worried as they cannot redirect their supply chains away from the UK or believe they may be forced to with a heavy heart.

UKFT would like to see an ambitious FTA between the UK and the EU in place by 1st January. We would like goods, commercial samples and business people to continue to be able to circulate between the UK and the EU as frictionless as possible and in a tariff and quota-free arrangement.

In an industry where most trade fairs and commercial orders take place in the EU (as this is where export buyers habitually choose to place their orders), the industry is especially alarmed at the prospect of having to carry ATA carnets for samples when travelling to or from the EU.

UKFT has welcomed the UK government's negotiation aims for the UK-EU FTA but would stress that this is the most important to our industry out all the FTAs being discussed. The failure to reach an agreement with the EU would have catastrophic implications for the UK manufacturers' and designers' existing supply chain which most would not be able to mitigate against. In addition, there is concern that some companies manufacturing in the EU might choose to relocate their businesses for tax purposes out of the UK if there is no FTA.

It is fair to say that companies are deeply concerned at the risk of surviving Covid19 only to find their businesses irreparably damaged by a failure to deliver a UK-EU FTA and that companies are already struggling to understand how they should price goods they are selling now for delivery into the EU and beyond in 2021.

We believe that the UK should also be using its new independence from the EU to work with the WTO to push for reduction in global tariffs and a removal of TBTs.

The Covid19 outbreak has additionally taught us that an overdependence of imported PPE and other essential goods from Asia leaves the UK dangerously and unacceptably exposed if there are further outbreaks and that there is the potential for the industry to work with our closest neighbours to provide solutions to these clear and present challenges.

Closing comments:

The fashion and textile industry has the potential to provide a unique source of soft power to enable the UK to continue to trade profitably with our closest neighbours. Over the months and years ahead, there will be challenges and the biggest challenge will be that of maintaining mutual trust and cooperation with our closest neighbours which are inevitably in the EU/EEA.

Perception is almost everything in this industry. Companies tend to do most trade with people they know, like and trust. As the UK forges new commercial relationships in some parts of the world, it is easy to forget that it is often our

closest neighbours with whom we have the most in common including shared values.

UKFT very much hopes that the UK's future relationship with the EU will be a special one, based on mutual trust and common values. This is especially important for the fashion and textile industry as our end consumer has to actively like what the UK stands for in the world and we see very quickly how wider political and economic differences can impact sales and jobs.

We believe the UK should be working closely with the EU and the EEA and leading a "race to the top".

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