LUISS

Department
of Economics and Finance

Course of International Economics

Costs and Benefits of Brexit: A Case Study on the Fashion Industry

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Academic Year 2020/2021

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INTRODUCTION

Brexit is the process that took the UK out of the EU and interrupted the relations between the parties.

The Trade and Cooperation Agreement, which regulates the new trade relations between the parties, has caused inconvenience and discontent since its provisional application in early 2021. Such because companies have had very few days to adapt and reinvent themselves to the new rules of the agreement, and in some cases, had to make drastic decisions.

The new relationship between the parties upset their previous relations and harmed the UK economy as the changes concerned all sectors. These upheavals will be examined thoroughly in the chapters of this dissertation. The fashion industry, in particular, has been overwhelmed by Brexit because it has characteristics that make it more sensitive to commercial changes.

In particular, in the first chapter, we will review the long process that led to the achievement and approval of the EU Withdrawal Agreement. Then, we will theoretically see the costs and benefits of leaving the EU Single Market for both the UK and EU.

In the second chapter, we will go into the detail of the TCA, going to deepen in practice the consequences that have led in the UK in various areas.

And to conclude, we will analyse the effects of the new agreement on the fashion industry, whose peculiarity, namely the deep reliance on the Global Value Chain, has already felt the shock of Brexit since the 2016 referendum.

CHAPTER 1

BREXIT: COSTS AND BENEFITS

1.1 Through Brexit Process

On 31 January 2020, the United Kingdom left the European Union. Brexit is the result of a process that began on 23 June 2016 with the "Leave" win to the UK European Union Membership Referendum. The UK's exit from the EU is a historical fact. Indeed, for the first time in 60 years, the EU has lost a Member State. As we can imagine, the decision to leave the EU has had a significant impact on the EU and on the UK itself.

The following table shows the salient points that led to the definitive exit of the United Kingdom from the EU Single Market and Customs Union.

Table 1 – Brexit Timeline

DATE	EVENT	DESCRIPTION
23 June 2016	UK European Union Membership Referendum: Leave Victory.	British citizens were called to the ballot box to answer the referendum question: «Should the United Kingdom remain a member of the European Union or leave the European Union? ». A majority of 51.9% was in favour of leaving the EU, against 48.1% who had voted instead to stay in the EU.[1]
24 June 2016	Resignation of Prime Minister Cameron.	Conservative Party started a procedure to identify a new leader and, thus, Prime Minister.
13 July 2016	Theresa May became the Prime Minister.	Theresa May immediately embraced a hard Brexit vision.[2]

[1] While young voters (aged between 18 and 30) were clearly in favour of remaining in the EU, on the contrary, a massive majority of over-60 age voters had voted to leave the EU. In addition, the Remain vote came mainly from educated, urbanised and economically more prosperous groups; instead, the Leave came from the less educated, located in areas of the country with higher unemployment rates, and in which the negative feeling about the economic effects of globalisation was stronger.

[2] Theresa May immediately took rigid positions against Europe, promising to take the United Kingdom out of the EU even without agreement (no deal), rather than concluding an agreement with the EU that was not in UK's interests. From the perspective of the May Government, the UK should have regained total control of its laws, financial resources and borders, freeing itself from the jurisdiction of the ECJ, putting an end to payments to the Community budget, and blocking the free movement of persons.

14 September 2016	Set up of a task force by European Commission to negotiate with the UK.	The Chief Negotiator of the task force is Michel Bernier.
29 March 2017	Formal notification of United Kingdom to leave the EU.	According to Art 50 EU Treaty UK should have left the EU by 29 March 2019, unless unanimous decision to extend the period.
29 April 2017	European Council adopted its guidelines under Article 50(3) EUT.	The guidelines identified terms that would govern negotiations with the United Kingdom.[3]
19 June 2017	Beginning of UE and UK negotiations.	
15 December 2017	European Council decided that negotiations on the first phase of the withdrawal had sufficiently progressed.	Negotiations could have proceeded with the second stage.
Summer 2018	Concern of no-deal	There was a concern that the UK could have left the EU the following spring without an agreement, due to difficulties in solving the problem of Northern Ireland.
14 November 2018	Negotiators from the European Commission and the British government announced they achieved the Withdrawal Agreement's draft.[4]	The draft included a transitional period, from the exit date in March 2019 until 2020's end, to allow the United Kingdom to remain in the internal market and the European Customs Union without representation and a voice in the EU institutions. But, by mutual agreement between the parties this period could have been extended for a further one or two years.
20 March 2019	Prime Minister May requested the European Council for an extension of Brexit until 30 June 2019.	Due to the British Parliament hostility in approving the draft EU Withdrawal Agreement and to avoid a no-deal Brexit, Prime Minister asked for an extension of the UK exit from the EU.
22 March 2019	European Council accepted the British request for an extension on Brexit.	Thus, the United Kingdom would remain a member of the EU until 31 October 2019, with the consequent rights and obligations of a Member State, including that of participating in the European Parliament elections the following month.
24 May 2019	Theresa May resigned as party leader and Prime Minister.	Her resignation started a process to elect a new Prime Minister.
23 July 2019	Boris Johnson is elected Prime Minister.	Johnson adopted straightaway rigid positions vis-à-vis the EU.

[3] These guidelines stated that the negotiations should be divided into two phases: the first phase, which focused on the solution of issues relating to the separation of the United Kingdom from the EU, including the protection of citizens' rights, the definition of the profit and loss account to be borne by the UK, and the solution of the border problem on the island of Ireland; and then the second phase, dedicated to the negotiation of the framework of future relations between the United Kingdom and the EU.

[4] The agreement on Brexit was composed of two parts: the first, the draft withdrawal agreement defining in detail the conditions to ensure an orderly exit of the UK from the EU; the second, the draft political declaration identifying the general objectives for the negotiation of a future Partnership Agreement.

17 October 2019	Agreement reached on a revised draft Withdrawal Agreement.	The UK government and the European Commission announced that they had reached a new agreement on a revised draft withdrawal agreement.
19 October 2020	UK Government requested a new Brexit extension until 31 January 2020 which was approved by the European Council on 28 October.	
20 December 2019	Prime Minister Johnson presented to Parliament the EU Withdrawal Agreement Act 2020.	The EU Withdrawal Agreement Act 2020 had passed by a large majority in the House of Commons before Christmas and came into force.
24 January 2020	UE signed the Withdrawal Agreement.	President of the European Commission, Ursula von der Leyen, and the new President of the European Council, Charles Michel, signed the Withdrawal Agreement with British Prime Minister Johnson.
29 January 2020	The European Parliament approved the Withdrawal Agreement.	The European Parliament authorised by a resolution the conclusion of the Withdrawal Agreement with the United Kingdom.
31 January 2020	The United Kingdom definitively left the EU.	

Brexit is an epochal turning point, destined to have short, medium and long-term effects, both in the United Kingdom and in the rest of Europe, and therefore destined to leave a deep scar with implications of different types.

1.2 Costs and Benefits of Leaving the EU Single Market

In general, accession to a single market is crucial for a country's economy since it means integrating with others and thus forming a place that allows the free movement of goods and services, labour and capital, both real and intellectual.

Free access to the market allows the Member States to trade freely among themselves without tariffs which entails considerable advantages to free trade such as lower prices and higher product quality, increased competition, factor mobility and a wider choice for consumers and businesses.

One of the main advantages of being part of a single market is trade creation. Indeed, thanks to tariff barriers removal, the price of goods fall.

The lowering of prices is also due to the reduction of production costs due to economies of scale, increased competition and standardisation on various products, materials, services and processes.

Other significant aspects are the increased flow of investment and capital mobility among the Member States, which may lead to higher technology and innovation transfer and help business growth.

In addition, labour mobility makes wage costs more uniform and allows for a fairer distribution of unemployment between the Member States.

However, the single market also has its disadvantages as, due to competition and the potential influx of workers through free movement, wages could reduce.

In addition, trade rules may favour some Member States over others, and some industries and sectors over others, which could mean job losses in specific sectors.

It is also possible that individual members will lose their sovereignty, regulatory capacity and the opportunity to establish closer relations with non-members through free trade agreements between individual members and non-members as they are not allowed.

The European single market is the largest economy in the world. It has stimulated economic growth and facilitated the daily lives of European businesses and consumers. It has fostered competition and trade, improved efficiency and quality and has helped to lower prices.

For the United Kingdom, Brexit means facing the negative consequences of no longer being part of the UE single market.

Below, the table that briefly summarizes the pros and cons of the UK's exit from the EU single market.

Table 2 – United Kingdom Pros and Cons of UK's Exit From the EU Single Market

PROS	CONS
• **Full Law Control** • **End of EU Budget Contribution**	• Goods : ○ Tariffs on Imports ○ Non-tariffs Barriers • Services: ○ Ending of Passport Regime for Financial Services • Labour: ○ Workers Shortages

The main objective of the EU single market is to ensure the free movement of goods within the market.

Leaving the single market means having higher import tariffs on EU exports and higher import prices. Such turns into higher costs for UK companies which will therefore have lower profits.

Since being part of the single market offers opportunities for economies of scale, innovation and competition, which help improving productivity, it would be arduous to have the same scenario only trading outside Europe.

In addition, divergence from EU legislation complicates trade in goods due to the introduction of non-tariff barriers, such as customs declarations, special licences, formalities and certifications, conformity testing and controls, which slow down border procedures.

For competitiveness, the global value chains (GVCs), which make it possible to link different specialised countries in various stages of the same production process, are becoming increasingly relevant. The EU single market has considerably facilitated the cross-border integration of production chains among the EU Member States, which have increased over the years and now cross borders within and outside the EU.

Given that about half of EU imports into the UK are intermediate goods and that the smooth functioning of GVC requires rapid and fluid procedures at the border, Brexit is a threat to the current EU-UK GVC connections. Such because of tariff and non-tariff barriers which increase cross-border costs for businesses and cause delays at borders. Especially if goods cross frontiers several times, these costs and delays are catastrophic for the GVC.

In the financial services sector, the UK has a relevant competitive advantage. Being part of the single market allows UK companies and non-UK companies with branches in the UK to offer services to EU customers through the passport system.

With Brexit, the passporting regime is missing, which has led many UK companies and non-EU companies with branches in the UK to move or create new entities in the EU.

In this respect, the United Kingdom has experienced losses in economic activities and workplaces. Indeed, financial centres in several EU Member States have attracted companies according to their sector of activity.

For example, savings management companies have concentrated in Dublin, banks in Frankfurt and trading platforms, stock exchanges and brokerage companies have chosen Amsterdam.

For the United Kingdom, the separation from Europe allows it to maintain a rhythm of immigration that the country considers more appropriate; for this purpose, the UK introduced a point-based immigration system.

This new system, combined with the Covid-19 pandemic, has led to a decrease in net immigration from the EU, with consequent shortages of workers, especially in certain companies and industries in the United Kingdom and particularly in the area of London.

Although the point-based system gives Brits more opportunities to find work, it also has a relevant negative side. Indeed, immigration helps to cope with skills shortages, the consequences of an ageing population, and the lack of workforce in those unskilled jobs that are currently the most disadvantaged since they do not reach the minimum threshold of required points. Of course, this will have an impact on the competitiveness of companies.

The EU Member States, to belong to the EU, have to give up some control over their internal affairs because they are subject to EU regulations and to the European Court of Justice, which ensures their correct application and implementation in the Member States.

With Brexit, The UK no longer has to submit neither to EU law nor the ECJ, so the UK Parliament is the supreme legal authority.

Even about trade policies, the UK is now free to decide its priorities and conclude free trade agreements with other nations, which, however, take a long time to negotiate.

Despite this regained sovereignty, the "take back control" to which the UK aspired is not total, since, in some specific areas, the level playing field does not allow the UK to deviate from EU regulation to avoid commercial retaliation.

Another aspect on which pro-Brexit has leveraged is the cost of EU membership. Indeed, each year Member States have to pay annual contributions to the EU budget (mainly a percentage of their gross national income), and leaving the EU means no longer paying them.

Nevertheless, the UK has committed to pay the EU the Brexit financial settlement or divorce bill.

The Brexit divorce bill is the sum of money the UK has to pay to settle its outstanding liabilities at the time of the EU's exit. A large part of it concerns the remaining contributions to the EU budget of the United Kingdom and to finance EU staff pensions.

The UK will continue to pay contributions to the EU for its participation in 3 EU programs for 2021-2027, namely the Horizon Europe Research Program, EURATOM (Nuclear Research Program) and Copernicus (Earth Monitoring Project).

From most of the events that have taken place and from the forecasts made, we can say that the changes the United Kingdom has had to make are radical and that, up to now, the United Kingdom exit from the EU has had more costs than benefits.

1.3 What About Brexit Consequences on the EU?

Brexit has had and will have consequences for the EU and its remaining 27 Member States.

The table below gives a quick picture of what Brexit means for the EU.

Table 3 – European Union Pros and Cons of UK's Exit From the EU Single Market

PROS	CONS
• **Retained Rights of Residence and Social Services Acces for EU Citizens Residing in the UK** • **European Agencies Relocation within the EU Member States** • **More Integration on Security and Defence Fields**	• Loss of an EU Budget Contributor • Loss of the Principal EU Financial Centre • Reorganisation of EU Parliament • Barriers to Trade and People Movement

The withdrawal of the United Kingdom deprives the EU of a rich country, which has been a vital contributor to the EU budget. Indeed, with Brexit, the UK will end its annual contributions to the EU budget. As the UK was a net contributor, the contribution to the EU budget of the other Member States that are net contributors will have to increase.

Additionally, Brexit stripped the EU of its principal financial centre, the City of London, which has been for years the primary place for financial transactions; it also forced the re-organisation

of some properties, such as the sale of Borsa Italiana, by the London Stock Exchange, to bring it back into the EU perimeter.

From a legal point of view, the delay in Brexit has created problems with the composition of the European Parliament. The UK participated in the European Parliament elections in May 2019, where it won 73 seats. However, when Brexit took place, the UK seats has been redistributed: 27 were allocated among 14 other Member States, while the remaining 46 were in reserve for future enlargements. So, since 1 February, the European Parliament, instead of having 751 seats, has 705.

Concerning people, the end of the free movement of persons entails that EU citizens who want to work or study in the UK now need a Visa.

Furthermore, the reintroduction of barriers to trade after the end of the transitional period creates new obstacles to the European economy, especially for those companies with a highly integrated supply chain with companies in the UK.

On the other side, a fundamental benefit that remained unchanged with Brexit is that UK citizens resident in the EU and reciprocally EU citizens resident in the UK will retain the right to residence and social services access.

Then, Member States have decided that European agencies located in the UK, such as the European Banking Agency (EBA), and the European Medicines Agency (EMA), should move within the EU. In particular, the EBA is in Paris, and the EMA is in Amsterdam. These transfers create a financial benefit for the EU countries, as jobs will increase, such as the number of services and businesses generated around the European agencies.

Another positive aspect of the UK's exit from the EU has been the integration process. The UK's exit from the EU, for example, has enabled progress to be made in cooperation on security and defence. In particular, the United Kingdom had always held back the development of the so-called «permanent structured cooperation» between the Member States in the military field, even though the European Treaties allowed it for years. In 2017, on the French initiative, the European Council authorised the activation of permanent structured cooperation.

To better understand the implications of Brexit so far, in the next chapter, we will analyse the agreement that UE and UK have concluded to regulate their relations (Trade and Cooperation Agreement) and deepen the theoretical repercussions dealt with in the first chapter.

CHAPTER 2

THE TRADE AND COOPERATION AGREEMENT: POSSIBLE FUTURE SCENARIOS

2.1 TCA Road Map

In addition to the Withdrawal Agreement, the UK Government and the EU institutions also negotiated a Political Declaration defining the framework for future relations between the UK and the EU.

The Political Declaration aims to outline the terms of future cooperation (from trade to security, to sectoral issues) between the United Kingdom and the EU after the United Kingdom has definitively left the internal market and the EU customs union.

Immediately after the exit of the United Kingdom from the EU on 31 January 2020, the European Commission and the government began negotiations to transform the Political Declaration into one or more new international agreements.

The following table shows the most important events that led to the drafting of the Trade and Commerce Agreement. The schematically reported events allow us to have a rapid overview of the essential steps in this process.

As we can see from Table 4, after hard months of negotiations, the 2020 Christmas eve, the United Kingdom and the EU have reached an agreement, namely the Trade and Cooperation Agreement (TCA), that regulates the parties' trade and security relations post-Brexit.

The TCA was not without its setbacks. On the one hand, the lack of flexibility between the parties hampered the negotiations; on the other, it all took place against the backdrop of a global pandemic that was exacerbating just when negotiations began.

Notwithstanding the adverse conditions and the complexity of the agreement, as there was a switch from a single market to a new context that considered the strong integration between the parties, the TCA achievement, despite its "hard" nature, has avoided a disruptive no-deal scenario. No doubt, starting 2021 without an agreement would have led to an unsustainable uncertainty and unease in an already precarious background because of the Covid-19 and the various lockdowns.

Table 4 – Trade and Cooperation Agreement Schedule

DATE	EVENT	DESCRIPTION
3 February 2020	European Commission recommends European Council start negotiations on a new partnership with the UK.	The recommendation is based on the political declaration between the EU and the UK.
25 February 2020	Council approves the negotiating mandate.	The Council gives the consensus to begin negotiations for the new partnership with the UK.
18 March 2020	European Commission publishes the entire draft of an international treaty for a new partnership with the UK.	The objectives of the draft include economic and security cooperation agreements based on fair competition, structured around a single institutional dispute settlement and decision-making system.
Spring 2020	Covid-19 Crisis.	Negotiations get complicated because of the coronavirus pandemic, which caused the suspension of several negotiation rounds and also changed political priorities.
9 September 2020	Premier Johnson presents the UK Internal Market Bill in the UK Parliament to regulate the function of the UK's post-Brexit internal market.	This bill contains provisions contrary to the Protocol on Ireland/Northern Ireland. In particular, in contrast to Articles 5 and 10.[5]
10 September 2020	It is called an extraordinary meeting of the EU-UK Joint Committee.	During the meeting, the EU asked the UK Government to explain its intentions regarding the Internal Market Bill. Moreover, the EU commission has ordered the British government the immediate bill withdrawal.
1 October 2020	The EU Commission started a lawsuit for the infraction based on the fact that the United Kingdom had violated the terms of the Withdrawal Agreement.	The UK government has failed to withdraw the controversial parts of the Internal Market Bill. In so doing, the United Kingdom breached its duty to act in good faith, as laid down in Article 5 of the WA.
15 October 2020	European Council invites the UK to take "necessary steps" to reach an agreement.	EU leaders call on the EU's chief negotiator to continue negotiations and call on the UK to take the essential steps to reach an agreement.
21 October 2020	Negotiations between the EU and the UK can continue.	The Chief negotiators agree on the principles for further negotiations.
24 December 2020	EU-UK Trade and Cooperation Agreement's achievement.	The EU and the UK announced they had reached an agreement on a Trade and Cooperation Agreement (TCA).

[5] In particular, the UK Internal Market Bill would allow the UK Government not to apply the provisions of the Irish Protocol to articles 5 and 10. Art. 5 requires Northern Ireland companies to complete export declarations when the goods are transferred to Great Britain. Art. 10 implies the application of EU state aid rules in Northern Ireland.

29/30/31 December 2020	The Council approves the decision on TCA which is signed the next day. The following day the TCA is published in the Official Journal of the EU.	The Council approved the signing decision on the TCA and its provisional application from 1 January 2021. Then it was signed by the President of the European Commission and the President of the European Council.
1 January 2021	Provisional application of the TCA.	TCA is provisionally applied until the end of February unless the parties agree to a later date.
23 February 2021	Extention of TCA provisional application.	The EU-UK Partnership Council agreed to prolong the TCA provisional application to 30 April 2021 so that there would have been adequate time to revise the agreements in 24 languages.
26 February 2021	The Council request the consent of the European Parliament in the conclusion of the TCA.	The European Council asks Parliament to approve the decision on the conclusion of the EU-UK Trade and Cooperation Agreement, which it welcomes the following day.
29 April 2021	The EU ratifies the TCA.	After the vote of the European Parliament, the TCA is ratified.
1 May 2021	The TCA enters into force.	

However, this agreement has distorted and exponentially diminished the economic ties, security and human connections between the two parties. Indeed, this new relationship is not comparable with the previous one, when UK participated in the EU single market.

Actually, we can say that the negotiations were more about divergence than convergence, given that the common laws and procedures would cease. In other words, decisions were on which issues the parties no longer wished to be aligned. In particular, the United Kingdom aimed to end certain aspects of cooperation, such as not being subject to the European Court of Justice and avoiding others, as the UK was reluctant to remain in line with EU regulations.

Although the Brexit process lasted many years, the time to reach the TCA was relatively fast. The EU has always used 5 to 7 years to negotiate free trade agreements, while the TCA took 10 months. Doubtless, one reason for the conclusion of the agreement's speed was the strong commitment of political leaders as the deadline of transition period established in the WA was approaching. While requesting more time was not an option for the UK given the previous time extensions, for the EU, a delay would have meant neglecting more urgent matters to face.

However, the TCA achievement so close to the UK exit from the EU has caused prime imbalances and discontent for companies who have had very few days to adapt to the new agreement.

In the next paragraph, we will see that in terms of content, the TCA is a relatively limited free trade agreement, which, despite some attractive aspects such as the zero tariffs for trade in goods, clearly weakens relations between the EU and the UK.

2.2 TCA and Its Effects in the UK

The focal points of the TCA are:

- A free trade agreement without customs duties and import quotas on all goods of preferential origin.
- the cooperation on economic, environmental and social issues.
- a close partnership for the security of citizens.
- an overarching governance framework that comprises various supervisory bodies and requirements for disputes.

Already seeing the TCA focal points, we can intuit that with its entry into force on 1 January, there have been several changes as UK has left the single market and customs union, EU policies and international agreements. Consequently, there is no more free movement of people, goods, services and capital with the EU.

The United Kingdom has thus become a third country in the EU which now has separate markets, regulatory and legal spaces. Hence, barriers to trade in goods and services, mobility and cross-border trade have been reintroduced after more than 45 years.

For sure, the level of cooperation between the UK and the EU will no longer be the same as when the UK was a UE member. However, given the level of integration between the EU and the UK, the TCA has features that go beyond a traditional free trade agreement that the EU has concluded with other third countries.

We will analyse more closely such features in the following table to fully grasp the particularity and the limitation of this new agreement.

As we can see from table 5, the decisions reached in this new agreement upset the relationship between the EU and the UK in various areas.

Table 5 – TCA on Main Matters

FIELD	BACKGROUND	TCA CONTENT
Trade	• The UK and the EU has always been trading partners that played a significant role in each other's economies. • In 2019 the EU-UK trade (total exports and imports) accounted for 48% of total UK trade and 13% of total EU trade. The EU is the UK's major trading partner in terms of goods, while the EU is third behind the US and China. • In the same year, value chains have a high integration: for the production of UK exported goods are used 48% of EU intermediate goods, whilst for the production of EU exported goods are used 11% of UK intermediate goods.	• The TCA is a free trade agreement characterised by zero duties and quotas imposition on goods traded between the UK and the EU if they meet the rules of origin. • Therefore, to benefit from the exemption of taxes, customs duties, export duties, goods must be manufactured (and it has to be proved) for a certain percentage in the EU or the UK. • The TCA seeks to preserve the status quo since, without a free trade agreement, trade would have been subject to the terms of the WTO, so imports would be subject to tariffs and quotas set by the importing country.[6]
Services and Financial Services	• Services and investment have always been a crucial part of trade EU-UK trade. • In 2019, about 42% of UK exports destined to the EU Member States were represented by services. • That same year, the services sector, including financial services, accounted for about 80% of UK GDP. • The EU passporting system allows authorised financial service providers to offer their services freely within the EU or EEA State.	• TCA lays down provisions on some service sectors (e.g., professional and commercial services such as auditing, legal, digital and research services, environmental protection services). • The national treatment clause, to prevent both parties from discriminating against incoming companies, is included in the TCA. • A "most-favoured-nation" provision is provided. Thus, if one of the parties negotiate an agreement with more favourable terms with another state, the same conditions will also apply in the EU and the UK. • Concerning financial services TCA provides only a few specific provisions. In terms of market access, namely the circulation and provision of financial services, the EU passporting regime has ended.
Level Playing Field	• Considering that tariffs and quotas elimination between UK and UE inevitably increases the competition between undertakings, the level playing field aims to avoid a competitive advantage and unfair competition between the parties caused by dumping[7].	• The EU and the UK to ensure a level playing in matters, such as state aid, consumer protection laws, climate and environmental issues, social and tax rights committed to pursuing high regulatory standards. • For the above matters, both parties have committed to pursuing high regulatory standards. Such allows both parties to operate in autonomous regulatory regimes but does not oblige them to align entirely with their reciprocal regulations.

[6] For example, goods imported from China that have undergone a minor part of subsequent processing in the United Kingdom will not benefit from the free duty preferential treatment but are subject to tariffs application according to the WTO.
[7] Dumping is the reduction of production costs related to lower labour laws, environmental protection or taxes.

	• Generally, the level playing field provision in free trade agreements between countries are not included. In the specific case of the EU and the UK, its inclusion has been necessary for the relationship, proximity and the type of zero-tariff free trade agreement adopted.	• An independent arbitration will settle disputes arising from the level playing field provisions. • In case of significant divergences, either party can take rebalancing measures, e.g., introducing duties and quotas, whether they don't reach an agreement. • About State aid, the UK and the EU have established a set of common principles to ensure that subsidies are proportionate, transparent and contribute to public policy objectives. • On the protection of employment and the environment, there is a non-regression clause[8] to prevent the EU and the United Kingdom from reducing or weakening their levels of protection that may affect mutual trade or investment.
People Movement	• A fundamental characteristic of the single market is the free movement of people. Such allows EU citizens to travel freely from one country to another and live, work and study in any Member State. • For EU citizens to stay in another EU country, it is only needed a valid ID, while a Visa is not required.	• The TCA provides that a Visa is required, except for travel of a maximum of 90 days every 180 days. • For entry into employment, EU workers have lost the general preference in UK immigration rules. As well as UK citizens have lost free access to EU employment. • The United Kingdom has opted for a comprehensive immigration system to concentrate on the work of more qualified individuals. Therefore, all EU citizens willing to work in the UK, but not currently working there, must be sponsored by their UK employer, and they must be qualified to work in the UK according to its point system. • The TCA concluded the EU's ERASMUS Student Exchange Programme
Intellectual Property Rights	• For the promotion of innovation and the protection of investments, intellectual property rights are cardinal. • Over the years, the EU, to ensure a level playing field at the global level, has smoothed and improved the laws on intellectual property rights, for example, through EU Trade Marks and Registered Community Designs. • If there were no protection of ideas, individuals and businesses would not reap the full benefits of their creations, and research and development would pass into the background.	• The TCA sets minimum standards for its protection while EUTM and RCD Regulations will no longer be applied. • UK and EU systems are separated on the registration and protection of trademarks, designs and models, and on the customs release of goods deemed to be subject to possible infringements of IPR. • Mutual protection provision for unregistered designs disclosed in the EU and the UK is not entailed.

[8] Contracting parties shall not reduce or weaken their labour and social protection levels below the one at the end of the transition period in a way that affects trade or investment between the parties.

In trade, while zero tariffs and quotas imposition appears to be attractive and a considerable advantage in maintaining the level of integration post Brexit, in reality, the TCA introduces many constraints that have already affected imports and exports, which may overturn the direction of trade in the future.

For UK companies, principally small and medium-sized ones, administrative costs have increased due to restrictions on "rules of origin", which are necessary to have zero-tariffs imposition. Therefore, to avoid tariffs application, companies must either find raw materials from the UK or transfer production to a Member State of the EU.

This preferential treatment is not provided for goods that do not meet the origin requirement, which, therefore, will be subject to external tariff rates. Before-mentioned may have harmful consequences for GVC-based companies, especially in particular sectors. Such because in complex and scattered production processes in many countries, the components of the products may have to cross the borders several times and then experience an accumulation of tariffs.

In addition, since 1 January 2021, all firms have to face customs controls and non-tariff barriers in the form of customs certifications and phytosanitary checks. As we can imagine, such controls have slowed down trade despite the introduction of mutual recognition systems in the EU and UK (e.g., "Trusted Trader" or "Authorised Economic Operators") aimed at simplifying customs procedures. In particular, Northern Ireland and the Channel experienced delays and problems, including disruption of the supply chain. Goods flows have been disrupted both in volume terms and terms of time taken to leave the EU in the first two months of 2021. It is indispensable to mention that the delays in supply chains are due to TCA, but in this particular historical period, also Covid-19 has a significant impact.

The increase in steps for both imports and exports not only has disrupted in the first few months after the application of the TCA but, in the long run, could decrease cross-border trade as it adds substantial costs.

Already in January 2021, as reported by the Office for National Statistics (ONS), UK exports to Europe decreased by 40.7% compared to December 2020. In the same period, there was a decline of 19.3% towards countries outside the EU. Moreover, goods imports from the EU fell by 28.8%, while imports from non-EU counties declined by 21.6%. However, due to the pandemic, it is difficult to assess the impact of Brexit alone.

From a survey conducted by the London School of Economics on companies up to April 2021, carried out to identify how Brexit is affecting businesses, emerged that companies had a direct impact on trade flows due to Brexit. Overall, 24% of companies found that Brexit caused a drop in exports to the EU and 33% reported that imports from the EU decreased.

Most companies, regardless of their size, have reported that Brexit has reduced their trade. In particular, the larger companies were less likely to report significant declines in imports and exports, while the smaller ones were the most affected.

Altogether, 61% of companies have found at least one problem due to Brexit. Concerning the effects of Brexit on trade: 34% of companies reported an issue about imports from the EU, while 29% faced one relating exports to the EU.

The most common factors companies reported concern: problems at the border, indeed 37% have had delays at the border, 36% faced additional customs and administrative costs, and 22% reported regulatory controls. In addition, 20% of companies encountered friction in transporting goods from Great Britain to Northern Ireland.

Moreover, 33% of companies stated that Brexit had influenced costs or prices. As commercial costs increase, input costs increase, and businesses become less cost-efficient, and as a result, it is likely to raise prices for UK consumers.

For the economic activity of the United Kingdom, the service sector plays a primary role. It is here that the TCA's consequences will be particularly evident.

In fact, with the end of the EU passport regime, UK market participants will have limited access rights to provide financial services, so they will be at the same level as participants from other third countries. Consequently, UK financial services can only get market access rights for specific services based on UK laws and supervisory frameworks considered equivalent to those of the EU. As the TCA does not provide an equivalence framework for financial services, such will depend on bilateral agreements between the EU Member States and the UK.

Changes have already been noted, since the end of the transitional period, some activities usually carried out in London have moved to the EU or other global financial centres. For example, in January 2021, Amsterdam became the main venue for trading European shares by ousting London.

Office of National Statistics data shows that the UK's financial services trade has shifted from the EU to other markets starting from the end of the transitional period. In the same period, UK imports of financial services from the EU fell by 35.2% due to Brexit and Covid. While UK financial services imports from third countries, mainly Singapore and South Korea, increased respectively by 120% and 236% compared to the first quarter of 2019.

A much-discussed part of the TCA was the level playing field, whose outcome was very disappointing, especially on work and environmental protection. Indeed, the non-regression clause translates in a very high-test requirement, since to prove its breach, the parties must demonstrate that the lowering of labour or environmental standards impacts trade or investment.

Being hard to prove that a lowering of protections affects trade or investment, the agreement does not prevent the UK from weakening its environmental and labour policies.

A weapon that can prevent this situation is the possibility of using rebalancing measures, i.e. retaliatory measures. The introduction of the level playing field, therefore, limits the ability of the UK to regulate, which therefore does not have complete control in these areas.

One of the goals the UK wanted to reach with Brexit was the interruption of the free movement of citizens and, above all, to base immigration on more qualified individuals work through a points system. Due to the new points system, concerns arise over the necessary number of low-skilled jobs recruitment since employers cannot sponsor them.

The end of the free movement of people and the new recruitment points system has led to a decline in EU migration to the UK which, by the end of 2019, had fallen by slightly more than 150,000.

Inevitably this is having a significant impact on work.

While in the United Kingdom, the average employment rate estimated by the ONS between May and June 2019 was 76.1%, the highest recorded since the 1970s and the unemployment rate reached low levels not recorded since 1974, Brexit and Covid effects disguise these data.

In addition, currently, employers in the UK have been facing the worst staff shortage since the late 1990s. As reported by the Recruitment and Employment Confederation (REC) and KPMG in June 2021, the number of workers available has crashed at a rate not seen since 1997. This severe shortage of labour, as it may jeopardise economic recovery, should be underestimated.

Contrary to what was thought, labour shortages affect very different sectors. In fact, in addition to problems in recruiting staff for low-skilled jobs such as cleaners, kitchen porters and warehouse staff, in recent months, employers have also been experiencing issues in recruiting workers in more lucrative sectors such as finance, computer science, accounting and engineering. Such can slow down economic growth in the country and damage specific sectors.

A clear example of what it means to have a staff shortage is the shortage of food experienced throughout the UK in recent months, which has forced some restaurants to change their menus and left some shelves in supermarkets empty. Large supply chains such as Nando's have recently closed down several outlets after the chicken ran out, and others such as Mcdonald’s and Greggs have encountered similar supply problems.

These food shortages are not because there are food shortages, but are due to problems with workers in the transport and logistics sector, and the cause is partly to Covid-19 and partly to Brexit that has pushed a large part of the workers to return to the EU.

Moreover, about the ERASMUS Student Exchange Programme, its conclusion dramatically reduced student exchanges between the EU and the UK.

Brexit also caused several changes to IPR. Indeed, the missing provisions about the mutual protection for unregistered designs imply that deciding where the first disclosure occur will be crucial as the first disclosure will provide protection only in that territory.

For example, if the first disclosure takes place in the EU, the protection of projects will only take place in the EU and not in the UK, and vice versa.

As a result of changes to intellectual property rights, companies must obtain trade mark and design protections both in the UE and in the UK to ensure constant safeguard to their designs and brands in both territories.

In some areas, it is striking that there are no provisions. Some matters, such as possible cooperation in the foreign policy and security policy and defence fields (the United Kingdom did not want to negotiate these issues) and mutual recognition of professional qualifications, were postponed to future agreements. While for other areas, the parties didn't reach an agreement, such as for mutual recognition of sanitary and phytosanitary standards (SPS).

The absence of mutual recognition of professional qualifications implies that Brits engaged in some professions, such as doctor, nurse, dentist, pharmacist, veterinary surgeon, lawyer, engineer and architect, for which there is recognition within the EU, have to be recognised in each EU Member State where they intend to operate. Thus, the TCA allows the EU and the United Kingdom to agree on mutual recognition of professional qualifications case to case and for specific professions.

The failure to agree on mutual recognition of sanitary and phytosanitary standards (SPS), namely plant and animal health, brought new controls, including physical checks at the border, that make cross-border sales of fresh products much harsh and expensive. Since much of UK food is EU imported, and importing fresh products from distant suppliers have relevant costs, the supply of fresh food will decrease in the UK, and the prices of those products will rise.

Before-mentioned has also had an impact on the protection of food, health and animal rights. Indeed, before Brexit, most of the food standards in force in Britain were standards from the European Union, which guaranteed food free from potentially harmful additives. The British Government currently wants to conclude trade agreements with countries where food and agricultural safety standards are significantly lower than those in the EU; in the past, even the UK banned a large part of products coming from these countries because they did not meet EU standards.

Furthermore, imports of products with lower standards would jeopardise British farmers and their production, which would still have to maintain EU standards to export products to the Member States.

In addition, as food activists warned, lower-standard products are less safe for people's health, promote intensive agriculture, damage animal welfare and may increase diseases caused by excessive use of antibiotics in agriculture.

Shorty put, we can affirm that the TCA is a more favourable scenario for both the UK and the EU than a no-deal scenario which would have led to more uncertainty and inconvenience.

Nevertheless, even if TCA entails 100% tariff-free lines when origin requirements have been met, the level of integration of the UK pre-Brexit is not comparable to the current one.

As a result, raising barriers to the transfer of goods has and will inevitably have negative consequences on trade between the EU and the UK and harmful outcomes to the global value chain. Furthermore, we need to add to this scenario the shortage of labour due to the new immigration rules.

On the other hand, Brexit opens up the possibility of new geo-economic balances. Indeed, one of the main points pro-Brexit was the UK's full autonomy to negotiate and conclude trade agreements with third countries without being subject to EU rules and to do so much faster than the EU.

The United Kingdom is currently negotiating new trade agreements with different countries. But it is not yet sure whether these can bring economic benefits that compensate for the lack of market access to EU countries, which have always been the main trading partners of the United Kingdom. It is an ambitious, time-consuming project to replace 43% of the UK's current exports to the EU (mainly Germany, Ireland, the Netherlands and France) with non-EU exports. But, especially for certain products, such as foodstuffs, new agreements could result in imported products of lower quality and safety and affect the same sector in the domestic market.

CHAPTER 3

BREXIT IMPACT ON THE UK FASHION INDUSTRY

3.1 Why the UK Fashion Industry?

To practically understand what Brexit means, we will examine its effects on a specific industry, the fashion industry.

The choice to examine the fashion sector derives from the fact that it is one of the oldest export industries, globalised and world leader marked by a deeply articulated and disseminated global value chain.

It is a mature sector, with a high intensity of work, characterised by micro and small enterprises (which generally have more difficulty keeping up with commercial shocks), with a sizeable level of integration of the GVC and a considerable amount of imported goods. Thus, it comprehends all the features to make it one of the most significantly exposed industries to the changes of Brexit.

Let us see in more detail the aspects that make this sector particularly interesting to analyse.

The fragmentation of the global production stages of the textile and apparel (T&A) industry has been made possible by its low fixed costs, low technology and high labour intensity in production, and over the years, has witnessed a continuous increase in offshore production and a deep consolidation at the end of the value chain.

The T&A global value chain is a complex and highly geographically fragmented "buyer-driven" value chain where power asymmetries are not lacking.

Lead companies, such as designers and retailers, are generally located in advanced countries and have a primary role in the value chain. They carry out those activities that have more value in the GVC, such as research, marketing, branding, design and control of access to resources to maximise profits.

While the suppliers are in prevalence placed in the countries whose economies are developing and to low cost, and in the production process, they carry out several phases according to the directions of the lead companies.

Over the years, the different trade regimes, with restrictions and accompanying liberalisation measures, have brought about changes in the process and the governance of the GVC.

Between 1974 and 2004, the Multi-fibre Arrangement (MFA) sought to limit the entry of developing countries into the T&A sector by imposing quotas on the number of textile products exported to developed countries. The purpose of the MFA was to protect the companies of advanced economies from low-cost and highly competitive suppliers such as India and China.

However, the MFA has favoured the spread of CVGs as the number of intermediaries in the value chain has increased, factories have been established in countries with available quotas, and new companies in developing countries have entered the export market.

Thanks to the greater specialization of T&A products and the development of fast fashion systems, the lead companies have radically restructured their supply chains relying on a limited number of efficient and strategically positioned suppliers with whom they have created long-term relationships.

In the 1970s, the outsourcing phenomenon to low-cost countries led to a reduction of the textile and apparel industry in the UK and thus, jobs dropped exponentially.

Thus, in the late 1990s, the government introduced the Textiles and Clothing Strategy Group intending to restructure the supply chain to improve the competitiveness of the UK globally through support to designers, enhancing education and promoting investment and innovation. Although this strategy has had a positive impact, the decline in production has not stopped. Despite this, the UK worldwide has remained a leader in both fashion design and retail.

Indeed, over the past decade, there has been a growing demand from designers and retailers to increase the proportion of products manufactured in the UK to shorten delivery times and have greater flexibility. And the interest for the brand "Made in Britain" has increased by foreign consumers too.

As mentioned above, the value chain in the European Union is the largest in the world for economic size and degree of integration, and EU membership has contributed to the development, within the area, of a deeply integrated production chain and to the reduction of times of delivery and commercial costs.

UK industries and those in the EU Member States are highly interconnected, both in supply chains and foreign direct investment and exchange of workers.

Suffice it to think, from 2014 to 2016, the textile trade between the UK and the EU was worth £14 billion. On average, the United Kingdom imported around £8.7 worth of products from the EU, and exports amounted to £5.3 billion.

In addition, for the fashion sector, the free access of talents, students and manufacturing workers from the EU has vital importance.

In effect, many designers have opened and launched in the UK their brand, after attending the best design schools in the UK.

Moreover, the free access to manufacturing workers from European countries contributed to solving the shortage of qualified personnel in the UK.

EU Intellectual Property Rights regulations have also allowed companies in this field to protect their projects, brands, creativity and innovation.

In short, the textile and apparel industry heavily relies on export revenues, raw materials from abroad, talents from around the world and an articulated and fragmented supply chain.

Now that we have an overview of the T&A industry, it is even clearer to understand that with Brexit, this sector has had and still is facing several challenges and problems.

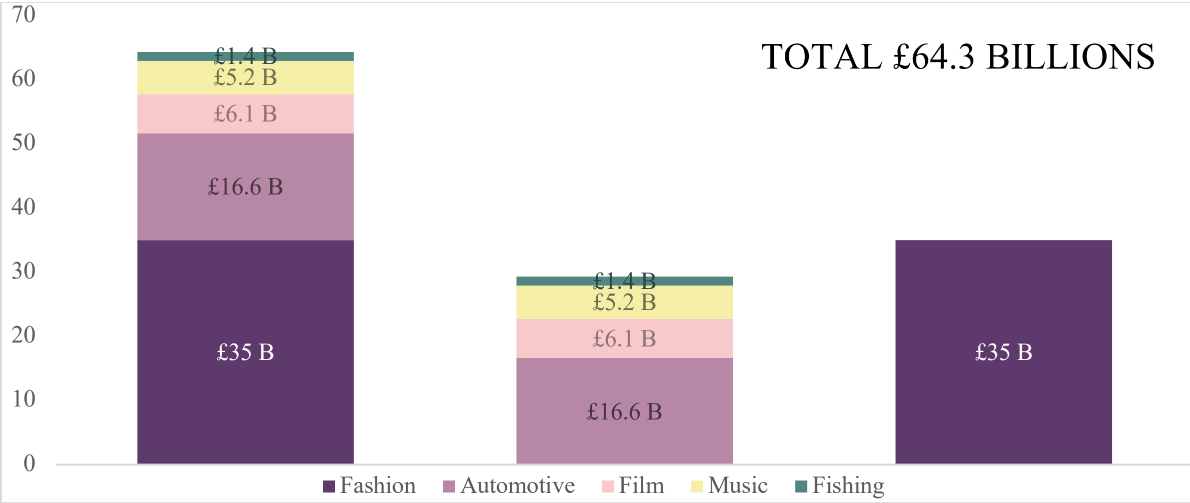
3.2 Primary Evidence of the UK's Fashion Industry Suffering

As we can see from the following chart (Figure 1), in the UK, the fashion and textile industries contribute more to UK GDP than the car, film, music and fishing industries put together.

According to Oxford Economics estimates, the fashion industry's contribution to UK GDP in 2019 was £35 billion, and also its presence in trade with the EU is significant.

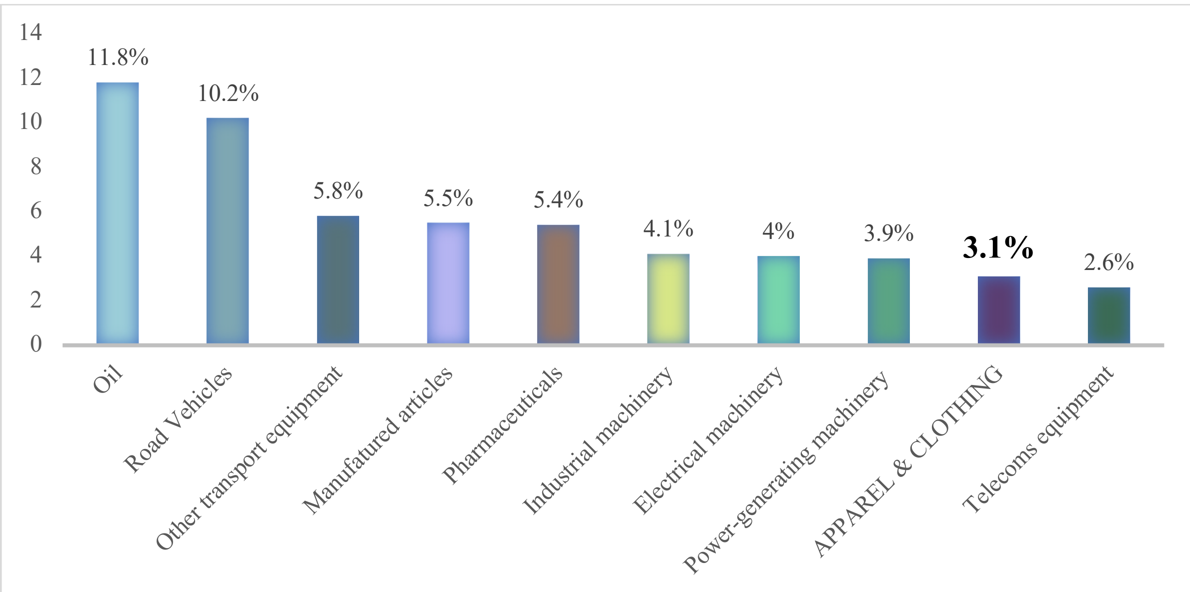
Suffice it to say that, in the same year, 74% of UK textile and clothing exports to the EU were worth £5.3 billion and were in the top 10 exported to the EU, accounting for 3.1% of the country's total exports.

Figure 1 - Fashion, Automotive, Film, Music, Fishing industries Contribution to UK GDP in 2018



Source: Fashion Roundtable

Figure 2 - Percentage of Top 10 UK Goods Exported to the EU on Total UK Exports to the EU



Source: House of Commons

The crisis the textile and clothing industry is facing is extensive.

2020 was a catastrophic year in which every week 320 shops closed and recorded the worst result ever seen in terms of annual sales.

If the pandemic has had a strong negative impact, especially on retail, Brexit remains the most feared opponent to beat.

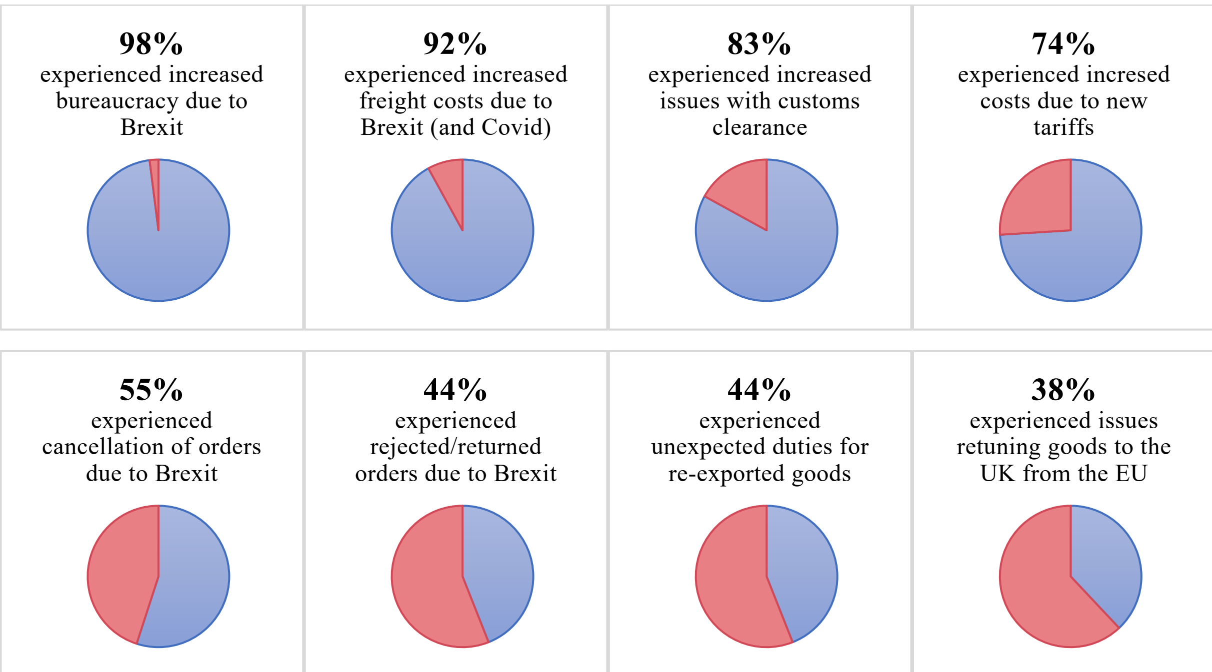
The sector is encountering burdensome regulations, which have led to increased costs for both businesses and consumers, not only because of the introduction of duties and quotas on imported goods that do not have preferential treatment but also new bureaucratic practices and delays at borders.

The UK Fashion and Textile Association in May 2021 (six months after reaching the TCA) carried out the Brexit Survey, conducted on 138 UK fashion companies, including leading fashion brands, textile manufacturers, wholesalers, fashion agencies, clothing manufacturers and retailers.

The survey pointed out that UK companies are coping with tariff and non-tariff costs caused by the end of free trade in goods.

The following graph shows the main problems encountered and the percentage of companies surveyed who encountered this problem.

Figure 3 – Main tariff and non-tariff issues faced by Businesses in May 2021



Source: UKFT

For sure, for the fashion industry, the origin requirement is a harsh burden to overcome. That's because this sector relies on highly fragmented and dispersed supply chains since its final products are mainly the result of the assembly of intermediate inputs coming from various countries.

The use of components from other countries, even outside the EU, is necessary for the UK since it lacks some raw materials, on which therefore there will be applied duties and quotas. A solution to this issue could be to establish distribution centres companies in the EU. However, given that this resolution is expensive, a considerable part of small and medium-sized companies cannot afford it.

Even delays are detrimental, especially for wholesale fashion companies that must comply with the deadlines set with retailers to avoid incurring fines or discounts on delayed goods.

Unfortunately, rising costs, administrative burdens and delays in deliveries create severe problems for UK-EU trade. Consequently, many fashion companies have lost customers in the EU, others have moved distribution warehouses in the EU to the detriment of jobs in the UK, while others closed.

Brexit has hit companies in the fashion industry value chain, both upstream, as manufacturers, and downstream, as designers and retailers.

As reported by a survey conducted between June 2019 and January 2020 by the London School of Economics of 688 UK companies operating in different parts of the T&A supply chain, since the referendum in 2016, Brexit has dramatically affected about 60% of companies.

In principle, companies faced an increase in the costs of imports, especially raw materials, which, in turn, increased prices and decreased demand for domestic production. Many suppliers have witnessed a decline in orders due to unpredictable delivery times and tariff applications.

The increase in product prices, combined with the reduction in consumer purchasing power, has brought down retail sales and many luxury brands and shops shut down.

Some suppliers have found difficulty in continuing their activities, finding raw materials and facing increasing foreign competition. They dealt with changes in delivery plans, delays in purchase decisions and troubles in establishing relationships with potential new EU and international customers.

Another relevant issue in this sector is the reduction of workers from the EU. The companies most affected were those where the skilled workers were mainly from the EU. As we have already seen, the new points-based immigration system in the United Kingdom prevents manufacturing workers, models and photographers from obtaining Visas. That's because they are not classified as qualified since, on average, they have an annual salary between £15,000 and £25,000, and therefore do not reach the minimum threshold of £25,600 per year.

So, the end of free movement of people blocks the free access to talents, students and creatives, which are vital to maintaining the UK's status as a leading country in fashion. Therefore, if before Brexit, it required only short notice to organize photo and video services since recruiting EU photographers and video makers was an immediate process, now it is no longer possible. Such because having a Visa is mandatory, and the iter to getting it takes time.

The survey results showed that only a minor part of the producers, about 4%, found positive effects linked to Brexit. They witnessed an increase in orders from UK retailers who, to avoid potential difficulties, purchased locally.

Instead, among designers and retailers, about 3% said they had benefited from Brexit; they experienced an increase in sales principally to the United States and the EU.

The study's outcome conducted by the London School of Economics is in line with the data obtained from a survey carried out in January and February 2021 by the advocacy group Fashion Roundtable on 200 among companies, designers and creatives.

For 59% of respondents, Brexit has negatively impacted their businesses.

The main concerns have been the end of the free movement of goods and services, resulting in market access issues and changes in tariffs, delays at the border and additional customs costs.

Due to the blocking of the free movement of people, almost all respondents would like a Visa that would allow access for creative people from the EU working in the fashion field.

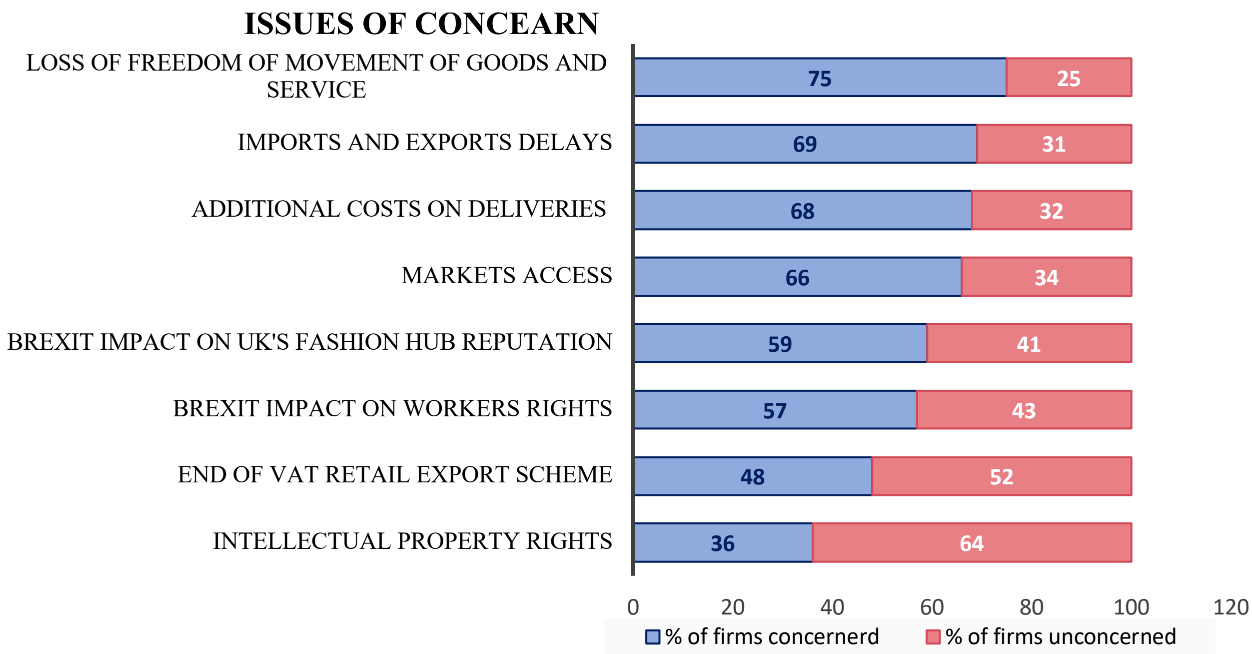
In the following chart are set out the aspects that caused the most concern to the respondents.

As we can see from Figure 5, there are more than just trade-related problems. We notice that more than half expressed concern about workers' rights.

Such is due to recent events, which occurred only a year ago, of worker exploitation in clothing factories in Leicester, where workers received only £3.50 per hour, which is £5.22 below the UK minimum wage of £8.72.

Although the Modern Slavery Act 2015 is in force in the United Kingdom, which establishes the necessary measures to stop modern slavery, EU directives and the presence of the European Court of Justice have been supportive to stem the phenomenon.

Figure 4 – Issues of Most Concern Detected by Fashion Industry Stakeholders due to TCA at the Beginning of 2021



Source: Fashion Roundtable

As explained in the previous chapter, the level playing field dealt with in the TCA is intended to prevent the UK from reducing workers' rights through the non-regression clause (although high-test requirements).

Despite the level playing field in the TCA, the survey showed that 57% of companies are concerned that there may be a gradual "watering down" of workers' rights and that the exploitation of workers involved in the production of clothing may increase especially given the onshoring process that is taking place.

Also, the decision to end VAT-free shopping for international buyers is creating great concern, especially for luxury fashion retailers.

The Centre for Economics and Business Research estimates that the end of the VAT retail export regime could lead to job losses of between 27,000 and 41,000, could reduce the number of non-EU visitors to the UK by 7.3%, and could decrease the total spending of tourists of £1.8 billion.

Another possible consequence is that international visitors to make luxury purchases now prefer Paris or Milan to London because they have tax exemption benefits.

Even if in a small percentage compared to other questions, the lack of Provisions in the TCA about the mutual protection for unregistered designs has caused concern to 36% of the companies surveyed as that in the fashion industry products counterfeiting is a constant problem.

The IP Crime and Enforcement Report for the 2019-2020 period showed that clothing is the second most counterfeit product immediately after cigarettes and tobacco in the UK.

Data found in 2016-2017, counterfeit clothing and accessories accounted for 2,154,046 items seized.

Between 2016 and 2017, 2,154,046 counterfeit articles between clothes and accessories at EU borders, with a value of the original retail product of EUR 55,455,790, were seized.

Of course, the piracy of fashion harms the original brands. That is not only because of the stolen sales but also to the damage of their reputation.

The fashion world, exacerbated by the profound changes brought with Brexit, decided to launch a campaign to urge the British government to intervene to save the industry.

In fact, at the beginning of the year, Fashion Roundtable wrote an open letter to the government asking for more support to address the problems caused by the TCA and asked for a meeting with ministers to find and create new solutions.

In particular, to facilitate the integration of companies involved in the Global Value Chain, are required tax incentives, aid for R&D and investment support.

The letter, signed by 451 British fashion stakeholders, highlights the principal problems and unexpected consequences of the Trade and Cooperation Agreement.

In addition, the fisheries sector received incentives that amounted to £23 million for export management; while the fashion industry, which employs about one million workers and whose GDP contributes worth £35 billion, which is more than the sum of the fisheries, music, cinema, cars, has not received the same support.

So far, however, the UK Government has not replied to the letter yet. And also, in Budget 2021, none of the problems in the fashion industry has been mentioned.

Finally, unfortunately, the fashion industry, which has the potential to be at the centre of the economic recovery of the UK after the Covid, was left at the mercy of itself.

CONCLUSIONS

Brexit has been a very long and complex process that, among negotiations, extensions and renegotiations, has lasted for over 4 years and has deconstructed the solid and consolidated link between the EU and the UK.

No longer being part of the EU single market meant saying goodbye to the free movement of goods, services, people and capital, thus distorting relations with its prime trading partner. Inevitably this has had a significant impact and has brought many changes across the UK in several areas.

The TCA, aimed at regulating the new relations between the EU and the UK, even if more favourable to a no-deal scenario, has created light-years distant relationships from pre-Brexit ones because the parties were not supposed to build links but to manage a divorce.

Tariff and non-tariff barriers have been introduced to trade, except for goods that meet the rules of origin requirement, which have increased costs and delays and have particularly hurt CVG-based companies since goods can cross borders several times and accumulate duties.

In the future, such could lead to a cross-border trade reduction, as already registered in January 2021 by the ONS.

Still, many doubts remain about the future of financial services and the role the City of London will play in the coming years. Because since the passporting regime ended, many companies have moved within the EU, and the City has lost economic activities and jobs.

The blockage of the free movement of people and the introduction of the new immigration system has caused job shortages in all types of the sector, from low-skilled to the most skilled ones, and reduced the country's attractiveness for European students.

The fashion industry is the emblem of how the sectors extremely dependent on the EU in terms of trade, market access and integrated supply chain are suffering due to the many changes introduced.

In fact, with the TCA, the fashion industry has come across new administrative costs, duties, bureaucracy, authorizations, certificates and customs controls, rules of origin and delays. As a result, sales collapsed, and customers from the EU lost.

Trade and production networks have been changed, and distribution centres reallocated in the Member States. In some cases, the activities have had to cease because micro and small companies, which characterise the fashion sector, have not had the financial resources to bear the various new costs.

The fashion industry, brought to its knees by Brexit and in desperate need of help, has not received the necessary support from the government so far.

Fashion stakeholders asked the British government for tax incentives, aid for R&D and investment support to help the industry, exacerbated by Brexit and the pandemic, recovering and restoring the confidence of producers, designers and retailers in the UK.

If the goal of Brexit was to take back control and no longer be subject to EU law and the European Court of Justice, the UK, to some extent, has succeeded. However, the effects of the decision to leave the EU would have on the economy and the country's prosperity were underestimated.

So, unfortunately, in the trade-off between sovereignty and economy, it was the first to get the upper hand.

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