

GOVERNMENT

“No deal” EU exit risk rises as Brexit architect named new prime minister

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Conservative politician Boris Johnson is the new Prime Minister of the United Kingdom. Image credit: Instagram

By SARAH RAMIREZ

The United Kingdom is turning to a new political head to help guide Parliament through Brexit, after Conservative party members elected Boris Johnson as their new leader and future prime minister.

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A former mayor of London, Mr. Johnson served as foreign secretary under the previous Prime Minister Theresa May, until his resignation in 2018 over disagreements about Brexit ([see story](#)). With the U.K.'s departure from the European Union yet to be finalized, leaders in the luxury sector remain concerned about the economic fallout.

"Johnson's ascendancy to the position of prime minister is best conceived, I think, as an axe that is being brought in to cut the rope in the continued tug-of-war between strong Eurosceptics on one side of the Conservatives and the seemingly more negotiation-oriented and cautious traditional' Conservatives," said John Kuzenski, professor at the department of management, innovation & entrepreneurship at [NC State University](#), Raleigh, NC. "Johnson is an unapologetic Hard Brexiteer' who believes that it is more important to leave the E.U. sooner, under any conditions, than it is to follow Prime Minister May's approach of attempting to seek a broader consensus and where possible some sort of better deal for the United Kingdom.

"Johnson's rise, it is widely expected, will settle that issue for better or worse," he said. "A no deal departure now seems to be a virtual certainty given the impasse between U.K. and E.U. negotiators, and the foes of each in the House of Commons, that we have seen in the previous year."

Brexit Boris

One of the main architects of the Brexit referendum, Mr. Johnson has cultivated a reputation for controversy and has been accused of bigotry. He is also known for his ambition, rowdiness and a disheveled head of hair, which was once the subject of a Harvey Nichols campaign.

"There are a lot of facets and dimensions to the Johnson story, but the biggest single takeaway for the immediate future is his positioning as a populist icon in British politics, thus continuing a smaller but still noteworthy nationalistic and populist wave in Western Europe," Mr. Kuzenski said. "After several terms as mayor of London, he

was elected to Parliament, where he has not ever really been shy about plotting his own course and being vocally public about his own disdain for the E.U. among the Tories there."

Boris Johnson was previously teased for his hairstyle in a Harvey Nichols campaign

Mr. Johnson had previously pledged that the U.K. will leave the E.U. on Oct. 31, even if a new Brexit agreement has not been reached.

Brexit had been pushed beyond its original March 29 deadline, as Parliament voted to postpone its split from the E.U. Following failed votes to gain favor for Prime Minister May's Brexit deal and a no deal exit from the E.U., lawmakers passed a vote on a motion to delay the break up ([see story](#)).

A "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.

One point of contention has been 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 ([see story](#)).

The Brexit delay did not ease pressure on Ms. May, who announced her resignation as leader of the Conservative and Unionist Party effective June 7, paving the way for a new prime minister to take her place ([see story](#)).

Mr. Johnson earned 66.4 percent of the vote by Conservative members on July 23. Several senior officials announced their resignations following the results, citing their disagreements with Mr. Johnson's views on Brexit.



British luxury brands will be impacted by Brexit. Image credit: Burberry

In 2016, Mr. Johnson led the campaign to exit the E.U.

Brexit was spurred largely by economic and political issues across the European continent. Those who argued for Brexit were unhappy that the U.K. pays more toward the E.U. than it was receiving back from the alliance, with funds going toward members that were more in need ([see story](#)).

British luxury

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

Research shows that Brexit could be detrimental to British luxury brands if no deal is met. Mr. Johnson has expressed his intent to complete Brexit even in a "no deal" scenario.

According to a report from Walpole, British luxury could lose up to a 6.8 billion pounds, or almost \$9 billion if the United Kingdom leaves the E.U. without any sort of deal. Additional tariffs, taxes and regulation differences between the U.K. and the E.U. may cause a fifth of British luxury business to be at risk ([see story](#)).

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](#)).

Additionally, a report from Altiant found that 23 percent of British affluents are considering leaving the U.K. if it does

in fact completely separate from the European Union. Half of the respondents said they prefer that the U.K. stay with the E.U ([see story](#)).

Despite the continued uncertainty around Brexit, the British luxury business is growing at more than double the rate of the U.K.'s overall economy. According to a report from Walpole, Britain's luxury business has achieved almost 50 percent growth in the four years from 2013 to 2017 ([see story](#)).

"The luxury sector is somewhat better positioned than most for a contraction in the British economy due to less reliance on razor-thin profit margins and a client base that is both global and more shielded from downturns in the economy, but the sector itself will be far from immune from the effects of a no deal Brexit," NC State's Mr. Kuzenski said. "The U.K. luxury sector, unfortunately, relies on Europe for about 80 percent of its exports, and that makes it particularly sensitive to a sudden, sharp shock to the system."

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