

GOVERNMENT

What a Biden win will mean for luxury

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As the United States gears up for its presidential election result, Jing Daily looks at the impact a Biden vote would have on the luxury market. Image credit: Shutterstock

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This year cannot end fast enough. But before it does, we still need to plough through a **COVID-19** winter and the results of the U.S. presidential election.

Nothing is ever certain, but the **early voting numbers** already exceed 2016's levels, indicating that President Trump's challenger, Democratic nominee Joe Biden is leading.

However, do not hold your breath; the U.S. has a long history of controversial election results.

Much of the electorate and wider world would presumably have hoped to see a democratic nominee bring some diversity to the White House.

To his credit, though, Mr. Biden has chosen his running mate cleverly: Kamala Harris is the first woman of color on a major party ticket and more than two decades younger than him given Mr. Biden's age many might see her as the real candidate.

For the many voters tired of the theatrics of politics, Mr. Biden is a welcome return to the centrist, status quo. An experienced career politician: 36 years in the Senate plus eight years as vice president under President Obama.

This is not Mr. Biden's first stab at the presidency: a plagiarized speech **from the U.K. Labor leader Neil Kinnock** put paid to his 1988 run.

In 2008 he failed to secure the Iowa caucus. And, no stranger to tragedy, another **attempt in 2016 was derailed by the tragic and untimely death of his son, Beau.** Now he is back, but are his policies any better than Mr. Trump's?

So far, Mr. Biden's legacy is mixed. It includes 1990s **Violence Against Women Act** seen as a win, yet he spearheaded **the heavily criticized Crime Bill** of 1994. He endorsed the Iraq war in 2002 an act he claims he immediately regretted.

Yet, President Obama's administration was as war-mongering as Mr. Bush: **in 2016 alone, it dropped more than 26,000 bombs approximately three bombs every hour per day for the entire year.** Given this, we can only hope he is

now as **anti-war as he claims to be**.

Furthermore, during the Great Recession between 2007-09, Mr. Biden helped lead the **slowest** economic recovery since World War II. **Ninety-three percent of the counties in America** failed fully to recover.

Despite this, 2020's campaign sees him basking somewhat in that government's achievements, and Mr. Biden **was credited with turning around Mr. Obama's second run in 2012 in his face-off against Paul Ryan**.

When it comes to health care, played a large part in Obama's controversial Affordable Care Act. He now wants to prop this up with a public option but is against Senator Bernie Sanders' Medicare For All.

Still, overall, Mr. Biden is considered to be the more progressive of the two: he supported **gay marriage**, condemned **racism** and promised to rejoin the Paris Climate Accord if elected. In fact, **his green policies** are more than good news for the environment.

This neoteric outlook sits well with the fashion sector.

Numerous industry leaders supported Mr. Trump's 2016 campaign rival, Democrat Hilary Clinton: Ralph Lauren and Calvin Klein among them.

The fashion sector is even more politicized now. Companies and influencers around the country are urging the electorate to vote, taking to the likes of Instagram to voice their support.

Julie Gilhart, president of Tomorrow Projects and chief development officer of Tomorrow Ltd., stated that Mr. Biden is "engaging with top brands on many fronts. This includes the clothing and accessories collection titled Believe in Better' from the Biden Victory Fund that enlisted some of the most celebrated designers like Thom Browne, Tory Burch, and many others."

Almost 20 high-profile designers from Jason Wu to Vera Wang supported the campaign. **Donna Karan, Michael Kors and Anna Wintour have all joined Mr. Biden's ranks too. Supermodel, Karlie Kloss, the sister-in-law to White House adviser, Jared Kushner, joined Team Biden in September.**

Mr. Biden is no stranger to the industry himself. His daughter Ashley has a conscious **hoodie brand called Livelihood**.

A survey by Glossy/Modern Retail found that **46.8 percent of those polled agreed that the U.S. economy would improve with a Biden win (only 12.9 percent expressed the same confidence for Trump)**. And, with only days to go, but potentially weeks until a clear result, *Jing Daily* looks at what impact a Biden win would have on luxury and **U.S.-China** relations.

Could Biden quell U.S.-China tensions?

The U.S. is deeply divided. Much of Mr. Biden's immediate focus will be on internal domestic affairs and, in the run-up to this election, he is equally as lackluster as Mr. Trump when it comes to international trade.

Frank Lavin, founder and chairman of Export Now (China **Ecommerce** and Market Entry), noted that "little would change" in this area should he take office.

"A Biden victory would not resolve the complicated geopolitical issues in the relationship," Mr. Lavin said. "But, it would improve the tone and public discourse. It might be difficult to see a sharp improvement in the relationship, but at least we would stabilize what has been in recent years a negative trajectory."

Mr. Trump's anti-China rhetoric can be viewed through the prism of the legacy of the Obama and Clinton administrations.

Mr. Obama expanded global trade, including with China. Under these presidencies, in particular, China's economic star rose. Subsequently, **and in no uncertain terms, Mr. Trump has branded China's** growth under these leaders as **a threat to the world**.

A desire for **civility in politics is now back in fashion**.

Ms. Gilhart thinks Mr. Biden would come to the table with "a much more level approach to balancing domestic and international trade." She cited one of Mr. Biden's senior economic advisors, Ben Harris, as part of that reasoning.

In the past, Mr. Harris commented, **"Biden is not blindly pro-trade, but he doesn't want to shrink from the world as President Trump has."**

Moreover, despite calling **Mr. Trump's trade war as "self-destructive," Mr. Biden has so far has not pledged to remove tariffs.**

China poses **"an existential threat"** for him, though Mr. Lavin was equally optimistic regarding discourse. Regardless of whether tariffs are cut or not and virus permitting, he said Chinese tourists may be tempted back to the U.S. under Biden's more restrained discourse.

"Any steps that lower the rhetorical temperature in the bilateral relationship will provide a modest boost to travel and tourism," Mr. Lavin said. "Biden, in terms of personality and demeanor is less likely to engage in public criticism of other nations."

What "Build Back Better" means for U.S. fashion

Mr. Biden's "Build Back Better" campaign and U.S.-focused policies argue for U.S.-made goods, bought in the U.S., but in a less bullish way than Mr. Trump's MAGA.

Ms. Gilhart, who lives in New York, suggested that his proposals show he aims to "encourage American companies to develop U.S.-based jobs and build up industries at home.

"Gabriela Hearst recently spoke about the fact that more than 400,000 small businesses across the country have collapsed in the wake of Trump's management of the current crisis," she said.

"Many of these businesses are a part of the fashion industry. Having domestic production would greatly decrease difficulties caused by the coronavirus."

Indeed, remunerative plans under a Biden administration should have a strong boost to the U.S. domestic economy. This comes by holding wealthy Americans and corporations to account for their appropriate share of tax.

According to Tommy Wu, lead economist at Oxford Economics, this should make U.S. households better off in general, "including the consumers of luxury goods."

Under a Biden government, Mr. Wu predicted, "the U.S. will likely form a common front' with its traditional allies on China-related issues," though he did not expect "significant decoupling" would happen. If it did though, it could well have unintended negative consequences on luxury.

"More decoupling could still give a boost to **China's homegrown brands** as China will turn to more self-reliant companies and there could be a rise in nationalistic sentiment to some degree," Mr. Wu said. "This will lead to increasing competition for luxury brands from the West."

Post-election, the Chinese consumer remains key

Luxury goods analysts have been keen to argue China's dominant role going forward in **luxury.**

In 2019, China's consumers generated 35 percent of global luxury spending, while U.S. consumers generated 22 percent. This was even before COVID-19 and **China's economic recovery.**

Western brands have accepted the importance of the luxury Chinese consumer but more recently, they have been battling nimble local brands on home territory.

Luxury analyst Flavio Cereda-Parini, managing director at Jefferies International Limited, went so far as to say: "In order to perform (niche brands are the exception), they need to resonate well in China. We are seeing this already in 2020. If you were lagging behind pre-COVID, now it's a disaster the gap is so big that it is opening up."

Furthermore, if a brand is reliant on consumers but its government has a negative policy against their country, this may well hamper businesses clearly reliant on China.

"The personal luxury goods sector is entirely about Asia," Mr. Cereda-Parini said. "The U.S. is holding up, Europe will bounce back, but these markets haven't been growing for years. Any expansion is simply coming from Chinese travelers."

Mr. Cereda-Parini also pointed to a potential boost for resellers but was adamant that all the market share gains from brands are coming from Asia or more specifically China.

"In luxury malls, the top 10 brands were getting 45 percent of revenue, but now it's 65 or 70 percent and that's reflected in the revenues," Mr. Cereda-Parini said. "It would have happened anyway eventually but due to the virus we got there in six to eight months."

Mr. Cereda-Parini's final issue was stock market volatility.

"In the U.S. there's a lot more wealth tied up with the stock market compared to Europe, where tax is high already," Mr. Cereda-Parini said. "There will be some impact on the propensity and capacity to spend on discretionary items and that includes luxury, which is not a necessity."

On and off the record, reports paint an ugly picture if Mr. Trump is re-elected: much social unrest is anticipated. Retailers are stocking up in preparation, and brands have crisis plans in the pipeline.

Four years ago, Hilary Clinton won the popular vote but lost the Electoral College.

Before that, Al Gore had his election result stolen in a contested Florida. This is likely the most eagerly anticipated election in U.S. history and the world is watching.

Will Mr. Biden's positive poll numbers hold and usher in a new presidency or will more chaos reign? The world awaits.

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