

Luxury as ambassador of European values - exporting culture, creativity, and craftsmanship

1. The European luxury sector forms part of the cultural and creative industries in Europe: European luxury brands draw upon European culture, art and heritage to design and create innovative and inspiring products. These brands provide an aura of excellence and promote values of quality and craftsmanship, underlined by the knowhow of the best artisans in Europe, which is exported and celebrated globally.

Culture and art are intrinsic to the brands and artistic creation is part of every stage of the sector's activities and core to its business. The aspect of highest quality threads itself through entire luxury value chain, from the raw materials used, to the production processes and manufacturing, to the retail experience all the way to the after sales service provided to customers.

All this contributes to a unique inter-cultural dialogue where European culture and heritage are infused with cultural influences from abroad. The end result of this melting pot of global inspiration and European art, culture and know-how, is a beautifully crafted high-quality product that is exported globally, thus bringing parts of European culture, art and lifestyle to citizens across the globe. In export markets across the globe, for example in emerging economies such as China, India, Brazil and Russia, European products are appreciated and considered to be of high quality, combining tradition, cultural heritage and craftsmanship with modern technologies and design.

2. Europe is the global leader in the development and manufacture of luxury products and services: European brands account for at least 70% of the global luxury goods market, and their products are exported across the world. In fact, the European luxury sector exports over €260 billion outside of the EU – this corresponds to 60% of its output. Given that European exports in total are approximately €1,800 billion per year, the luxury goods exports account for over 10% of all European exports. Overall, the sector has recorded double digit growth in the last two years, increasing its employment footprint to 1,000,000 workers directly, and at least a further 500,000 workers indirectly.

Exporting European high-end brands is not only exporting products –brands are ambassadors of European values. By exporting European products that are based on highest standards in every aspect, high-end manufacturers spread the messages for core European values. However, their work is unduly jeopardized by protective practices of third countries that seek to control trade flows in mass market goods, not high-end. While European high-end products do not generally face local competition in export markets, they are confronted with policy measures that seek to regulate mass-market competition. These impediments include for example:

- high tariffs (e.g. in Wines & Spirits in India and other South-East Asia)
- investment restrictions, in particular in the retail market (e.g. in all product categories in India)
- layered taxation and local duties (e.g. in all product categories in China)
- complicated and burdensome import license procedures (e.g. in leather bags in Brazil)
- import restrictions (e.g. in perfumes & cosmetics in Argentina)
- non-transparent product registration rules (e.g. in perfumes & cosmetics in China)
- discriminatory tariff quota systems (e.g. in leather shoes in Japan)

In October 2011, the European Commission's report on Trade Restrictive Measures found that G20 governments implemented 424 restrictive measures since October 2008.

In the past 12 months alone, 131 new restrictions have been introduced; only 40 have been removed.

Against this background, it is clear that policy movements in this area can have a potentially significant impact on the future performance of European luxury brands.

3. The future prospects for the sector are strong: Medium-term forecasts suggest the sector will continue to grow at between 7% and 9% per year. If this level of growth is realised, the sector will contribute between €790 and €930 billion to the European economy in 2020, and will employ between 1.8 and 2.2 million people directly. However, much of that growth is likely to take place in markets outside of Europe. In particular, the market in Asia and in the BRIC economies is estimated to be the key driver of growth over the next decade.

In consequence, continued access on fair terms to these growing markets is essential to the continued success of the luxury sector. Continued progress in reducing trade barriers and increasing trade integration across these markets is therefore fundamental to the luxury business model.

The priority actions at the EU level should aim to create a level playing field in the global market in order to enable our businesses to take full advantage of the opportunities to export and invest. Free Trade Agreements should aim to ensure duty-free access, promote harmonisation and mutual recognition and include provisions to prevent the introduction of duties, technical and non-technical barriers and other restrictions. In the short term, EU authorities should make use of the existing mechanisms, such as regulatory dialogues with third countries and Market access teams to take immediate actions aimed at facilitating access of the European high-end industry to key markets.

A significant share of luxury products and services sold in the EU is purchased by tourists. Visa facilitation can therefore stimulate economic growth and job creation through tourism. Moreover, Europe should take advantage of its unique culture and heritage, also linked to fashion, and be able to attract more tourists by offering them new "fashion tourism products", by combining visits to fashion museums, exhibitions, fairs, crafts workshops etc. with an exquisite shopping experience.

Priority EU actions:

- *Swiftly adopting a revised EU Market Access Strategy that takes into account the specificity of CCIs*
- *Swiftly concluding open FTA negotiations with key markets (including India, Mercosur, Singapore, Vietnam) and striving for further trade talks (Japan, China, Russia)*
- *Adopting an EU Visa facilitation strategy for key countries to boost tourism in Europe*