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Coronavirus And Its Effect On The Fashion Industry

BY [EMILY FARO](#) / ON FEBRUARY 23, 2020



It is safe to say that Chinese consumers, whether purchasing in China, online, or abroad, are an ever-important part of the fashion industry. Specifically, Chinese consumers spend billions of dollars on luxury goods. In 2018, Chinese consumers were responsible for 1/3 of "the €260 billion spent on personal luxury goods."^[1] China's share of the global luxury market is projected to be 41% by 2025.^[2] Additionally, China is a major player in the global fashion supply chain; the country is the largest producer and exporter of textiles and apparel in the world.^[3]

The Coronavirus (a large family of viruses first detected in Wuhan City, China)^[4] is having a large, negative effect on luxury fashion brands.^[5] Many brands have announced expectations of reduced revenue and financial disruptions.^[6] Brands like Burberry, which generates 40% of its sales from Chinese consumers, will continue to face negative sales in the face of this virus.^[7] This is for many reasons: many companies have announced that they will be closing their stores in China in the wake of the virus and Chinese consumers are purchasing less goods, at home and abroad. Burberry's stores in China will remain temporarily closed so long

as the virus continues to pose a major threat^[8] and Nike announced that half of its stores in China have been temporarily closed.^[9]

Earlier this month, the organizers of Shanghai Fashion Week announced that the events will be postponed, and China Fashion Week organizers have yet to publicly announce if it will postpone or cancel its event.^[10] Overall, this epidemic will have lasting effects on the fashion industry, major fashion companies, and US and European Economies.^[11]

In terms of the fashion supply chain, production of clothing items and accessories could be delayed for months for those companies who manufacture their products in China.^[12] According to Xi Yang, an attorney at the Seattle-based international law firm Harris Bricken, which specializes in investment with China, "If brands have not diversified their productions outside of China, then there isn't much they can do to minimize the losses."^[13] This begs the question how lawyers working for luxury fashion brands, those doing business in China, and Chinese companies and manufacturers can protect themselves during this outbreak.

In fact, a Chinese international trade agency, the China Council for Promotion of International Trade ("CCPIT"), reported that it already is, or will be, offering "force majeure certificates" to Chinese companies "struggling to cope with impact of the new coronavirus epidemic on their business with overseas partners."^[14] Because many of these companies are unable to fulfill their contracts, a force majeure certificate can be advantageous because it absolves parties of liability for contracts that can't be completed due to extraordinary circumstances beyond the company's control.^[15]

According to the International Chamber of Commerce ("ICC"), a force majeure clause is often put in contracts to protect a company from "unforeseeable circumstances that prevent someone from fulfilling a contract."^[16] A force majeure certificate, however, exonerates companies that do not perform or partially perform their contractual duties "if they are suffering from circumstances beyond their control."^[17] China has already issued more than 1,600 force majeure certifications for companies affected by the Covid-19 (Coronavirus) epidemic.^[18] From there, companies present the certificate to their clients and agree on a later date to complete their contract without the threat of legal liability.^[19] The textile sector is part of the numerous trade associations that has been instructed by the Ministry of Commerce on legal counseling and applying for force majeure certificates.^[20]

When doing business in China, fashion companies must consider what kind of contracts they have with their supplier, which conditions apply, if they have to cancel orders in case of late delivery, making advance payments, etc.^[21] "Depending on the time of your order placement and other aspects, it is possible that your supplier is also right to invoke force majeure. In that case you cannot hold them liable for the damage suffered."^[22]

Overall, the coronavirus is presenting unique challenges and concerns for the fashion industry. With an industry depending on Chinese consumers and manufacturers, this prolonged epidemic will continue to put strain on the global economy.

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[3] *Garment Industry Report*, INTREPIDSOURCING (last visited Feb. 13, 2020), <https://intrepidsourcing.com/industry-reports/garment-industry-report/>.

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[7] *Id.*

[8] *Id.*

[9] Simone Preuss, *How the Coronavirus is Affecting the Fashion Industry*, Fashion United (Feb. 11, 2020), <https://fashionunited.com/news/business/how-the-coronavirus-has-affected-the-fashion-industry/2020021132076>,

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[11] *Id.*

[12] The Fashion Law, *supra* note 5.

[13] Ruonan Zheng, *How the Fashion Industry is Coping with the Coronavirus Crisis*, Jing Daily (Feb. 3, 2020), <https://jingdaily.com/how-the-fashion-industry-is-coping-with-the-coronavirus-crisis/>.

[14] *China trade agency to offer firms force majeure certificates amid coronavirus outbreak*, Reuters (Jan. 30, 2020, 9:02 PM), <https://uk.reuters.com/article/uk-china-health-trade/china-trade-agency-to-offer-firms-force-majeure-certificates-amid-coronavirus-outbreak-idUKKBN1ZU05V>.

[15] *Id.*

[16] Dave Makichuk, *China issues US\$15.7B in 'force majeure' certs*, Asia Times (Feb. 19, 2020), <https://asiatimes.com/2020/02/china-issues-us15-7-billion-in-force-majeure-certs/>.

[17] *Id.*

[18] *Id.*

[19] *Id.*

[20] *Id.*

[21] *Coronavirus in fashion: be alert, respond immediately* (Feb. 13, 2020), <https://engnews24h.com/coronavirus-in-fashion-be-alert-respond-immediately/>.

[22] *Id.*