



Duties Challenge Cachet of Europe Luxury Goods -- WSJ

Dow Jones Newswires, Mardi, 27 Mai 2025, 06:32 GMT, 1394 Mots, Copyright © 2025, Dow Jones & Company, Inc.

(Document DJDN000020250527e15r000jw)

The trade war has turned a spotlight on the artisanal clusters behind glamorous goods, inviting fresh scrutiny of one of the industry's key selling points

By Nick Kostov | Photographs by Laura León for WSJ

UBRIQUE, Spain -- Europe's luxury brands have long sold pricey handbags based on the mystique of where they are made. Now the trade war is probing the value of producing in places like this sun-kissed town.

Ubrique's workshops have pumped out leather goods for Chanel, Louis Vuitton and other brands for years, employing about a quarter of the town's population of 16,000. A giant statue of the patacabra, a wooden tool used to shape and smooth the leather, rises by the road leading into town.

"We're all basically living off leather here," said José Antonio Bautista, the town's deputy mayor.

President Trump's tariffs are now shaking the foundations of Ubrique's business model -- and that of the broader luxury industry. Trump has threatened a 50% tariff on goods imported from the European Union, setting a deadline for reaching a deal that he pushed back Sunday to July 9.

European brands have long cultivated the image that Old World heritage uniquely positions the continent to create goods for the world's most discerning customers -- justifying their eye-watering price tags.

While high margins offer brands some protection from tariffs, Trump's push to shift production to the U.S. has sparked fresh scrutiny of the "Made in Europe" value proposition. The worry for some brands: Luxury goods produced in America won't carry the same cachet with consumers.

"It wouldn't make sense to me to have Italian Gucci bags made in Texas," François-Henri Pinault, chief executive of the group that owns Gucci, Saint Laurent and Balenciaga, told French lawmakers earlier this month. "It doesn't make sense to my clients. I can't explain that."

The allure of European provenance is already being questioned in the industry's second-biggest market: China. After Trump announced his Liberation Day tariffs, a wave of videos flooded TikTok, purporting to reveal the true cost of luxury by showing how a range of high-end handbags -- including the Hermès Birkin, which sell for more than \$10,000 -- can be cheaply counterfeited in a Chinese factory.

The scrutiny has shone a spotlight on places like Ubrique, where first-year trainees start on the equivalent of around \$30 a day, and the most experienced "production workers" earn a daily wage of roughly \$57, according to a local labor agreement. The agreement also includes a clause requiring companies to top up wages if they fall below Spain's minimum wage when calculated on a daily, monthly, or yearly basis -- a provision that has become more relevant as the country has raised its minimum wage repeatedly in recent years.

Shifting production to the U.S., however, is easier said than done. Louis Vuitton opened a leather-goods workshop in Alvarado, Texas, in 2019 as part of a push to diversify manufacturing and meet growing demand in its largest market. But scaling up has proven difficult.

The site has faced growing pains as Louis Vuitton struggled to recruit and train local artisans. LVMH CEO Bernard Arnault said he planned to hire a thousand staff at the plant when it initially opened, but



years later the facility only employs around 300 people -- a slower-than-expected expansion that the company partly attributes to the pandemic.

Still, Arnault recently said the group would "inevitably be forced to increase its American production" if the EU fails to reach a deal to avert Trump's tariffs.

A town built on leather

Spain quietly plays a central role in the global luxury supply chain -- especially in leather goods.

Nowhere is that more evident than in Ubrique, where leather craftsmanship took off in the 19th century -- helped by the town's abundant water supply, crucial for softening hides and dyeing leather.

The area's isolation and poverty played a role too. Families raised livestock while women began sewing and finishing leather goods at home. By the 1970s, Ubrique had become a byword for craftsmanship, drawing brands like Dior and Loewe.

Today, handbag makers rely on Ubrique's extensive network of suppliers, specialized machinery makers, tanneries and logistics hubs that have developed together over decades.

Their close proximity enables speed and flexibility, which are crucial in an industry that is constantly working on new designs. Workshops often work hand-in-hand with brands to develop prototypes and refine products. Longstanding relationships have fostered trust and discretion, helping protect sourcing strategies and unreleased designs.

Chanel purses are made in a discreet workshop with no signage, while Louis Vuitton relies on a longstanding supplier with several sites across town to produce pieces including a \$3,000 hobo-style bag.

Ubrique's rich industrial ecosystem would be difficult, and take years, to replicate elsewhere. Similar tightknit luxury clusters can be found in Tuscany for leather goods, La Chaux-de-Fonds for Swiss watches and the French town of Grasse for perfume.

Economic forces have threatened Ubrique before. During the 2008 financial crisis, many luxury brands moved production to lower-cost countries like China. The result: factory closures, job losses and economic pain.

"You'd see people who had nothing to eat coming here asking for help," said Bautista, the deputy mayor.

But just a few years later the brands were back. Factories in China proved susceptible to counterfeiters. When design specifications or materials were leaked, copycat producers could flood the market with knockoffs.

Inside the workshops

Throughout Ubrique, the tap tap of the patacabra rings out from behind workshop walls.

At many of the town's factories, workers arrive before dawn, stow their phones in lockers and wait for a 6.55 a.m. alarm. When it sounds, they head to their benches and work -- mostly on their feet -- until 3 p.m., broken only by a 20-minute break.

Luxury brands often promote the image of a single in-house artisan meticulously crafting a handbag from start to finish. In reality, production is more industrial, broken down into a series of repetitive, specialized tasks that require less training -- in theory making it easier to shift manufacturing elsewhere.





Yet making luxury leather goods still involves a sequence of precise, hands-on steps that require a high level of skill. Leather must be inspected and cut, then thinned, reinforced, stitched and assembled -- often using techniques that machines can't easily replicate. Edges are finished by hand and hardware is carefully fitted.

More experienced workers are assigned to the most technically demanding tasks. At one factory, employees said men's backpacks were the hardest to make -- not just because of the number of components, but also the precision needed to fit the panels, handles and zips.

"Finding qualified people is tough," said Manuel Fernández, owner of the Don Puro workshop, which supplies several luxury brands. "Out of every three new hires, you might only keep one. The others just don't work out."

While businesspeople in Ubrique say they have yet to feel the impact of Trump's tariffs, the uncertainty is leading to heightened concerns in the town.

A broad luxury slowdown has already hit Ubrique's producers. While much of the slack has been taken up by Polène, a fast-growing French brand that makes all of its handbags in the town, some workshops are feeling the pain as clients cut back on orders.

Marcos Obando, who works for a local employers' association, is hopeful big luxury brands will keep investing in Ubrique, even if tariffs do add to costs. He argues the town should double down on quality, since it can't compete on price -- not even with lower-cost neighbors like Portugal or countries in Eastern Europe.

"There is a reason why all the brands have been working here for decades -- why this town has been focused on this for many, many years," he said.

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This article is being republished as part of our daily reproduction of WSJ.com articles that also appeared in the U.S. print edition of The Wall Street Journal (May 27, 2025).

(END) Dow Jones Newswires

May 27, 2025 02:32 ET (06:32 GMT)

