Risk of no-deal Brexit staggers European companies and economy

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The growing likelihood of a no-deal Brexit next March is sending economic and political shock-waves across Europe. After the European Union (EU) rejected UK Prime Minister Theresa May's "Chequers plan" for Brexit at its Salzburg summit last month, it is ever clearer that Britain may well exit the EU without any agreement on future political and trading relations—an event with vast and still uncharted ramifications.

On Wednesday in Paris, European Affairs Minister Nathalie Loiseau reported she had presented to the French council of ministers a law allowing President Emmanuel Macron to impose emergency decrees to deal with problems related to Brexit arising in France.

"A good agreement on the United Kingdom's exit is still possible," Loiseau said. "But we must be prepared for all scenarios, including one with no agreement. We owe it to our citizens, to our firms, and to British citizens living in France to be ready for all eventualities." She added, "We are making these preparations, other EU member states are as well. The British are making them as much as we are. We are not trying to show mistrust as to the state of the negotiations or with regards to our British partners."

Loiseau said, however, that major problems could include "the situation of Frenchmen now residing in Britain but returning to France," as well as ensuring that "on March 30, 2019, British people living in France do not suddenly discover they are undocumented immigrants." Some 1.2 million British citizens currently live outside Britain in the EU.

What is clear is that nearly two years of talks between the EU and London have made no discernible progress in creating a stable relationship between countries at the heart of Europe's economy. Last month, French and British scallop-fishing vessels violently clashed in the English Channel. Now, ports, industrial enterprises and governments are scrambling to prepare for the sudden termination of the old cross-Channel relations, under conditions where no one knows what new relations might emerge from the Brexit talks.

All the major EU governments bordering Britain are making plans to re-establish border controls with Britain, which would wreak havoc on European supply chains. On Tuesday, the French government agreed to deploy 700 new border guards to inspect trucks transiting to Britain via ferry or Eurotunnel in anticipation of a no-deal Brexit. The Netherlands made plans to deploy 1,000 new border guards over Brexit in July, and Belgium 141 border guards in June.

With mass layoffs in preparation at auto firms, plans in ruling circles are well advanced to place the full costs of any Brexit crisis firmly on the backs of the working class internationally. Last month, Jaguar Land Rover moved 1,000 workers at its Castle Bromwich plant in Birmingham onto a three-day week for the rest of the year.

The chairman of Japan's Keidanren business lobby, Hiroaki Nakanishi, told Bloomberg that in case of a no-deal Brexit, "It's natural to assume that Japanese companies may start leaving the UK." These companies include Toyota, whose president for Europe, Johan van Zyl, confirmed that it is planning to halt production in Britain, given that 87 percent of the 144,000 vehicles produced at its Burnaston plant are then shipped to EU markets. The Mitsubishi financial group is also planning to shift its European headquarters from London to Amsterdam, threatening up to 2,000 jobs.

However, not all the jobs threatened by Brexit at Japanese-owned firms are located in Britain. Japanese brewer Asahi exports Peroni beer to Britain from Italy, where it has a small presence in the local beer market, and could face significant losses in Italy. Hitachi Construction Machinery has said that it may stop exporting machinery to Britain from manufacturing facilities in the Netherlands, and ship from Japan instead.

More broadly, expectations of Brexit are setting into motion plans for a vast shift in trade relations that could send a wrenching shock to the European and world economy. The *Journal of Commerce* reported that 40 percent of businesses interviewed in Britain are looking to replace European suppliers, while 63 percent of EU businesses working with UK suppliers expect to move part or all of their supply chains out of Britain.

Ports and shipping companies are struggling to determine the consequences of any Brexit, even one that ends with a friendly deal between EU officials and London. “You at least will have to announce to the customs what you are transporting in much higher detail than today. Even if a shipment isn’t singled out for inspection, you will still need to provide all the necessary data to do a risk assessment,” ECS European Containers CEO Pieter Balcaen told *The Globe and Mail*.

Some 14,000 trucks cross the EU-Britain border daily, and 53 percent of UK imports originate in the EU, making detailed border controls of all UK-EU traffic—which could be mandated if Britain leaves the Common Market amid a no-deal Brexit—all but impossible. Joachim Coens, the CEO of Belgium’s Zeebrugge port, told the *Independent* that some 4,000 trucks drive through Zeebrugge to Britain. “If they are blocked even for a few hours, then you have 60 kilometers (40 miles) of blockage. Nobody wants that,” he said.

Even larger bottlenecks could develop at the British port of Dover, which handles 10,000 trucks in Britain-EU transit daily, as well as at the Eurotunnel between Britain and France.

Anticipating the worst, industrial enterprises are already building up inventory in case the UK-EU border becomes blocked for a protracted period.

Detlef Trefzger, CEO of the major German logistics firm Kuehne-Nagel, told the *Journal of Commerce*: “Our customers have started to build up inventory in the UK and are asking us for six to 12 months of additional capacity to build up a buffer until they have a better idea of what the impact will be. … CFOs [Chief Financial Officers] don’t like to build up inventory because of the costs, but they need to be prepared. We are seeing that in the hi-tech, automotive, and aerospace industries.”

A statement from the European Shippers’ Council noted, “Shippers and logistics operators all over Europe and globally are spending time and money analysing the possible consequences of Brexit: congestion at ports, impact on transshipment operations, and new barriers to trade. Contingency plans can be made, but each one is very time-consuming to develop, and in the current climate of uncertainty there could be many scenarios that need to be considered.”

The chaos emerging in the run-up to Brexit underscores the political bankruptcy of European capitalism. The Brexit vote—reflecting not only corrupt manoeuvres of more nationalistic sections of the British bourgeoisie, but above all the disillusionment of masses of voters with the EU’s austerity and attacks on democratic rights—has brought the contradiction between world economy and the nation-state system to a new level of intensity. The danger of an economic crash is clearly growing.

More broadly, however, the critical question that is posed is the unification of the working class in Britain and across Europe in struggle against the ruling class on both sides of the Channel, and their attempts to place the costs of Brexit on the backs of the workers.