

*Food shortages. Major disruption to trade. At least \$17 billion in new costs for business. Big trouble for small companies.*



These are the potential consequences of a disorderly Brexit, according to an analysis published Tuesday by the UK government that concludes the country is nowhere near ready to leave the European Union on March 29 without a transitional deal.

With just over a month to go, the government still lacks parliamentary support for a divorce deal that would protect trade and other EU ties for nearly two years after Brexit while a longer term arrangement is agreed.

In its analysis, the government admits it's on track to complete only two-thirds of its "most critical" preparation projects. Many companies and individuals are even less ready for an abrupt rupture with the European Union next month.

"There is little evidence that businesses are preparing in earnest for a no deal scenario, and evidence indicates that readiness of small and medium-sized enterprises in particular is low," the government said.

The risk of Britain crashing out of the European Union faded somewhat on Tuesday when Prime Minister Theresa May opened the door to delaying Brexit if UK lawmakers vote down the exit deal she has negotiated.

But a disorderly Brexit has not yet been ruled out, and the government analysis shows just how costly it would be.

The report warns of consequences including:

- Shortages of specific food items, especially fresh fruit and vegetables.
- Increased prices on some foods
- £13 billion (\$17 billion) in new administrative costs for companies.
- EU tariffs of around 70% on beef and 45% on lamb exports.
- The loss of free trade arrangements with countries including Japan and Turkey.
- Loss of market access and new trade barriers for the UK's service sector.
- Reduced flow of goods across the English Channel at Dover

Business lobby groups had been clamoring for clarity on the terms of the divorce and Britain's future trading relationship with the European Union ever since the country voted for Brexit in June 2016.

In recent weeks, their focus has shifted to preventing a disorderly separation at all costs. Crashing out of the European Union would result in new costs and trade barriers for companies in Britain. Snarled supply chains would put manufacturing companies in an especially difficult position.

### **'Disaster for UK economy'**

The British Chambers of Commerce sums up input from its members this way: A disorderly Brexit, they warn, would be "a disaster for the UK economy, for businesses and for individual livelihoods."

Warnings from business largely match those laid out by the government.

McDonald's (MCD) and KFC (YUM) have joined with UK supermarkets to warn that crashing out of the European Union would result in "significant" disruptions to their supply chains.

The companies said they are stockpiling goods where possible, but "all frozen and chilled storage is already being used and there is very little general warehousing space available."

Carmakers are already canceling planned investments, and preparing to idle factories. Airbus (EADSF) says that it would be forced to redirect future investment away from the United Kingdom. Banks and other financial companies are shifting at least £800 billion (\$1 trillion) worth of assets out of the country.

The government analysis concludes that it's now too late for companies to fully prepare. "The short time remaining before 29 March 2019 does not allow Government to unilaterally mitigate the effects of no deal," the report concludes.

"Even where it can take unilateral action, the lack of preparation by businesses and individuals is likely to add to the disruption experienced in a no deal scenario," it adds.

*Source: CNN*