



BSI SPECIAL REPORT
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European Migrant Crisis: Impacts on the Supply Chain

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1 Executive Summary

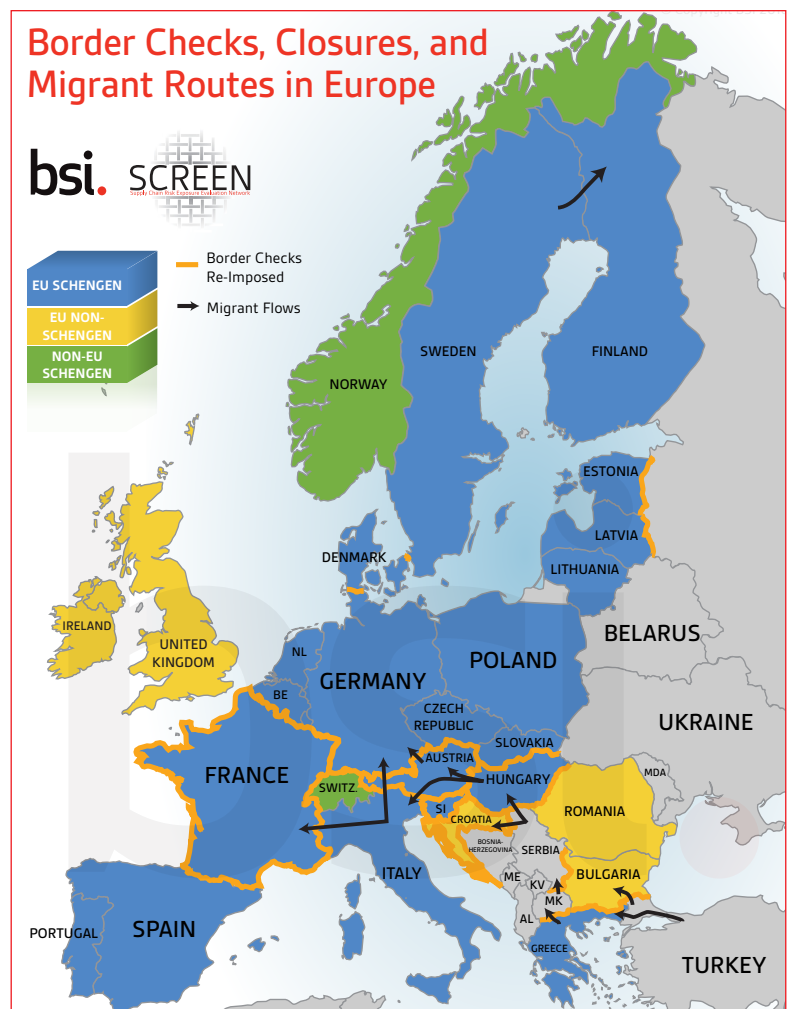
As a result of a rapid influx of migrants within Europe over the past two years, European Union (EU) member states have taken extraordinary measures, including imposing new border controls throughout the region. These measures have seriously hampered the free movement of cargo in many areas of the continent, leading to significant delays and added costs to cross-border shipments. Stowaway attempts into cargo trucks also often lead to costly losses of goods and expose companies to expensive fines.

This BSI special report provides an overview of the cargo disruption threats posed by the crisis to date, highlights current geographic flashpoints for stowaway attempts, and considers the implications of the major initiatives currently under consideration to address the crisis. Recent inflows of refugees to Europe have occurred at a massive scale, resulting in the largest migrant crisis since World War II. Conflicts in the Middle East, North Africa, and Central Asia, which have driven much of the recent migration, show little sign of subsiding in the very near term, suggesting that the crisis will likely continue to pose a significant threat to the supply chain for the foreseeable future.

2 Supply Chain Impacts of the European Migrant Crisis

The lack of a cohesive approach to control migration contributes to the significant disruptions to cargo transport seen throughout Europe in recent months. A series of unilateral actions taken to secure internal borders have interrupted and delayed cross-border shipments, causing knock-on impacts to supply chains and business operations throughout the region.

The direct impacts caused by the crisis vary by country and are highly dependent upon the actions of individual national governments. In Belgium, for example, shippers are losing an estimated \$200,000 each day due to disruptions in trade with France. The government deployed police officers from several regions to the French-Belgium border in order to halt migrant flows, and the country now faces the threat of strike by police unions, who report insufficient personnel to patrol high-risk areas. In Austria, the government blocked access to the nation via several border crossings, and budgeted €10 million (\$11 million) to pay for fencing around areas with a large migrant presence. The overall impact to Austrian trade as a result of the fences and border controls has yet to be calculated.



2.1 Delays to Cross-Border Transportation

Nearly all of the countries affected by the migrant crisis are experiencing transportation delays of some kind. Most countries, including Belgium, France, Germany, and most of the Balkan Peninsula, report delays affecting truck-borne transportation as a result of increased border security. The exact length of delays varies by nation, but most are causing significant economic damage. Dutch shippers active near the French port of Calais, for example, reported average daily costs of more than \$500,000, while U.K. shippers in the same area report losses of \$1.2 million. Transportation across the European Union takes significantly longer than before the border checks were imposed, with trips that previously required less than two days reportedly now lasting five days or more. Other reports indicate a trip from Turkey to Germany, which normally took about five days, is now lengthened to as long as twelve days due to heightened security.

A study conducted by the French government suggested that reestablishing internal border controls in Europe could cost Schengen countries about 0.8 percent of total gross domestic product, or more than \$112 billion, in the short-term. A

separate analysis, conducted by the European Commission, predicted that lost business revenue, increased transportation costs, and interruptions to regional supply chains could cost the European economy \$19.6 billion per year that controls remain in effect. Of that annual loss, the transportation sector would face up to \$7.5 billion in costs due to travel delays alone.

Country	Member of EU or Schengen Zone?	Estimated Value of Annual Trade (2013)	Types of Reintroduced Controls
European Union Total	N/A	\$2.79 trillion	Border checks, highway checkpoints, port security, border closures
Austria	Both	\$92 billion	Border checks, highway checkpoints, border closures
Belgium	Both	\$247.6 billion	Border checks, border closures
Denmark	Both	\$52.6 billion	Border checks
France	Both	\$258.8 billion	Border checks, highway checkpoints, border closures, port security
Germany	Both	\$623 billion	Border checks, highway checkpoints
Greece	Both	\$12.8 billion	Border checks
Italy	Both	\$209.3 billion	Border checks
Netherlands	Both	\$382.8 billion	Border checks
United Kingdom	EU, Non-Schengen	\$178 billion	Border checks

2.2 Economic Costs of the Crisis

In addition to the direct effects caused by the migrant crisis, European governments are spending millions of dollars to secure their borders. In Austria, the government budgeted \$11 million to pay for 2.3 miles of razor wire fence for high-risk areas, though the actual cost of installing and patrolling the fence is expected to be far lower. According to one estimate, the German government will pay more than \$55 billion over the next two years in a bid to settle and integrate incoming migrants. Similar costs for other European nations have yet to be determined, but Germany will likely face the highest such cost due to the number of migrants that have been granted asylum there.

2.3 Contaminated and Lost Shipments

A cargo shipment in the United Kingdom that is found to be contaminated by the presence of a stowaway will result in a fine, presently about \$2,200 per stowaway, for the responsible transportation company. According to BSI data, European authorities arrested an average of 17 stowaways per truck- or rail-borne shipment of cargo seized over the last two years—leading to an average fine of \$37,400 per case.

This means that cargo truck drivers transporting goods from Calais, France to Dover, United Kingdom not only pay direct fines for failing to secure their shipments, but also face the potential confiscation and destruction of their shipments. The combination of direct losses due to shipment disruptions and the fines highlight the significant financial impact of the stowaway threat to companies using this important shipping lane.

Currently, U.K. regulations warrant a fine for any cargo truck driver and company when a shipment is found to contain stowaways, regardless of whether the driver and transportation company had implemented robust security precautions. These regulations are under review and could be altered to avoid fines for companies that meet a list of security best practices.



**\$19.6
billion**

Estimated annual cost to regional European economy if Schengen Zone Collapses

**\$1.95
million**

Daily costs of increased security measures for Belgian, Dutch and U.K. shippers

**1.8
million**

Estimated number of illegal border crossings in Europe in 2015

3,300

Total number of civil penalties assessed by the United Kingdom for stowaway arrests in 2015

3 Migrant Crisis in Europe: Current Situation

Strict border controls currently exist throughout the Balkan Peninsula and in other areas where migrants are considered most likely to cross illegally into Europe. Several nations are pursuing heightened security at some or all border crossings in order to halt the influx of migrants, while other nations are taking more dramatic action, such as the construction of fences or imposition of outright border closures, in order to stop the influx of migrants. Total border closures were implemented in multiples countries over the past six months, including in Austria, Belgium, and Macedonia. Most other countries elected to institute additional security checks applying to cargo trucks and trains, in addition to personal vehicles and foot traffic.

Border Checks in Europe



In early March, the governments of Croatia, Serbia, and Slovenia announced they would no longer accept migrants who lacked Schengen visas. This move is expected to halt most illegal migration through the Balkan Peninsula en route to Western Europe. There is a strong likelihood that the announcement will prompt migrants to seek alternate routes. BSI is closely monitoring the situation, paying particular attention to migration along the western coast of the Peninsula, migrant transits in Romania, and reported coastal landings in Italy. Several countries on the Balkan Peninsula, specifically Croatia, Greece, and Macedonia may see an increased threat of migrants stowing away in cargo truck- and rail-borne shipments heading north.

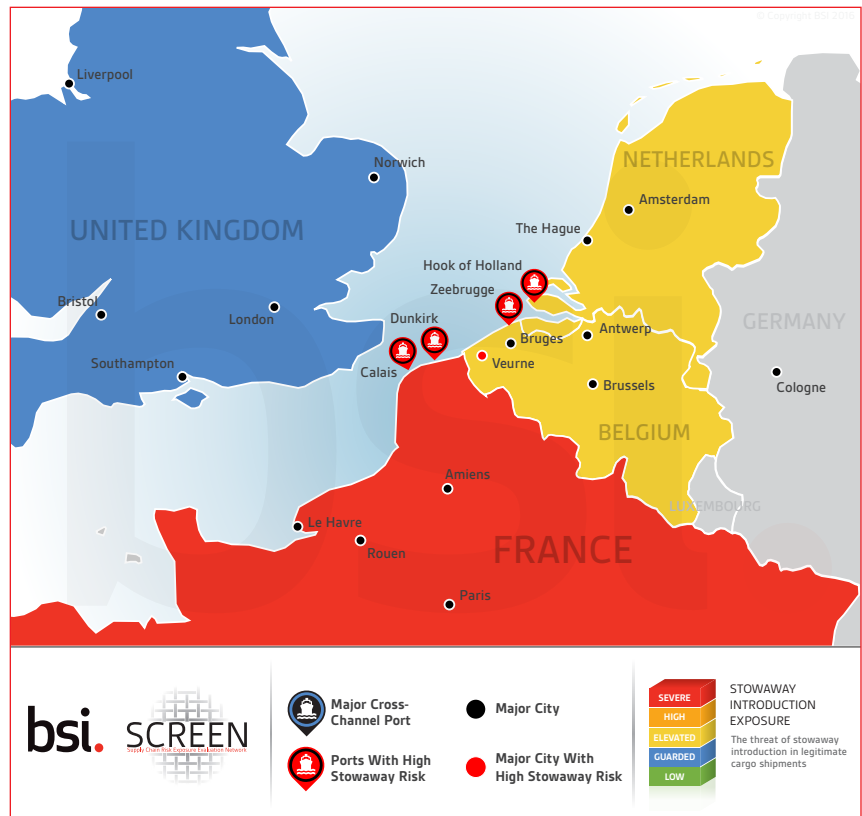
3.1 Current Flashpoint – Calais, France

The so-called “Jungle” camp near the Port of Calais in France is one of the most publicized flashpoints of the migrant crisis. The camp has existed for several years and largely pre-dates the Syrian conflict. However, the number of migrants staying at the facility exploded in the past two years, and estimates now suggest that up to 6,000 persons are living at the camp. Their presence at the camp has instigated ferry worker strikes,

cargo truck driver strikes, pro- and anti-immigration protests, clashes with police, and repeated attempts to stow away inside cargo trucks headed for the United Kingdom. Disruptions at Calais alone cost Belgian shippers \$200,000 per day, Dutch shippers \$545,000 per day, and U.K. shippers as much as \$1.2 million each day. Cargo trucks attempting to cross the English Channel from France to the United Kingdom are facing significant delays, increasing shipment turn times by as much as nine hours due to increased security checks along the route.

3.2 Emerging Flashpoint – Dunkirk, France

BSI is closely monitoring the situation in Dunkirk, France as an international non-governmental organization constructs an alternative camp for migrants staying in Calais. The new facility has semi-permanent housing and utilities for more than 1,000 refugees and is still undergoing construction. There are concerns that Dunkirk could see the types of incidents noted in Calais, including stowaway incidents, police clashes, and worker strikes. So far, the situation has remained peaceful. Until reliable data becomes available, shippers should consider the area to be a high-risk zone for stowaway introduction and implement the same countermeasures used to secure shipments travelling through Calais.



3.3 Current Flashpoint – Idomeni, Greece

The city of Idomeni, located in Greece across the border from Gevgelija, Macedonia emerged in February as a new hotspot for migrants attempting to reach Western Europe. After Austrian officials introduced a daily and annual cap on the number of migrants allowed to enter the nation, similar controls were put into place in Macedonia. As a result of Macedonian security forces turning away migrants, the number of migrants stranded in Idomeni increased rapidly, rising to a peak of 13,000 by March 2016. These migrants clashed with Macedonian police on multiple occasions, and there are reports of attempts to enter freight trains heading north across the border. Confrontations between authorities and migrants in late February halted cargo truck transportation for the better part of a day as authorities sought to repair a border fence pulled down by migrants. In a separate incident, migrants moved onto the railway crossing in Idomeni, blocking freight train traffic for several hours.

With the total closure of the Macedonian border to migrants, more clashes of this type are expected. Additionally, a new European Union agreement allowing for the deportation of Syrian refugees in Greece is likely to be met with resistance. If adopted, this agreement could drive further clashes between migrants and authorities, which would have knock-on effects for cargo transportation in the region.

4 Looking Ahead

In the near-term, several political developments are most likely to impact the threat of disruption to cargo transportation and business operations in Europe due to the migrant crisis. The European Union recently finalized a deal with Turkey that will facilitate a one-for-one swap of migrants between Europe and Turkey. Greece will deport migrants that arrive illegally and are deemed “economic” refugees, meaning they face no threat to personal safety in their home nation, will be deported to Turkey. In exchange, migrants considered as refugees fleeing violence will be allowed to settle in the European Union from Turkey. The main goal of the deal is to deter migrants from turning to human traffickers and risking a dangerous journey across the Aegean Sea and to ultimately reduce the flow of migrants into Greece. The actual implementation of the deal is proving difficult thus far, however, with Greece reportedly struggling to handle the continued influx of migrants.

In order to prevent future migration crises over the longer-term, the European Commission is considering a proposal to create a new agency, the European Border and Coast Guard, tasked with securing the Union’s external borders. One of the key failures identified by the Commission during the current crisis was the bloc’s inability to swiftly secure the EU’s external borders. The new agency is intended to secure the external borders in order to control the flow of migrants and remove the need for internal border controls. The current European border agency, Frontex, is subject to resource and jurisdiction limitations. The proposed Border and Coast Guard would have increased resources and greater authority to investigate international criminal and terrorist groups, which could lead to lower supply chain threats, including international smuggling, human trafficking, and other cargo crimes.



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