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Businesses plan for possible end of euro

By Tony Barber in London and Daniel Dombey in Istanbul

International companies are preparing contingency plans for a possible break-up of the eurozone, according to interviews with dozens of multinational executives.

Concerned that Europe's political leaders are failing to control the spreading sovereign debt crisis, business executives say they feel compelled to protect their companies against a crash that can no longer be wished away. When German chancellor Angela Merkel and French president Nicolas Sarkozy raised the prospect of a Greek exit from the eurozone earlier this month, it marked the first time that senior European officials had dared to question the permanence of their 13-year-old experiment with monetary union.

"We've started thinking what [a break-up] might look like," Andrew Morgan, president of Diageo Europe, said on Tuesday. "If you get some much bigger kind of ... change around the euro, then we are into a different situation altogether. With countries coming out of the euro, you've got massive devaluation that makes imported brands very, very expensive."

Executives' concerns are emerging as eurozone finance ministers weigh ever more radical options to tackle the sovereign debt crisis, including the possibility of funnelling European Central Bank loans to struggling countries via the International Monetary Fund.

Car manufacturers, energy groups, consumer goods firms and other multinationals are taking care to minimise risks by placing cash reserves in safe investments and controlling non-essential expenditure. Siemens, the engineering group, has even established its own bank in order to deposit funds with the European Central Bank.

Traders prepare for endgame

Urgent action has long been the mantra of investors in the eurozone crisis. But for them, policymakers have seemed more interested in buying time,

Some are examining expert advice on the legal consequences of a eurozone split for cross-border commercial contracts and loan agreements. By contrast, most small and medium-sized firms have made few, if any financial and legal preparations.

"Market participants and, increasingly, real businesses are pricing in a break-up scenario," said Jean Pisani-Ferry, director of the Brussels-based Bruegel think-tank. "It is still hard to think the

writes Richard Milne in London .

That some politicians now appear to be coming round to markets' sense of timing coincides with heightened chatter on trading floors not just of foreign investors shunning eurozone assets but also of the prospect of a break-up of the euro.

This week is seen as a crucial one by many investors, because of bond auctions by Italy, Spain, Belgium and France.

Many market participants are convinced the ultimate play – "the one minute to midnight" scenario for some – is of the European Central Bank buying government bonds in huge quantities. "I don't know how close we are to midnight, but it's awfully dark outside," one says.

unthinkable, let alone to work out the details of it, but any rational player has to consider the possibility of it."

Some businesses with global reach say a euro break-up would be grim but manageable. "We have made a first rough analysis about the consequences of the discontinuation of the euro as the Portuguese currency," said Jürgen Dieter Hoffmann, finance director at Volkswagen Autoeuropa, the German carmaker's Portuguese arm. "The conclusion is that overall the impact would not be so negative to our company, as we are mainly an exporter and belong to a worldwide group."

Some French, Italian and Spanish executives say they have plans in place for severe financial and economic turbulence, but not specifically for a euro break-up. The risk, in their eyes, is that the region's stability might come under even greater threat if it became known that companies were contemplating the worst.

Additional reporting by Peter Wise in Lisbon, James Wilson in Frankfurt and Alex Barker in Brussels