WORLD

Brexit deal starts to hit food supply chain in EU

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Leading food and drink industry figures on both sides of the English Channel have expressed concern at how goods from the European Union that are processed at distribution hubs in the United Kingdom now face heavy tariffs when re-exported to the EU because of the terms of the Brexit trade deal.

The goods in question are affected by the deal's terms on the rules of origin of products, and this part of the deal signed on Christmas Eve could cause chaos for supply chains.

When the agreement was signed, Ian Wright, chief executive of the Food and Drink Federation, or FDF, said: "The prime minister promised UK businesses over a year of transition in which to adapt to a new set of rules. He has delivered us four working days.

"Food and drink manufacturers will do their best to keep food flowing. However … the last-gasp nature of this deal means that there will be significant disruption to supply."

One week into the new era, the FDF's head of international trade, Dominic Goudie, told the Financial Times the organization was "very concerned" about how the rules of origin were being applied, and the financial consequences.

"Goods shipped to distribution hubs in Great Britain face the payment of full EU tariffs when they return to the EU and as a result, suppliers are being forced to cancel the delivery of products to customers in Ireland," he said.

Empty shelves in a Paris store of Marks & Spencer on Wednesday highlight concerns over food supplies in Europe. The UK retailer is no longer able to stock some popular sandwiches and meals since Britain's official exit from the EU on Jan 1. CHESNOT / GETTY IMAGES

Large share

Figures published by the FDF in December showed Ireland is the UK's biggest market in the EU for food and drink exports, accounting for almost 30 percent of overall sales in the EU in 2020.

But an unnamed EU official quoted by the Financial Times has a blunt message for British food suppliers.

"You can't expect Brexit not to have consequences," they said. "The UK won't be a distribution hub for the EU anymore. EU businesses will need to stop relying on UK hubs."

The impact of Brexit on food supply has already been visible on the shelves of shops in Northern Ireland, which has remained in the EU's single market for goods, while England, Scotland and Wales have left.

The BBC reported some branches of Sainsbury's, one of the UK's biggest supermarkets, have resorted to stocking own-brand products made for rival stores, because of delays caused to the supply chain from the British mainland by the new regulations.

"A small number of our products are temporarily unavailable for our customers in Northern Ireland while border arrangements are confirmed," a company spokesperson told the BBC.

"We were prepared for this and so our customers will find a wide range of alternative products in our stores in the meantime and we are working hard to get back to our full, usual range soon."

Optimism stays in frame for art scene

Resilience seen among Asian buyers, with China recovery aiding prospects

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Gallery owner Meg Maggio is optimistic about the prospects for the Asian art market in 2021, believing buyers' appetite will hold up even as the coronavirus changes how the players connect.

Maggio, the director of Pekin Fine Arts, with contemporary art galleries in Beijing and Hong Kong, has witnessed how the ranks of the region's art collectors have expanded in the past few years, and hopes that the buyers will remain in the market.

"The art market moves in tandem with the economy. What comes first is the foundation of Asian economic growth … it doesn't look like it's affected too much (by the pandemic). And that's because of the strength of domestic consumption," said Maggio, who is from the United States.

Art market players largely share Maggio's assessment. While they acknowledge that sales may have come down in 2020 from the previous year, they point to a steady client base in the region. This is best exemplified by the prices that auction houses managed to secure in 2020.

Christie's Asia's five auctions in December generated over $224 million in sales, according to a statement released by the British auction house. Some of the auctions' top sellers include *Goldfish* by Chinese-French modernist painter Sanyu, which sold for over $22 million; *Bloodline: Big Family No. 2* by contemporary Chinese artist Zhang Xiaogang, which fetched $12.7 million; and *Pumpkin* by Japanese contemporary artist Yayoi Kusama, which sold for nearly $2 million.

Alan Lau, co-chair of Tate Modern's Asia Acquisition Committee and Guggenheim's Asia Art Circle, is not surprised by the auction houses' huge sales. He cites the influence of China, the world's third-largest art market after the United States and the United Kingdom.

Chinese art sales in 2019 were estimated at $11.7 billion, accounting for 18 percent of the global market, according to an annual global art market report by Swiss investment bank UBS and Art Basel.

"In general, Chinese consumers' balance sheets are very strong. So it's not surprising to see the strong results not just in auctions, but also in art fairs," Lau said.

Lau, also chief executive of Tencent's insurance platform WeSure, said international galleries are bringing their best works to Asian collectors who are "demonstrating strong appetite to acquire".

"While some (Asian collectors) are asking for discounted rates, far more are using this opportunity to collect and access art that have a long waiting queue before, and now become available as demand in other parts of the world scales back," he said.

Asian art industry experts said that apart from high-net worth individuals, mid-tier buyers are also in the market.

Accessible works

Maggio said the growing population of the middle class in Asia has more disposable income and, unlike buyers in the US, people in the region usually buy artworks with cash. The mid-tier buyers on average buy artworks worth under $5,000 and start their collection by purchasing more accessible works like art prints.

Maggio said free admissions are common in art galleries and museums in Asia and that some exhibitions are even held in shopping malls, making art "more popularized, more accessible". And Asian buyers tend to collect Asian art, noting that the buyers "appreciate their own culture and want to live with art of their culture".

Andy Hei, founder and director of international art fair Fine Art Asia, said Asian collectors are also increasingly aware that art is another form of investment, and that they are buying art through different platforms.

Hei said social distancing and lockdown measures kept art lovers from visiting galleries and art fairs in 2020, prompting them to go online to view and buy art.

"Because of travel restrictions, collectors can't visit galleries and artists that often, so they rely on online and mobile platforms more than ever," he said.

UBS and Art Basel's midyear global survey of galleries revealed that the share of online art sales rose from 10 percent of total sales in 2019 to 37 percent in the first half of 2020. More than 20 percent of the online buyers were new clients.

However, "most collectors were still actively planning to go to exhibitions, art fairs, and events in the next 12 months, and a majority hoped to attend these events both locally and overseas", UBS and Art Basel said in their joint report.

Indian farmers step up protests with blockade

KUNDLI, India — Tens of thousands of farmers on tractors occupied a stretch of an expressway on the periphery of the Indian capital New Delhi on Thursday in one of the biggest shows of strength since they began a sit-in against deregulation of farm markets more than a month ago.

Indian Prime Minister Narendra Modi's government has held several rounds of talks with the farmers to placate them, offering concessions on the three laws it passed last year to bring private investment into the country's antiquated agriculture markets.

But the farmers have resisted the overtures and been camped at an interstate border near the village of Kundli outside New Delhi for more than 40 days demanding the government withdraw the laws.

On Thursday, the protesters mostly from the Sikh-dominated northern state of Punjab, which is one of the country's leading producers of wheat and rice, took to the highway.

Turbaned young men and elderly farmers with flowing beards rode a convoy of tractors numbering in the thousands, some with loud music blaring.

There was no sign of any police presence.

"We want Modi to repeal the three laws," said Rajvinder Singh, 35, a farmer from Punjab's Gurdaspur district.

He said the rally was a way to build pressure on the government in the lead-up to India's Republic Day on Jan 26 when the farm unions have threatened to march on to the center of the capital if the laws are not revoked by then.

Parminder Kaur, 40, said: "I am fighting for my children and my grandchildren."

Her family has nearly 8,000 square meters of land where they grow wheat. "This land is everything for us, it is like our mother," she said. "They want to snatch our mother away from us. How can we allow this?"

A volunteer teaches children in a makeshift classroom on Tuesday outside India's capital as farmers continue to protest against the government's recent agricultural reforms. MONEY SHARMA / AFP

Deregulation fears

Farmers fear that the deregulation under which food processors and big retailers can directly buy produce from them will eventually replace government-regulated wholesale markets where they are guaranteed a minimum price for their produce.

The government says the state-regulated market yards will continue alongside the new ones and has offered to give written assurances to the farmers they will continue to get a minimum price.

Modi said the reforms will attract badly needed investment to a sector which employs about two-thirds of India's 1.3 billion population, but contributes only about 15 percent to its economy.

However, farmer leaders said the changes will lead to a takeover of the agriculture business by Indian conglomerates. They said they would not give up their fight unless the government agrees to repeal the laws, approved by parliament in September.

On Monday, the government refused to roll back the farm reform laws, but the two sides agreed to sit down again for another round of talks.

In their previous meeting on Dec 30, the two sides reached a consensus on two issues — that the government would continue its subsidy of electricity for irrigating farms and that farmers would not be punished for burning crop residues, a cause of air pollution.

AGENCIES VIA XINHUA

Strides made in bolstering China-EU ties

2020 year in Review

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The conclusion in principle of the negotiations for the China-EU Comprehensive Agreement on Investment, or CAI, on Dec 30 highlighted a year of fruitful bilateral relations.

Despite the COVID-19 pandemic, negotiations for the agreement, which started seven years ago, speeded up in 2020 after leaders from both sides pledged to wrap up the talks by the end of that year.

"We welcome the political agreement achieved on negotiations on investment," European Council President Charles Michel said in a tweet after a video talk between EU leaders and President Xi Jinping on Dec 30.

In the past few years, many Chinese companies operating in the EU have complained about a less friendly business environment. They likened the EU's antitrust review process, foreign direct investment screening and foreign subsidies reviews as "three huge mountains" weighing heavily on their chests, according to a survey by the China Chamber of Commerce to the EU, or CCCEU.

Chinese telecom giant Huawei has opposed the arbitrary use of security assessment in restricting its access to the EU's 5G market. However, an EU official indicated that the Huawei case fits under public procurement and is not covered by the CAI, and the same is true for investment screening on national security grounds.

"The CCCEU expects China and EU to promptly complete the follow-up work, ratify the treaty and implement it in a timely way so that to further boost bilateral investment and trade," the CCCEU said in a statement after the conclusion of the talks for the investment pact.

The EU accounts for about 5 percent of China's foreign direct investment stock, while China makes up 3.4 percent of the EU's FDI stock, according to the China Mission to the EU.

Zhang Ming, head of the mission, said the numbers are inconsistent with the size of the economies of the two sides and the expectations held by both.

"With the investment agreement, Chinese and EU investors will be able to further tap the potential to explore more opportunities in each other's market," he said on Dec 30.

The conclusion of the negotiations for the investment agreement came after China and the EU reported bilateral trade of $620 million in the first 11 months of 2020, up 4.7 percent over the same period in the previous year. Each side registered increases in exports to the other market.

The headline figure has made China the EU's largest trading partner, replacing the United States.

In 2020, China and the EU witnessed many high-level meetings and initiatives despite the challenges posed by the pandemic.

In virtual gatherings, the leaders of the two sides held the 22nd China-EU Summit in June and the China-Germany-EU Summit in September. Germany, which held the presidency of the Council of the European Union in the second half of 2020, played an instrumental role in pushing forward the CAI.

High-level dialogues

In the past year, China and the EU also held the 8th High-Level Trade and Economic Dialogue, the 10th High-Level Strategic Dialogue, and the 5th High-Level People-to-People Dialogue. The two sides launched the High-Level Dialogue on Environment and Climate Change and the High-Level Digital Dialogue.

During the year, President Xi, Premier Li Keqiang, Vice-Premier Liu He and State Councilor and Foreign Minister Wang Yi held phone calls with EU leaders as well as leaders of the bloc's 27 member states. In late August, Wang visited Italy, the Netherlands, Norway, France and Germany.

On Sept 14, China and the EU signed a bilateral agreement to protect 100 Chinese Geographical Indications, or GIs, in the EU and 100 European GIs in China against usurpation and imitation, after the agreement was first concluded in November 2019.

The GIs under protection include those for products such as Pixian bean paste, Anji white tea and Panjin rice from China and Munich beer, Irish whiskey and Porto from the EU.

Zhang said that despite the pandemic, China and the EU saw an increase in interactions in 2020.

"This is a big year for China-EU relations," he said of the past year.

China and the EU have helped each other in the fight against COVID-19.

When the epidemic broke out in China in the early part of 2020, the EU and its member states provided 56 tons of medical supplies to China. When the pandemic spread fast in EU member states from mid-March, China sent medical supplies to them, including medical teams to Italy, the worst-hit EU nation.

According to statistics, the EU imported 322 million euros ($396 million) of medical supplies from China to fight the pandemic in the first eight months of 2020. Face masks and ventilators accounted for the bulk of the imports.

From the viewpoint of EU leaders, the bloc's relationship with China is complex. While China and the EU had long ago established a comprehensive strategic partnership, EU leaders since March 2019 have called China "a cooperation and negotiation partner, an economic competitor and a systemic rival".

Zhang said China and EU are partners, not rivals. He added that the two sides are engaged far more in cooperation than competition, and have far more consensus than differences.

One major consensus concerns climate change. The EU warmly applauded when Xi in September announced that China would become carbon neutral by 2060.

Shada Islam, head of the New Horizons Project, a global strategic and advisory firm, said both sides have embarked on a high-level dialogue on climate change that is very significant.

She notes that it's nothing unusual for EU-China ties to experience ups and downs. "The EU did manage to stay out of the fray and did not, as many wanted it to, fall into the binary trap of either choosing the US or China as key partners," she told China Daily.

Islam called the CAI a "nice way to end a good year for Europe and Asia relations", citing also the EU-Japan and EU-ASEAN deals clinched in 2020 — the latter completed with members of the Association of Southeast Asian Nations.

Ding Chun, director of the Center for European Studies at Shanghai-based Fudan University, said he is cautiously optimistic about China-EU relations.

He stressed that the two sides are important trade partners and have great potential for cooperation in digitalization, green development and third-country markets.

"The two sides have a mature mechanism to manage their differences through effective dialogues," Ding said.

He believes that China and EU have no fundamental conflicts in geopolitical interests and have open channels for high-level dialogue.

"They also have many common interests in joining hands in improving global governance," Ding said.