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European Parliament

***“Hearing on the Reform of the Common Market Organisation for
Sugar”***

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&

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Chairpersons of the European Parliament Committees on Agriculture, Development and International Trade,

Members of the European Parliament,

(Commissioner of the European Commission)

Your Excellencies, Ladies and Gentlemen,

On behalf of the ACP States signatory to the Sugar Protocol, I would like to thank the European Parliament Committees, for this opportunity to address you on the Commission's proposals of the 22nd June, 2005 on the reform of the EC sugar regime, and to make a few proposals on the way forward.

It is with great apprehension and a deep sense of urgency that I taking the floor here today. What is at stake is the very economic survival of a significant number of ACP states as well as the fate of hundreds of thousands of small and poor farmers, labourers and factory workers who depend on the sugar industry for their living.

Ladies and Gentlemen

We, the ACP Sugar Supplying States, have serious concerns as the Sugar Protocol is implemented within the EC Common Market Organisation for Sugar, although I must stress that the Protocol itself has a special legal status of its own as stipulated in its Article 1, I quote

"implementation is carried out within the framework of the Common Organization of the Sugar Market which, however, shall in no way prejudice the commitment of the Community".

Article 36(4) of Cotonou reiterates this commitment. It specifically provides for the parties to safeguard the benefits derived from the Protocol.

I wish to also underscore that the Protocol is not incompatible with the WTO provisions.

It is important to note, in this respect, that the suggestion made by the WTO Panel on the sugar dispute namely that, in bringing its exports of sugar into conformity with its obligations under the Agreement on Agriculture, the EU should **fully respect its international commitments with respect to imports, including its commitments to developing countries. Moreover, the EU in its Appellant’s submission to the WTO appellate Body itself recognised, I quote:”the Sugar Protocol provides for a unique mechanism of trade-related development assistance”**.

Furthermore, at a meeting of the WTO Dispute Settlement Body on 19 May 2005, both Brazil and Australia re-assured the ACP countries that the implementation of the Panel and Appellate Body reports do not require (I quote) “ *the EC to make any changes to the preferential arrangements currently enjoyed by certain ACP countries into its internal sugar market.*”

We have also been comforted by the recognition, in the ongoing WTO Round Negotiations, of the validity of long-standing preferences, like the Protocol. We want the reform proposals to recognise and build on them to safeguard the benefits the ACP currently derive from the Sugar Protocol. Reform is meant to improve the life of people and their standard of living, as enshrined in the WTO Agreement. This should guide the reform proposals. All these statements are reassuring. We want the reform proposals to fully take them on board.

Ladies and Gentlemen

The Protocol represents both a political and legal commitment. Indeed, when the Protocol was concluded, along with LOME I, the ACP Sugar Protocol countries took a deliberate political decision to supply “agreed quantities” of sugar to the EU at an EU price which was then three times **below** the world market price. We deliberately opted for long-term stability and predictability of earnings than quick short-term gains.

We have since then faithfully met our obligations. The ACP total agreed quantities have not increased since 1975. Even the additional quantity under the SPS agreed in 1995, following the accession of Portugal, is being reduced progressively since 2001 when the EU decided to implement the Everything But Arms Initiative in favour of the LDCs . We had welcomed the

EBA, but we did not expect the EU to take away from the poor to give to the poorer. This is not in consonance with the renewed determination by the international community, including the EU, to tackle the problem of hunger and poverty. We welcome the political impetus being given by the United Kingdom, which currently holds the EU Presidency, to make poverty history. The reform proposals should reflect this high level political commitment.

Ladies and Gentlemen

The ACP States consider the Protocol as being more than a simple trading agreement because it deals with sugar which, besides playing a recognised multifunctional role as in the E.U, is part of our culture, embedded in our historical past associated with the plantation economy that developed into a way of life for our people. It has also contributed to our political emancipation and guaranteed social stability and mobility. Together with its contribution to the sustainability of the environment and rural development, the Protocol is a model instrument of “Trade for Development” and one that fosters integration with the EU and not a culture of dependency as being argued by some.

The proposed drastic cuts in the sugar price do not go in that direction and, if adopted, they will devastate our sugar industry and spell disaster for our economies. As such, they will threaten the already precarious livelihood of our poor farmers and workers who do not have an alternative source of income. Let us be conscious of the human tragedy the reform proposals will cause in our countries. This is not in the interest of anybody especially at a time when all efforts of the international community are being concentrated on the acceleration of the achievement of the Millennium Development Goals.

Ladies and Gentlemen,

Let me briefly address the issue of price, which is central to the whole reform process. It is argued that the EU Price is three times the world market price. This is a wrong comparison

because there is nothing like a representative world market price. The world market for sugar is a residual market used mostly by large multi-commodity producers to dump their surplus production with only about 1/3 of world sugar production being traded internationally. So let us not compare the incomparable and, as I said earlier, when we signed the Protocol the EU price was three times lower and the U.K our traditional market was in deficit.

At the level of the EU, the intervention price has been frozen since 1993. If account is taken of inflation and the increasing cost of production, due to factors beyond our control, like the recent phenomenal increase in the price of oil, in real terms the EU price is significantly lower today. With the ACP having to pay increasing costs of ocean freight and insurance, their net export earnings have been considerably reduced. The EU farmers do not pay these costs and, under the reform proposals, they will no longer pay production levies.

They will be given 60% direct de-coupled income support to compensate for the proposed price reduction of 39%. The Member States' Overseas Countries and Territories, whose situation and specificities are comparable to that of the ACP, will be given additional support. There is no such thing for the ACP. We have a feeling of being let down and being treated unfairly. May I also add that most of the benefits derived from the Protocol are directly passed on to the farmers whose income we have to guarantee in order to maintain the sugar plantations which is a sine qua non to diversify within the sugar industry to co-generate environment friendly electricity and ethanol and preserve the greenery of the country, vital for our tourism sector and the prevention of soil erosion.

The proposed accompanying measures will not make up for the permanent loss in predictable and stable level of earnings following the dramatic 39% reduction in our price. Aid should not replace trade. Indeed, trade should be the vehicle to fight and eradicate poverty. If the reform proposals are adopted, in their present form, we are afraid the poor sugar cane farmers will suffer the same undesirable fate of the coffee, cocoa and other agricultural commodities producers. We want coherence in the EU policies on trade, agriculture and development and one that fully takes into account the external impact of the EU policies on third countries, like the ACP, which have a long tradition of a privileged relation.

The Commission has argued that the Sugar Protocol provides for a guaranteed price not a particular level of price. I have just explained how in real terms the ACP price has in fact decreased. Since the inception of the Protocol, the ACP guaranteed price to the EU has been aligned on the EU intervention price, which is the minimum price, although in reality, we know that the EU domestic price derived by the EU producers is higher.

Nonetheless, the regime has always ensured parity of treatment in terms of the EU farmers' income and ACP export earnings. As such, it has created, what I may describe as "**legitimate expectation**" on the part of the ACP. Any reform proposal which would disrupt this income- export earnings equation would be a denial of this expectation.

It is also to be noted that neither the WTO Panel and Appellate Body rulings nor the 2004 WTO July Framework Agreement on Agriculture require a drastic cut in price of the magnitude of 39% over a short period. If upheld, it will simply cripple our vulnerable economies. This is unjust and unacceptable for the ACP Sugar Supplying States, which are least developed, land-locked, low lying and small and vulnerable island states without any alternative due to their structural and geo-climatic constraints.

As regards implementation, the reform proposals will require the ACP states to supply 75% of their sugar in raw form to the full time refiners. This contradicts Article 1 of the Sugar Protocol which provides for the ACP states to sell any type of sugar. It is ironical that the Commission wants us to diversify and add value to our commodities and at the same time compels us to supply only raw sugar.

Yet another area of concern to us is the proposal for the integration of the Sugar Protocol in regional Economic Partnership Agreements (EPAs). Here again, such a proposal is in sharp contradiction with the legal aspects of the Protocol and is oblivious of the fact that the membership of the Protocol cuts across the three regions of the ACP. It is our firm conviction that the Protocol cannot be unilaterally amended or modified. Even in the case of modification of "agreed quantities", there is a mandatory requirement for consultation and prior agreement of the

ACP States concerned. It is also not clear who will be parties to EPAs. The proposal is premature.

CONCLUSIONS/RECOMMENDATIONS

To conclude, allow me to emphasize the following:

- The provisions of the Sugar Protocol should in no way be affected or altered and that the new Sugar Regime should be fully respectful of the legally binding provisions of the sugar Protocol.
- Any reform proposal should not undermine the capacity of the ACP States to achieve sustainable development, including the Millennium Development Goals as it will exacerbate poverty and run counter to the call for making poverty history.
- The ACP States recognise the need for the reform of the Sugar Regime. But we want a reform, which is just, equitable and fair to all stakeholders; a reform which is politically, economically and socially sustainable and is consistent with the EU's own decisions to ensure coherence in its policies on trade, agriculture and development cooperation
- Any price cut should be limited to the mere necessity for the EU to meet its WTO obligations. In this respect, we support the European Parliament resolution of 10 March, 2005 on the Common Market Organisation for Sugar which, I quote:

“ notes that the reduction in sugar prices proposed by the Commission goes beyond the requirements for compliance with the WTO rules; therefore calls for this reduction to be limited to what is strictly necessary to achieve and maintain a sustainable, efficient, robust sugar production in the EU, in compliance with the WTO rules”
- Such price cut should be effective as from 2008 and evenly spread over a period of 8 years.

- We propose a managed market through a quota system. This is supported by the LDCs. The quota system and ACP imports should match the EU internal consumption. This may be facilitated by provisions that preclude the risks of SWAP.
- We call on the EU to designate sugar as a sensitive product. The ACP will support any proposal by the EU on the treatment to be meted out to sensitive products in the WTO negotiations and which builds on the provision of paragraph 44 of the July Framework Agreement concerning longstanding preferences.
- We shall equally support the EU on a more lenient formula for tariff cuts that takes into account the specific circumstances of each country's situation. We shall also support the maintenance of the Special Safeguard clause for agriculture.
- We call for the maintenance of the Intervention Agency in accordance with Article 6 of the Sugar Protocol.
- Any proposal, based on licensing, whose WTO compatibility is not certain, cannot and should not be accepted. The ACP should be allowed to supply all types of sugar as provided for in the Protocol.
- We urge that the reform ensures parity of treatment between the EU beet farmers and ACP cane sugar suppliers in terms of income and export earnings respectively since the Protocol is an integral part of the EC sugar regime.

We ask that the refining margin be continued to be paid to the E.U full time refiners from the E.U budget.

- All financial resources should be provided upfront to the ACP states concerned so that they can prepare to adapt to the reform proposals and thus improve the competitiveness of

their sugar industries in order to operate in a post reform situation. Accompanying measures should also take into account the heavy investments in the context of ongoing restructuring programmes.

- In this respect, it is noteworthy that at least one Member State has proposed that € 100m be allocated to the ACP in 2006 and € 500m yearly thereafter whilst the Commission is only proposing 40 million euros for 2006 with no indication whatsoever as regards post 2006.
- The ACP States are prepared and willing to work together with all the stakeholders including the European Parliament, for an outcome that safeguards the interests of all partners.

Excellencies, Ladies and Gentlemen,

I sincerely hope that this appeal, made on behalf of the ACP Sugar Supplying States, will meet with your understanding and enable you to better evaluate the threats looming ahead for our economies. We are glad that this august body has always been supportive of the ACP-EU partnership. We remain confident that your support for our legitimate and just cause will help us.

I thank you, Chairperson, for the opportunity and understanding.