

**Meeting of the ACP/LDC Ministerial Delegation with the
European Commission and EU Agriculture Ministers**

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Brussels, 19 September 2005

Introduction on Political & Legal Aspects

The EU introduced the EBA Initiative for the Least Developed Countries of the World in 2001 as a unique development tool to encourage trade, incorporating the concept of unrestricted duty and quota free access for all products of LDC origin.

Over the last few months we have heard the EU Commissioners, and in particular Mrs. Fischer-Boel, talk about the EBA initiative and the benefits it will bring to the LDCs. Mr Louis Michel has also been supportive of sustaining the development aspects enshrined in the EBA initiative. We have also heard Mr. Tony Blair, whose country currently holds the EU Presidency, talk at length about making poverty history with the support of the other G8 countries. Sugar can be one of the greatest opportunities to achieve meaningful social and economic development in the poorest countries of the world. The truth of the matter is that this opportunity to achieve development may be missed. Unfortunately the Commission's proposal in its present form will take away the development dimension of EBA as far as sugar is concerned.

Ministers of Trade representing the 50 least developed countries of the world met in Livingstone, Zambia at the end of June to agree on their common position for the WTO Ministerial meeting in Hong Kong in December and welcomed the EBA initiative as a masterstroke for development. Following the release of the EU proposals for the reform of the sugar sector and the emphasis placed on restricting LDC access by means of a dramatic cut in price, the Coordinator of the LDC-WTO Group sent a letter to Mrs. Fischer-Boel pointing out that the poor should not be blamed nor cited as the principal reason for radical reform of the EU Sugar regime. He noted that for the LDCs to be regarded as a threat and one of the principal reasons for reform was an inaccurate representation of the truth. We hear a continuation of the rhetoric regarding the threat of EBA and wish once more to set the record straight.

The Commission cites the EBA initiative, along with the EU's WTO commitments, as the principal justification for the proposed level of price cuts, and ignores the other measures at its disposal for regulating the European sugar market. The LDCs have offered to limit exports to the EU provided that the extent of the price reduction is in the range of no more than 15 – 20%. The Commission has in its power the ability to achieve a reform that is modest, predictable and gradual for all whilst being fully WTO compatible. Instead the Commission chooses to promote radical changes that will only benefit in the longer term a few large, European, industrial interests whilst damaging the interests of the poor.

EBA is a political initiative and a commitment to encourage development through trade and it is therefore strange that the reform should be aimed at restraining sugar imports from the LDCs.

Price

Only 19 LDCs currently produce sugar and last year total production was 2.83 million tonnes, the majority of which was sold into domestic markets at remunerative prices. Some LDC producing countries find little economic benefit in shipping their sugar to the EU, even at current prices. A study by LMC concluded that at a price reduction of 20% the LDCs would be able to supply a maximum of 1.6 million tonnes. At a reduction of 33% they would supply less than 300,000 tonnes. This compares to the Commission's own estimate of 2.2 million tonnes at a price reduction of 39%. This estimate has varied widely over the last two years and does not agree with our own assessment that is in line with the LMC conclusions. The Commission's estimates exaggerate the perceived threat of EBA and thereby overstate the need for a dramatic price cut in order to make the European market less attractive for LDCs.

The threat of EBA has been further exaggerated by over-estimating swaps. The language of "swaps" and "carousel trading" may have been replaced recently by "triangular trading" and "fraudulent practices relating to rules of origin", but the terms used are still unnecessarily alarmist. The truth is that 19 least-developed sugar-producing countries have shown strong support for a future orderly managed market in Europe with respect for and compliance with EU rules of origin in order to combat fraud and illegal practices. The LDCs' existing administrative structures can assist the EU in implementing and monitoring rules of origin with a view to identifying fraud and predicting import tonnages. The LDCs will continue to cooperate with the EU to prevent abuse of the market, maintain order and strengthen customs cooperation in the sugar sector.

Socio-economic

We believe that the LDCs and the EU have a common objective to bring about sustainable development for all, and in particular for the poorest countries of the world. Our sugar producing operations represent models for the development of our rural communities, creating employment, improving healthcare and education, up-grading infrastructure and acting as a catalyst for progress and growth in other areas. We are all aware of this and have seen the benefits in many LDC countries over the years.

According to the LMC study, the social and economic development benefits that will arise in the LDCs after 2009, provided that the price cut is no more than 15% - 20%, are an increase in formal employment of 120,000-145,000 people, with multiplier effects extending into considerable indirect employment gains, increased health, education and social welfare provision for workforce and their dependents, increased investment of up to US\$775 million, increased sugar production of up to 1.0 million tonnes, increased export earnings of €300-€400 million per annum.

All we are asking is that we be allowed to build sustainable, competitive sugar industries, based primarily on our domestic and regional markets, but with the assistance of the EU

during this development stage in providing us with fair and predictable market access for our sugar at a remunerative price.

Accompanying Measures

Trade-based measures must incorporate an acceptable level of remunerative price and a realistic timetable to phase in the new Sugar Regime. The LDCs call for adequate development assistance to offset the benefits that might otherwise have accrued to them in order to be able to upgrade and diversify their industries to ensure competitiveness into the future. The LDCs urge that the reform ensures comparable treatment between EU beet farmers and LDC cane sugar suppliers in terms of income and export earnings respectively.

Conclusion

A more moderate approach to the reform of the sugar regime is now needed, taking account of the urgent need to make progress towards the Millennium Development Goals, by producing sustainable and vibrant agricultural sectors in the EU and the LDCs. We remain willing to work together with the EU member states and the Commission to ensure that the EBA initiative does not destabilise the EU sugar sector and to achieve a reform of the EU sugar regime that is equitable and brings real benefits to the EU stakeholders and the people of the Least Developed Countries of the world.

Honourable Ministers, we respect the goals that you wish to achieve in the reform of the EU agricultural sector but ask you to be mindful of the EU's international obligations as a world leader, especially with regard to the poverty alleviation.