

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

**Statement by Hon. Clement J. Rohee,
Minister of Foreign Trade and International Cooperation of
Guyana
and
CARICOM Ministerial Spokesperson on Sugar**

Brussels, 19 September 2005

Price and other Issues Relating to the Reform of the EU Sugar Regime

1. As the ACP Ministerial Spokesperson has explained, our long-standing relationship with the EU as reliable sugar suppliers to your markets is now severely strained by the European Commission's radical proposals to reform the Sugar Regime, in particular the proposal to cut the price of raw sugar by 39% over four years, starting in 2006.
2. In her recent speech to the European Parliament Agriculture Committee, the Agriculture Commissioner explained that the justification for the Commission's radical proposals are three-fold: the desire to have the new regime decided before the WTO Hong Kong summit; the need to respond to the WTO panel ruling on EU export subsidies; and the risk of imports from the LDCs disrupting the internal EU market once duties are completely removed under the EBA initiative.
3. I would like to have it noted that we cannot accept the Commission's justification for their proposals, and I will explain why.
4. We understand that because of the Doha Round the EU may have to cut import duties, and it follows that a price cut would be needed to accommodate this in order to avoid the EU market being swamped with imported sugar. However, the price cut should not be larger than is strictly required by the outcome of the Doha Round. In this regard the EU should use all its political weight to make the best of the provisions of the July Framework Agreement as regards both the extent and timing of any price cuts. These provisions include special treatment for sensitive products, the possibility to invoke safeguard clauses, and the recognition of the need to safeguard long-standing preferences. **We stand ready to work together with the EU to promote such issues of common interest in the WTO.**
5. The Commission claims that it is imperative to reduce production in order to bring exports down to the limits agreed in the Uruguay Round Agreement on Agriculture and clarified by the recent WTO ruling against the EU. **However, the ACP have not been responsible for any increase in supply contributing to this problem, and therefore should not be asked to bear such a disproportionate and inequitable share of the burden.**
6. We are ready to support the recent proposals from within the EU to allow a certain level of exports within the agreed limits in order to alleviate the problem, allow extra room for ACP/LDC sugar and to ensure market balance.
7. In any event, it is by no means clear to us that price cuts of the magnitude proposed are needed to bring about a fall in EU production such as seems to be required. A decision on the extent and timing of the price cut should therefore be deferred until after the completion of the Doha Round, and the Commission should use other mechanisms at its disposal to manage the market. It is unnecessary to rely solely on the price mechanism to achieve the desired end, especially in view of its hugely disruptive effects. **Consequently the price cut should be far less than the 39% proposed, effective as from 2008 and evenly spread over a period of 8 years.**
8. We must point out that the proposal to eliminate the adjustment aid currently paid to EU refiners is most unfair, as it will result in an immediate price cut for raw sugar, which the

Commission expects the ACP Protocol suppliers to bear. This budget saving will, in effect, be used by the Commission to finance part of the compensation to beet growers. The cost of the adjustment aid should be borne not by the ACP but by the EU Agriculture Budget. **We therefore ask that the Commission proposal be amended so as to reverse the imposition of the cut in raw sugar prices in the first year of the new regime.**

9. The Commission has stated that among its motivations is the desire to ensure that imports from LDCs do not increase, by making it economically unattractive for them to supply the EU market. Thus the Commission acknowledges that an element of its strategy involves a targeted attack on sugar suppliers in the LDCs, which contradicts the sustainable development focus of the EBA initiative. My colleague from Sudan will elaborate on this point to show that it is an exaggerated and illogical reaction on the part of the Commission.
10. I would like to highlight briefly the significance of the depth of the proposed price cuts, as they seem likely to destroy large parts of our industries and devastate our economies.
11. Under the present regime, revenue is provided to all producers through price support, whereas in the proposed reform some stakeholders will obtain their revenue through a combination of price and direct payments. According to many commentators the decoupled payments will largely compensate the price cut which those stakeholders will suffer. We however will suffer the price cut with no compensation. Is this not totally inequitable?
12. These price cuts would impact far more severely on our economies and industries than on European beet growers and processors. This has been frequently acknowledged by the Commission, and it is emphasised by MEPs and development NGOs. Moreover, we are far less able to withstand such price cuts due to the fragility of our economies.
13. This demonstrates the total lack of balance and equity in the Commission's proposals, in that the ACP as the most vulnerable stakeholders are to be treated far worse than other producers.
14. Many of us in the ACP, recognising the need to become more competitive, have already begun the process of restructuring our sugar industries. These efforts will be severely compromised by a precipitate and unnecessarily harsh price cut.
15. On the basis of the current proposals, by 2009, for example, we will have lost almost half our export revenue from sugar, once ocean freight costs are taken into account, and our annual losses will exceed €300 million at a conservative estimate – to say nothing of the knock-on economic, social and environmental impacts.
16. The ACP/LDC Sugar Groups propose a managed market through a quota system and an adequate level of price ensuring that EU production and ACP/LDC improved market access match the EU's internal consumption.
17. Moreover, we would like all additional quantities of sugar required to supply EU refineries to be sourced from the ACP and the LDCs, once supplies under the Protocol and the EU's other existing preferential import arrangements have been exhausted. **We**

therefore ask that the relevant Article 26(2) of the Commission's draft legislation be reformulated so as to give priority to supplies from the ACP and the LDCs.

18. We envisage a market in which many Sugar Protocol suppliers would be able to benefit from additional and accelerated access to the EU sugar market. In addition, access for all qualities of sugar would allow us to add value to our sugar production at home rather than be condemned simply to supply raw sugar for refining. **We are therefore seeking to supply more and higher value sugar to the EU market.**
19. **In summary, the Commission has relied too much on price cuts as a management tool. It has unnecessarily pre-empted the outcome of the Doha Round, and has overstated the impact of the EBA initiative. Its proposal discriminates unfairly against traditional cane sugar suppliers, who are least able to withstand such a price shock. A far less radical price cut, phased in over a much longer period and commencing after the end of the Doha Round negotiations, would meet the EU's objectives if combined with a greater emphasis on other measures to cut EU production.**
20. **We are calling for a trade-based solution to reform, which would involve a managed market, including improved access for those Sugar Protocol countries able to supply; a realistic timeline of 8 years from 2008 to phase in the new sugar regime; and an adequate level of price, with any price reduction strictly limited to the necessity for the EU to meet its WTO obligations.**