

CEFS-EFFAT-CIBE CONFERENCE

Tuesday June 28th 2005

Auditorium of the International Trade Union House (ITUH)
Boulevard du Roi Albert II, 5 – 1210 – Brussels

10 h – 16 h 30

ACP – Agricultural and industrial action plan

Statement by H.E. Mr. P. Gomes,

Ambassador of Guyana, on behalf of the ACP Consultative Group on Sugar

1. Thank you Mr. Chairman for giving us the opportunity to share our views on this very important subject. On the eve of the publication of the Commission's legislative text on the sugar regime reform, our Ministers met and agreed on the following six(6) points:
 - The ACP is not against reform. But the reform should be just, equitable and respectful of the EU obligations towards the ACP under the Sugar Protocol;
 - the ACP's first priority should be to ensure that the scope of the reform is limited to the necessity of the EU to meet its WTO obligations following the report of the Panel and the future Doha Agreement;
 - the Commission should ensure that there are adequate resources made available to enable the ACP States concerned to face the situation to be created by the reform. This will enable them to pursue their plans and programmes to improve the competitiveness of the ACP sugar industries including through diversification within the sector, through the production of alcohol and rum and cogeneration of electricity;
 - the ACP should seek further clarification from the Commission as regards the funding from 2007 to 2013;
 - the possibility of directing the savings arising from the implementation of the Appellate Body decision on the discontinuation of re-exports of the ACP/India equivalent sugar towards assisting ACP sugar suppliers well before July 2006 should be explored. There has been precedence to allocate savings from the EU agriculture budget to support third countries, provided that the political will was demonstrated by the EU.
 - a meeting with the EU Commissioners responsible for Agriculture, Development and Budget should be sought at the earliest opportunity to address the above issues. In particular, the issue of funding for the action plan needed to be raised as soon as possible.
2. From our deliberations it is evident that the Commission's reform proposal of 22 June would spell disaster for ACP Sugar Protocol and will have devastating socio-economic consequences. It will seriously undermine the ACP States' capacity to invest in the re-structuring of their sugar industry to make them more competitive;
3. Despite representing less than 1% of total global production, the importance of sugar production and, in particular Protocol and LDC sugar, to the ACP cannot be overstated.

4. The ACP sugar producing countries are largely small island developing states, landlocked countries, low-lying coastal states and least developed countries (LDCs). They are all vulnerable to external economic shocks and natural disasters.
5. The scope and nature of benefits arising from sugar cultivation are wide and varied. They range from tangible elements such as soil preservation, employment, net export earnings, quasi FDI flows, forex availability, avoidance of imports of fossil fuels, carbon sequestration, assignments for the service industry, cheaper electricity for the economy, level of pollution load and budget savings to very qualitative elements such as broadening of ownership, rural stability and greenery for the tourism sector. This multitude of benefits, secured through what is known as the multifunctional role of sugar, which taken together underpin the very fabric and stability of the communities in our various countries, can only be achieved through an activity which is viable and sustainable in the long term. In developed countries, multifunctionality is achieved through a combination of production revenue and budgetary support, in the case of many of our countries, the only resource remains the remunerative flow of export earnings procured
6. Through its vital socio-economic, developmental and environmental functions, sugar forms the very backbone of the economies of ACP countries. Attempts to diversify away from sugar in the past have proved largely unsuccessful due to inherent climatic, topographic and geographic constraints, which serve to highlight further the inextricable link between sugar and the future development of these countries.
7. The proposal to cut price by 39% within 4 years does not seem to be coherent with the EU policy on development cooperation and sustainable development. This is inconsistent with the European Council's position on the achievement of the MDGs.
8. It is estimated that the Commission's proposal would lead to a permanent loss in export earnings of up to €400 million annually in ACP countries. The effects of this reform, which hardly bear contemplating, would include:
 - macro-economic instability;
 - the crippling of national efforts to meet the UN Millennium Development Goals;
 - the closure of countless sugar estates;
 - the complete undermining of modernization efforts already underway within the sugar industry;
 - the failure of smallholders' cooperatives and collapse of local farmers' banks;
 - massive unemployment, rural instability and urban migration;
 - a dramatic and alarming increase in poverty;
 - increased crime;
 - national destabilization in all ACP countries and heightened insecurity in the Caribbean region;
 - and, finally, environmental degradation.
6. In addition to providing direct employment for over 300,000 people on sugar estates and on smallholdings, the sugar industry gives indirect employment to hundreds of thousands of others and by extension supports the livelihoods of millions of families dependent on the sugar industry. Unlike EU farmers, the ACP employees/farmers have no or little alternative;
7. The reform proposals recognise the special situation of OCT which is comparable to the ACP and thus similar treatment should be accorded to the ACP and LDCs.

8. The ACP states are also bewildered by the Commission's proposal because as in the case of coffee and cocoa, the price cuts would not trickle down to EU consumers in any way. Production would be wiped out in many EU countries, the expected benefits of the EBA agreement would be rendered null and void for LDC producers, and the ACP would be the worst hit of all. This is also a question of fairness and justice. The ACP will be denied both.
9. The ACP calls, therefore, on the EU Member States to recognize that the very future of some ACP countries is at stake and to agree to a reform that is fair and equitable to all parties. We strongly believe this should include:
 - the continuation of an orderly managed market system based on quotas and guaranteed remunerative price for the benefit of all stakeholders including LDCs. They have made it clear that the EBA initiative would only be of benefit to them if they obtain remunerative prices for their sugar exports. *Duty and quota free access without an adequate level of remunerative price would be meaningless.*
 - considerably less drastic price cuts- a price cut only necessary to meet the EU WTO obligations;
 - a phasing-in of these cuts over a period of eight years as from 2008 in order to maintain the stability and predictability necessary for investment and development; and
 - to provision of adequate accompanying measures to enable the ACP States to effectively adjust to the cuts and to support the restructuring and modernization of ACP sugar industries.
10. The blueprint for an assistance package to ACP countries that the Commission is expected to present should not prejudge or prejudice ACP calls to combat the crippling price cuts now proposed by the Commission.
11. The proposed Action Plan for the ACP would merely be a palliative and would be totally inadequate to provide a long-term sustainable future for the ACP sugar industries. Unlike the Re-structuring Fund in favour of the EU producers, the Action Plan on accompanying measures for the ACP does not provide resources upfront on a secure and predictable basis, to help the ACP/LDC to adjust to the situation.
12. Any delay would make it impossible to absorb the impact of price cuts and would spell disaster for ACP sugar industries.
13. Any assistance package should be directed at supporting the existing and future initiatives to modernise and enhance the competitiveness of ACP sugar sectors, and bring benefits to the farmers and producers on the ground necessary for the maintenance of the cane plantations without which there can be no diversification within the sugar sector, necessary to enhance the competitiveness of a long term sustainable ACP sugar industry.
14. Diversification efforts should be focused on diversification within sugar and look at alternative means of harnessing the potential of the sugar cane crop, such as the production of biofuels, alcohol, and electricity.
15. Studies undertaken by the UK Government show that at least €100 million would be required in 2006 and €500 million annually for 2007/2008 onwards, to offset the

impact of the reform for the ACP sugar supplying states. Please also note that the price cut will entail a permanent loss in earnings with no direct income payment of offer of “buy-out” arrangements as for beet farmers.

16. It seems that under the discussions in the Inter-institutional Group on the EU Budget for 2000/2006, an amount in excess of €300 million is still available for allocation after taking into account funds earmarked for the tsunami rehabilitation and quick wins’ for MDGs. Therefore, if there is political will, funds can be found by the EU to adequately respond to the ACP requirement as was done in the case of Iraq when savings in the agricultural sector were allocated to finance the reconstruction of Iraq;
17. Decisions on accompanying measures and sugar reform should avoid past mistakes. For example, rapid and drastic liberalisation of the banana, rum and cocoa sectors have had disastrous consequences for producers in ACP countries, and whatever financial assistance funds have been made available have had little or no positive effect.
18. It is imperative that we do not see a repeat of these situations in the sugar sector. The future of several ACP and LDC economies and the livelihoods of millions of people depend on it.
19. The ACP Sugar Group calls on the EU to comply fully with its legal and political commitments vis-à-vis the ACP sugar supplying states, in particular its commitments under the ACP-EU Sugar Protocol and Article 36(4) of the Cotonou Agreement which calls for the safeguarding of the benefits to the ACP States while taking into account the special legal status of the Protocol.
20. Ongoing consultations with stakeholders, including sugar beet farmers, in Europe are proving that there is a convergence of their interests with ours:
 - The reform, as proposed, would be catastrophic for most ACP and EU sugar growers and refiners
 - The implementation of the sugar reform should have a longer transition period;
 - The price reduction should be less drastic, with the price being remunerative;
21. The Commission proposal calls for the abolition of adjustment aid to full-time cane sugar refiners. This budget saving will be entirely at our expense, since to accommodate removal of the aid the Commission is calling for an immediate cut in the raw sugar reference price.
22. The ACP suppliers are asked to pay twice, once in the form of a steeper price cut over a short period of 4 years and once in the form of the burden of margin aid to the refiners.
23. We would, therefore, request for measures to alleviate the impact of this loss of income over and above whatever may be provided by the Commission’s ‘Action Plan’ for the ACP.
24. We appeal for support to ensure that the ACP States are treated with justice and equity and nothing is done to put into jeopardy the livelihood of thousands of poor sugar cane farmers who have little or no alternative source of income.
25. Continued access to the EU market without remunerative prices is not sustainable for the vast majority of ACP sugar supplying states. Indeed, this view is strongly echoed by sugar producing LDCs who will have unlimited duty free access to the EU market

of 2009 under the terms of the Everything but Arms (EBA), but stand to gain little or nothing at prices at which they simply cannot compete.

26. Such radical price cuts cannot be justified either on an economic level or by the constraints of WTO negotiations and the implementation of the recent recommendations of the WTO Sugar Panel. There is nothing in the WTO Framework Agreement of 1 August 2004 that would necessitate price cut of this magnitude.
27. In the WTO challenge of the EC sugar regime, the plaintiffs specifically stated that the EU should implement the recommendations of the Panel and the Appellate Body without prejudice to its commitments to the ACP.
28. In the absence of any other rational explanation, it appears clear that the Commission is using sugar as a bargaining position in the WTO and is unfairly seeking to impose the burden of its reform on ACP producers.
29. The ACP Group is seeking the support of all stakeholders in ensuring that the final decision on the reform of the sugar regime is in keeping with the EU's stated policy for the accelerated achievement of the MDGs, in which trade is an important development tool and the eradication of poverty at the core of development.
30. A genuine partnership for a more competitive and sustainable agriculture and the improvement of rural livelihoods in the ACP, LDCs and Europe demand that all stakeholders join forces in the search for a just and equitable reform

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