



SOC-142-11

Brussels, 10 March 2011

**To the Members of the Sectoral Social
Dialogue Committee for sugar**

**To the Members of the CEFS Working
Group on Social Questions**

***Main conclusions of the
plenary session of the sectoral social dialogue committee
for the sugar industry held on Monday 28 February 2011***

Dear Sir/Madam,

Please find attached for your information the main conclusions of the plenary session of the sectoral social dialogue committee for the sugar industry organized on Monday 28 February 2011 at the Borschette Center.

The next meeting of the plenary session is planned on Monday 27 February 2012.

Yours sincerely,

A handwritten signature in black ink that reads 'D. LUND'.

Dominique LUND

SECTORAL SOCIAL DIALOGUE COMMITTEE FOR THE SUGAR INDUSTRY

Plenary session - Monday 28 February 2011

11.00 – 17.00 - Borschette Center

Chairmanship: Norbert Kailich – Daria Cibrario

PARTICIPANTS

<u>COUNTRY</u>	<u>EFFAT</u>	<u>ORGANISATION</u>	<u>CEFS</u>
BELGIUM	Philippe HUBIN	FGTB HORVAL	-
BULGARIA	Slavcho PETROV	FITU-FOOD	-
CZECH REPUBLIC	-		Richard VIT (Agrana)
FRANCE	Jean Michel DESMECHT Guillaume TRAMCOURT	FGA-CFDT FGTA-FO	Jean Pierre PINASSEAU (French Federation)
GERMANY	Manfred FISCHER (Südzucker) Thomas PIETZKA (Pfeifer & Langen)	NGG NGG	Norbert KAILICH (Südzucker) Stefan LEHNER (Verein der Zuckerindustrie) Stefan RÖSSING (Verein der Zuckerindustrie)
ITALY	Pierluigi TALAMO Armando SAVIGNANO	IULA-UIL FAI-CISL	Giorgio SANDULLI (Unionzucchero)
THE NETHERLANDS	Hary STUUT (Suiker Unie) Chris WIJMA (Suiker Unie)	FNV FNV	Chr. H.KRAAIJMES (Suiker Unie) Wijnand P.A. PIREE (Suiker Unie)
POLAND	Emilia JANICKA Aleksander JAWOREK Stanisław LUBAŚ (Polski Cukier) Tomasz SZCZESZEK (Nordzucker)	NSZZ “Solidarnosc” NSZZ “Solidarnosc” NSZZ “Solidarnosc” NSZZ “Solidarnosc”	
PORTUGAL	Antonio LUCAO	SEETA	
SLOVAKIA			Andrej KOEBOEL (Agrana)
SPAIN	Miguel Angel ARROYO GUIJARRO Felix FEO CASARES Alberto de FRUTOS	CC.OO CC.OO FTA-UGT	Alberto SANCHEZ (Azucarera Ebro)
UNITED KINGDOM	Floyd MAJOR (British Sugar) Ray BOYLE	UNITE GMB	
GUESTS			Ilaria SAVOINI (Eurocommerce)
European Commission	Carlos LOPES (DG EMPL) François ZIEGLER (DG EMPL) Luis CARAZO-JIMENEZ (DG AGRI) Josef DAELEMANS (DG AGRI)		
European Secretariates	<u>EFFAT</u> Daria CIBRARIO		<u>CEFS</u> Marie Christine RIBERA Dominique LUND Oscar RUIZ Patrick PAGANI

The plenary meeting was jointly chaired in the morning by Dr Norbert Kailich (CEFS), in the afternoon by Mrs Daria Cibrario (EFFAT).

I – SOCIAL RESPONSIBILITY IN THE SUGAR INDUSTRY

A – Presentation of the eighth report on the implementation of the CSR Code of Conduct for 2010

Dominique Lund briefly presented the eighth CSR implementation report of the Code of Conduct, recalling the main concerns and priorities of the sugar industry, which would be explained in detail further on in the day at item II and III of the meeting (See presentation in Annex 1). A Communication Note was also circulated summing up the main requests and expectations of the European sugar partners (See Annex 2). This Communication Note would be circulated at the same time as the 2010 CSR Report to different Commission DGs and to some committees of the European Parliament for their information. Directorates General on Agriculture, External Trade, Development, Internal Market, Enterprise, Climate, were mentioned, as well as the EP committees on agriculture and international trade. The Report and Communication Note could be used as needed when meeting Commission officials, MEPs or other external decision makers.

It was recalled that the “employability” web based interactive tool developed in 2008-2010 was now available on the joint website “eurosugar.org” in six languages (DE – EN – FR – Tab : “2010 Employability tool” – SPA –ITA – POL : Tab “CSR” as PDF files). The translation into Italian, Spanish and Polish was carried out with the financial support of the cross-industry partners (See part III.B.b. of the Report). This tool appeared as particularly relevant at a time when employment and employability were at the heart of the current EU 2020 Strategy and the different flagship initiatives.

In relation to the publication of the International Guidance on social responsibility ISO 26 000 in December 2010, the social partners would examine whether some technical adjustments or updates needed to be introduced in the Code of Conduct for sugar. This might also be a good opportunity to mention the developments intervened since the signature of the Code in 2003. Daria Cibrario also proposed that the update of the Code be made in the light of the recent UN framework developed by Prof. John Ruggie, Special Representative of the United Nations Secretary-General on business & human rights “Protect, Respect and Remedy”. The CEFS and EFFAT Secretariats would in a first stage work separately on this topic and would then exchange their views in order to present a common proposal to CEFS members and EFFAT affiliates. They planned to finalize this work by the end of 2011 for adoption at the 2012 plenary meeting (See part III.D. of the Report).

Regarding the creation of a new sectoral dialogue committee for the agro food industry, Daria Cibrario confirmed that the EFFAT was aware of potential different interests in the sugar industry and the agro-food industry. Dominique Lund stated that a global coherence should be achieved through mutual concertation in case of sensitive issues in order to avoid any counterproductive action within the agro-food industry (See Part I.D. of the Report).

In addition she mentioned that – in its reply to the consultation on the Single Market Act launched by Commissioner Barnier, EFFAT had commented on the effects of external trade policy on employment, including on the sugar industry, also referring to the question of food

security at a time of raw material shortages, and the necessity to evaluate socio economic impact at an early stage before concluding trade agreements, as foreseen by the Lisbon Treaty and its new Article 9 (See Part III.C of the report).

The eighth CSR Report was adopted and would shortly be placed on the joint website “eurosugar.org” (See Annex 3).

Before concluding this item of the agenda, Daria Cibrario mentioned the case of a Glodeni-Zahar, a Moldavian sugar company which went bankrupt and was bought to another company. Since June 2010 its workers had not received any wage payment: as a result the workers decided to keep the existing sugar stocks as a guarantee. The trade-union representatives of the Glodeni-Zahar workers were condemned and put in jail. This example just outside the EU stood in stark contrast with the practice of European social dialogue as conducted in the European sugar industry.

B. The European Social Dialogue in the context of the Lisbon Treaty Presentation by Mr François Ziegler (DG EMPL)

Mr François Ziegler of DG Employment presented the Commission Staff Working Document (SWD) on the functioning and potential of European sectoral social dialogue published on 22 July 2010 (See Annex 4). This document could actually be considered as a Commission Communication and had now been issued in all EU languages¹. The SWD was a picture of the last 10 years of sectoral social dialogue which registered a considerable development with the creation of 40 sectoral social dialogue committees (SSDC) since the 1998 Communication and Decision establishing the criteria for establishing SSDCs. The SSDCs were currently covering more than ¾ of European workforce.

The SWD recalled the legislative background of the social dialogue, described the SSDCs, their dynamics, and outcomes, explained the consultation and negotiation capacity of European social partners, and enhanced their new margin of action in the frame of the current Lisbon Treaty which reinforced the ESD legal basis. New Article 152 TFEU provides that “The Union recognizes and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy”. In new Article 9 TFEU it is specified that : “In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health”. In other terms the social dimension should now be taken into account in all EU policies.

The European social partners were more and more involved in the European policy-making process through the consultation process, not only regarding the social policy initiatives, but also regarding any policy having a sectoral impact (trade, agriculture, internal market etc.). The procedure of impact assessment allowed the partners to react to any European policy which might have a social impact. This in turn was requiring a reinforced capacity of analysis and joint relevant reaction from the social partners. The EU structural funds also constituted an

¹ See Commission website <http://ec.europa.eu/social/main.jsp?catId=329&langId=en>

important source of funding to European joint projects. Within the frame of the new Lisbon Treaty, the European social dialogue had now got important means of action if well and fully used.

The Polish Trade Union representative regretted that, despite consultation, the sugar reform was implemented at very high social cost for the sector. Daria Cibrario emphasized that the portrait of the post-reform situation outlined by EFFAT affiliates pointed to a very heavy social toll as highlighted in the Special Report n.6 of the EU Court of Auditors. Dr Norbert Kailich remarked that however employers and employees could jointly discuss the challenges at stake and develop helpful concrete projects. Carlos Lopes recalled the political character of the reform as well as the consultation which took place in the frame of the EBA initiative in 2001. Thanks to this consultation the implementation of the Regulation was phased out until October 2009, allowing the industry to prepare itself to face a situation of duty free imports in unlimited quantities from the 49 Least Developed Countries (and since then from the ACP countries). He also reminded that the sugar restructuring fund was created at the request of the social partners. The social dialogue has therefore had a real influence to help and manage the consequences of the political decision.

II – THE EUROPEAN SUGAR INDUSTRY : STATE OF PLAY AFTER THE SUGAR REFORM

Mr Jozef Daelemans of DG AGRI, sugar unit, presented the market situation with current developments : Development of quotas since the reform, evolution of areas, sugar trade, market prices, imports/exports, sugar balance, market measures, future challenges (See Annex 5). He explained that, with the reform, the sugar beet industry became more competitive than before. It was no longer self sufficient and around 3 million tonnes sugar had now to be imported each year for domestic consumption. According to Commission forecasts, the imports in 2010/2011 should remain stable as in 2009/2010. The fact that the world market price was now higher than the internal market price made exports into the EU less attractive. This was opposite to the situation existing before the sugar reform, depriving the swap possibility denounced by the sugar industry of any interest. To ease the tight situation of the EU market, the Commission decided to release of 0.5 million tonnes of out-of-quota sugar on the EU market. Discussions were in course regarding the future of the CAP after 2013, with a possibility to cancel the quotas after 2014-15. Concrete proposals would be presented in the coming months.

Mr Luis Carazo-Jimenez, Deputy Head of the sugar Unit, commented the Report of the Court of Auditors on the sugar reform². The Commission considered the conclusions of the Court Report as globally positive. He recalled that the sugar regime had not been modified for a long time until the reform, which was made necessary by the Everything But Arms initiative, as well as the loss of the sugar panel at WTO. The Council and the European Parliament took a political decision regarding the new regime. With 75 % of the previous quotas, the sector became smaller, but more competitive. He emphasized that the renunciation of quotas within the frame of the restructuring fund was voluntary. With a total relinquishment of 5.7 Million tonnes, the reform was considered as a success. The sugar production concentrated in the most competitive EU regions. With a reference price lower than the world market price the

² Report of the Court of Auditors N° 6-2010 – Has the reform of the sugar market achieved its main objectives ?

EU industry had indeed become more competitive at world level. Regarding the critics of the Court of Auditors, he confirmed that only the less competitive producers had renounced quotas, this relinquishment was not compulsory, the fact that the EU was no longer self sufficient resulted from the development policy decided by the EU through the EBA initiative, in case of potential shortage in the EU, CMO market tools allowed to face the situation.

Mrs Marie-Christine Ribera, CEFS General Director, presented the main concerns and priorities of the sugar industry (See Annex 6). The sugar reform was a radical one with a cut in the reference price by 36 %, a reduction of quotas by one third, a limitation of exports to 1 million tonnes only and a strong increase in imports. The industry response was far reaching. However 5 countries completely ceased production, 6 countries lost over 40 % of their national quotas, 80 factories were closed since 2006, impacting more than 20,000 direct jobs, according to CEFS latest figures. The EU market balance widely changed with unrestricted imports from ACP/LDC countries, an increased influence of Brazil, world market prices higher than the EU price. In case of tight supply on the EU market, the European sugar industry expected that the available EU sugar production would be given the priority over additional import concessions. The special report of the Court of Auditors noted that the reform process had not fully ensured the future competitiveness. The situation where the industry had to face restrictions on exports while new additional duty free imports were continuously imposed was not sustainable in the long term. Regarding the current reflections on the CAP post 2013, the industry had set five priorities: an appropriate imports management policy, the need for EU supply management tools, freedom to export as any other region in the world, contractual relationship with growers, and the removal of the production charge of 12 Euros/tonne levied to the sector which is no longer justified and must be eliminated.

In the following debate the chairman, Dr Norbert Kailich, recalled that human persons were actually at stake each time a political decision was taken. The Spanish EFFAT representative, Alberto de Frutos, described the social consequences of the reform in the field, particularly stressing the difficult situation of seasonal and temporary employees who could not benefit from any social cushioning system and were left unemployed in rural, vulnerable areas as a result of the reform. The employers' Italian representative, Giorgio Sandulli, expressed some doubts regarding the success of the reform : the reduction in internal sugar price had had no impact on the consumption price of final products, due to the increased world market price the imports from LDCs were by far less important than expected, giving rise to a tight supply. The concept of competitiveness "on average" was meaningless since it did not take into account the diversity of situations between companies, be they large companies or SMEs. Different situations had to be analyzed on a case by case basis when reflecting on the future. The EFFAT Polish delegate put the accent on the risk of delocalization out of the EU, the non sense of the offer rarefaction when the EU could produce more and the despair of workers losing their jobs.

III – MAJOR ECONOMIC CHALLENGES FACING THE EUROPEAN SUGAR INDUSTRY

Climate change and reform of the EU Emissions Trading System

Oscar Ruiz from CEFS explained the EU ETS objectives set up for 2020, with a transitional period 2013-2020 (See Annex 7). All EU sugar factories were concerned, the sugar sector being

by far the most affected in the agro-food industry. The estimated cost in the transitional period would amount to 150 Mio Euros/year between 2013 and 2020. In spring 2011 the European Parliament and the EU Council should decide on the final validation of rules proposed by the Commission. As a main conclusion, it was highlighted the need for the EU to ensure a level playing field by preventing unfair competition between EU sugar production and competing imports which would not respect similar environmental obligations and costs. In addition to the joint letter already sent by the social partners and CIBE to the Commissioner on Climate action in June, a new joint initiative might be helpful in due time.

Bilateral and multilateral negotiations

Patrick Pagani from CEFS rapidly pictured current main trade initiatives : Communication on “Trade, Growth and World Affairs” of November last, the EU willing to complete the WTO DDA negotiation, new trade agreements with major partners as Mercosur, South Africa or India (See Annex 8). He recalled that any additional concession granted had an impact on EU production and therefore employment and could impact the EU development goals already concluded with ACP and LDC countries. Joint action might be necessary in due time on Mercosur and WTO in particular. In addition, CEFS and EFFAT generally concerted each other to reply to Commission consultation on trade policy initiatives.

GSP Preferential Rules of Origin

Dominique Lund announced that – after 5 years of intensive work – new GSP rules of origin had been adopted by the Customs Code Committee and the Commission by the end of 2010. The industry concerns on mixing of sugar and refining had in particular been fully taken into account. The new rules should prove more secure for the long term and would little by little serve as a model for new trade arrangements (See Annex 9).

IV - WORK PROGRAMME AND ACTION PLAN FOR THE SOCIAL PARTNERS IN 2011

The work programme and action plan for the social partners in 2011 as attached to the eighth CSR report circulated was adopted (See Annex 10).

V – A.O.B.

The next annual plenary meeting of the sectoral committee for sugar was planned on Monday 27 February 2012.