

## LEAST DEVELOPED COUNTRIES

### RESPONSE TO THE COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT ON JULY 14, 2004 CONCERNING THE PROPOSED REFORM OF THE EU SUGAR REGIME

13 September 2004

The EBA initiative was initiated with the purpose of promoting socio-economic development in the LDCs, which comprise in excess of one billion people who live in abject poverty. The world and the LDCs in particular have welcomed the initiative in the spirit of this objective.

#### THE DEVELOPMENT ROLE OF SUGAR

1. The EBA initiative is rightly regarded as a development initiative, as outlined in the LDC response to the Commission Staff Working Paper<sup>1</sup>. The Commission's outline proposal<sup>2</sup> will reduce the margin over world priced sugar to LDCs with negative consequences for rural and economic development.
2. The Commission has completely to ignored the proposals made by LDCs for the adaptation of the EBA initiative in relation to sugar and the role of the LDCs in the future orientation of the EU sugar regime.<sup>3</sup> The Commission has taken credit in numerous press releases and interviews for taking into account the interests of the LDCs WHILE IN FACT IT HAS NOT DONE SO AT ALL;
3. The preference provided by the EU sugar regime promotes investment in sugar production in LDCs. Many LDCs have the natural resources to sustain efficient sugar production and should not be denied the opportunity to develop these industries, which in many instances are the only viable agricultural enterprises.
4. The Commission's outline proposal fails to take the unique opportunity to facilitate rural development in LDCs via the internationally acclaimed tool of sugar cane production in deep rural economies.

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<sup>1</sup> LDC Sugar Group, Response to Commission Staff Working Paper, 19 November 2003.

<sup>2</sup> COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT "accomplishing a sustainable agricultural model for Europe through the reformed CAP - sugar sector reform", Brussels, 14.7.2004, COM(2004) 499 final.

<sup>3</sup> Outline proposal of the least developed countries of the world to the European Union regarding the adaptation of the EBA initiative in relation to sugar and the role of the LDCs in the future orientation of the EU sugar regime, 3 March 2004

5. The Commission's outline proposal will stifle investment in one of the few rurally based industries in which LDCs have a comparative advantage.

#### **ADAPTATION OF THE CURRENT EBA INITIATIVE**

6. The Commission has failed to seize the opportunity of restoring the initial intent of the EBA initiative by not considering incorporating immediate improved access to LDCs in the outline proposal.
7. The LDCs restate their request that the EU grant them improved access from July 2004 to July 2009. This will have the added benefit of providing redress to the LDCs for loss of future benefits. This would be consistent with the objectives of the GSP, which provides for preferences to be granted as widely as possible to LDCs.
8. The Commission's outline proposal envisages stifling LDC development prior to 2009 when LDCs will gain unrestricted access.
9. The LDCs' access at its peak under the current EBA initiative will amount only to not more than one-eighth of one percent of EU demand - the West Balkans currently have access for 2½ times more sugar, with no restriction as to quantity, quality or customer, unlike the LDCs.

#### **UNJUSTIFIABLE RESTRICTIONS**

10. Retention of the Maximum Supply Needs for cane refiners could prevent LDCs from supplying alternative buyers of raw sugar thus limiting the markets and commercial opportunities that LDCs can access.
11. The LDCs have proposed managed access at remunerative prices. The Commission's outline proposal will result in unrestricted access to a restricted and unattractive market.

#### **UNBALANCED ORIENTATION OF EU PROPOSAL**

12. While costs of production trends indicate a decline in prices, the proposed reductions in EU prices and the timeframe thereof ignore the development realities and requirements in LDCs who are the poorest of the poor.
13. The EU proposes that the EU processors' margin will be maintained, the beet farmer will be compensated, an ACP action plan will be developed, but the concerns of the LDCS are not addressed.

14. Efficiency improvements available to EU sugar producers to offset the impact of declining prices and volumes are not available to LDC sugar producers, who, of necessity, have had to be efficient from the outset. Under the Commission's outline proposal they are deprived of the investment margin required to build economies of scale whereas the LDCs' proposal provides longitude to returns, certainty and predictability required to attract the necessary investment.
15. EU beet growers will receive ongoing aid to remain on the land. As a consequence of the Commission's outline proposals, the rural poor of the LDCs would be condemned to a subsistence existence.
16. The rapid decline in price as proposed by the Commission will benefit neither the primary producer nor the ultimate consumer within the timeframe of the proposed changes, nor possibly for some time thereafter. The beneficiaries will continue to be EU industrialists, who currently are profitable without the added benefit of reduced input prices for sugar. LDC sugar producers are being sacrificed for the benefit of profitable EU enterprise.

#### **CONCLUSION**

17. Whilst the LDCs welcome the Commission's plan to retain a managed market structure as this should benefit the LDCs, they call for the EU to introduce a more reasonable transition period '(Commission proposal is 3 years and LDCs propose 10 years)' with a more modest and gradual price change, '(Commissions proposed cuts start in July 2005 which gives none of the parties time to prepare for changes. Where as the LDCs under EBA initiative only start unlimited and duty-free access July 2009).' incorporating increased, immediate LDC sugar access to the EU.
18. Furthermore the LDCs Call for unconditional compensation of loss of revenue and technical assistance as a measure to address the reform which seems to be inevitable.