Development:
EU Asked to Delay Sugar Reforms

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The European Commission's current proposals for the sugar regime could have severe consequences for developing countries, says the African, Caribbean and Pacific group of countries.

"The severity of the price cuts and timeframe for their implementation, and the dismantling of the intervention mechanism, as proposed, are totally unacceptable because they are tantamount to a breach of the obligations enshrined in the sugar regime," the African, Caribbean and Pacific (ACP) group of 79, mainly African, countries said Wednesday (Oct. 6).

The group says that price cuts in sugar will have "dire consequences" for employment, investment, rural development, food security and the environment.

Meeting in Brussels Oct. 4 to 6, ACP representatives prepared an official response to European Commission proposals to reform its sugar regime. The European Union (EU) sugar regime is due to come to an end in 2006.

The European Commission, the EU executive, announced proposals in July which included cutting the guaranteed sugar price by one-third between 2005 and 2007, and reducing sugar quotas.

Under the current regime, which has been criticised for unfairly discriminating against sugar producers from other developing countries, Europe produces 20.4 million tonnes of sugar a year, imports about two million, but consumes only 15.5 million tonnes.

As a result, the EU exports a surplus of around six million tonnes of sugar every year. Some of this gets specific export subsidies but all of it is dumped on world markets at prices which development groups say undercut local farmers and deprive them of their livelihoods.

The World Trade Organisation (WTO) ruled last month that the bloc is illegally dumping millions of tonnes of subsidised sugar on world markets. The ruling followed a complaint from Brazil, Australia and Thailand, who accused the EU of breaking trade rules by providing sugar export subsidies in excess of WTO limits.

In their response to the Commission's proposals this week, representatives of the ACP countries insist that the EU respect its commitments on "the three guarantees of price, access and indefinite duration."

The ACP says it is aware of the need to "curtail costs, to modernise, to enhance competitiveness and to expand the scope of the multifunctional role of the sugar industries", but it says that such reform cannot be sustained unless "the ACP's legitimate expectations of a steady flow of predictable and remunerative earnings are met."

The group says the "severe price cuts" should not enter into force next year. "The ACP considers that by 2008 there would be greater clarity in the international sugar environment, and that consequently the reform need not start before 2008," they said in their response.

The ACP group also reaffirmed its assertion that losses due to price cuts "should be compensated for with an automatic and predictable mode of disbursement", adding that such compensation should be "simple, timely and recurrent."

Jamaica, one of five countries which reap 80 percent of the benefits of the sugar regime, says its sugar industry will not be able to survive the proposed reforms and "will require a mechanism and a support programme equivalent to that offered to vastly wealthier sugar producers in Europe."

An International Confederation of Free Trade Unions (ICFTU) report published to coincide with this week's ACP meeting said the Commission's proposals "will lead to substantive changes in the global sugar trade, including severe impacts" on some sugar-producing developing countries.

A briefing note released by ICFTU earlier in the week says many sugar-producing countries -- especially those that face high costs -- will be forced out of the market as a result of EU price reductions.

"Severe price reductions will have serious consequences for these countries, as many of them, especially those that face high costs, will be forced out of the market. At the same time, the reform proposal fails to provide any clear measures to address the adjustment costs these countries will face," the report says.

The network of trade unions, which represents 148 million workers around the world, insists that an assessment of the social and employment impact of the reform proposals is needed both in ACP and in European countries.

It adds that prices and access for least developed and ACP countries need to be kept at current levels while a comprehensive agreement is negotiated on the duration, pace and extent of the reform.

"The EU needs to provide a longer transition period, assistance with restructuring and means to assist workers affected," the report says. "Therefore the EU should use part of its export subsidies budget for social adjustment programmes and restructuring."