

## **PRESS RELEASE**

**7 October 2004**

### **THE ACP GROUP CONSIDERS THAT THE COMMISSION'S PROPOSALS ON SUGAR WOULD DEVASTATE THEIR SUGAR INDUSTRIES WITH SEVERE SOCIO-ECONOMIC CONSEQUENCES FOR THEIR POPULATIONS**

**The ACP Sugar supplying States met in Brussels from 4 to 6 October 2004 to respond to the European Commission's Communication of 14 July 2004 on the reform of the EU Sugar Regime, hold the unanimous view that the Commission's proposals on Sugar, if adopted in their current form, would devastate their sugar industries with severe socio-economic consequences in their respective countries.**

**Similarly, the ministerial meeting of the LDC sugar exporting countries whose main constituency is ACP countries indicated on 13 September 2004 that their legitimate expectations from the EBA initiative would be frustrated.**

**The Sugar Protocol is a long-standing preferential trading arrangement between the ACP and the European Community. The ACP have fully and faithfully met their obligations under the Sugar Protocol, and legitimately expect the EU to continue meeting its obligations under the terms of the Protocol.**

**The sugar industries in the ACP States fulfil a multifunctional role; a wide range of direct and indirect benefits are derived from the sugar industry and there are very limited possibilities to diversify away from sugar.**

**The ACP are cognizant of the need to curtail costs, to modernise, to enhance competitiveness and to expand the scope of the multifunctional role of the sugar industries; consequently they have embarked on reform programmes which have been intensified. However, such reform cannot be sustained unless the ACP's legitimate expectations of a steady flow of predictable and remunerative earnings are met.**

**The importance of long standing preferences such as the ACP-EU Sugar Protocol has not only been recognized by the ACP and the EU, but also at multilateral level. Indeed, the WTO Framework Agreement fully recognises the importance of long-standing preferences and makes provision for addressing the issue of preference erosion.**

**The Framework Agreement also allows WTO Members to designate sensitive products for which tariff reduction commitments will be lower. In such circumstances, there is no compulsion arising from the WTO negotiations for the severe and immediate price cuts as proposed by the Commission. The ACP consider that by 2008 there would be greater clarity in the international sugar environment, and that consequently the reform need not start before 2008.**

**The ACP States recall that the Sugar Protocol is an intergovernmental agreement with obligations to be met by all contracting parties. On the EU side, the obligation is to respect the commitments enshrined in the Protocol in terms of the three guarantees of price, access and indefinite duration. Accordingly, the EU sugar regime should be appropriately structured.**

**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 Protocol, and an impairment of benefits derived therefrom with dire**

consequences on employment, investment, rural development, food security, protection and preservation of the environment.

The ACP and the LDCs regret that the proposal of the LDCs of 3 March 2004, wherein they called for an adaptation of the EBA initiative through an increased access with a second-tier quota up to 2016 as against quota-free access, has been ignored by the European Commission. The LDCs are of the opinion that it is crucial to maintain an orderly market arrangement and thus secure a guaranteed high remunerative price. Short of such an approach, the Commission proposals will only benefit industrial users of sugar in the EU, and large multi-commodity exporters.

The ACP note the reference in the Communication to Article 36(4) of the Cotonou agreement wherein the parties recognise the need to safeguard of the benefits of the Sugar Protocol bearing in mind its special legal status of the Protocol. The ACP further note the reaffirmation by the Commission of the commitment of the EU to buy annually at a guaranteed price an agreed quantity of 1.3 million tonnes white sugar equivalent. The ACP States emphasize that access without a remunerative price is meaningless.

Adjustment programmes need funding in advance of any reduction in earnings; consequently a Competitiveness Fund should be established in 2005. The ACP note that compensatory mechanisms have been provided in situations where operations are not economically viable. Under the Commission proposals, the outermost regions of the EU will benefit from special treatment taking account of the specific constraints of their agriculture and industry, as well as their logistic situation in relation to the EU market. The ACP, who are in a similar situation, should therefore benefit from comparable treatment.

The ACP re-affirm that all losses due to price cuts should be compensated for with an automatic and predictable mode of disbursement. The ACP highlights the fact that fund disbursement must be simple, timely and recurrent; this is of critical importance in the implementation of any adjustment programme. Resources relating to the Competitiveness Fund and compensation for price reductions should be separate and distinct from each other and should be additional to the European Development Fund.

The ACP welcome the Commission's plan to continue to limit isoglucose production and to restrict access from the Western Balkans as well as the provisions for avoiding distortion of competition between the LDCs and the ACP.

The ACP consider the above are essential requirements against which they would be prepared to consider an implementation period of not less than [8] years in conjunction with other issues, notably the impact of the reform process.

The ACP welcome the Commission's offer of an open and structured dialogue on the reform proposals and the preparation of a plan of action in favour of the ACP States concerned.

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