Representing all sugar producers in the EU and Switzerland since 1953

9 November 2010

ADDRESS TO THE DECISION-MAKERS OF THE EUROPEAN INSTITUTIONS

Consistent Trade and Import Policies for the European Sugar Sector

As part of civil society and as responsible economic players, the European Association of Sugar Manufacturers (CEFS)[1] would like to explain why implementing a consistent trade policy[2] is an essential prerequisite for achieving sustainability in the EU and meeting the objectives of EUROPE 2020[3]. Nowhere is this more needed than with international trade and agriculture, particularly regarding the EU sugar sector.

As you're likely aware, the EU sugar reform initiated in 2006 has had a substantial impact on the sector. In addition to absorbing large price cuts, the sugar industry has had to restructure in order to improve efficiency, resulting in the closure of 60% of its factories. This has transformed the EU from the world's second largest exporter of sugar to its second largest importer in just three years. By limiting EU sugar production to a level well below its domestic consumption, the EU has preserved the interests of its traditional suppliers, in particular the African, Caribbean and Pacific (ACP) countries. It has also offered duty free market access to sugar from the Least Developed Countries (LDCs).

Paradoxically, as the world sugar industry continues to develop, the European sugar industry is facing an unsustainable situation: on the one hand, it faces restrictions on its exports, while on the other it sees new additional duty free imports[4] being imposed. Indeed, as it stands today, additional imports, via bilateral or multilateral trade agreements could irreparably damage the EU sugar industry and its traditional suppliers as the European market is already fully subscribed. Continuing along this line would:

- **Undermine the EU's policy goals to improve EU food security** by introducing instability of supply to the EU domestic market through the volatility of world sugar prices. This is exacerbated by the volatility of the value of currencies, to the disadvantage of European consumers. The EU industry has proven to be an

[1] Comité Européen des Fabricants de Sucre.
[2] The need for consistency is also clearly expressed by many other stakeholders in the final report on the public consultation on the future EU trade policy – overview of contributions, published in September 2010 on the Commission web site.
[3] « EUROPE 2020 » is the EU strategy for jobs and smart, sustainable and inclusive growth. It constitutes a coherent framework for the Union to mobilise all of its instruments and policies and for Member States to take enhanced coordinated action.
[4] See recent agreement on Central America and the Andean Community. Other negotiations are ongoing: MERCOSUR, Ukraine, India, Singapore, WTO-Doha Round were additional concessions on sugar are discussed.

extremely reliable source of supply over a long period of time. As a result, European consumers have been buffered from the damaging effects of world price volatility.

- **Encourage some EU trading partners to use "Swaps"** i.e. exporting their domestic production to the EU whilst importing, in return, the same quantities from non-EU countries so as to meet their domestic needs. This operation does not bring any additional value added to local agriculture in developing countries but transfers wealth to the benefit of big international trading companies.
- **Harm the environment**, by encouraging long distance transport of heavy goods whose traceability and sustainability cannot be guaranteed. By contrast, EU sugar supplies are highly traceable and located 100 times closer than the imports under consideration.
- **Endanger the further development of a competitive European beet sugar industry** by forcing a new wave of factory closures and job losses, which were not anticipated or planned at the time of the 2006 reform.
- **Undermine the longstanding ACP preferences** incorporated into the Economic Partnership Agreements, and **negate the benefits awarded to LDCs** through the Everything But Arms (EBA) initiative. These developing countries are important and valued suppliers to the EU sugar market.

For all these reasons, CEFS urges that the EU's trade policy, particularly with respect to imports, be consistent with its agreed CAP commitments in the sugar sector. In this context, we advocate that the European market continues to be supplied by a stable domestic production covering no less than 85%[5] of EU consumption, with the balance being supplied by ACP and LDC developing countries and traditional suppliers. We also ask that the current constraints on exports be lifted, allowing the EU to export freely in common with all other global players.

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ABOUT CEFS

CEFS, founded in 1953, represents all European beet sugar manufacturers and cane sugar refiners, covering sugar production in 20 EU countries (Austria, Bulgaria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, Portugal, Romania, the Netherlands, Poland, Slovakia, Spain, Sweden and the United Kingdom) plus Switzerland.

For further information, please visit our website www.cefs.org

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[5] Source: Reply of the Commission to the special report « Has the reform of the sugar market achieved its main objectives? » SEC(2010) 1016 final of 7.9.2010, point 58.