Brussels Monday, 14 October 2019

CEFS POSITION ON EU-MERCOSUR AGREEMENT

Why should EU sugar concessions to Mercosur be rejected?

Based on the information so far available, the overall sugar concessions to Mercosur consist of:

1. The elimination of duties from the first day of entry into force on 180,000 tonnes of raw sugar for refining, taken from the existing Brazilian CXL quota;
2. A new duty free TRQ of 10,000 tonnes of raw sugar for refining for Paraguay from the first day of entry into force;
3. 450 000 tonnes of ethanol for chemical uses, duty-free. 200 000 t of ethanol for all uses (including fuel), with an in-quota rate 1/3 of MFN duty. The volume will be phased in in six equal annual stages.
4. A new TRQ of 2000 tonnes for high sugar content products with an in quota rate 1/2 of MFN duty

- Taken together, concessions on sugar and ethanol are equivalent to 1.5 million tonnes of sugar, accounting for almost 10 % of the EU sugar consumption.

In this respect, CEFS wishes to highlight the following points:

- Granting a zero duty concession on part of the Brazilian CXL quota of sugar imports, means additional pressure on EU internal prices. The zero duty rate ensures that all of this sugar will enter the EU, even when prices are low, as currently. Quantities at zero duty are therefore real concession. Moreover this sets a negative precedent for the other CXL volumes.
- It could mean the closure of 7-10 sugar factories, thus constraining alternative and developing outlets in the non-food sector, such as bioethanol, which are absolutely needed to counter the negative effects resulting from the deal, and which are an important part of the trend to bio-based products.
- This alone would mean a loss of gross value added of at least 1 billion EUR and would also affect at least 22,000 jobs[1]. Rural areas would be hardest hit.

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[1] CEFS estimation on the basis of: Scholz, Benke, Bergmann, Cramer: The Economic Contribution of the EU Sugar Industry in 2017. Research report of WiFOR-Institut, June 2019.

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- European sugar is not competing with Brazil on the same level playing field. Brazil employs heavy financial and regulatory support to artificially boost its competitiveness. The social and environmental standards are different (i.e. 27 active substances used in agriculture, some in sugar cane cultivation, are not authorised in the EU).
- The safeguard clause foreseen in the agreement will most probably not be used for the sugar sector and, if it was, it would certainly be implemented with a strong delay given the fact that TRQs will unfortunatly not be implemented in several steps.
- The European Commission has so far offered no support to alleviate the deep and unprecedented market crisis in our sector. On the contrary: the agreement with Mercosur will only exacerbate the current situation, jeopardising the longer term competitiveness of the sector.

Given the above, European Sugar Manufacturers:

- ✓ **Oppose the concessions on sugar and the EU-Mercosur agreement**;
- ✓ **Recommend the EU Commission and Member States to avoid a provisional application of the agreement.** This would give adequate time to operators and National Authorities to assess the negative economic, environment and social consequences in particular for sensitive products such as sugar;
- ✓ Call for the **distribution of the TRQ between UK and the EU-27**, should the UK leave the EU;
- ✓ **Stand ready to work** with the European Commission services and with the Joint Research Centre **on the ongoing Impact assessment**;
- ✓ **Formally request to be part of the 1 billion EUR package** announced by Commissioner Hogan to counteract negative consequence's coming from the agreement.

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