CEFS' SIX PRIORITIES FOR THE FUTURE EU TRADE POLICY

CEFS calls for a review of the trade policy that allows the EU sugar industry to compete on a sustainable level playing field globally.

In 2017, the EU abolished sugar production quotas, a fundamental change turning the domestic sugar market into one of the most deregulated in the world. CEFS is proud to say that sustainability has been at the heart of the EU sugar sector for a long time. Sugar manufacturers are continuously enhancing their performance while simultaneously improving productivity and competitiveness. However, most other sugar producing and exporting countries worldwide are maintaining or even increasing their trade-distorting support and other trade import barriers.

To ensure that third-country sugar imports do not undermine the exemplary nature of the EU's sustainable sugar production, it is paramount that the goals of the Green Deal are aligned with EU trade policy.

To this end, we have identified six priorities.

OUR SIX PRIORITIES

1. ELIMINATE TRADE-DISTORTING SUPPORT AND IMPORT TRADE BARRIERS

Third country trade-distorting support measures and trade import barriers must be addressed and litigated, both at WTO level and by effectively enforcing rules in the EU's Free Trade Agreements.

2. NO LEVEL PLAYING FIELD, NO MARKET ACCESS CONCESSIONS

Where no level playing field exists, the EU must not offer market access concessions on sugar and high sugar-containing products in the context of its trade negotiations.

3. SUPPORT THE CREATION OF ADDED VALUE IN THE EU THROUGH STRICT RULES OF ORIGIN

The EU should maintain strict rules of origin in order to maximise the local added value for the contracting parties.

4. MAINTAIN THE EU'S IMPORT TARIFFS ON SUGAR

The EU's current import tariffs on raw and white sugar set for non-preferential origins must be maintained. This includes the EU's Most Favoured Nation tariffs, the 98 EUR/tonne CXL duty, and the WTO Special Agricultural Safeguard (SSG).

5. FOSTER OPPORTUNITIES FOR EXPORT

Depending on market conditions, exports may be an appropriate outlet to supply deficit areas or countries. The EU sugar industry should be given the possibility to supply third country markets through future trade agreements.

6. ALIGN EU TRADE POLICY WITH THE OBJECTIVES OF THE GREEN DEAL

Where EU sugar manufacturers further improve their environmental footprint by implementing the Green Deal proactively and standards abroad are lower, no market concessions should be given to sugar imports in order to uphold the achievements of EU producers.

FIVE WORLD'S BIGGEST SUGAR EXPORTERS: ALL APPLY TRADE DISTORTING MEASURES

Shares of world sugar exports 2017-19 (average)

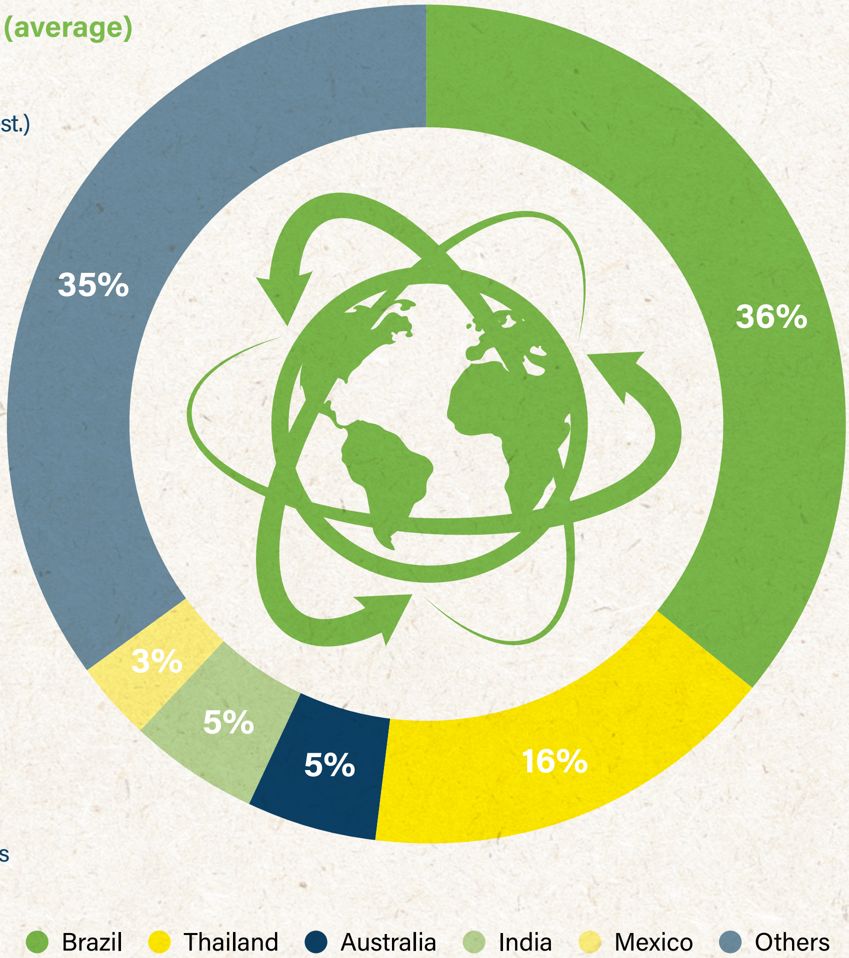
BRAZIL:
- direct and indirect subsidies of US$2.5 billion p.a. (est.)
- cross-subsidization of ethanol sector
- currency depreciation of the Brazilian real

THAILAND:
- high minimum selling prices for domestic sugar
- cheap loans and government support for cane farmers and sugar industry
- cross-subsidization of sugar exports

AUSTRALIA:
- cane farmers supported through indirect subsidies: i.e concessional loans schemes, modernisation of sugar cane transport infrastructure, marketing and export arrangements, cross-subsidisation by the ethanol sector, and ethanol mandatory blending requirements.

INDIA:
- high minimum selling prices for domestic sugar
- cheap loans and transport subsidies
- direct subsidies and cross-subsidization of sugar exports. Incentives of US$ 1,3 billion for 2019 and 2020 marketing years

MEXICO:
- massive government interventions and subsidies
- dumped and subsidized sugar exports



Source: International Sugar Organization, American Sugar Alliance, Public statements, Reuters

PRIORITY 1:
ELIMINATE TRADE-DISTORTING SUBSIDIES AND IMPORT TRADE BARRIERS

The sugar market is highly distorted with the major sugar producers and exporters still benefiting from trade-distorting measures, and even increasing them. In addition to that, countries such as Canada and Egypt are maintaining unfair import restrictions that prevent access of EU white sugar to those markets.

Trade-distorting support measures and import trade barriers must be tackled at WTO level and enforced through rules in the EU's Free Trade Agreements.

CEFS welcomes the European Commission Communication on the Trade Policy Review as a mean to assertively defend its interests, protect the EU´s economy from unfair trade practices, and ensure a level playing field. These objectives must be backed up with immediate actions.

PRIORITY 2:
NO LEVEL PLAYING FIELD, NO MARKET ACCESS CONCESSIONS

Where no level playing field exists, CEFS asks that no further market access concessions on sugar or high sugar-containing products be granted in Free Trade Agreements. Before the EU offers such concessions, it must be demonstrated that the products concerned do not benefit from government support and export subsidies as defined in the WTO Agreement on Agriculture to prevent subsidised sugar from entering the EU market and ensure fair competition for the EU sugar industry.

PRIORITY 3:
SUPPORT THE CREATION OF ADDED VALUE IN THE EU THROUGH STRICT RULES OF ORIGIN

The added value of a Free Trade Agreement must benefit the contracting parties.

Rules of Origin are an essential tool for reaching this goal and should not be misused to increase market access to third party competitors. They are necessary to rule out illegal or unfair triangular trading schemes.

Strict Rules of Origin define the "nationality" of a concession i.e. EU sugar originates from EU-grown sugar beet processed locally mostly in rural European areas. It is a fair and transparent way to know where the product is coming from.

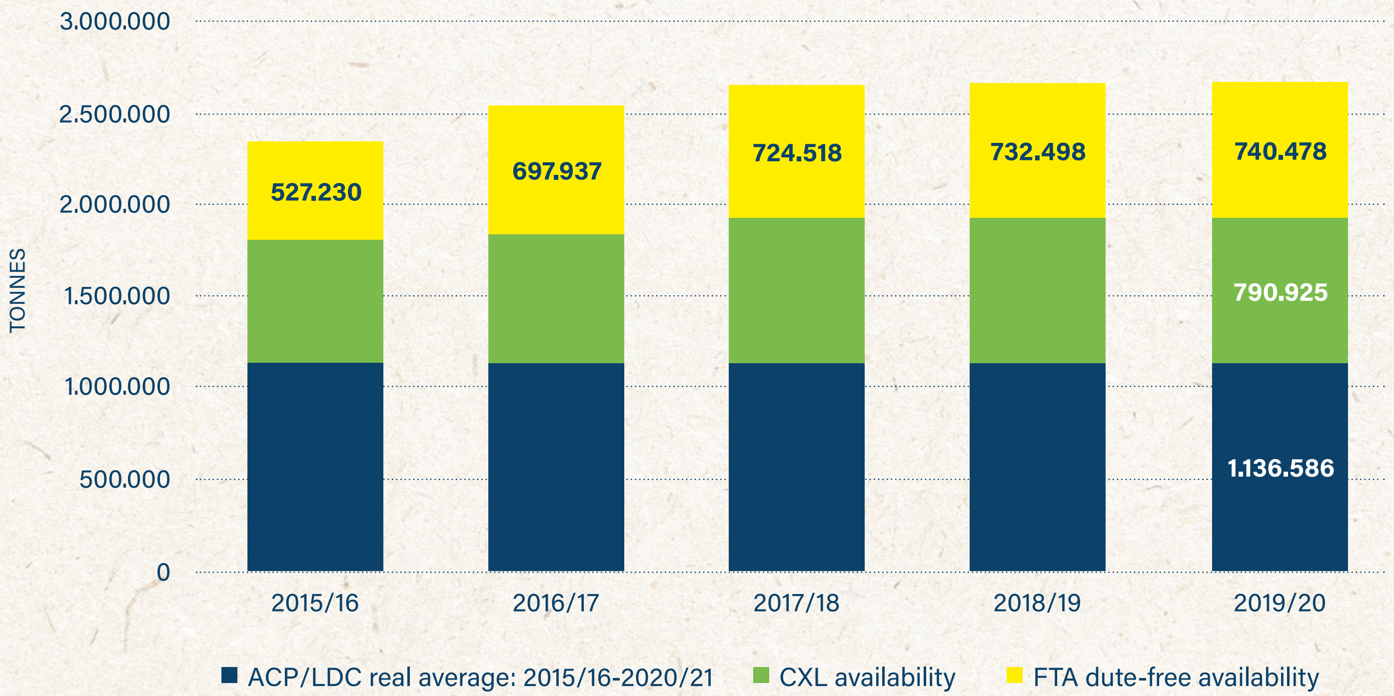
They ensure that such processed products exports contain as much European sugar as possible, and therefore help keep added value and jobs within the EU.

PRIORITY 4:
MAINTAIN THE EU'S IMPORT TARIFFS ON RAW AND WHITE SUGAR

The EU is one of the most open market of the world with more than 100 countries that can export sugar duty free or at reduced tariff into the European market. The EU sugar sector has worked hard to increase its competitiveness and now ranks among the most efficient worldwide, both in terms of yield and in sugar production per factory. However, this does not mean that the EU should unilaterally reduce its duties on sugar imports. Although efficiency is an important element in keeping production costs down, other factors also play a role i.e. the regulatory environment and exchange rates.

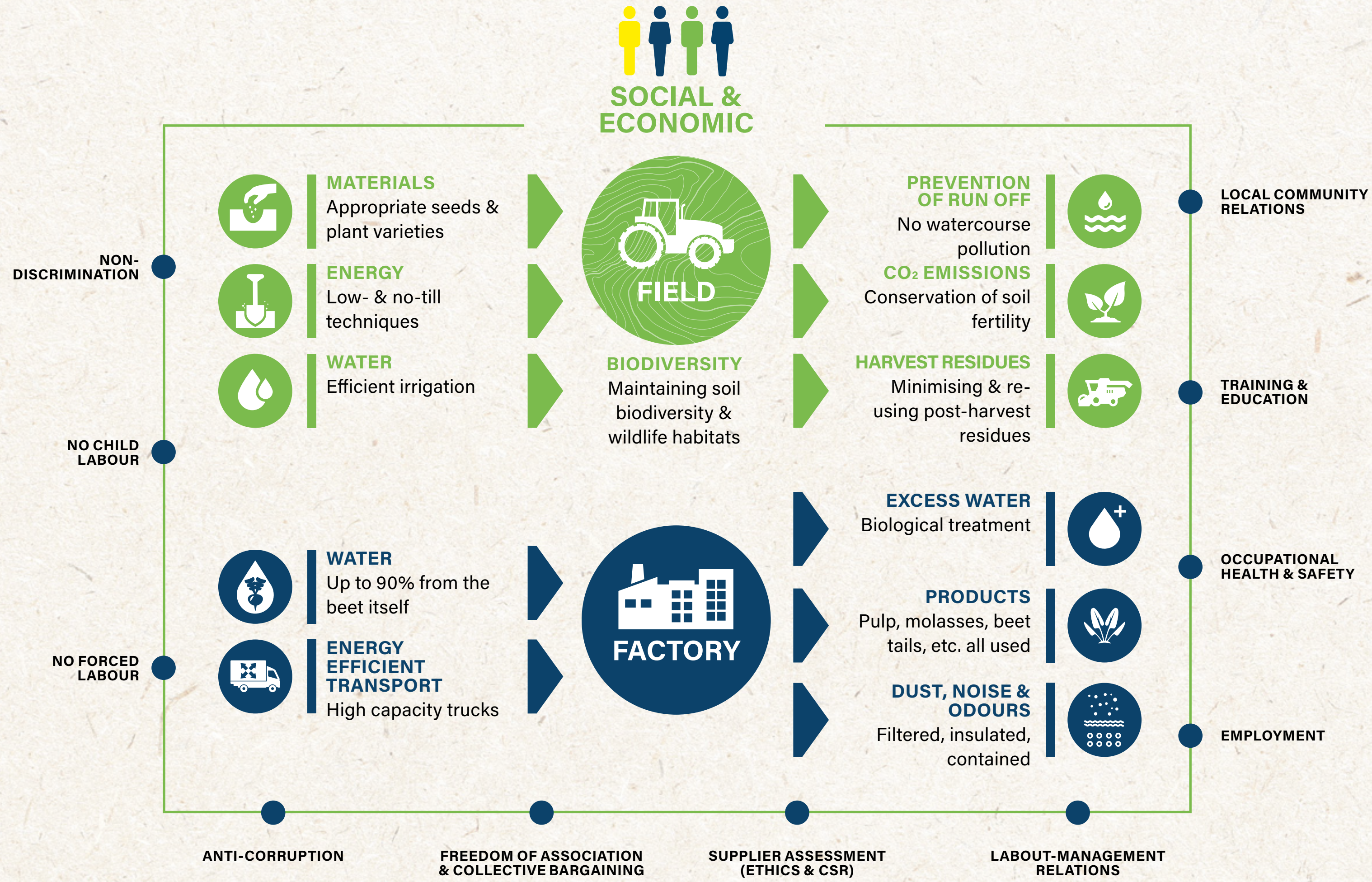
The EU's Common External Tariff is key to protect the EU sugar sector from unfair competition and an artificially depressed world market. Any move to reduce or abolish the EU's border protection would put negative pressure on EU prices and exacerbate volatility on the EU sugar market. Therefore, the import tariffs for non-preferential origins on raw sugar of 339 EUR per tonne and on white sugar of 419 EUR per tonne should be maintained.

EU MARKET AVAILABILITY OF THIRD COUNTRY SUGAR AS SUCH



Source: CEFS elaboration based on EU Commission data

SUSTAINABILITY FROM FIELD TO FACTORY



Source: EU Beet Sugar Sustainability Partnership - www.sustainablesugar.eu

PRIORITY 5:
FOSTER EXPORT OPPORTUNITIES

The end of the quota system constituted a complete overhaul and a fundamental change in the functioning of the EU sugar sector i.e. the EU internal price is now tracking the world market price which largely influences the pricing of all EU domestic sugar production. Serving the EU domestic market is now more than ever an absolute priority of CEFS members. Supplying traditional and neighbouring markets is, due to their proximity and competitive logistics, also a natural extension of this priority. The EU sugar industry should also be given the option to contribute to reducing the import needs of sugar importing countries i.e. Free Trade Agreements should ensure fair competition and preferential market access for EU white sugar, which must not be subject to discrimination in favour of non-EU origin sugar such as of imported raw sugar.

Furthermore, CEFS calls on the European Commission to assertively fight any arbitrary imposition of unjustified longstanding trade defense instruments. International sugar trade should avoid discrimination against EU sustainable sugar exports.

CEFS counts on the European Commission to negotiate lucrative market access opportunities so that this trend can be reversed and sustainably produced EU sugar could be promoted.

PRIORITY 6:
ALIGN EU TRADE POLICY WITH THE OBJECTIVES OF THE GREEN DEAL

CEFS welcomes the fact that the sustainability dimension will become an explicit and central pillar of the EU's trade policy. Through an effective regulatory framework, the EU must ensure that imports from third countries comply with relevant EU regulation and standards.

In addition, the future EU trade policy must consider the divergence of economic, environmental, and social standards and ensure that its efforts to set the worldwide standard for sustainability will not be undermined by third country imports.

Brazil, the world's largest sugar exporter with more than 40 per cent of world sugar exports, intervenes in its cane, ethanol and sugar sector through various governmental programmes, for example mandatory ethanol blending, soft loans, debt restructuring and waivers. These measures, enable Brazilian producers to stay profitable even when world sugar prices are below nominal production costs. The volatility of Brazil's exchange rates and arbitrage between the sugar and ethanol sectors causes considerable price and supply volatility on the world market.

CEFS fully supports the European Commission in requiring that "imports must comply with relevant EU regulation and standards requirement"[1]. Market access and tariff preferences should be suspended when imported sugar does not respect the EU's sustainability imperatives.

1. Communication from the Commission "Trade Policy Review - An Open, Sustainable and Assertive Trade Policy" 18.2.2021, COM (2021) 66 final

EU SUGAR BEET: GLOBAL LEADER IN SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY		EU SUGAR BEET	BRAZIL SUGAR CANE
Type of cultivation		Crop rotation	Monoculture
Certification schemes	**AREA**	> 90% sugar beet area covered	Max. 5% of sugar cane area covered
	TYPE	High Standards: good practices beyond EU CAP legislation (cross compliance and greening measures) www.sustainablesugar.eu	Average to Low Standards: mainly based on the respect of international laws/conventions only
Legislation on Pesticides		Precautionary principle	Brazil (Uruguay and Paraguay) with 13 other countries questioned the EU precautionary principle at WTO
		Increasingly restrictive evaluation and regulatory framework	262 PPPs authorised in Brazil in 2019 containing 27 active substances not authorised in the EU, among these at least:
		Around 15 active substances used in sugar beet banned in 2018-2019	▪ 5 active substances commonly used as herbicide in sugar cane are not authorised in the EU (hexazinone, atrazine, ametryn, tebuthiuron, paraquat to be phased out in 2021) ▪ 2 active substance used as insecticide in sugar cane are no more authorised in the EU (carbofuran, imidacloprid)

Source: CIBE/CEFS elaboration based on public sources

CEFS stands for le Comité Européen des Fabricants de Sucre, or in English: the European Association of Sugar Manufacturers. CEFS is an international non-profit organisation and a recognised interlocutor for the EU institutions since 1953, sharing knowledge and technical expertise on sugar. CEFS' membership is composed of sugar-producing companies in the EU, the UK and Switzerland.

Contact:
Marie-Christine Ribera
CEFS Director General
Avenue de Tervuren 268 B-1150 Brussels
www.cefs.org
twitter.com/SugarEurope
be.linkedin.com/organization-guest/company/cefs