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CEFS POSITION

EU-INDIA FTA NEGOTIATIONS

EU sugar manufacturers are highly concerned by the ongoing negotiations for a Free Trade Agreement (FTA) between the EU and India.

India is one of the largest sugar producers in the world, with an average annual production of 32.5 million tonnes between 2019 and 2023. This represents approximately 20% of global sugar production and approximately 15% of global sugar consumption.

These volumes have positioned India as a net exporter: India exported 8 million tonnes of sugar in 2021/2022, significantly influencing global sugar prices and market dynamics. The Indian sugar industry's growth is primarily due to extensive state intervention, including price subsidies and export incentives. The World Trade Organization (WTO) has condemned such practices.¹

In many cases, Indian sugar is produced in unsustainable social and environmental conditions.

For the above reasons, CEFS calls on the European Commission to reject all requests to open the EU market to additional Indian sugar, in line with the European Parliament's position.²

I. SUBSIDIES AND FINANCIAL ASSISTANCE

¹ WTO. 24 December 2021. DS580: India — Measures Concerning Sugar and Sugarcane. https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds580_e.htm

² European Parliament, July 2022: Resolution of 5 July 2022 on EU-India future trade and investment cooperation.

The Indian government's extensive subsidy regime for its sugar sector has led to significant domestic and global economic distortions. By setting a Fair and Remunerative Price (FRP) for cane that is disconnected from market realities, India has artificially inflated cane prices, leading to an unsustainable cycle of production that is not aligned with global demand. This policy has been detrimental to the financial health of sugar mills, resulting in substantial arrears owed to cane farmers.

To support sugar mills' liquidity, the Indian government has implemented a series of direct financial assistance schemes, ranging from soft loans to direct subsidies. By artificially supporting excess sugar production, these interventions put pressure on the world sugar market since sugar that cannot be consumed or stocked domestically must be exported.

The WTO has condemned India's cane price support.³

II. MARKET MANAGEMENT AND EXPORT STRATEGIES

In the past, India has used Minimum Indicative Export Quotas (MIEQs) and Maximum Admissible Export Quotas (MAEQ) to support exports of surplus sugar. Direct payments per tonne of sugar exported accompanied these quotas. They had a notorious negative impact on world market prices during the period 2018-2020. As global sugar prices influence the EU sugar market prices, the influx of subsidised sugar from India led to challenges for EU sugar manufacturers, including price pressures and competitiveness concerns. India's export subsidies have been condemned by the WTO.⁴

III. ENVIRONMENTAL DEGRADATION

A. WATER POLLUTION

From cane cultivation to the final sugar processing, sugar production demands large quantities of water, leading to a decline in water levels and contributing to the stress on India's already vulnerable water resources.

Moreover, the use of pesticides and fertilisers in sugarcane cultivation has led to the leaching of chemicals into water bodies, contaminating groundwater and surface water and posing risks to human health, agriculture, and biodiversity. According to an article by

³ WTO. 24 December 2021. DS580: India — Measures Concerning Sugar and Sugarcane. https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds580_e.htm

⁴ *Ibid.*

Water Science & Technology⁵, the excessive use of agrochemicals in sugarcane farming has been linked to water pollution, impacting surface water and groundwater quality.

B. CANE BURNING

Cane burning, a common practice in sugarcane harvesting, poses significant environmental and health risks. This practice involves setting fire to sugarcane fields to remove the leaves before harvesting the cane, releasing large amounts of smoke and pollutants into the atmosphere. The emissions from cane burning, including particulate matter, carbon monoxide, and other harmful gases, contribute to air pollution, exacerbating respiratory problems and other health issues in nearby communities.

In fact, according to the American Journal of Kidney Diseases, cane burning may be causing kidney disease in workers⁶. While heat stress and climate change have contributed to this epidemic, researchers have identified tiny silica particles released from sugarcane ash that can be inhaled or ingested through contaminated drinking water as a contributing factor to chronic kidney damage.

C. THE SOCIAL DIMENSION: LABOR RIGHTS AND WORKING CONDITIONS

The Indian sugar industry's labour practices, characterised by exploitative conditions, low wages, and the mistreatment of workers, including children, stand in stark contrast to the EU's standards for labour rights and social justice.

These practices reflect poorly on the ethical standards of the sugar imported into the EU and underscore the broader moral implications of trade agreements that fail to address such fundamental human rights issues. The U.S. Department of Labor's List of Goods Produced by Child Labor or Forced Labor⁷ has continuously listed sugarcane as a product in India involving both child labour and forced labour.

⁵ Water and Science Technology, January 2006: Effects of soil erosion on water quality and water uses in the upper Phong watershed.

⁶ American journal of kidney diseases, October 2023: Silica Nanoparticles and Mesoamerican Nephropathy: A Case Series.

⁷ U.S. Department of Labor, September 2022: List of Goods Produced by Child Labor or Forced Labor.

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D. TRADE SUSTAINABILITY IMPACT ASSESSMENT, OCTOBER 2023

The Trade Sustainability Impact Assessment (SIA) released by the European Commission in October 2023 is highly critical of the environmental and social ramifications of Indian sugar production.

The SIA highlights concerns over excessive water usage, chemical pollution, and labour abuses and underscores the urgent need for trade policies that promote environmental sustainability and social justice. The assessment makes a compelling case for excluding sugar from the scope of the EU-India trade negotiations, emphasising the misalignment between Indian sugar production practices and the EU's sustainability objectives.

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