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PRESS RELEASE

A SAFEGUARD IN NAME ONLY: WHY EU SUGAR REMAINS UNPROTECTED ON THE EU-MERCOSUR AGREEMENT

Despite the European Commission's recent attempt to "operationalise" the bilateral safeguard clause under the EU–Mercosur agreement, the mechanism remains unfit for the EU sugar sector. In theory, it is meant to protect against sudden import shocks, but the conditions it sets out are disconnected from the way the sugar market actually functions.

The safeguard relies on specific thresholds: either (1) a 10% surge in import volumes combined with import prices at least 10% below the average EU domestic price, or (2) a 10% fall in import prices where the average import price is also at least 10% below the EU domestic average. These criteria might sound reasonable in abstract terms, but in practice they fail to capture the dynamics of sugar trade.

First, Tariff Rate Quotas (TRQ) are almost always exhausted at the very beginning of the quota year. This means that imports are frontloaded, leaving no subsequent "surge" to be detected in trade flows. As a result, the safeguard cannot be triggered on the basis of volume movements, even if the market is under pressure.

Second, the EU–world market price gap (or EU premium) regularly exceeds 10% even under normal market conditions. If this difference is taken as the baseline reference for import prices, the safeguard threshold becomes meaningless. It would imply that the EU market is perpetually in a state of imbalance, while in reality this is the "normal" functioning of sugar trade.

Even if triggered, the mechanism would provide little or no real protection. Price swings of 10% from one year to the next are perfectly normal in the sugar market, and they will not be considered as a sign of serious injury. To expect the Commission to investigate on that basis is unrealistic. And if an investigation were ever opened, it could take months before any decision, while EU beet growers and processors would continue to suffer the impact of unfair imports in the meantime.

"*The fundamental problem we face lies less in a short-term disturbance that can be corrected with a temporary safeguard than in a structural disadvantage that the agreement will only make worse. The Tariff Rate Quotas at zero duty of 180,000 tonnes for Brazil and 10,000 tonnes for Paraguay are equivalent to the annual production of a beet sugar factory, of which we've lost five in the past year and twenty in the past eight*," said Marie-Christine Ribera, CEFS Director General.

"*The impact of this trade concession will cumulate with the multiple other trade concessions granted for which there are no significant requirements in terms of agricultural production standards, and this jeopardises our medium and long-term competitiveness and sustainability*", added Elisabeth Lacoste, CIBE Director.

Finally, the credibility of these promises is deeply questionable. The Commission highlights a €6.3 billion "safety net" for agriculture, yet it remains unclear how this will translate into concrete support for EU sugar beet growers and sugar manufacturers. We were told there would be compensation if Brexit harmed our exports, yet when the sector lost 250,000 tonnes to the UK market, it did not result in effective measures.

Instead of providing a meaningful backstop against harmful trade distortions, the mechanism risks being purely symbolic, with no practical relevance for operators.

For these reasons, CIBE and CEFS must repeat our strong opposition to the EU-Mercosur agreement: the so-called safeguard leaves our sector exposed and at risk of long-term, structural damage.

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