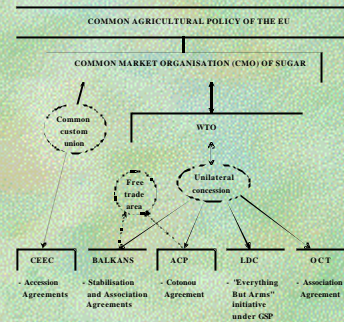


# EU trade agreements and the sugar sector

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## The hierarchy of trade arrangements between the EU Sugar Regime and specific groups of countries



### The World Trade Organization - multilateral agreement

- 280 The Uruguay Round Agreement on Agriculture
- 280 The up-coming WTO Round --> Export Subsidy Commitments and Reduction in Import Tariffs
- 280 The WTO Challenge on EU Sugar Exports
- 280 Australia, Brazil, and Thailand have formally launched WTO action against the EU sugar regime. This WTO challenge is a significant threat to the future exports of "C sugar." The reason is that there is already a precedent case in the WTO in regard to the cross-subsidisation of exports. The pricing for "C sugar" and "quota sugar" is similar to the two-tier milk pricing system in Canada.

### Central and Eastern European Countries (CEEC)

- 280 The EU Enlargement
- 280 The sugar production quotas agreed between the CEEC and the EU Commission are below the initial requests by the CEEC. The overall EU sugar production quotas will increase by 2.96 million tons in year 2004 and an estimated 3.22 million tons in year 2007. (EU-15 = 14.5 million tons)
- 280 Under the WTO rules, third countries have to be compensated for their market access in the countries that are joining a common custom union like the EU, if the "current access" of the third countries in the markets of the accession countries is jeopardised due to the common custom union. The CEE countries are currently importing sugar not only from the EU member states and candidates, but also from third countries like Brazil, Guatemala, Nicaragua, Mexico, Cuba, and Australia. The potential "current access" quotas for third countries is estimated to be about 490 thousand tons.

### African, Caribbean, and Pacific (ACP) countries

- 280 77 ACP countries are signatories to the Cotonou Agreement signed in June 2000: 48 African states, 15 states in the Caribbean and 14 states in the Pacific. Yet, only 19 ACP countries are signatories to the ACP/EU Sugar Protocol. In the Sugar Protocol, the EU has pledged to import 1.3 million tons of quota sugar from ACP countries at guaranteed prices on a duty-free basis.
- 280 Further market access is given through the import quotas from the Agreement on Special Preferential Sugar (SPS) with 17 ACP countries and India.

### Least Developed Countries (LDC)

- 280 The "Everything But Arms" initiative to eliminate duty and quota for essentially all products except arms and ammunition originating from the LDC took effect on March 2001, but the full liberalisation of sugar, rice and bananas will be phased in during a transition period. The "duty and quota free" market access for sugar will only begin in year 2009. In order to compensate for the delay in the full liberalisation of sugar, raw sugar can be exported duty-free by the LDC to the EU market within the limits of a tariff quota, which will be increased each year by 15% from 74,185 tons in 2001/2002 to 197,355 tons in 2008/2009. Currently, only 13 members out of the 49 LDC are eligible to export raw sugar under this tariff quota.
- 280 The EU Commission initially estimated that 2.7 million tons of sugar may enter the EU market by 2009, but later the EU Commission gave a second estimation that sugar imports from the LDC would gradually increase to 900,000 tons in the medium term. The lower estimation is due to the infrastructure costs, constraints (in particular for land-locked producers), and unfavourable investment climate (including political stability) facing the LDC at the moment.

### Western Balkans

- Previously, the Balkan trade agreements have raised relatively few problems for EU producers. The Balkan accord includes a quota system for wine and beef, but trade in sugar is fully liberalised. Currently, fears are mounting that Balkan sugar being imported duty-free into the EU may not be genuinely home-grown, as required by the rules of the Balkan accord. According to figures from the Committee of European Sugar Producers (CEFS), exports of sugar from the Western Balkans rose from 613 tons in 2000, when duty-free access was granted, to 228 332 tons in 2002.
- EU sugar exported to Serbia and Montenegro, fraudulently declared to be of Serbian-Montenegrin origin, was re-imported into the EU at a zero tariff. Moreover, the EU sugar was exported from the EU with the support of export refunds.
- The EU initially responded in February 2003 by suspending export refunds on shipments of white sugar, raw sugar and syrups to the western Balkans. Later, in April 2003, the EU Commission suspended sugar coming duty-free from Serbia and Montenegro.

### Overseas Countries and Territories

- The OCT benefit from unilateral preferential market access to the EU market. The EU markets have been seriously disrupted by the widespread arrival of sugar and rice grown mainly by other third countries, but processed and exported as OCT origin. As a result, the possibility of the cumulation of origin for sugar will gradually be removed and will no longer be possible after January 2011.
- The new OCT regulation has also provided a safeguard clause which may be used if the EU markets are disrupted excessively. In 1999, the OCT were trying to circumvent the import quotas imposed on sugar, but the EU Commission applied safeguard measures to prevent the import of sugar and cocoa mixtures from the OCT.

### Safeguard Measures

- Safeguard measures imposed on the Balkans are politically sensitive, as preferential trade arrangements form a central plank in the EU's strategy to shore up the region's stability in the aftermath of the Balkan war.
- Both the OCT and Balkan cases have shown that the EU Commission is willing to make use of the safeguard measures stipulated in the agreements granting the preferential market access to the OCT and Western Balkan countries. It remains to be seen whether the EU Commission is going to impose the safeguard measures on the imports of duty-free sugar from the LDC, if there will be a flood of LDC sugar after year 2009. The safeguard measures are in place to protect the EU market from massive influx of sugar imports from the LDC. The emerging questions will be whether it is politically correct to impose the safeguard measures on the LDC, when the EU has committed itself to opening its market fully to the world's poorest countries or whether the EU will protect its market due to internal pressures from the sugar industry and producers.