

CIUS REMARKS ON WTO NEGOTIATIONS AND SUGAR

Significant EU sugar tariff decreases are vital to achieve goals of EU sugar reform

- The Doha Development Round provides an opportunity to create a freer and fairer global sugar market
- Reform of the EU sugar regime will only be complete when both internal and external competition comes into play.
- The EU's external tariffs on sugar should ideally be at a level such that imports from MFN countries are possible at, or just above, the EU reference price for sugar.
- No restrictions or levies – temporary or permanent – should be placed on bonafide imports from LDC's.

In the WTO negotiations:

- The EU's special safeguard clause for sugar should be eliminated
- Sugar should be covered by standard market access formula concessions for agricultural products
- Sugar should **not** be classified as a sensitive product

Significantly cutting back the EU's prohibitive external protection mechanisms is essential to achieving the goals of the EU sugar reform, which include making the EU sugar market more competitive – from farmer to exporters of food and drink products - by reducing artificial divergence between EU and world market prices. (World market prices have increased significantly in recent months)

Impact on prices of MFN imports compared to EU reference price

Agricultural Ministers agreed that one of the objectives of the EU sugar reform was to achieve a domestic EU market price for sugar close to the reference price.¹ They set the target reference price at 404.40 euros, a 36% decrease from the previous intervention price.

The following table shows the impact of WTO tariff cut scenarios on white sugar import prices and how import prices compare to the EU reference price:

1. Agricultural Market Access formula 2. Classified as Sensitive Product

	EURO's		EURO's
Current Import tariff *	419.00	Current Import tariff	419.00
Tariff reduction of 60%	251.40	Tariff reduction of 20%	83.80

¹ As explained by the Swedish competition authority and EU court of auditors, the previous EU sugar regime facilitated tacit collusion. A combination of national and ACP quotas, high EU external tariffs and mechanisms to export surplus sugar, enabled EU sugar manufacturers to sell sugar onto the EU domestic market at high prices, (just below the price of tariff paid imports,) while exporting millions of tonnes at low prices. A WTO panel ruled against this cross-subsidization, which distorted world sugar markets. The new regime offers much hope for a more competitive EU market and less distortion of global sugar markets. However, the above mentioned key elements of the former system remain intact - albeit significantly adjusted to bring better balance into the market – so it remains to be seen if real competition will come into play or collusive practices will continue. Generous restructuring funds and single farm payments facilitate the adjustment of sugar manufacturers and farmers to more competitive production, Whether sugar or other crops/activities. For CIUS members, competition in the sugar market is vital to secure the competitiveness of our industries - and sugar suppliers - in world markets.

Tariff result	167.60	Tariff result	335.20
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** In fact import charges are even higher, given that on top of the tariff the EU applies a further levy under the special safeguard mechanism.*

Current World Market Price	375.00	Current World Market Price	375.00
Tariff	167.60	Tariff	335.20
Import Price	542.60	Import Price	710.20

Import Price	542.60	Import Price	710.20
EU Reference Price	404.40	EU Reference Price	404.40
Difference	138.20	Difference	305.80

Even if sugar tariffs were reduced by 60%, and the special safeguard mechanism were abolished, the price of sugar imported from MFN countries would be well above the EU reference price.

The exact agricultural market access formulae and percentage cuts remain to be negotiated, but what is clear is that it makes no sense to classify sugar as sensitive, and the special safeguard mechanism should be abolished.

In addition to applying the WTO formula, the EU may need to consider further unilateral actions in order to achieve a tariff level which would enable competition from external sources should EU domestic prices rise above the reference price.