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European Union

Sugar

LDC's Prefer Fixed Sugar Quotas

2003

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Report Highlights:

In a press release on November 19th, representatives from Least Developed Countries indicated that they would prefer that the EU maintain fixed quotas for sugar in order for them to maintain their benefits under the Everything But Arms preferential access system.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[E2]

As part of its Common Agricultural Policy reform process, the European Union is considering options for reforming its sugar regime (see GAIN report E23181). The Least Developed Countries (LDC) Brussels Sugar Group issued a press release on November 19, 2003 indicating their concerns regarding these options.

Specifically, the LDCs have expressed concern that sugar reform options which would significantly lower the internal price in the EU, or which would allow unlimited imports of sugar from highly competitive sugar producers such as Brazil, would negate the benefits of the Everything But Arms (EBA) preferences (see GAIN reports E23117, E23131 and E23149 regarding EBA). EBA currently provides for duty-free access for sugar produced in the 48 "least-developed countries" under quotas which will gradually increase until 2009, when these countries will have unlimited duty-free access.

In their press release and accompanying paper, the LDC group indicated their opposition to options two and three as proposed by the Commission. Option two provides for a cut in the EU internal price. Production quotas would be phased out over time and the internal market price would adjust to the price of imports. Option three represents a complete liberalization of the sugar sector. Domestic price support would be abolished as well as production quotas. The market impact of the complete removal of import tariffs and quantitative restrictions on imports was also assessed under option three. The LDCs stated that these options would result in lower prices received for LDC sugar in the EU, leading to negative effects on their economies.

The LDC group indicated a preference for the status quo (option one proposed by the Commission), which would provide for an extension of the current EU sugar regime, albeit with adjustments according to any future WTO obligations.

The group also expressed concern that an option for fixed import quotas on all sugar imports, which had been included in earlier versions of the Commission's options paper, had been removed. The Commission indicated that this option had been removed because it would have required the EU to revise the EBA, which allows unlimited access for sugar from the LDCs after 2009. The LDC group expressed their view that the fixed quota option would actually be the only alternative to the status quo that would be acceptable to the LDCs. They then called upon the Commission to keep this option under consideration, even though it could mean quotas, rather than unlimited access for LDC sugar after 2009.

The full text of the LDC press release and paper can be found at the following link:

http://www.sugartraders.co.uk/ldc_london_group.htm

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Report Number	Title	Date Released
E23194	Sugar Semi-Annual	10/15/2003
E23181	EU Commission proposes reforms for Sugar, Cotton, Olive Oil and Tobacco	9/24/2003
E23066	EU suspends Serbia's tariff free access for sugar	5/2/2003
E23056	Sugar Annual	4/10/2003

