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ASSOCIATION OF THE CARIBBEAN
(SAC)

THE SUGAR PROTOCOL –SOCIO-ECONOMIC ASPECTS

Mr. Chairman, I am delighted to make a contribution to this meeting.

I have been in sugar a long time but cannot think of a more important event than this one since it involves discussion of a great and imminent threat to the basic livelihood of millions of ordinary people.

In an imperfect world, the Sugar Protocol comes as near as possible to being the perfect trading instrument. It was in its beginning, and has continued to be, fair to both sides; it has been operated efficiently, transparently and trustworthily; it has stood the test of the passing years; it has embodied ahead of its time the great and just principle of special and differential treatment for small, developing countries; contrary to some

misguided commentators, steeped in mere theory, it has immensely assisted in development; it has contributed to the universally held objective of poverty reduction; above all, in terms of human flesh and blood, it has benefited the lives of millions of people, probably hundreds of millions if you count all the families involved. In a world gone nearly mad in its infatuation for unfair, globalised free trade, the Sugar

Protocol has been, and is, an oasis of sanity and sensible, stable trading.

It is this knowledge, born of long experience, which made me and hundreds of thousands throughout the Caribbean, and no doubt the ACP, frustrated, angry and bitter when we learned of the proposals by the EU Commission for so-called “reform” of the EU’s sugar regime, which, of course, intimately includes the Sugar Protocol. I say so-called reform because this is not reform at all. It is change for the sake of change driven by pure theory. And though change can be good it should never be driven solely by the theorists and bureaucrats of this world, it should conform to the real needs of ordinary human beings. I wish that all Europe would listen in this case to that very great European Wolfgang von Goethe when he cried for all to hear: “Gray, gray is all your theory, but green the golden tree of life.” We say to you, leave your theory and come to our Caribbean sugar countries and see for yourselves the golden tree of life before you seek to blight it.

Reform implies improvement but where is the improvement in these changes in the sugar regime proposed by the EU Commission? The Commission has stated that the objective of the proposed changes is to improve the market orientation of EU sugar production in line with the overall direction of the EU’s reform of its agricultural policy with sugar being the only sector to remain outside the revised Common Agricultural Policy. Has the Commission ever considered that sugar has remained the only sector outside the revised CAP for a very good reason – that the sugar regime actually works very well in ordinary, daily human lives?

And the European Commission states that the proposed changes are in line with its commitments in international trade negotiations to eliminate export subsidies and improve the multilateral rules on agricultural support. Well, I can understand that. It must be very comforting for EU officials to be able to claim these grand achievements in international trade negotiations and in the great fora of the world. It must be wonderful to exchange mutually self-satisfied congratulations for deals well done in the corridors of power.

However, in fact, the EU has succeeded in building enough flexibility for itself into the Framework Agreement adopted by the WTO to allow for the maintenance of the EU Sugar Regime for a considerable period of time. Consequently the Commission’s

drastic proposals for change emanate from its own autonomous actions and not from any obligation to comply with any WTO disciplines.

Where, in fact, are the benefits of the drastic changes now proposed in the sugar regime? They do not seem to exist. They will not benefit EU beet producers or growers or refiners; they will not benefit final consumers (as opposed to manufacturers of products using sugar who stand to increase their profit margins); it seems they will actually make EU taxpayers worse off. The changes will not improve prices on the world market. And if implemented as they stand these changes would inflict untold damage on ACP countries and LDCs exporting sugar to the EU. Any benefit will accrue predominantly to massive Brazilian producers as clearly evidenced by the triumphant response of the Brazilian Government and industry to the preliminary result of the WTO challenge.

Coming brutally home to six countries in the Caribbean, making up by far the largest part of the population of the Caribbean Community – St. Kitts Nevis, Trinidad and Tobago, Jamaica, Belize, Barbados and Guyana – these deeply flawed proposals in effect mount a devastating attack on our Sugar Protocol price and therefore threaten the lives of hundreds of thousands of people in the region. I can do no better than quote the words of the Secretary-General of the Caribbean Community when he spoke at a meeting last week of Caribbean stakeholders in sugar, including Ministers:

“I do not believe that the powers that be in the EU who recognize that development needs are of paramount importance in international trade negotiations and who specifically, in the case of the Caribbean, have launched negotiations for an Economic Partnership Agreement have properly analysed and fully understood the impact on our economies and societies of these suggested changes. I cannot bring myself to believe that they have.

The proposed changes would be most abrupt and deeply dislocating, and without any accompanying, offsetting or compensatory measures for the chief victims of the changes, the effect would be most precipitate, drastic and destructive. These changes do not live up to the spirit of the Cotonou Agreement, and to the assurances given therein. They are contrary to our joint commitment to foster development, reduce poverty and grant special treatment to the disadvantaged. Those of us who were present when the solemn

undertakings were given at the signing of the Sugar Protocol, would find it hard to rely on future commitments. The proposed changes, in my opinion, would therefore undermine our confidence at the very start of our negotiations with the EU for an Economic Partnership Agreement. Indeed, it is difficult not to see these proposed changes as representing the very antithesis of the concept of partnership. They are certainly not the product of a partner who aims to help us build our economies and improve our lot in life.

I have recently seen for myself some of the ravages in CARICOM of that terrible hurricane, Ivan. And my heart is heavy with the dreadful loss of life, the destruction of property and crops, the massive damage to infrastructure, and the violent setbacks to already heavily burdened economics and fragile societies. But that was nature at work. Man should not emulate it.”

This brings me, Mr. Chairman, to speak in some detail about the benefits of the Sugar Protocol. These in the end are not principally what accountants and bankers add up and therefore I fear they are much neglected when assessments are made of the impact of the Great Stabiliser in our economies and societies. But let us in fact make a start by noticing the very real and important role the Sugar Protocol plays in purely commercial encounters in Caribbean sugar industries.

The long term and stabilizing pillars of the Sugar Protocol – guaranteed access, stable and remunerative prices, and unlimited duration – have underpinned for generations our life-giving sugar industries and have been the basis of measureless benefits to the economies and societies of developing countries in Africa, the Pacific and the Caribbean. Later I want to speak about the wide-ranging economic, social and community benefits which grow from the solid base of the Sugar Protocol and which spread far and wide among the people of the Caribbean. But before coming to that there are two extremely valuable commercial benefits conferred by the Sugar Protocol which I need to mention if only because the very presence of these brutal Commission proposals – as it were infecting the business air we breathe – endanger their existence.

CARICOM’s sugar industries have for some time recognized the need to respond to a changing market environment in the long standing trading relationship with the EU and the UK in particular. Accordingly, new industry models have been, and are being, pursued which include diversification and adding value as frequently recommended by the many consultants’ reports which have examined the industries in recent years.

These plans were being framed and pursued within the context of formal assurances that changes in the EU sugar regime would be fully discussed in advance. Informal assurances were given at the highest level that changes would be gradual and not cause severe shocks to the economies of the ACP. Industries are now faced with a situation of proposed cuts in price – no less than 37% after just three years – at the extreme level of previous proposals and at a pace which will cause the viability of the financing plans for projects to be put in extreme jeopardy. In the words of financiers, they are in danger of not being “bankable”. The loss of cash flow resulting from the proposed changes would be savage and would remove a crucial element of self-generated funds from the industries in the years of highest risk and financing deficits of the projects. All negotiations with industry bankers are now under intense scrutiny and this will further delay the introduction of essential reform and remodeling plans.

An immediate and pernicious effect of the uncertainty, which has been exacerbated by the Commission’s drastic proposals, is that the long-term contracts between ACP sugar industries and Tate and Lyle are no longer secure.

Negotiations with Tate and Lyle are proceeding to find a new basis for ACP industries’ commercial relationship with by far the largest cane sugar refiner in the EU but in the meanwhile the hiatus is affecting the bankable assurances that CARICOM sugar industries can offer.

The lifeblood of our Caribbean sugar industries is the Sugar Protocol. Out of total sugar production of 710,000 tonnes, 420,000 tonnes are exported to the EU under the Sugar Protocol – and it used to be more before Trinidad years ago lost 25,000 tonnes and Barbados just this year lost 18,000 tonnes much to the detriment of the Caribbean as a whole.

And as the lifeblood of sugar is the Protocol so the lifeblood of our Caribbean economies and communities where the sugar cane grows is the sugar industry, by far the largest agricultural enterprise in the region, closely entangled in every aspect of the Caribbean’s long history, part of the region like no other business or industry.

The wealth sugar has created in all the countries where it exists, the jobs it generates, the foreign exchange it earns, the infrastructure it has built up, the world-class research it fosters, the skills it teaches and shares, the industrial and small business developments that have grown around it, the community services it supports including housing, health, pure water supply, education and sports, the rural stability it provides, the long-term role it has played in preserving the environment – all give the industry a significance that goes far beyond simple profit and loss calculations.

Foreign exchange earnings from sugar amount to US\$300 million annually and this does not include the earnings of the important rum industry which is a sugar offshoot.

This represents a massive contribution in the relatively small CARICOM economy. What is more the industry's factories are fueled by a by-product, bagasse, representing major savings in foreign exchange not available to most other businesses.

It is estimated that the sugar industry in CARICOM generates 125,000 jobs in direct and indirect employment. Given that an average of four persons (and this may be an underestimate in these developing countries) depend on one employed person, no less than 625,000 persons depend on the sugar industry in CARICOM out of a population of 5 million in the countries involved.

At a meeting of CARICOM Ministers responsible for sugar held in Jamaica on March 4, 2004, this is how the Ministers viewed the contribution sugar makes in the region.

"It helps vitally in preventing a flood of internal refugees into urban areas already hard pressed to provide minimal essential services. It supports a mass of small and medium business enterprises which supply goods and services to the sugar industry..... Experience and countless feasibility studies have shown that sugar is irreplaceable by any other crop. It generates skills and expertise which spread throughout whole communities. It is part of the Caribbean scene and creates a recognizable culture and attracts tourists. The value of the sugar industry cannot be measured purely in accounting or banking terms. The multifunctional economic and social role of sugar often goes unquantified and only when that role weakens do the full consequences come to light. It should also be noted that there are immense investments in the sugar industry built up over many decade providing the means of employment and the upkeep of essential infrastructure, services and environmental standards, which huge investment would go to waste if sugar declines."

When EU Commissioner Pascal Lamy spoke of the special importance of agriculture in Europe in a speech last year what he said struck a very recognizable chord in a region where sugar plays just the sort of multifunctional role which Commissioner Lamy was speaking about:

"European agriculture is founded on a belief that is deeply rooted in our history, and that is implicitly present in our culture, that farming is not an industry that can be abandoned to the tender mercies of market capitalism, and this for one very simple reason; in the agriculture sector, the drive to maximize output and minimize costs has consequences that are unacceptable to our communities. Volatile agricultural prices threaten

the stability of farmers' income. The Market does not reward the services provided to the community by farmers through their protection of the environment and rural life.

If farming had to go by the principle of the international division of labour, if, in other words, we let the consumer choose the product of the most efficient producer in a globalised market, five million of Europe's six million farmers would go to the wall. That is not acceptable and it is not what our European civilization is about.

Put briefly, the shortcomings of the market in this and other areas call for official regulation. Farming is not the coal industry and our farmers will not be the miners of the 21st century. There lies the difference between Europe and those who would subject farming to all the normal rules of the market economy."

It is the living, enlivening, energizing, wide-ranging sharing and distributing and multiplying of benefits represented by the sugar industry's multifunctional role in our Caribbean economies and communities that shows up so-called compensation solutions, now euphemistically named accompanying measures, as the giant confidence trick that they are. A dollar, or a euro, earned in a living enterprise fructifies and multiplies in all sorts of beneficial ways – generating countless activities and productive relationships and leading to a myriad of valuable, interacting wealth-creating opportunities. The dollar earned in an industry at work cannot begin to be replaced by a dollar in the palm of the hand. That is why even if a fund of money for handing out was found to match every dollar lost in earnings by our industry from Protocol quota sugar, year in and year out, it still would be completely deficient and insufficient in practical, human terms.

The benefits that flow from the Sugar Protocol directly into our Caribbean sugar industries are not at all the preserve of the few and the wealthy but are widely and deeply spread among the hundreds of thousands of workers and farmers and their families and throughout hundreds and hundreds of small communities. Should the flow be disrupted the effect in human terms and at the grass roots would be harsh in the extreme.

It is not only the closed factories and workshops, the lost community services, the infrastructure dismantled, the hundreds of small service businesses suddenly out of work, and the thousands upon thousands of unemployed – it is not only these developments that we fear. It is the land left empty and abandoned.

Mr. Chairman, all my life I have lived near fields of cane – in Trinidad where I was born, in Antigua where my grandparents and great grand-parents come from, in Guyana which has been my home for 50 years, in St. Kitts Nevis, Jamaica, Barbados and Belize where I have often visited. Always cane has given life and a living to the communities around their emerald fields – and more than that, beauty also. In the one country where sugar died, Antigua, the reversion of the land to idleness and scrub has long saddened me. On the other hand one of the most beautiful sights in the world are the sloping fields of cane in the wind along the foothills of St. Kitts.

Last week in Guyana, at the CARICOM meeting of sugar stakeholders, the Jamaican Minister of Agriculture, passionately speaking of the importance of the sugar industry in his country, pointed out that no alternative crops had ever succeeded as a replacement for sugar cane, hard though they had tried. “When you get out of sugar you go into idle lands,” he said. I would not wish to be alarmist, but I say beware of land thrown out of cane into idleness by brute force of misguided metropolitan decision lest one day they grow crops dangerous to the world. I also recall that migration of the desperate to rich countries is greatest from lands suddenly made poor and I recall as well the legend that from the idle earth armed and terrible men have been known to spring.

I have a final point to make and it involves mention of Brazil, that increasingly dominant and hungry power in the sugar world. Whatever is done to improve competitiveness and effect diversification, there is not the least prospect of even the lowest cost sugar producer in CARICOM being able to match the ultra low cost and subsidized production of a colossus like Brazil. The world in its trading arrangements will have to find a “special and differential” way to ensure that the absolutely vital industries of small vulnerable countries like ours (which simply do not have the immense diversification options of great developed, and developing countries) are not swamped and put out of business by sheer predatory size. The Sugar Protocol provides a perfect and highly successful example of a world trading arrangement which achieves this laudable objective. Why reinvent it? Why undermine it? Why propose for it a terrible step towards decline?

I thank you.