

THE EUROPEAN COMMISSION AND ACP SUGAR

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I would like to say a few words about the way in which the Commission sees its role in relation to the Sugar Protocol and the annual ACP price negotiations. We consider that we have an obligation to represent all Community interests in these matters and not only the Community's own producers.

First, we try to ensure stable arrangements and to avoid any dispute or doubt likely to affect stability. Secondly, as a Commission we have specific responsibilities concerning the Protocol. We are the Community's negotiators on guaranteed prices and we must reach agreement annually on arrangements satisfactory to us all, which conform with our Council of Ministers' mandate. We also have responsibilities in relation to shortfalls where Commission decisions are necessary in claims for force majeure and certain other circumstances. We try to carry out our obligations openly and as far as possible in cooperation with the ACP countries.

We also welcome a more general relationship through informal discussions with ACP representatives, as for example in relation to the provision for review of the Protocol. I believe that these contacts have been efficient and effective. When we speak on behalf of the Community and require a mandate and consultation with the Member States, we sometimes have problems in maintaining our informal contacts. But I don't believe this has happened in sugar and I have always welcomed ACP representatives' cooperation.

We have a great deal of experience reconciling interests between Community production and our other responsibilities. For example, the Community is a big importer of products which substitute for cereals and of New Zealand butter, in spite of being a very large producer of cereals and the world's biggest butter producer. It is quite possible to have relations with suppliers to the Community of products which may be 'surplus'. The Community is importing many goods directly competitive with its own production under special arrangements, the value of which is considered to be greater than the crude product balance. As the biggest world importer of agricultural products and the world's biggest exporter of animal products, the Community is trading right across the board. As a Commission we work to reconcile all these interests.

There is an old argument about access against price. I think the Protocol's advantage in giving access to a major sugar market when other such markets are declining should be stressed. The development of high fructose corn syrup (HFCS) reduces potential access for cane and beet sugar to the USA, Canada and Japan. The Community considers this a very important development. That is why we have made a point of this in the preparations for a new International Sugar Agreement (ISA). But is it not a question of mathematics? When Community beet production was rising substantially (which is not now the case) there was nevertheless a bigger loss of world markets to cane sugar from HFCS than from beet.

Access under the Protocol is without date limit. Changes can only come about through shortfalls. These are of two kinds - either notification and transfer of quantities to others are made during the year or force majeure is claimed. If inability to supply is notified, the quantity is of course reduced. Where we have not been able to accept a force majeure claim, access has been affected for one or two suppliers, but the Commission has taken decisions in line with understandings ratified by ACP Ministers at the Lusaka Council. Recently we have tried to interpret force majeure more widely and to avoid decisions being divisive among suppliers, though we have had to follow the rules.

Speaking personally, I sometimes wonder whether in the long term there might be advantage on reflecting whether we need the supply obligation. This would be regarded as a Community concession, because the Protocol is a balanced arrangement of access and supply obligations, but in a generally over-supplied market, should it perhaps be left to the supplier's judgement? Does the way the world and Community markets are developing require this obligation?

On pricing, there are two inevitable elements. First, the link with the Community price is unavoidable in political terms and the ACP price cannot be more favourable than the Community's own beet price. Recently we have had difficulty because of the very substantial levy on Community beet sugar, which does not apply to ACP sugar. Secondly, there is the commercial link. If we fix too high a price, the product is unsaleable and this is not in the supplier's interest. Other forms of aid or development aid can be sought, but to try to put this into the price would in my view be risking the whole philosophy of the Protocol, and extremely dangerous for the ACP countries.

Finally, I would like to say something about the Community sugar market generally. The current ISA has not achieved stability since the price has been both too low and too high. When it was very high, we were charging levies on

our exports and there was a major incentive to increase Community beet production. In our new sugar regime we have reacted to this. Community beet acreage and production last year were down 8 - 9%. The Commission has specifically said that the Community needs a smaller acreage of beet sugar. In the medium term we need not only the effective internal policy provided by our revised sugar regime, but also a satisfactory ISA. The Commission is actively engaged in the preparations for a new ISA.

In conclusion, may I say that one of the jobs in the Commission I most enjoyed was dealing with the ACP countries on sugar.