

SUMMING UP OF THE SEMINAR

Dr. J.V. Cable,  
Deputy Director, Overseas Development Institute  
and shortly Director in the Economic Affairs Division of the  
Commonwealth Secretariat

Introduction

I am not here in any sense as an expert. I am here very much as an interested but sympathetic layman and I hope my concluding remarks will reflect this.

Although I am an outsider to the industry, there are a couple of points in my own personal background which possibly lend me greater sympathy than might otherwise be the case. As a child I was made aware of the importance of the sugar industry in Britain. I was born in one of those towns in England which earned its livelihood from the manufacture of confectionery products. My parents and their parents before them worked in chocolate factories. We lived within a few hundred yards - indeed within smelling distance - of a beet refinery. Some of my earliest childhood memories are contributing to the reduction of the British sugar beet crop by removing beets from the back of lorries and converting them into Hallowe'en lanterns, a popular practice in those days.

The other element in my personal background which I think is of some relevance is that I have been involved as an official and as an outside observer in international trade negotiations. Not in sugar, but in other commodities; most frequently in the field of textiles. Cotton or wool based products and sugar based products are two groups of commodities with much in common. They are inextricably bound up with the history of this country and of the Commonwealth. They have become increasingly eroded over a period of time by synthetic products. They have moved from a pattern of what one might call 'free trade' (though that is a simplification) to trade management and as a consequence have become intensely political.

I was tempted to extrapolate from my textile experience my own personal prejudice which is a growing resistance to the phenomenon of protectionism as opposed to free trade, the dominant issue in the textile industry. I was attracted by a passage in the booklet produced by the workers at Silvertown Refinery which refers to the European sugar policy as being 'a blatant form of regional protectionism and a violation of the principles of free trade'. It has become increasingly obvious to me during the week that this is not a fair

representation of the position of most of you here today. Your essential interest is in a form of trade management; in a special relationship which is not a free trade solution to the sugar problem. And this is the brief which I have to speak to.

I want to group my thoughts around three headings. First I shall try and extract what I think is a broad consensus from the discussions. Then I will touch on some of the specific anxieties which many of you brought here - some of which have been partly resolved. Then, thirdly, I will look to the future in terms of negotiations with the Community and more general action for the sugar producers.

### A Consensus amongst Interested Parties

Under the first heading, in terms of consensus, I have been pleasantly surprised. In contrast to many other trade negotiations which I have observed, there is, in sugar, a large measure of agreement on the fundamentals. On the specific issue of the ACP Sugar Protocol, there has been a substantial measure of agreement that the Protocol in its present form is absolutely necessary. There is, and should be, a guarantee of indefinite duration for the 1.3m tonnes of sugar produced in the ACP countries for the EEC market at guaranteed prices.

I have listed throughout the week the people who have come to the rostrum supporting that fundamental position from different standpoints. It began first with the ACP countries themselves, articulately represented by the Prime Minister of Fiji. It was eloquently reinforced by the statistics, that seven of the countries represented here are very largely dependent for their economic livelihood not only on sugar, but on the EEC market. Two others, Jamaica and Trinidad, are entirely dependent on this market. Thus firstly, and obviously, there is the interest of the ACP countries themselves.

Secondly, we have the interests of the workers at the two remaining refineries. In general, British Trade Unions get a bad press. However, this particular group of workers (admittedly small because they have been decimated by the trends of the industry) has launched an extremely effective and articulately presented case on behalf, not only of themselves, but of their industry. Their point is that the political commitment to market access is meaningless without physical access, currently - just - maintained through the Silvertown refinery and the smaller, Scottish, plant. Further contraction would threaten both their jobs and ACP sugar exports to the UK.

Third, there is the interest of their employer, Tate & Lyle. The Tate & Lyle commitment has been re-emphasised. It was also made clear in questioning that Tate & Lyle is a profit-making company, and that, to some extent, limits their position. But they have committed themselves through investments and public undertakings to handling the ACP sugar and they are clearly a major ally in the ACP cause.

Fourth, surprisingly perhaps, but none the less quite unequivocally, we had a strong statement of support from the consumer interest represented by spokesman from the processing industry (confectionery) arguing that there was a strong consumer interest in the ACP sugar arrangements as an alternative source of supply to the EEC beet sugar.

Fifth, and more surprisingly still, I took careful note of the remarks made by Mr. Williamson who was responsible for sugar within the European Commission. He acknowledged very frankly the excesses of the European Agricultural Policy in general; the responsibility of the European Community in producing world surpluses; the necessity of restraint; and the obligations of the European Community in respect of sugar. We often tend to forget that in Brussels there are people at an official level within Berlaymont who are enlightened and reformist in their approach to agriculture, and are very conscious of the commitments which the European Community has made. I think that this was a valuable statement to have on the record. A point which was underlined this morning by Mr. Colin Campbell was that not only the EEC as such but Britain specifically has a clear set of obligations and interests in the ACP Sugar Protocol. The commitment is not simply the personal property of the Ministers who undertook them in the negotiations under the Heath Government. There has been a continuing commitment by British Ministers and officials of succeeding governments which is clearly on the record.

Sixth, and probably most important of all, I noted the comments of the spokesman from British Sugar, Mr. Don Brisbane, who made what seemed to me a very constructive and supportive statement in respect of sugar. I quote what he said: "We in the beet sugar industry wish this arrangement to continue. We wish to maintain the balance, we do not intend to expand." This was a statement for the record and much to be welcomed.

Last, but not least, there are the Voluntary Organisations. The World Development Movement in the first session reminded us that whereas this is essentially a hard business question there is also a moral obligation which helps to reinforce the practical commitments. If the British

Government or the Community start to slide from that commitment there are people of goodwill who are ready to support the cane growers. Thus, through these different sources, people of different interests and different perspectives have indicated their basic support for the ACP Sugar Protocol and the principles lying behind it. There is a powerful consensus on the central issue.

### Problems Facing Cane Sugar

That leads me onto the second issue. If there is so much consensus why would we have the seminar at all, and what is there to worry about? What is the problem?

I shall try to summarise what were the main anxieties that kept creeping through from the delegates, particularly those from the ACP countries. I think that what they are worried about in essence is not a frontal assault on the principle of the ACP Sugar Protocol. It was rather what we might call the principle of the salami chop - the process by which slices of salami are taken off one at a time - with sugar interests slowly, steadily and almost invisibly eroded. The perceived threats were several:

#### (1) European Beet

A major problem, clearly, is the expansion of sugar beet within the EEC - from about 90% self sufficiency at the time of British entry to 135% self-sufficiency now. This is a problem for the ACP countries in several specific respects. First of all it has helped to create a political feeling in the EEC that sugar imports from the ACP should be traded off against the surplus. The Sablé report was referred to in this respect. Second, there are the effects of the EEC sugar surplus on the world market. Although this is clearly a separate issue from the ACP Sugar Protocol it is linked in several respects. It is linked because some ACP countries export substantially to the world market and also because the EEC is able to influence the world price as well as the internal price within the community. Third, it is important specifically in the context of the United Kingdom. I noted in several contributions concern about the growth of sugar beet acreage since British entry into the Community - to a substantial degree originating in the 1974 White Paper. Particular anxiety was expressed in relation to the increased output of the last few years. I think this was partially set to rest by assurances that were given that this was not a permanent commitment, and that the industry [in the UK] was not ambitious to expand its output. Nonetheless, doubt must remain that there will be constant pressure to expand beet acreage. There will be constant pressure to expand because

it is a profitable crop and because farmers - being rational people - are concerned to maximise their profit and expand the acreage and output of what they find to be profitable.

This led to the question about why it is that the European beet is expanding at the expense of cane. I would summarise the answer as follows: there are two related explanations; one technical, one economic. The technical explanation - and you had this very graphically illustrated through pictures by Mr. Brisbane yesterday - is that the beet industry is making substantial strides in terms of technical progress. It is a very capital intensive industry, both on the farm and in the processing establishments. There is potential technical progress which is not yet tapped, and there is a potential for 5-10% increases in yields from new types of seed. We are at a stage where the cost of production of beet in some parts of Europe is lower than that of the less efficient parts of the ACP such as has been the progress in technical processes within beet production.

This leads on to an economic point that beet within the European Community is a protected commodity. I think here there was a lot of misunderstanding about what we actually mean by 'protection'. Much of the discussion centred on the issue of subsidy and it was finally resolved at the last session that we are not actually talking in sugar beet terms about subsidy in the conventional sense. What we are talking about is the protected price, a guaranteed price, a price higher than would be paid in a free market situation. Thus there is protection but very little subsidisation.

A key statistic which emerged in the course of the discussion was that the A quota which is the amount that commands the full protected price within the Community, is about as large as the total amount of consumption within the Community. The total amount which is subject to guaranteed prices (the A & B Quotas) amount together to almost 12 million tonnes. To anyone in Europe concerned with a rational system of agriculture that is clearly absurd and these acreages must be reduced. This is not simply a preoccupation of the ACP; it is a preoccupation of anyone wanting to restore a more rational system of agriculture. I think it was fully acknowledged by the Commission spokesman who admitted the necessity for this reduction, and it is tentatively implied in the structure of the quotas which the Community has adopted, and are now being implemented.

## (2) Competition from Substitutes

The other main threat came from the shift of demand. Several specific points came out. First of all there is the

influence of the maize based and other substitutes for sugar stemming partly from the influence of dieticians and dentists. We were urged at various points to take more exercise. I must confess that this was a point at which I groaned inwardly. I recall to mind Oscar Wilde's aphorism that most people would rather be dead than think - and felt that it probably applied with even greater force to keeping fit. There are stronger arguments in defence of sugar than an appeal to everybody to take up jogging. Nonetheless a more serious point was made in some detail that researchers had begun to undermine at least the dental case and, to some extent, the dieticians' case. Second, there was the influence of price. There was a recognition that past excesses in sugar prices had been one of the factors that had triggered the substitution of sugar by other products and not merely the pressure of taste and propoganda. From this flowed a recognition of the need for price stabilisation. A third influence was some distortion of national markets - particularly in the United States in terms of pricing of grain, and Japan for other reasons.

Consequently, sugar is not in fact being treated on an equal basis with manufactures of substitutes. In the EEC, on the other hand, there are restraints on the development of sugar substitutes. So there are various reasons why the market for sugar is being eroded. We had a particularly graphic illustration of this during the week by the decision of Pepsi Cola in the United States to switch from sugar to artificial sweeteners.

These questions represent a global issue, however, and we are here primarily concerned with the United Kingdom. There was some discussion about the size of the UK market and how this had declined from 2.7 million to 2.2 million tonnes over the course of the existing Protocol. The market was under threat in Britain, not simply because of substitutes but also because of import competition in the confectionery side of the industry and direct import competition from beet from the continent.

### (3) Refinery Viability

All these factors raised doubts about the size of the UK market, and led onto the third source of anxiety: that if all these factors came together - the increased pressure for beet production and the reduction in the size of the UK market - it would reduce the profits of Tate & Lyle and increase doubts about the viability of the refineries.

We had several sessions at which was explained to us the process by which UK refining capacity had been reduced from two million tonnes to its present capacity - barely adequate

to handle Lomé tonnage. Doubts were raised at various points about how secure the position really was particularly from the smaller Scottish plant. But we have been given - at least in the last session - a strong commitment within the parameters of profitability of the Tate & Lyle company.

#### (4) Supply Problems

The fourth problem was that of supply and the ability of the ACP countries themselves to produce agreed quantities of the commodity. One of the things which emerged from the seminar was a better understanding of the relationship between the difficulties which these countries themselves have in supplying and the market conditions in which they have to operate. Many developing country commodity exporters are now finding themselves in a very severe squeeze aggravated by world recession. For every ton of sugar they export - or for that matter every ton of bananas - they can buy less and less oil, less and less fertilisers, less and less tractors. The damage to the cane sugar industry is cumulative. As Mr. Thomson explained on the first day, they get into a downward spiral. With problems of indebtedness at the mills there is inadequate investment. There are problems at the farm level, as farms become indebted and unable to expand and modernise. Thus the sugar cane exporters get into a vicious circle; because of reduced export earnings they cannot meet subsequent production obligations. This is a problem that cannot be reversed without a much stronger economic environment and market for these countries to sell into.

The above, I should stress, is a very condensed version of what you said and some of you may be writhing with embarrassment at having your thoughts so grossly over-simplified.

#### The Future: Where we go from Here

I now want to look forward, to pick out from what has been said some of the more positive ideas in terms of where we go from here.

#### Negotiations

The first set of comments relates to negotiations with the Community: what are the ACP countries going to do next, and what are they aiming for?

It emerged in the first day of discussion that there was a somewhat different approach to this question; from those who were satisfied and regarded the present Protocol as a

maximum that could realistically be obtained, and those who regarded it as a minimum. There is inevitably a difference between people who are detached from the problem and people who are negotiators. Negotiators cannot go into a negotiation saying they are satisfied with the status quo, because they will inevitably then be asked to compromise - and you will always be asked to compromise by being beaten down. So I did not think this was a difference of judgement. It was a difference of standpoint. What came out particularly strongly from the active negotiators such as Ambassador Jackman was that the ACPs must approach the Community in an offensive, but not unrealistic, posture. We had from several of the contributions a list of the kind of points which the ACP negotiators must be looking for, and I shall just briefly itemise these.

The first was in respect of pricing. The point repeatedly came to the fore that there was dissatisfaction in respect of the freight factor and the difference between FOB and CIF. It was explained that in practical terms this would be very difficult to handle because if the ACPs were offered a higher price this would either make them uncompetitive in the British market or undermine the refining margin of Tate & Lyle. I suppose, technically, this could be handled through a freight subsidy. Whether the Community would contemplate one I do not know - but doubt. Nonetheless this is a negotiating demand which will be pressed strongly by the ACP.

A second negotiating issue related to the distribution of quotas, the flexibility of the quota system and the anxiety expressed by Mr. McDonald and others that quotas were being re-allocated (or newly allocated as in the case of Zimbabwe) in ways that undermined the total ceiling allowed. A third point was the need for a request to the Community not simply for market access but for assistance in ways that strengthened the industry. Particular ways identified were, for example, by using the facilities of the EIB. The conclusion that I would extract from the discussion is that the ACPs will want to approach the EEC, essentially arguing on two levels: on one, attacking and making demands; on the other seeking out areas of common ground.

It did emerge in the discussion that there were substantial areas of common ground between the cane growers and the beet lobby within Europe: on the issue of artificial sweeteners; on guaranteed prices; and in stabilising the world market. On the last point, the case was made very forcibly by Sir Guy Sauzier that in order to have stability in the world sugar economy it is necessary to have a sugar agreement under an ISA framework. If a sugar agreement is to be realised it must incorporate the EEC. Moreover he saw the

EEC's specific suggestions about the ISA as being sensible and probably helpful on balance to the smaller countries within the ACP. Consequently there are important elements of common ground between the ACP and the EEC in addition to any points of difference they may have.

The interests of the ACP countries are not simply in negotiations with the European Community. There are wider points of future action. I will just briefly summarise these under the following headings: market development, domestic supply and political action.

### Market Development

I identified in the discussions four separate ways in which the ACP countries could strengthen their position in the market place regardless of anything that takes place in negotiation with the EEC. First of all there was the need to counter the less reputable arguments of the health lobby. Second there was need for a case to be documented against the artificial support that is given to substitutes in some countries. Third there were possibilities in respect of new markets. The paradox was quoted of Mauritius exporting to Europe when the Nigerians were buying from Europe. There were acknowledged to be problems of a practical kind in reorientating commercial flows but there were clearly opportunities within intra-developing country trade that could be realised in the 1980s. Finally there was scope for the development of new products through the research of the big cane companies backed by governments where appropriate.

Now, how can these things be done? Can I just take the liberty of injecting a thought of my own again as a non-sugar man? In the textile world there is a body called the International Wool Organisation. It has done a good deal to turn back the tide of man-made fibre competition with woollens. It gets a lot of money from the Australians in particular and puts a lot of money into research, propaganda and promotion. I have not sensed that in the sugar world there is anything quite comparable. There is the British Sugar Bureau which is supported by Tate & Lyle and British Sugar, and which is clearly doing useful work. Perhaps a point which you should consider is whether something on a more ambitious, international, scale is required to protect the interests of sugar as a commodity.

### Supply

Mr. Thomson's contribution highlighted areas in which there are supply inadequacies: labour shortage; defective irrigation and infrastructure; antiquated mills. The contributors felt that they were caught up in a vicious

circle; that the exporters could not do anything about these problems because they were not getting adequate revenue from their exports. Because they could not get adequate revenue from exports, they were not investing enough in their industries. One way out of this dilemma is not to look at it - as I think it was presented initially - as simply a trade or aid question, but to put it to the European Community, the World Bank, the Commonwealth Development Corporation, and to the British Government, that the sugar industry is a case for trade and aid. You need access, but you also need assistance with restructuring and investment in your sugar industry - and it is necessary to approach the two things simultaneously.

### Unity

Many people emphasised the importance of unity: between the ACP countries; unity between employers and workers in the industry; seeking out common ground with the EEC and the beet lobby where possible. Unity is clearly important. You are also very ably represented in Brussels by His Excellency M. Chasle and his colleagues and in London by His Excellency Mr. Symmonds and his colleagues. I leave you with the thought that there is perhaps in addition to this a case for a somewhat more vocal, abrasive, propaganda statement of the ACP sugar position. How you do this I am not certain. But I will make just one positive contribution. I hope that as a result of this conference it will be possible to produce a statement through the Commonwealth Secretariat in time for the Commonwealth Heads of Government meeting [in November] which will place on the record what we have said at this conference and which will help generate publicity for the arguments. It will also be necessary to create a forum which will enable you constantly to argue your case politically within Europe.