

ATTACHMENT

Statement on The European Commission Proposals for Reform of the EU Sugar Regime

The Conference of Heads of Government of the Caribbean Community (CARICOM) at their Twenty-Sixth Session in Saint Lucia on 3-6 July, 2005, considered the recent proposals by the European Commission for reform of the EU Sugar Regime and protest in the strongest terms the severe and dislocating loss of benefits from the Sugar Protocol which would result if the Commission's proposals published on June 22, 2005, are implemented.

Heads of Government expressed deep concern that should the drastic action of a cut in price of 39% proposed by the Commission run its course, the abrupt loss of revenue derived from the Sugar Protocol by CARICOM sugar producing countries would devastate the most important agricultural enterprise in the Region and a profound blow would be dealt to the small, vulnerable developing economies involved. Heads expressed their strong opposition to the proposal by the Commission to pass on to the ACP sugar producers, as an element of the proposed 39% reduction, the cost that will arise as a result of the proposed abolition of refining aid now paid to the EU refiners.

CARICOM Heads of Government reaffirmed that the Sugar Protocol is no mere "preferential arrangement" which can be unilaterally changed by the EU. It is an agreement between two parties, with a special legal status, by which one side

guarantees supplies and the other guarantees access for an unlimited duration of stated amounts of sugar, at an annually negotiated price. When this legal instrument was being negotiated, the world price of sugar was higher than the price offered under the Sugar Protocol, which, was accepted in good faith by the Caribbean and all ACP countries. There is therefore no weight in claiming now, as the Commission does, that the Protocol price is higher than the world price and therefore has to be reduced.

CARICOM Heads of Government recalled that in Article 36(4) of the ACP-EU Cotonou Agreement, it is recognized that any review of the Sugar Protocol would be undertaken “with a view to safeguarding the benefits to therefrom”. The Commission’s proposals therefore run counter to the Cotonou Agreement and the commitment to negotiate annually the guaranteed price paid to ACP sugar suppliers.

CARICOM Heads of Government recalled the repeated pronouncements of the European Union in favour of a development dimension in all trade arrangements and in support of a successful conclusion of the Doha Development Round of international trade negotiations. They also recalled the EU’s declared determination to do everything possible to achieve the United Nations Millennium Development Goals. The Commission proposals to dislocate and seriously reduce the value of the Sugar Protocol runs counter to all such pronouncements and declarations

CARICOM Heads of Government also recalled the often-reiterated assurances by EU representatives that the Region’s vital interests will be safeguarded, and by Commissioner of Trade Peter Mandelson to CARICOM Trade Ministers earlier this year during a visit to Guyana that the effect of the Commission

proposals would be neutral and that funding from the EU would anticipate rather than cushion change. Heads further recalled that Prime Minister Blair in a letter to Prime Minister P.J. Patterson of Jamaica at the end of December 2003, promised to ensure that any inevitable changes to trade regimes should be phased at a rate that would enable CARICOM economies to adjust. Heads called on the United Kingdom in its Presidency of the EU to ensure that this promise is honoured. The Heads of Government commended those EU Member States that are opposed to the Commission's proposals and have called for less drastic price cuts and a longer transition period.

Heads of Government asserted that as CARICOM sugar industries are undertaking programmes of restructuring, modernisation, adaptation and diversification, the European Commission must clearly understand that any change affecting the functioning of these industries' most important trading relationship, the Sugar Protocol, must be implemented so that there is an adequate transitional period to adjust to any cumulative reduction in sugar revenue, with the minimum dislocation and economic trauma. In this regard, Heads of Government called upon the European Commission to expedite the financial and other assistance required by the Government of St. Kitts and Nevis to effect the transition out of the production of sugar for export, being cognizant of the need to develop a new strategy for national economic development and hence the urgency for immediate action.

6 July 2005

Gros Islet, Saint Lucia

