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JOINT DECLARATION OF THE EUROPEAN SOCIAL PARTNERS OF THE EUROPEAN SUGAR INDUSTRY

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CAP AND SUGAR REFORM - TOWARDS 2020

In the frame of their longstanding social dialogue tradition, at the annual plenary meeting of the Sectoral Social Dialogue Committee for sugar organized on 28 February 2012, CEFS and EFFAT have examined the major economic challenges facing the European sugar industry and their potential social consequences. One of the main topics addressed was the Commission proposal for a future sugar regime after 2014/15.

In 2006, as a result of external pressures[1], the European Common Market Organisation (CMO) for sugar was radically reformed, with a four year transition period ending in October 2010. The sugar industry responded positively to this reform by rationalizing and improving efficiency and competitiveness. During this period, sugar companies had to reduce or delay investments for the renewal of their remaining production capacity given the financial constraints of the restructuring[2].

A new challenge is now arising since, as published on 12 October 2011, the impending reform of the Common Agricultural Policy (CAP) after 2013 foresees a new radical reform of the EU sugar CMO. **A further liberalization of the current CMO is proposed, with the European Commission advocating the end of the quota system in the sugar sector as soon as the current regime expires in September 2015.**

- **The social partners support the CEFS position on the reform of the EU sugar CMO after 2014/15, issued in October 2011[3]:Opposed to the abolition of the quota system in 2015, which would result in further damaging social consequences, social partners call on the EU Institutions to extend the quota system until 2020.**
- **They underline the negative effect of volatility on the specific long-term model of beet sugar production.**
- **They stress that, according to a recent LMC study conducted for CEFS, all sugar producing countries in the world have introduced support mechanisms for their domestic industries with the objective of protecting them against the volatility of world sugar markets, and improving domestic supply security. The social partners ask for consistency with what other countries do everywhere else in the world. The EU sugar industry should not be put unilaterally at a disandvantage in international competition.**

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[1] Everything But Arms Regulation introduced in 2001; and the loss of the 2005 WTO panel brought against the EU by Brazil, Australia and Thailand.

[2] The restructuring program induced by this reform entailed the closure of 80 factories, the loss of 22,000 direct jobs and 110,000 indirect jobs in EU-25 between 2005/06 and 2009/10 (source: CEFS statistics 2011).

[3] See Annex 1

THE CURRENT SUGAR REGIME

The European social partners of the sugar industry recall that, with the sugar reform of 2006, a number of developments have fundamentally changed the previous situation:

- ⇨ From being a major global exporter, the EU has become a net importer, depending on third countries for 15 % of its needs.
- ⇨ World sugar prices have increased considerably in a context of extreme volatility on the world market.
- ⇨ The imports expected from ACP/LDCs have decreased in 2010 and 2011 because world market prices were more attractive i.e. higher than on the EU market.
- ⇨ Consequently in 2010 and 2011 the EU experienced a period of tight sugar supplies. Available tools within the sugar CMO, such as the release of out-of-quota sugar, were used to allow the European Commission to ease market tensions.
- ⇨ At the same time – due to the fact that multilateral negotiations in the WTO have stalled – the EU has encouraged the negotiation of regional and bilateral agreements, granting further import TRQs. This could unbalance the current EU sugar market, and entail economic and social consequences.

Consequently the social partners demand that :

- ⇨ In case of tight supply as a result of import deficiencies, EU domestic sugar production should be seen as the warrantor for security of supply. Therefore, it should be considered as the first recourse tool to supply the EU market and to ease the tensions. This should be explicitly stipulated in the sugar CMO. Release of non quota sugar is an ideal solution to be primarely used to remedy EU market shortages as it is a highly reliable local source which is immediately available to suppliers and of consistently high quality.

- ⇨ The trade preferences granted to ACP/LDC should not be eroded by further sugar concessions granted in trade agreements including FTAs. The social partners ask for a responsible EU trade policy, which respects the new EU sugar balance set up after the 2006 reform. This trade policy should recognise that the European domestic sugar industry cannot be regarded as the 'adjustment factor' for additional sugar import concessions which were not envisaged at the time of the 2006 reform. Adjusting short-term import deficits from ACP/LDCs by granting additional import volumes in bilateral trade agreements is not sustainable and would be a contradiction to the general EU sugar and developement policy.

- ⇨ For the EU sugar industry, the same freedom to export should be granted to the EU as for any other trading region in the world. The current situation where the sugar industry has to face restrictions on exports while new additonal duty free imports are being introduced through bilateral agreements is not sustainable in the long term.

In the context of the ongoing economic and financial crisis, the European social partners call for responsibility in future political choices

As was the case for the current sugar CMO, the next reform of the sugar CMO after 2014/15 will largely result from a political choice by the Union and the Member States within the context of globalisation. The social partners call for highly responsible choices, leaving enough time for sugar producers to adapt to the new situation through continuous improvement until 2020, with a view to supporting the European sugar industry's long term objective of increasing competitiveness in a sustainable way. This will allow companies to invest in further efficiency improvements, and to offer their employees secure employment and employability prospects - a key topic in the frame of the 2020 Strategy.