The View from Europe
By David Jessop

Sugar, Europe and a failing partnership

It is quite possible that in less than ten years from now, raw Caribbean sugar will cease to enter the European market. If as seems likely this happens, it will bring to an end not just the preferential arrangements that African, Caribbean and Pacific (ACP) sugar producers have enjoyed since 1975, but also a trade that for evil and good has played a central role in the making of the Caribbean and its ties with Europe.

Although in recent years there have been seismic shifts in the way in which the industry is organised, present developments in Europe create a new challenge for the industry's viability, just as it is emerging from the shadow of preference and seeking new approaches to its organisation and marketing.

News of the likely end of the EU market for Caribbean sugar first emerged in a European Commission report prosaically entitled: 'Prospects for Agricultural Markets and Income in the EU 2012-2022'. This document looked at the future of Europe's own agricultural regimes, to which the fortunes of ACP sugar are linked. It confirmed that the planned expiry of EU sugar quotas in 2015 would lead to a reduction in the price in the European market for sugar. This in turn would make the EU market less attractive to the ACP and other higher cost exporters. The report made clear there would be a fall in European imports from an estimated 3.5m tonnes in 2012 to 1.5m tonnes in 2022 and predicted that subsequently Europe would move to self-sufficiency, possibly even becoming a net exporter.

The inescapable conclusion of this for the ACP, which currently exports some 2.3m tonnes of sugar a year to Europe, was that it is likely that its market in Europe would become negligible. Worse, it was also recognised that as competition from low cost sugar producing nations increased, as a result of the access gained to the EU market under recently negotiated free trade agreements and other special arrangements, the Caribbean would cease to have a place in the EU market.

The story has received relatively little coverage in the Caribbean. However, since the report's publication last December, Caribbean Ambassadors and Governments have been fighting a valiant rear-guard action to try to influence the debate on when quotas for EU sugar should come to an end. Their hope has been that by doing so they will enable completion of EC funded programmes aimed at restructuring and enhancing competitiveness, before this happens.

Since the report's publication, the three European institutions that make and implement policy have been trying to decide the final cut off date. The European Commission wants to keep the 2015 deadline to end the arrangement; the European Council which brings together all twenty seven of Europe's member states, wants it extended to 2017; while the European Parliament has suggested that the deadline be 2020: the likely outcome being a compromise with all quotas on EU production ending in 2017/18.

The matter, which is largely driven by European concerns about the cost its own beet regime, has also created problems for the cane sugar refiners in Europe on which producers in the Caribbean and the ACP rely. Refiners argue that as quotas are abolished and the beet and isoglucose sectors produce and sell as much as they wish, the cane sugar refining industry in Europe also faces an uncertain future.

More fundamentally the decision takes Europe one step further in its perceptual and actual disengagement from the Caribbean.

The Caribbean, along with other ACP sugar producing nations, make the point in public that Europe is once again setting aside its commitments in the Cotonou Convention and the EU-Cariforum Economic Partnership Agreement, and has failed to consult. However, in private, Ambassadors are more direct. They are blunt: an agreement with the EU is now scarcely worth the paper it is printed on, if the absence of coherence in EU policy weakens, to the point of destruction, the longstanding partnership that previously bound Europe and its former colonies together.

What these latest developments make clear is that within twenty years, barring unforeseen circumstance, the European market for raw sugar from the Caribbean will most likely be all but a matter of history.

This is not say that sugar production in the Caribbean will cease, but that what is left of the industry will be very different, reoriented, and a part of a broader cane-based sector.

Although governments and much of the industry have for two or more decades been slow to understand and accept the changes taking place in Europe and why it was inevitable that preference would come to an end, there are now observable bright spots for an industry that in recent years has too often been thought of as the Caribbean's past.

The industry in the Caribbean may today only account for around two per cent of regional GDP – a figure that pales in comparison to the percentages commanded by tourism – it remains a significant employer of labour; supports rural communities; provides a range of social services; and indirectly halts urban drift and the associated problems of crime.

It has also shown that it is an industry capable of being successfully privatised, rationalised and turned around, if the land is appropriate, fertile and irrigated; where industrial practices that previously damaged productivity can be overcome; and when changes are made to traditional marketing arrangements and a more integrated approach taken.

Jamaica, for instance, is exporting to new markets and will meet all of its requirements for raw sugar for local consumption in the present crop year. In the Dominican Republic, production is anticipated to be 10 per cent higher at around 0.6m tonnes and the industry is expected to meet EU export targets while satisfying domestic demand and fulfilling its US quota. The industry in Belize is also increasing production, meeting US, EU and domestic markets demand and planning an 82 per cent expansion in production. Even Barbados is creating a sugar sector that aims to use cane to support national and regional markets, for use as biomass and to support the development of its rum industry and high value niche products.

The world has moved on, Europe is in decline, the Caribbean is reassessing its strategic relationships. The likely end of any significant European market for the region's sugar re-confirms the urgency of establishing a new, profitable and sustainable approach to all Caribbean export industries.

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