ORAL ANSWERS TO QUESTIONS

EU SUGAR REGIME - SUGAR PROTOCOL - TRIPLE GUARANTEES

The Leader of the Opposition (Dr. N. Ramgoolam) (By Private Notice) asked the Minister of Agriculture, Food Technology and Natural Resources whether, in regard to the proposed reform of the EU Sugar Regime, he will state -

(a) what steps are being taken to safeguard the triple guarantees of the Sugar Protocol, namely duration, price and quota;

(b) whether Mauritius assumed a lead role at the recent ACP Summit to promote the above interests and, if not, the reasons therefor;

(c) (i) the consequences of the proposed reform on the socio-economic situation of Mauritius, and

(ii) the actions taken by Government to avert same.

Mr Bodha: Mr Speaker, Sir, before replying to the question, I would like to mention that the Sugar Protocol is a historical trade instrument that is intimately associated with the development of Mauritius. It has stood the test of time and I would say also the test of party affiliations. Sugar is, therefore, an issue of national interest and it has been under threat at several periods of our history. We have always managed to overcome these threats and preserve our vital interests. I would, therefore, urge Members of the House to consider the sensitivity of this issue and to adopt a national approach in the interests of the country.

Mr Speaker, Sir, ever since this Government assumed the office, it has, as a matter of priority, taken all steps and measures to safeguard the acquis of the Sugar Protocol.

In 2000, we were faced with two formidable challenges -

(a) a radical reform in respect of the EU Sugar Regime due to cover the 01 July 2001 – 30 June 2006 period, and

(b) what is called the Lamy initiative starting with tariff dismantlement on 01 January 2001 with duty and quota free access becoming effective as from 01 January 2004.

These two challenges, Mr Speaker, Sir, had the potential of bringing about major disruptions to the EU Sugar market thereby nullifying the benefits of the Sugar Protocol.
Intensive and co-ordinated lobbying action led by Mauritius brought about signal changes -

(a) the EBA initiative was deferred by five and a half years;

(b) the Sugar Regime was reconducted for a period of five years, that is, from 01.07.2001 to 30.6.2006 with minor changes and more importantly, the ACP price was maintained. That was in 2000, Mr Speaker, Sir.

In 2001, the Sugar Regime made provisions for the Commission to come up in 2003 with proposals for a reform of the EU Sugar Regime. The Commission established an inter services group, comprising officials from various directorates, to prepare a position paper on the Sugar Regime basing themselves on the various studies undertaken on behalf of the Commission.

The ACP Ministerial Spokesman, the Deputy Prime Minister, led a delegation to meet the consultants undertaking the study relating to ACP issues and a comprehensive memorandum was left with the consultants.

The inter services group came up in April 2003 with a four-option paper, Mr Speaker, Sir. In May 2003, the ACP met and, under the leadership of Mauritius, prepared a submission highlighting the importance of the Sugar Protocol to the ACP, recalling the historic dimension of the Protocol and underscoring the multifunctional role of sugar and clearly indicated their preference for the option, that is, the option which we have termed the fixed quotas. The ACP had also the opportunity to meet the interservices group.

Mr Speaker, Sir, the paper of April 2003 was a working document and not an offer. The Leader of the Opposition is no doubt aware of the procedures applying within the European Union.

In September 2003, the Commission came up with two papers -

(a) a Communication from the Commission to the Council and the European Parliament;

(b) a Commission staff working paper.

These papers had a clear bias for an option termed fall in prices which called for substantial price decrease, elimination of the EU producer quotas, elimination of the guaranteed price in the EU, and market arbitration between sugar and iso-glucose as sweetener.

The ACP, and subsequently the LDC came up strongly against the September 2003 options of the Commission. The ACP in Botswana, agreed on the contents of a second submission for the Commission and this submission was forwarded in May this
year. Once again, the ACP indicated their preference for the “fixed quota” option which calls for an orderly managed market through the maintenance of EU producer quotas, moderate and progressive price reduction, transferability of quotas to move production to more competitive areas, containment of iso-glucose and a reconsideration of the EBA and the Western Balkans initiative. Under the EBA, Mr Speaker, Sir, the LDCs can provide sugar to the EU market.

Our effort at the WTO have been stepped up. Mauritius has had a very active participation in the WTO negotiations in agriculture and has made judicious alliances to safeguard its interests. We have made major strides in respect of longstanding preferences, for instance the Sugar Protocol. Indeed, participants have undertaken to take account of the importance of such preferences and to draft modalities accordingly using as basis the good work embodied in the Harbinson text. Equally, we have made substantial progress regarding preference erosion, protection of our domestic market, better food procurement means for net food importing developing countries. Language convenient to us found its way in the Cancun text and will future in any framework agreement on agriculture.

Mr Speaker, Sir, le protocol sucre n’a pas eu une vie de tout repos. Indeed, Mr Speaker, Sir, we have had the challenge of Brazil, Australia and Thailand on the EU Sugar Regime. The challenge started in September 2002 and consultations were held in November 2002 in Geneva between all the parties concerned. The ACP led by Mauritius played a very active role in November 2002 with the result that the complaining parties took some time before asking for the establishment of a Panel. In the Panel, fourteen ACP countries sought third party rights and status. Mauritius played a very active role all through and we were successful in obtaining enhanced third party status. Thus, we were able to forcefully put across our views and our concerns in Geneva. This compelled Brazil and others to come up and state that they were not in any way attacking the acquis of the Sugar Protocol.

The two-pronged local and international strategy will be maintained, Mr Speaker, Sir -

(i) locally, the reform process undertaken in the context of the Sugar Sector Strategic Plan will be stepped up; consultations are being held with all stakeholders –

(a) I met the Chamber of Agriculture and the Planters yesterday;
(b) I am going to the Chamber of Agriculture tomorrow;
(c) On Thursday, the Prime Minister is meeting several stakeholders and institutions with the Deputy Prime Minister, and
(d) after that meeting, the Prime Minister, Deputy Prime Minister and myself are meeting the unions, the representatives of the planters and the planters shortly to discuss the matter.

(ii) internationally, Mr Speaker, Sir, a work programme has been chartered out, namely -
(a) the Prime Minister is writing a letter to President Chirac;
(b) the Deputy Prime Minister and myself are proceeding to the European Union to meet key EU Commissioners and some EU Member States;
(c) In September/October and thereafter if needed, ACP Ministers will meet each and every member of the EU, that is, the 25 members; the key stakeholders of the EU Sugar Industry both in Continental Europe and in the DOMs as well as key members of the European Parliament;
(d) We would avail ourselves of the forthcoming ACP and G90 Trade Ministers meetings in Mauritius to canvass support for our case;
(e) our participation in the WTO negotiations, which has so far been fruitful in respect of preferences, will remain active, and
(f) The outcome of the WTO Panel on sugar is being awaited and ACP Ministers have agreed in Botswana at short notice as soon as the report of the panel is out.

Sir, before replying to part (b) of the question, I would like to mention that the idea of holding an ACP Summit of Heads of States and Governments originated from our Prime Minister, who, unfortunately, could not make it in Maputo in view of the debates on the Budget in the National Assembly.

During the recent ACP Summit held in Maputo, on the initiative of Mauritius, a meeting was chaired by myself on 21 June to examine the new situation arising from the Commission’s leaked paper. This meeting was attended by Ministers from Fiji, Guyana, Jamaica, Swaziland and representatives from other ACP States. The main proposals contained in the Commission’s paper and its possible implications for the ACP Sugar supplying States were examined and highlighted.

After deliberations, the meeting agreed that -

(i) urgent arrangements should be made to meet Commissioner Fischler in parallel with other EU Member States at the political and diplomatic levels. It was also recognised that Ministers of some EU Member States should also be lobbied to express the concern of the ACP;

(ii) advantage should be taken of the ACP Summit to have a very Resolution on the issue adopted;

(iii) intervention at the highest political level be made during the ACP Summit to sensitize the ACP about this urgent problem and its potential devastating effect on a number of States;

(iv) the Prime Minister of Fiji should talk to the President Chissano of Mozambique as in coming President of the ACP Summit to explore how best to introduce the issue during the Summit.
(v) the Prime Minister of Fiji would make a statement during the Summit.

The ACP Sugar group, which I mentioned above, discussed the draft resolution which were prepared by Mauritius and adopted by the Summit.

Mr Speaker, Sir, I am tabling the resolutions which have been adopted by the Summit and which indicate the strong position adopted by the ACP States regarding the proposals contained in the Commission’s leaked paper. The proposal was moved by the Prime Minister of Fiji and supported by Mauritius, Sudan and Guyana.

As regards part (c) of the question, before we proceed with any analysis, it would be appropriate for me to give some details on the status of the leaked document. According to information received, the document leaked has been prepared jointly by the trade and agriculture directorates of the EU Commission. This document is destined for circulation to the customs, budget and development directorates for comments.

On the basis of comments, and amendments, if any, a document would be submitted to the college of Commissioners so that, if all go according to schedule, approval of the Commissioners is obtained and the Communication of the Commission to the Council and the European Parliament is released on 14 July 2004.

This document would then be submitted for the consideration of the EU Council of agriculture Ministers and the European Parliament. As for previous papers on reform, there would be intensive debates at these two instances and the final document that goes for legislative action contains numerous amendments and modifications. As explained above, we intend intervening in all steps at all stages of this process so that our interests are adequately safeguarded.

Nonetheless, allow me to indicate the main elements of the leaked document relating to the package of reform for the EU Sugar Regime to be implemented over the 2005/7 period and a review in 2008 which would take into account all future international developments namely the outcome of the Doha Development Round and the ruling of the WTO Dispute Settlement panel on sugar.

The key features of the reform contained in the leaked document are-

(i) a price reduction of 37% in the price of our sugar, undertaken in 2 stages, 25% as from 01 July 2005, and 12% as from 01 July 2007;

(ii) the maintenance of EU producer quotas with a reduction by 2.8 million tonnes;

(iii) the maintenance of the principle of iso-glucose quotas and an increase thereof, i.e. there would be no arbitration of the market in respect of sugar and iso-glucose, sugar would remain as the main sweetener;
(iv) the quota transferability and factory conversion measures to enable production to move from less competitive to more competitive areas;

(v) direct income support of sugar beet producers representing 60% of the estimated loss in revenue;

(vi) the maintenance of 1.3 million tonnes from ACP and India on the basis of a guaranteed price; the guaranteed price to be equal to the EU reference price;

(vii) stricter rules of origin;

(viii) the avoidance of competition between the ACP and the LDCs in that EU operators will have to compulsorily acquire LDC sugar at a price of not less than the ACP guaranteed price;

(ix) the consideration of compensation/adjustment aid for the ACP with the EDF being mentioned as source of funding with the banana case as example of compensation.

As I have said, these are the main and salient features of the leaked document.

In this regard our case is simple -

(a) we want to lower price reductions spread over a longer time span; in fact we still stand by our preferred fixed quota options;

(b) we need to have a package that is predictable and leaves no room for uncertainty; and

(c) we want to have, as ACP states, full compensation for all losses in case of any price reduction.

Dr. Ramgoolam: I thank the hon. Minister for the detailed answer. Can I ask him, first of all, if the paper put in question, from what the hon. Minister said himself, the dates when the reforms of the sugar regime are going to start? For example, we know that it was supposed to start from 2006. Is not putting it in question that it should start earlier and that the lowering of the prices is going to start, taking effect next year instead of being staggered over seven years?

Mr Bodha: The reform was expected to take place later. It is true that the paper provides for the price reduction to take place as soon as possible. This is what the leaked paper proposes.
Dr. Ramgoolam: So, what has been the response to that? Have we started doing any kind of lobbying or any kind of action, once that this has changed?

Mr Bodha: Mr Speaker, Sir, we received the leaked paper document last week. In fact, I took a copy with me to Maputo at the Summit when we had the Ministerial meeting. As soon as we had the paper our technical staff in Geneva and Brussels have been working on it and we had a very interesting meeting at Maputo. The first thing we said had to be done when all the ACP people were there, was that we should have a very strong ACP position paper with President Chissano writing personally on behalf of the ACP to each and every Member State in the EU to explain how sugar was vital for us, how vulnerable our economies were, how we wanted to have predictable source of income, because this has been very important for our sustainability as an economy not only for Mauritius, but all ACP States, the more so for Mauritius, thus highlighting this issue. As I have said a list of things that we are supposed to be doing and which we have already started doing.

Dr. Ramgoolam: Since the hon. Minister says that he took the leaked paper document to the Summit in Maputo, does he not think that we should have it at a higher level, that the Prime Minister should have been there? Because we needed to show that we are very forceful at this level for some countries, as the hon. Minister must know, had their Heads of States or Prime Ministers there.

Mr Bodha: As far as the question of having a Summit of Head of States and Government of ACP is concerned, this was in fact an idea, which was canvassed by the Prime Minister. We had Budget time here, so the Prime Minister had to be here. But I must say that we did all that was in our possibility to highlight this issue. We did it at the Ministerial level; and in fact we said that we should have a Prime Minister raising the issue and I personally spoke to the Prime Minister of Fiji. I gave him a very interesting resume of the situation for him to move the motion, because it was not on the agenda, but as it was vital for us and that is how we convinced President Chissano who raised the issue in its press conference and who is going now to sign the letter. from what I have heard from Brussels, the letter is being drafted and the letter is supposed to be sent this week.

Dr. Ramgoolam: Since the hon. Minister said that the Prime Minister took the initiative of a Summit in Maputo even more so it is our feeling that if he had been there, our case would have been even more forceful. We all have been through this, when a Prime Minister speaks it is not the same as somebody else speaking.

Mr Bodha: The hon. Prime Minister would have been very happy to be in Maputo. The Leader of the Opposition is right when a Prime Minister stands up, it carries more weight. But Mr Speaker, Sir, we have to make a very important observation. This is a leaked document. It is not the formal document emanating from the commissioners. Comme on dit en français, il ne fallait pas que nous jouions toutes nos balles au départ même. I think we have done it at the ACP State, it is now that we are going to see what can be done at the level of the Heads of State.

Dr. Ramgoolam: The Minister said that it is a leaked document, it is a leaked document on purpose from them. He should not make the mistake of thinking that it is a
false document. It is a not a false document. We know there is backing behind that document. The Minister was talking about the leaked document and that, therefore, it is not an official document. But he knows very well - and he has mentioned it - that the challenge of the WTO by Brazil, Australia and Thailand is going to have an effect on what is happening. When does he expect that judgement to be known? It is supposed to be very soon.

Mr Bodha: Mr Speaker, Sir, when the Deputy Prime Minister and myself met Commissioner Fischler in April, he said that his final paper would be presented before the summer break - those were his words. He said also that he would consult us before the final document. This is why we are pressing to have a working session with him on behalf of Mauritius and the ACP before this final document is drafted.

The second thing is that the way in which this document has been couched addresses the issue of the WTO panel for a second review of the sugar regime. In fact, the interim report is expected in July and the final report of the panel is expected in September. This document has to go to the European Parliament which meets in October. As you know, Mr Speaker, Sir, we have just had new elections in Europe and the new Parliament will have to elect its new President. That is why we have been thinking of, first of all, about lobbying the technical people, that is, the Commissioners, and later the political people as from July. We have to go to all the 25 States and meet the ACP Ministers and high level delegations have to go to lobby each and every EU Member.

Dr. Ramgoolam: I am sure the hon. Minister knows that, very recently, there has been the judgement on the US cotton subsidies and the rule has been that it is against the WTO rules. The feeling is that, the judgement will go the same way as far as the challenge of Brazil, Australia and Thailand is concerned. We have to wait, of course. But this is the feeling. Without being pessimistic, we have to look at the worse case scenario. What will the Minister do if, supposedly, this happens to be the case? It is coming out next month.

Mr Bodha: Let me explain about the issue of the panel. The issue of the panel, Mr Speaker, Sir, is not the sugar protocol. It is the domestic support that the European Union grants to its European farmers to produce sugar. There are three types of sugar. There is sugar A for the consumption in Europe; sugar B is another quota for the consumption, and sugar C is sugar which is exported by Europe. The challenge of Brazil, Australia and Thailand is that C sugar is being produced with the subsidy given to local farmers. That is the challenge. But if there is any negative ruling on C sugar on the domestic support will have an impact on the regime, and the protocol is one of the pillars of the regime. But what the Deputy Prime Minister and all the Ministers from ACP have tried to do at the panel is to show that the 1.3 million tonnes of India sugar has nothing to do with domestic support, and, in fact, Brazil in their submission has said that they do not want to challenge the acquis of the ACP sugar. What they have said in their conclusion was to tell Europe that it can produce A and B sugar, it could give the domestic support that it wants; it can buy the ACP sugar at the rate it wants, but it should not dump the C
sugar on the world market. This is in issue. But any negative ruling on the C sugar will have an impact on the EU regime. That is why the EU regime is already under pressure from Europe to reform its sugar regime and from the panel. Anyway we have to prepare ourselves to see to it that our acquis is maintained. The whole thing is price reduction and compensation. These are the two issues. First of all, we should fight for no reduction in prices and secondly, if ever, there is some reduction in prices, to see to it that we have full compensation because this is a socio-economic vital issue. That is why we have raised the issue of the outer most European regions like the DOM - les départements d'Outremer - because their sugar industry has more or less the same problem and they are in the same situation.

Mr Dulloo: Concerning the integrity of the protocol, the hon. Minister has just referred to the necessity to preserve it and reference has been made to the WTO and the panel. Being given the latest development, was it not in the interest of Mauritius that the ACP Summit in Maputo be converted into a sugar Summit so that we could have reinforced at the international level all that we are saying through that Summit? Secondly, I would like to ask the Minister whether it is not premature and wrong negotiation tactics to talk in terms of compensation and accept already the dismantlement of the prices and jump the gun in terms of compensation. Were they not bad negotiation tactics?

Mr Bodha: Mr Speaker, Sir, at the ACP Summit there were 79 States present. We have 16 ACP supplying States. We have done what we can. It was not on the agenda, and it was a leaked document. But we did everything. I think that President Chissano was very sensible. In fact, the Prime Minister of Fiji spoke with passion. The representative of Guyana also said that it was really disastrous if the proposals in the leaked document were implemented.

What we are doing now is that we are proceeding at different levels in our lobbying policy. We are taking on board all ACP States and Mauritius has been in forefront at all stages and will continue to do so at all stages.

Dr. Boolell: Mr Speaker, the main issue is to ensure that the sugar protocol is compatible with the provisions of the World Trade Organisation. This has been the fight all along. Can I ask the Minister whether Government has got its policy right when it decided to set up a crisis cell to be chaired by the then Deputy Prime Minister in respect of conflicts that were occurring between the Mauritius Sugar Authority and the Ministry of Agriculture for failing to define a clear policy as to our lobbying strategy?

Mr Bodha: The hon. Member has been Minister of Agriculture. He knows that the synergy between the Mauritius Sugar Authority and the Ministry of Agriculture is a first condition for the Ministry. I commend the hon. Leader of the Opposition for the way he is addressing this issue. I think we should have a national policy, be it our being in Government or any other Government. We receive Rs10 billion in terms of receipt. Any adverse policy from the European Union will have a real effect. We have to have a national policy and we should defend our national interest.
Mr Speaker, Sir, at all stages, we have intervened as the leader of the ACP with the help of the ACP in 2000 when there was the radical reform, the Lamy initiative, with the EBA sugar, that is, quota free, duty free sugar entering the market. We have defended the protocol sugar.

Our Ministers have been on the forefront at the WTO negotiations on agriculture. Some concepts like orderly managed market, containment of sweetener, avoidance of competition between EBA and ACP sugar, all these are Mauritian ideas which have been put forward, Mr Speaker, Sir.

Dr. Boolell: May I remind the hon. Minister that there has been information that is being allowed to introduce into confidential documents which put at risk our acquis in respect of the sugar protocol. I can quote a document which was produced in the Dominican Republic where Government should have seen to it that this should not have appeared in the relevant document which put at risk our quota and open a floodgate for other LDC to become member of the sugar protocol with the end result that there is no solidarity amongst ACP. It was an opportunity for the Prime Minister to be in Maputo to see to it that there is unity and solidarity amongst the ACP. I would like to know why the Prime Minister did not attend that conference in Maputo.

Mr Bodha: Mr Speaker, Sir, there was total solidarity among the ACP States, be it LDC and ACP, for the sugar supplying States. In fact, a copy of the Resolution was crafted by ourselves, with the help of Sudan, which is the Chairman of the LDC group. There was full solidarity. Let me explain to you also, Mr Speaker, Sir, that, when the Resolution was tabled, President Sassou-Nguesso from Congo stood up and said that the Resolution was too detailed, with too many paragraphs, and that we should come up with one paragraph, where we would be just asking President Chissano to write to the EU members. Then, I stood up and said: no, this is vital for us, and that we need to have the Resolution as we havecouched it. There was full solidarity with Sudan and the others. In fact, what the document proposes is that the same reference price of sugar applies to EBA sugar, that is, LDC sugar, and the ACP sugar.

Dr. Ramgoolam: From what I understand, the leaked document opens the market to any buyer other than Tate & Lyle. It would seem that Tate & Lyle would, therefore, need the sugar from Mauritius if the market is open. Would it not be wrong, therefore, to talk of leaving the Commonwealth, at this point? Because this is going to make our position even worse. I don’t think we should talk about leaving the Commonwealth. Does the Minister agree?

Mr Bodha: Mr Speaker, Sir, these are two totally different issues. One concerns a contractual agreement under the sugar protocol for supplying sugar and the other one is an issue of sovereignty. As we say, sovereignty has no price. These are two different issues, and that’s how we are going to consider them.
**Dr. Ramgoolam:** This is not a question of party politics; this is a question of national concern, as the hon. Minister said. But, does he not think it would have been right to keep the Opposition informed and, together, work on a strategy, as one country, instead of keeping the Opposition in the dark, and now documents are being laid rather late?

**Mr Bodha:** We totally agree, and I thank the Leader of the Opposition for the way he put the question.

**Mr Speaker:** I have been advised that PQ No. B/560 will be replied by the hon. Ministry of Industry & Financial Services, whereas PQ No. B/563 will be replied by the hon. Prime Minister.