



Programme:	<i>Technical Assistance to the Integration to the Multilateral Trading System and Support to the Integrated Framework</i>
Country/Region:	ACP Group
Project title:	13th ACP Ministerial Conference on Sugar, October 14-18, 2013 in Fiji
Source of Financing:	Third Programme Estimate - Activity N° 079-13

ANNEX II: TERMS OF REFERENCE

Beneficiary

The ACP Member States.

Contracting Authority

The Contracting Authority for this project is the Programme Management Unit (PMU) of the ACP MTS PROGRAMME on behalf of the Regional Authorising Officer for the European Development Project N°2013/318-040.

Regional and sectoral background

The 13th ACP Ministerial Conference on Sugar will be held in Fiji from 14-18 October 2013 under the theme “The Evolving Policy Environment for the ACP Cane Industry”. The timing for this year’s ACP Ministerial Conference is exceedingly propitious given that the requisite EU institutional bodies are already heavily engaged in preparing a political decision on the future of the EU Common Agricultural Policy (CAP). Of course, one of the major pillars of the CAP is the Common Market Organisation (CMO) for Sugar. One of the key issues to be addressed at the ACP Sugar Ministerial is the immediate to medium-term prospect of ACP sugar industries in light of an imminent EU quota-free regime.

The EU has already agreed to fully eliminate its current import quotas for sugar in 2017. Unsurprisingly, the ACP sugar cane exporting states oppose the elimination of EU quotas. These ACP Members remain firmly convinced that the elimination of EU sugar quotas from 2015 is egregious in a number of respects. Principal ACP arguments are that (a) the proposed measure disregards fundamental EU market conditions; (b) further ignores the EU’s own commitments to support ACP economic development; and (c) fails to respect the key CAP objective of fostering EU food security. More specifically, ACP States believe these EU proposals seriously jeopardize the EC market balance and will undermine all potential growth of the sugar industries of the ACP sugar exporting states as a result of a reduced priced while leading to increased volatility in the EU market. The proposed measure would constitute a severe deterrent to ACP efforts to attract investment to foster increased efficiency. As such, the EU proposed policy reform would contradict the basis of the EU’s own policy of supporting ACP increased efficiency through the €1.2 billion Sugar Accompanying Measures. In this context, the ACP has warned that the removal of EU quotas would be inconsistent with the requirement of EU policy coherence as mandated by Article 208 of the Treaty of Lisbon.

Studies commissioned by both the European Commission (e.g. “Prospects for Agricultural Markets and Income in the EU 2012-2022, December 2012”) and independent bodies conclude that the expiry of the sugar quota will result in a reduction of the EU domestic sugar price while making imports, including from States benefitting from preferential access, considerably less attractive. The ACP countries, which already benefit from preferential access via both the Economic Partnership Agreements (EPAs) and Everything But Arms (EBA), would suffer from the implementation of duty-free, quota-free (DFQF) access to the EU. In rendering such preferential access commercially meaningless, the



abolition of EU sugar quotas has the potential to eradicate ACP sugar entirely from the EU market and usher severe economic injury to the concerned ACP countries.

The ACP Sugar Group – the body of longstanding ACP sugar suppliers to the EU, firmly believes in the strong link between the EU's domestic Common Agricultural Policy and the ACP sugar exporters' trade and developmental interests. It is therefore considered important for the EU to honour its specific commitment under the Treaty of Lisbon to ensure EU policy coherence. The principles underpinning the Cotonou Partnership Agreement, EPAs and EBA are all aimed at facilitating ACP economic development and assisting these, poor, small and vulnerable EU trading partners to harness trade as an important developmental tool, and thereby support their improved integration into the world economy.

The ACP stance has also gained support from significant sections of EU commercial interests. For example, the European Committee of Sugar Manufacturers (CEFS) supports the continuation of the quota system until 2020 rather than 2015. This major conglomerate of EU corporate sugar interests argues that the EU sugar industry has significantly invested in order to further enhance its competitiveness and efficiency since the 2006 reform of the Sugar CMO. The CEFS seeks an additional five years to allow the European sugar industry to continue its thrust towards improved competitiveness and capitalise on long-term investment in infrastructure and production processes.

The ACP Sugar Ministerial presents an opportunity to take stock of the latest developments and assess the likely implications of the end of the EU quotas for ACP suppliers under the EPA and EBA arrangements and strategize on the way forward.

The ACP Sugar Conference will also examine the long-term viability and sustainability of ACP sugar industries, with the focus shifting from sugar to a sugar cane industry. In order to remain competitive and add value in light of various challenges - including price volatility and changing market conditions - the ACP sugar producers have to seriously consider all available options to increase the revenue base of the cane industry. In addition to the regular revenue streams from sugar, molasses and other traditional by-products, serious consideration has to be given to co-generation, bio-fuels, bio-plastics and other viable uses of sugar. The Conference will provide a useful forum to exchange views in this regard and examine appropriate strategies to be pursued.

Given that the EU Accompanying Measures Programme is now in its final year of implementation, the ACP Ministers will also share the experiences of their countries on the functioning of these measures. Participants will assess the effectiveness of this EU-funded programme, as well as the constraints that mitigated ACP countries from seizing full advantage of the EU support.

The ACP Sugar Ministerial will also focus on the ACP Sugar Research and Innovation Programme that targets the main technological challenges of the sugar sector, and which can be addressed through collaborative scientific and technological research. The main objectives of the Programme are to strengthen the competitiveness of the cane-sugar commodity chains, enhance research centre capacity, develop an exchange network, disseminate information, and prepare ACP sugar-producing countries for the future. The thirteen projects implemented through this research programme have three main avenues, namely, (a) the production of new cane varieties; (b) the reduction of sugar cane cost of production and mitigation of negative impacts on the environment; and (c) the reduction of sugar losses from processing and adding value to sugar cane by-products. The ACP Conference will be apprised of the initial ideas on the second phase of the Programme, which will entail four main aspects:

- Enhanced production with new varieties and new canes adapted to the future new needs of the industry; disease and pest control; novel methods of bulking new cane germplasm;
- Sustainable production, including soil management; water management; alleviation of climate change; coping with environmental norms;



- Improved processes including the milling of new canes; improvement of milling and refining processes; managing integrated production system; and
- Value addition from the use of total cane biomass; energy with “second generation” of ethanol production, gasification and/or torrefaction (roasting) of bagasse; high value organic substances (bio refinery).

Preparations towards the 9th WTO Ministerial Conference (MC9)

The schedule of the ACP Sugar Ministerial timing for the Ministerial Conference is also critical as it chimes with the final preparations towards the December MC9. The WTO Ministerial Conference takes place at a most challenging time for the WTO. The organization’s flagship agenda of a multilateral trade round – the Doha Development Agenda, has been bordering on collapse. Without broad advance on the DDA, developing countries, including the poor and small, vulnerable ACP Members, will not secure the development dividend promised at the launch of negotiations in 2001.

Nevertheless, the Bali WTO Ministerial offers the prospect of salvaging progress on a limited number of issues. The Bali package of concrete deliverables includes Agriculture (food security and TRQ management); Development (28 Agreement-specific proposals on special and differential treatment along with a clutch of LDC-specific issues, e.g. services waiver and accession); and Trade Facilitation. The prospects of a successful 9th Ministerial Conference hinge on the treatment of a few substantive issues, and most notably, the treatment of the G-33 proposal on food security. Norway has proposed that the Agriculture text should not be amended but an understanding reached whereby country-specific treatment (i.e. exemptions) could be tolerated. This Norwegian proposal has resulted in a significantly improved level of engagement in the Special Session on Agriculture.

Moreover, WTO trade diplomats have established a clear link between the treatment of the G-33 proposal on food security and progress in Trade Facilitation negotiations. A further complication stems from the recent EU and US statements to withdraw earlier commitments to phase out the use of export subsidies by 2013. These industrialized Members (major users of export subsidies) argue that their offer was contingent on overall progress in all facets of AGRI negotiations. It should be noted that while the EU has drastically reduced its export subsidies to an annual payment of EUR 173 million, most of this sum is spent on sugar.

One further contextual note refers to the fact that the MC9 remains a regular WTO Ministerial Conference. This poses significance in two major respects. First, there are agenda items that will be routinely discussed, including the moratoria on TRIPS Non-Violation and duties on e-commerce. Second, most WTO Members believe that elevating the Bali Ministerial to a negotiating session would pose severe risks to the multilateral trading system. In this context, there is the collective appreciation that the MTS should not be exposed to another failed WTO Ministerial Conference, as transpired in Cancun in 2003. Therefore, WTO Members are determined to shield the relevance and value of the MTS from any threat of impairment, and are resultantly, determined to work towards a successful MC9.

REQUEST

The ACP Secretariat has requested the ACP MTS PROGRAMME to support the participation of Brussels-based diplomats from 27 ACP Members to the 13th ACP Ministerial Conference on Sugar to be held in Fiji from 14-18 October 2013. The slate of the 27-member ACP Sugar Committee is annexed to this document. Target participants to the Conference will include ACP Ministers responsible for sugar and their senior officials from capitals of sugar producing countries, key international players on sugar issues as well as representatives from the ACP Brussels-based Missions, ACP Secretariat, European Commission, International Sugar Organisation and the Food and Agricultural Organisation.



The above-mentioned meeting is expected to result in a better understanding of the implications of the elimination of EU quotas on ACP Sugar. Officials attending the meeting should also devise a strategy for future actions to ensure EU market stability and a fair level of remuneration for ACP sugar exports as well as exchange experience on research and innovation in the sugar cane to remain competitive and exploit the full potential of the cane sector. Participants are also expected to make an objective assessment of the impact and rate of utilization of the EU-funded accompanying measures for the period 2009-2013 and make appropriate recommendations, while the overall result of the ACP Ministerial Conference should be the drafting of a common strategy to be adopted in the context of the WTO and other international level discussions or negotiations.

In view of the importance of these issues to the ACP Group and considering the very limited operational period remaining before the programme's closure, it is proposed that the PMU implements this activity directly using the balance of the resources available. The budget foreseen for this activity amounts to **EUR 123,492.00** which will be financed under the B.L. "**1.1.2 Preparatory Meetings**".

Attached for your kind consideration are the ACP Secretariat formal request and the proposed budget for this activity. We seek your approval for the implementation of this ACP Secretariat request. Furthermore, we solicit you to sanction the PMU to enter into contracts of less than 20.000 Euro to implement the project. Finally, please note that the PMU has adequate funds to cater for the implementation of this project.

I trust that the request and the financing proposed will meet your agreement.

Yours sincerely,

**Junior Lodge
Programme Director
ACP MTS Programme**