



# TRADE ISSUES

CEFS Congress – Economic Affairs Committee

Dubrovnik, 9 June 2017

# Outline

## 1. A new context

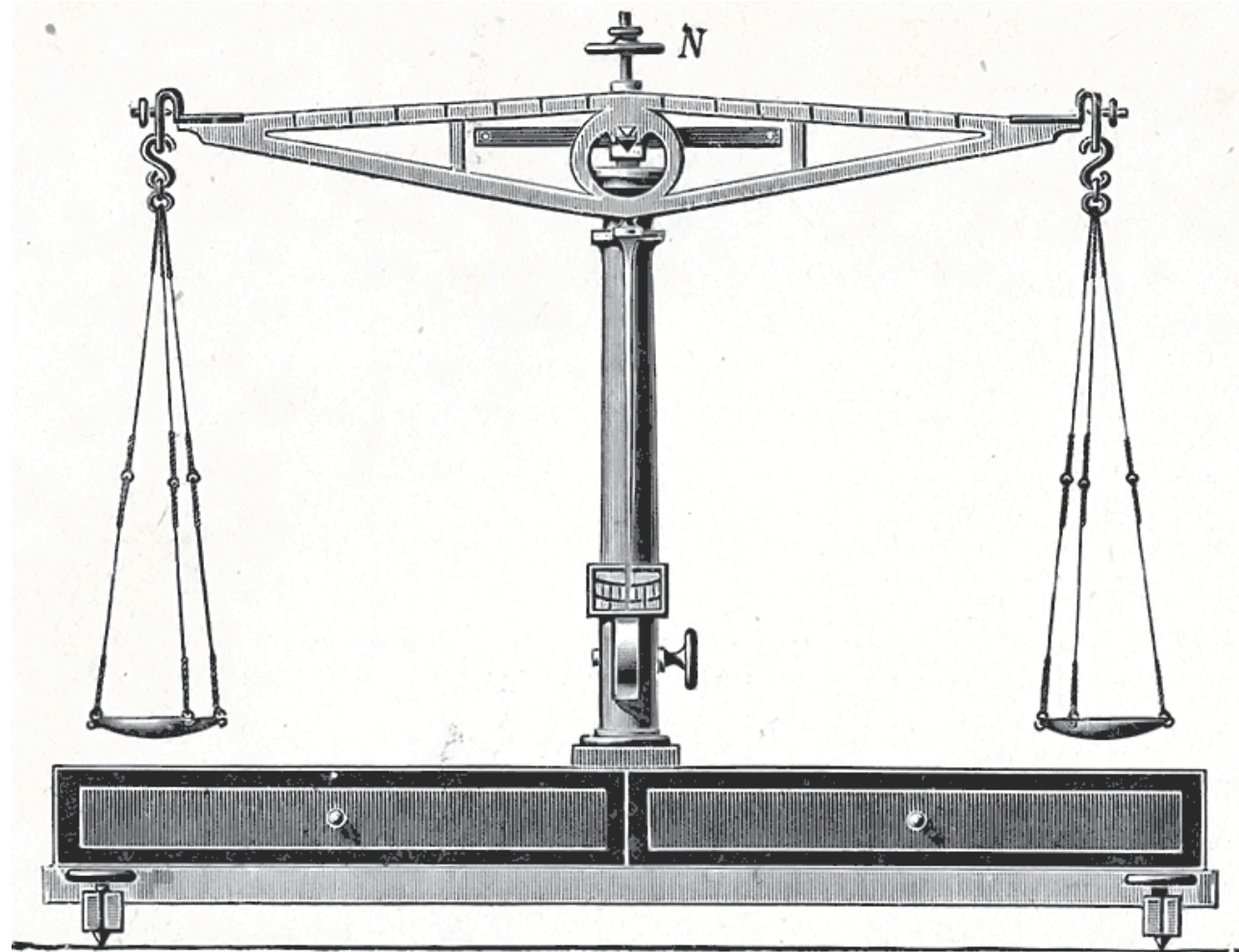
- a. A new market balance from 2017/18
- b. Brexit

## 2. CEFS' activities

- a. Defensive interests
- b. Market access for EU exports
- c. Rules of origin

# 1. A new context

# a. A new market balance from 2017/18



# A structural increase in production

- 2017/18 production could rise 18 per cent on 2016/17, according to both F.O. Licht & CEFS.
- This increase is expected to be structural.

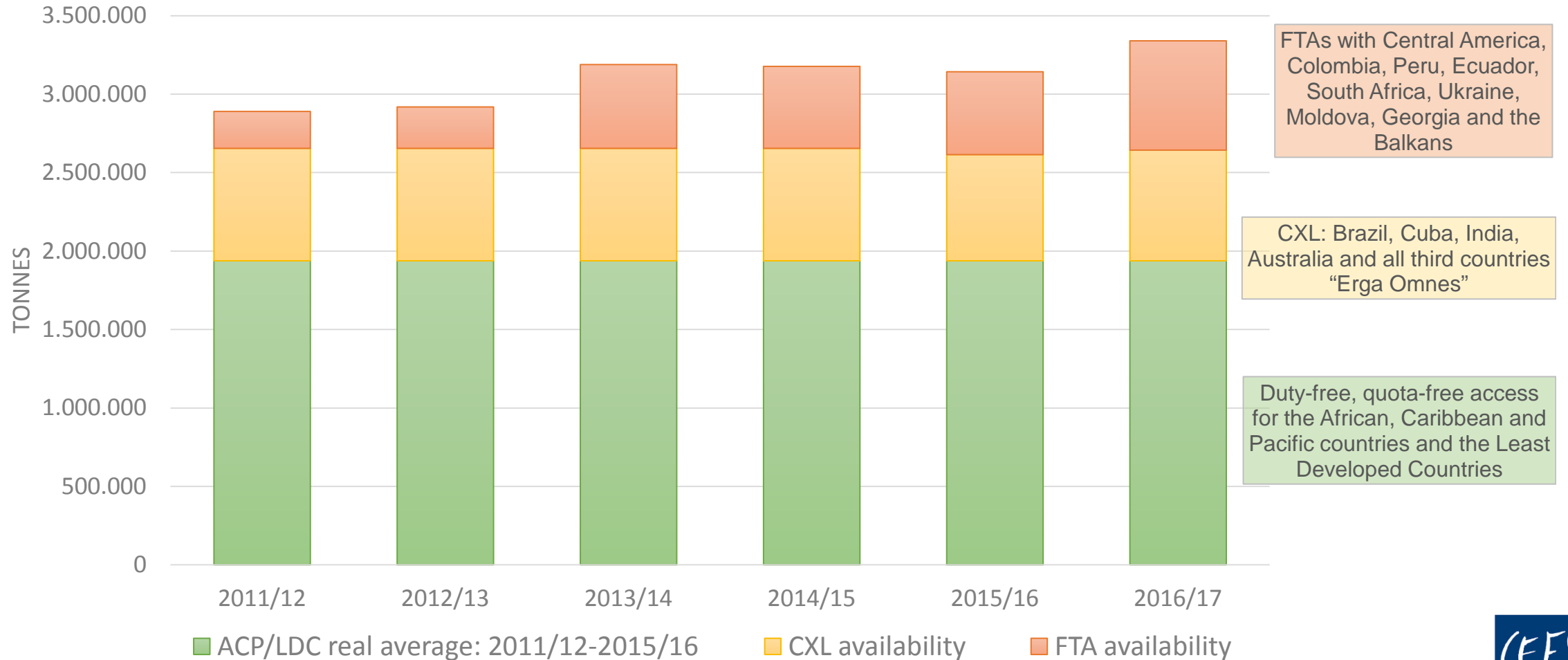
# Exports will become crucial

- Need to open new markets through FTA negotiations, both for sugar as such and sugar-containing products.
- Need to tackle application of additional duties.

# Imports will probably fall

- As a result of increased EU production.
- As a result of potentially lower EU white sugar prices.

# Market availability has increased



Source: CEFS calculations.





# Market availability will continue to increase

Sugar not yet under discussion	Sugar under discussion	Pending application	Applied
Mercosur	Japan	CETA	Southern Africa
Mexico		Singapore	Andes
Indonesia		Vietnam	Central America
Philippines			Korea
Australia			Ukraine
Turkey			Georgia & Moldova
Chile			Balkan SAAs

## **b. Brexit**

# Process

## 1. The withdrawal agreement:

- ✓ 2 years of negotiations (until March 2019) to resolve the practicalities of the UK's departure.

## 2. **New trading arrangement** to be negotiated after the withdrawal agreement has been finalised. Either:

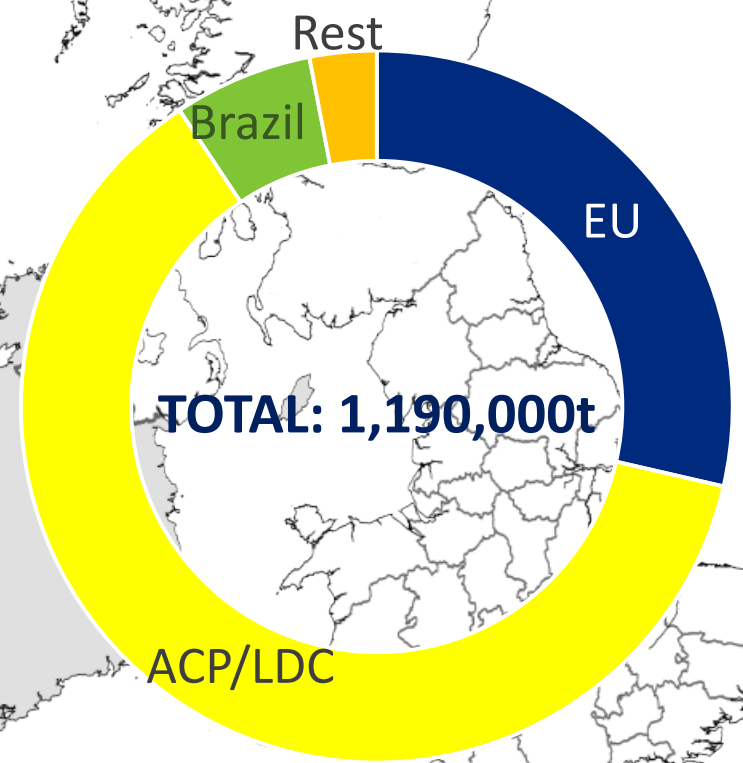
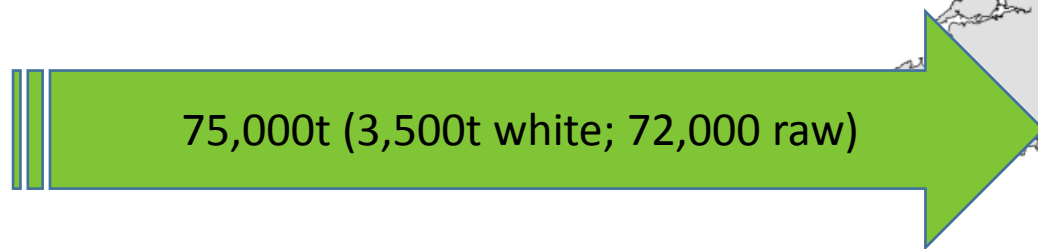
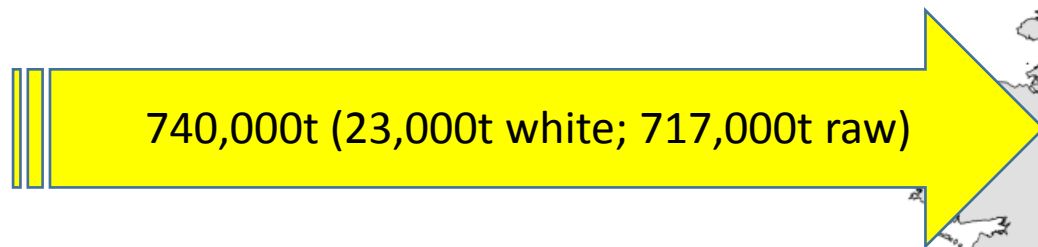
- ✓ FTA
- ✓ WTO rules (to be determined)

# UK sugar market balance

- 4 beet sugar factories (British Sugar)
  - **Quota:** 1,056,474 tonnes p.a.
  - **Ave. prod. 2011/12-2015/16:** 1.2 mmt
  - **Ave. surfaces:** 97 kha 2011/12-2015/16
- 1 refinery (T&L Sugars [ASR])
  - **Capacity:** 1.2 mmt p.a.
  - Operating at half capacity

National consumption at c. 2.2 mmt p.a. → **deficit producer**

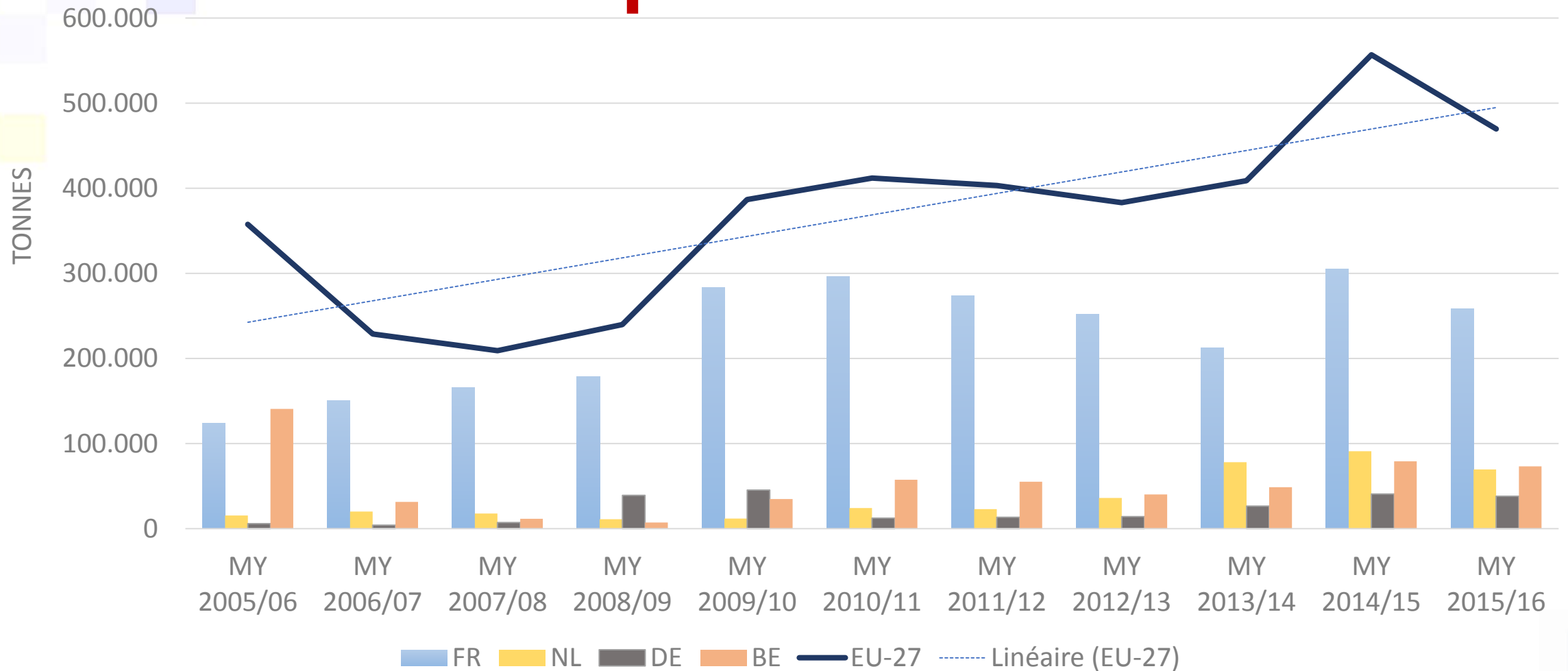
# UK sugar imports (AVE 2007-14)



Source: Eurostat



# Evolution of EU-27 sugar exports to the UK



Source: Eurostat

# Risks I: access to the UK market for EU-27 exports

- After Brexit, the UK will be the EU's first export destination, ahead of Israel; ensuring continued access to the UK market will be crucial.
- Three potential dimensions:
  - New customs barriers.
  - Loss of market share (e.g. as UK operators increase production).
  - More competition on UK market if the UK government reduces duties on white sugar imports.

## Risks II: increase in supply

- Without action by the sector, Brexit could result in an increase in the supply of sugar on the EU(27) market.
- A relative increase in supply will occur if the EU's tariff-rate quotas are not divided between the EU-27 and the UK.
- An absolute increase in supply will occur if the UK engages in triangular trade, exporting its own production to the EU-27 and importing foreign sugar for domestic consumption.



# Risks III: rules of origin

- High sugar-containing products (SCPs) are traded heavily between the UK and the EU-27.
- UK government may use inward processing arrangements to encourage competitiveness of its SCP exports.
- UK government may relax its rules of origin for SCPs imported from the EU-27.
- Potential loss of market share for EU sugar producers.

# New context, new priorities

- CEFS' 6 priorities for EU trade policy:
  - ✓ Opportunities for export are fundamental.
  - ✓ Trade-distorting support measures must be tackled, regardless of whether this is done at the WTO or via FTAs.
- Brexit will become an additional argument against further opening of the EU sugar market to third countries.

## 2. CEFS' activities

# CEFS' activities

- a. Defensive interests
- b. Market access for EU exports
- c. Rules of origin

# CEFS' interlocutors

- **European Parliament:** MEPs Salafranca, Danti, Starbatty, Saifi, Ribeiro, Chazanova, De Castro...
- **EU Council:** Management Committee; Trade Policy Committee.
- **European Commission:** Chief Negotiator, Mercosur; DGs TRADE, TAXUD; rules of origin negotiators.

# Defensive interests I

Three defensive priorities:

1. Mercosur (started)
2. Mexico (started)
3. Australia (pending)

# Defensive interests II

- Key message: no level playing field, no concessions!
- Factsheets on the sugar regime's of the EU's negotiating partners.
- Use of Twitter to thank MEPs for defending sugar in EP & promote CEFS' public messages.
- Joint Statement on the end of quotas with EFFAT: COM “should more assertively challenge trade-distorting support.”

# Market access for EU exports

- Opportunities for export: one of CEFS' six priorities for EU trade policy.
- Action vs additional duties in Egypt, Canada, working with FoodDrinkEurope to increase pressure.
- Move to offensive positions on Japan, Indonesia. Further opportunities: Turkey, Malaysia, China...



# Rules of origin I

- Strict rules of origin meet the EU industry's defensive and offensive interests.
- They limit the quantities of foreign sugar that can be used in:
  - High sugar-containing products **imported** under preference.
  - High sugar-containing products **exported** under preference.

# Rules of origin II

- Offensive opportunities becoming greater than defensive risks.
  - This is because the EU is a highly competitive producer of high sugar-containing products.
- Exports of high sugar-containing products under strict rules of origin will be an increasingly important outlet for EU sugar.
- Strong progress: Vietnam, Japan, PANEUROMED...



**Thank you.**

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**@SugarEurope**