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Press Release

Complaints over Sugar Dumping Confirmed by WTO-Appellate Body

APRODEV welcomes the WTO-Ruling of the Appellate Body, which confirmed the findings of the sugar panel against the EU-sugar export policy. "Now it is clearly confirmed that the massive sugar exports of the EU do not comply with the international obligations of the EU, especially with the provisions under the Agricultural Agreement of the WTO on permissible subsidies exports. The EU has to reduce its sugar production considerably, in order to come back in line with international law" states Rob van Drimmelen, General Secretary of APRODEV, in Brussels today.

The Appellate Body ruled on Thursday in Geneva that the subsidized re-export of the 1.6 million tons of imported cane sugar from countries of Africa, Caribbean and Pacific, which enter the EU under special trade provisions, have to be counted as subsidized EU-exports. In addition, the exported quantities of 2-3 million tones of out-of-quota sugar, which is exclusively produced for export, is cross-subsidized via the artificially high prices the EU guarantees for the sugar produced under production quotas through the EU sugar regime. Because of this, the EU now has to cut its sugar exports quantities from 5-6 million tones to a maximum of 1.3 million tones. This is only possible by a massive reduction of the production quotas and the elimination of surpluses.

This ruling is in line with the claims of the complaining parties Brazil, Australia and Thailand. They accused the EU of providing subsidies in order to dispose of huge amounts of sugar on the world markets, way beyond the limits set by the Agreement on Agriculture in the WTO. These dumping practices of the EU have displaced competitive suppliers in third markets. In spite of the fact that the complaining countries are producing cane sugar at just one third of the cost of the EU beet sugar, the EU has maintained its status as biggest sugar exporter for more than a decade. By providing direct and hidden export subsidies the EU has exercised a downward pressure on the world market prices for sugar, under which sugar producers all over the world suffered.

"The ruling is not inconsistent with the interests of the group of developing countries who enjoy a special market access to the EU in sugar", says Gunnel Axelsson-Nycander, trade expert of the Church of Sweden. "The EU is urged to honor its commitments to the countries that benefit from their preferential trade agreements in the implementation of the ruling. So the trade preferences of the ACP-countries and the LDC-countries should not be threatened by the findings of the Appellate Body."

APRODEV is the association of the 17 major development and humanitarian aid organisations in Europe, which work closely together with the World Council of Churches. APRODEV agencies engage in many kinds of activities related to development cooperation: fund raising, funding of emergency, relief, rehabilitation and development activities, capacity building, consultancy, awareness raising, education, and advocacy. http://www.aprodev.net/main - 28 Boulevard Charlemagne, B-1000 Brussels, Belgium – Tel : +32 2 234 56 60

The EU is however compelled to reduce its production of sugar to arrive at a level of not more than 90 % of its internal market. These are the consequences for the EU, in order to come into conformity with its obligations under international agreements. Rudolf Buntzel, chairman of the APRODEV Working Group on Food Security, Trade and Gender, adds that neither the complaints nor the ruling is directed towards displacing EU-farmers from their own markets. Brazil is only seeking the elimination of EU-competition on third markets by attacking unfair export subsidies. Brazil has not targeted the closed market access for its sugar to Europe. "The artificial expansion of the EU sugar production to 130 % of its own consumption in a market which is totally controlled by mandatory supply management was a big mistake and is not justifiable. This intended surplus production at the cost of the developing countries and the European consumers/taxpayers will be corrected by this panel decision", Buntzel adds.

These findings also mark the right direction and dimension of a potential EU-sugar regime reform, which APRODEV supports: major reduction of quantities, instead of massive price cuts. "A price reductions strategy is detrimental to European farmers and to the ACP and LDC-countries", says APRODEV.

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