

## Everything But Arms *and Sugar?*

### Key Messages

- Oxfam would like to see the European Commission's proposal to provide tariff and quota free market access for all products, except armaments, exported by the 48 least-developed countries (LLDCs), accepted by the EU Member States and implemented as soon as possible.
- It is important that low-income vulnerable groups in the EU and especially in the Caribbean are compensated for any negative effects of the "Everything But Arms" (EBA) initiative. The Caribbean countries in particular will need assistance through transitional arrangements to diversify their economies and improve their competitiveness. The Caribbean producers can rely on the continuation of the EU sugar protocol, which provides a quota for their sugar at EU producers' prices. But this will now not be to the exclusion of equally-deserving, competitive producers from the LLDCs.
- The powerful lobby against the proposal to include sugar in the EBA initiative, launched by the National Farmers' Union and parts of the multinational sugar industry, labelling it a threat to UK sugar beet growers, is ill-advised in its claims. The 48 least-developed countries account for just 0.4% of World Trade, and only 0.003% of EU imports. Claims that imports from the least-developed countries, currently amounting to 300-500,000 tonnes, will rise to 4.5 million tonnes over five years are implausible.
- Oxfam believes that the current row over EBA provides a classic example of northern governments failing to practice what they preach. Many advocates of free trade, who have consistently promoted the benefits of further liberalisation to developing countries, have been quick to resort to protectionist arguments when they believe that their own interests are under threat. Northern protectionism currently costs developing countries an estimated \$700bn a year, within this context the EBA proposal is an extremely modest one.
- The 48 least-developed countries are among the poorest in the world. They account for 32 of the 35 countries in the lowest category of the UNDP's Human Development Index. At current growth rates, only four can be expected to graduate from LLDC status, crossing the \$900 GDP per capita threshold, within 25 years. The economic and social development gains to these least-developed countries from improved access to the EU market will outweigh any losses absorbed by the EU and Caribbean countries.
- The EBA initiative will be an important political gesture that the EU and the UK Government could make within the context of the need to re-build confidence in the ability of the multilateral trade system and the WTO to reflect the needs of all its members, and to promote a more equitable distribution of the benefits of international trade.

### **Introduction**

We welcome the UK Government's support for the EC's proposal to improve access to the EU market for all products, except armaments, exported from the world's 48 poorest countries, dubbed the 'Everything But Arms' (EBA) proposal. We dispute the claims of the powerful lobby against the proposal to include sugar, launched by the National Farmers' Union and the multinational sugar industry, who have labelled it a threat to UK sugar beet growers. Research commissioned by Oxfam from the Institute of Development Studies shows that their claims are massively over-stated. Talk is of current EU imports from the LLDCs of 300-500,000 tonnes rising to 4.5 million tonnes over five years. Yet the world-wide exports of all the countries that will benefit are less than 100,000 tonnes (plus what they already sell to the EU). An extra 4.5 million tonnes would require surplus producers to increase output fourfold, which is implausible. We hope that the UK Government will act speedily to refute the claims of the sugar lobby and reassert its support for the EBA initiative.

### **Which countries, which products?**

The research commissioned by Oxfam shows that the immediate impact of EBA will be limited to 11 products<sup>1</sup>. It is unrealistic to expect the absolute volume of exports of most of these products to increase significantly over the next few years. The 48 least-developed countries currently account for just 0.003% of EU imports and they lack the capacity to scale-up rapidly the volume of their exports. However with certain products, namely beef, maize, rice and sugar, there could be a notable increase in exports to the EU as a result of diversion from other markets with less favourable terms of trade. The evidence from the research shows that trade diversion could only occur on a significant scale for sugar, the source countries being Malawi, Mozambique and Sudan. Of these three, the country most likely to gain is Mozambique. Even this increase will be small in absolute terms - its global sugar exports in 1997 were only 59,000 tonnes - although very important for Mozambique. Mozambique is truly one of the poorest countries in the world, with 40 per cent of people living below the poverty line, on less than \$1 a day. One in every five children is dead by the age of five, Mozambique ranks in the bottom eight of the most educationally-deprived countries in the world, and it is still recovering from the impact of devastating floods earlier this year. Improved access to the EU market could potentially bring significant economic and social benefits to Mozambique and other LLDCs, helping them to break out of the cycle of poverty.

### **The Caribbean question**

There is concern that the EBA initiative may have a damaging impact on the livelihoods of poor farmers in Caribbean countries, the traditional suppliers of sugar to the EU, who have benefited from EU preferential trade schemes, and access to high internal EU sugar prices over many years. As a result of years of preferential trade schemes, the Caribbean's sugar industries have been sheltered from international competition. It is important that Caribbean countries are assisted through transitional arrangements to diversify their economies and improve their competitiveness, rather than rely on the continuation of the EU sugar regime that excludes equally-deserving, competitive producers like Mozambique from the EU

---

<sup>1</sup> Frozen beef, cheddar, sweetcorn, bananas, maize, long-grain rice (husked and wholly milled), raw cane sugar (2 items), white sugar and molasses.

---

**Number 13, December 2000**

market. Furthermore, in accordance with rules laid down by the Cotonou Agreement, it is imperative that the EC consults with African, Caribbean and Pacific (ACP) states prior to the inception of the EBA initiative. We believe that it is incumbent on the EU to evaluate the impact of implementing the EBA proposal on vulnerable producers in the Caribbean and within member states, to assist them to adjust, and to compensate them for the losses they may incur.

### **Transitional arrangements**

In recognition of the sensitivity of products like sugar, rice and bananas the EC have established an extended transition period during which the removal of restrictions will take place. Restrictions will be lifted in annual bands over three years, culminating in full elimination by 2004. It is likely that even after the official transition period is over, LLDCs will still not have developed the capacity to take full advantage of EU trade liberalisation. In this sense, there may be a natural transition period which extends beyond 2004.

### **Abuse of the system**

There are fears that non-LLDCs will be able to manipulate the EBA initiative to their advantage through gaining unrestricted access to EU markets by exporting their goods via countries of least-developed status. In theory, this could result in a massive increase in EU imports from countries all over the world. In practice, strict EU rules of origin, that all products coming into the EU must be clearly labelled with their source country, would make this kind of venture extremely difficult, if not impossible. In the unlikely event that such a situation did arise, the safeguard clause of the initiative would come into effect. This clause allows the Commission to withdraw the preferences following "massive increases in imports...in relation to...usual levels of production and export capacity [of LLDCs]"<sup>2</sup>

**If you would like more detailed information on this or any of Oxfam's issues, please contact our Parliamentary Team:**

**Mary Kirkbride, Parliamentary Officer, tel (01865) 312339, email: [mkirkbride@oxfam.org.uk](mailto:mkirkbride@oxfam.org.uk)**

**Carolyn Culey, Head of UK/EU Relations, tel: (01865) 312203, email: [cculey@oxfam.org.uk](mailto:cculey@oxfam.org.uk)**

First published by Oxfam GB in December 2000.

Published by Oxfam GB under ISBN 978-1-84814-157-5 in October 2010.

---

<sup>2</sup> EC Explanatory memorandum on the proposal to extend duty-free access without any quantitative restrictions to products originating in the least-developed countries, pg 3. Available on the Commission website at: [www.europa.eu.int/eurlex/en/com/dat/2000/en\\_500PC0561.html](http://www.europa.eu.int/eurlex/en/com/dat/2000/en_500PC0561.html)