

EU Releases for 39% in Sugar Guaranteed Price

On 22 June, the EU's executive European Commission released a new market reform plan for the sugar sector, which is set to significantly change a system that has been in place for 40 years. The proposal includes a two-step, 39 percent cut in the guaranteed price of white sugar; compensation to EU farmers for 60 percent of the price-cut in the form of a decoupled subsidy linked to environmental and land management standards; and a restructuring scheme encouraging less competitive producers to move out of sugar farming as well as supporting factory closure. The reform also offers assistance to the African, Caribbean and Pacific (ACP) countries that currently enjoy preferential access to the EU sugar market.

The reform plan is an updated version of a scheme released a year ago and comes in the wake of a successful challenge to the European sugar subsidies at the WTO by Australia, Brazil and Thailand. Beet-based sugar production in temperate countries is less efficient and more costly than cane-based production in the tropics.

At the release of the reform plan, EU Agriculture Commissioner Mariann Fischer Boel said "I am convinced that EU sugar producers have a competitive future, but only if we act now and act decisively to prepare them for the challenges ahead. We are offering a long term, stable planning horizon with a generous restructuring fund to encourage less competitive producers to leave the sector and to cope with the impacts of the restructuring process.

"The proposed cuts have come up against strong criticism from sugar producers in Europe and key ACP sugar producing countries, which would see the prices they get for their sugar dramatically decrease. Australia, Brazil and Thailand have, on the other hand, welcomed the reform. The European Commission hopes for political agreement on the proposal at the EU Agriculture Council in November 2005, a month before the WTO's Hong Kong Ministerial Conference.

Effects on ACP, LDC countries

A number of ACP countries have been exporting to the EU market at guaranteed prices under the Cotonou Sugar Protocol, and will be hard-hit by the reform. These countries have vulnerable economies, and are much less competitive than major producers such as Brazil. In addition, least-developed countries (LDCs) have been guaranteed duty-free access, to be fully phased in by 2009, under the 2001 Everything But Arms (EBA) initiative. The majority of EU imports have been from Mauritius, which has been exporting 14 times more sugar to the EU than Brazil has. The ACP countries, India and LDCs would continue to be able export at the new EU "reference price," which replaces the intervention price. The EU price will still be higher than the world price.

As part of the reform package, the EU will offer EUR40 million in adjustment assistance to ACP countries in 2006, and continue to support this process for another eight years. According to the EU, trade measures under EU-ACP Economic Partnership Agreements (EPAs) will also serve to assist the ACP countries in the adjustment process.

Duncan Green, head of research at international charity Oxfam, pointed out that "smaller vulnerable countries from the Caribbean and Africa are getting the short end of the stick," and that their interests needed to be balanced with those of large, efficient producers such as Brazil. Oxfam also called for a more gradual reform and substantial adjustment assistance to the affected developing countries.

Effects on EU countries

The reforms will lead to a seven million tonne decrease in European sugar production by 2014 - from 19.7 million today to 12 million - implying that 40 percent of EU production will cease. Production is projected to end in Greece, Ireland, Italy and Portugal, while it will decrease significantly in Denmark, Finland, Spain, the Czech Re-

public and Hungary. A number of affected EU countries have already voiced their opposition to the reform plan. The effects will extend beyond farmers to sugar refineries, plants and related services, including transport.

The reform is expected to lead to greater concentration in the sugar sector, which has raised concerns that powerful multinationals, such as Südzucker of Germany, would be able to control prices and thus capture an even higher proportion of revenue. Commissioner Fischer Boel has said, however, that if a price cartel were to emerge, she would fight it by imposing temporary tariff rate quotas - which would allow a certain quantity of sugar to be imported at a low tariff rate - to let in additional low-cost sugar.

Reacting to the reform proposal, European sugar lobby Comité Européen des Fabricants de Sucre (CEPS), said that as it is implemented, checks and balances must be in place to ensure that imported sugar under ongoing preference schemes actually originates from these countries, not Brazilian traders. CEPS also stressed that sugar should be designated a sensitive agricultural product in the Doha Round agriculture negotiations, meaning tariff cuts would be moderate, and that an existing agricultural safeguard protecting the sector from import surges should be maintained.

Biofuels in the sugar reform

The sugar reform plan ensures that the production of biofuels - clean-burning, carbon-neutral fuels derived from agricultural crops that can be used to partially replace liquid petroleum products - will not be adversely affected. Sugar beet will be eligible for EU energy crop aid, in line with its policies on biofuels, worth EUR45 per hectare. Sugar used for the production of ethanol, as well as by the chemical and pharmaceutical industries, will be excluded from the sugar quota. In addition, when beet is grown for non-food purposes, it qualifies for 'set-aside' payments - grants received by EU farmers for leaving fields uncultivated.

Certain ACP countries have also said they plan to diversify into ethanol production. For example, Jamaica has plans to start producing ethanol, as well as using sugarcane residues, known as bagasse, for electricity generation.

EU Launches Dumping Probe on China, India Footwear

The Commission has received a complaint pursuant to Article 5 of Council Regulation (EC) No 384/96 on protection against dumped imports from countries not members of the European Community ('the basic Regulation') ⁽¹⁾, as last amended by Council Regulation (EC) No 461/2004 ⁽²⁾, alleging that imports of certain footwear with protective toecap, originating in the People's Republic of China and India ('the countries concerned'), are being dumped and are thereby causing material injury to the Community industry.

1. Complaint

The complaint was lodged on 17 May 2005 by the European Confederation of the Footwear Industry (CEC) ('the complainant') on behalf of producers representing a major proportion, in this case more than 30 %, of the total Community production of certain footwear with protective toecap.

2. Product

The product allegedly being dumped is certain footwear with uppers of rubber or plastics (excluding waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes) or with uppers of leather or composition leather, having a protective toecap originating in the People's Republic of China and India ('the product concerned'), normally declared within CN codes 6402 30 00, 6403 40 00, ex 6402 19 00, ex 6402 91 00, ex 6402 99 10, ex 6402 99 31, ex 6402 99 39, ex 6402 99 50, ex 6402 99 91, ex 6402 99 93, ex 6402 99 96, ex 6402 99 98, ex 6403 19 00, ex 6403 30 00, ex 6403 51 11, ex 6403 51 15, ex 6403 51 19, ex 6403 51 91, ex 6403 51 95, ex 6403 51 99, ex 6403 59 11, ex 6403 59 31, ex 6403 59 35, ex 6403 59 39, ex 6403 59 50, ex 6403 59 91, ex 6403 59 95, ex 6403 59 99,

ex 6403 91 11, ex 6403 91 13, ex 6403 91 16, ex 6403 91 18, ex 6403 91 91, ex 6403 91 93, ex 6403 91 96, ex 6403 91 98, ex 6403 99 11, ex 6403 99 31, ex 6403 99 33, ex 6403 99 36, ex 6403 99 38, ex 6403 99 50, ex 6403 99 91, ex 6403 99 93, ex 6403 99 96, ex 6403 99 98, ex 6405 10 00, ex 6405 90 10 and ex 6405 90 90. These CN codes are only given for information.

3. Allegation of dumping

The allegation of dumping for India is based on a comparison of a constructed normal value with the export prices of the product concerned to the Community.

In view of the provisions of Article 2(7) of the basic Regulation, the complainant established normal value for the People's Republic of China on the basis of the price in a market economy country, which is mentioned in point 5.1(d). The allegation of dumping is based on a comparison of normal value, thus calculated, with the export prices of the product concerned when sold for export to the Community.

On this basis, the dumping margins calculated are significant for both countries concerned.

4. Allegation of injury

The complainant has provided evidence that imports of the product concerned from the People's Republic of China and India have increased overall in absolute terms and in terms of market share.

It is alleged that the volumes and the prices of the imported product concerned have, among other consequences, had a negative impact on the level of prices charged by the Community industry, resulting in substantial adverse effects, in particular a worsening of the financial situation of the Community industry.

⁽¹⁾ OJ L 56, 6.3.1996, p. 1.

⁽²⁾ OJ L 77, 13.3.2004, p.12.

GATS to more open trade.

Air Transport

The report notes that the importance of these issues is not confined strictly to offshoring services.

In looking at trade in air transport services, the report traces the growing importance of air transport for international trade. Technological changes, combined with an evolving policy environment, have changed the face of the industry. It has become more competitive and more efficient. Different models have been adopted to meet new competition and growing demand for air transport services. Air carriers have chosen between a hub-and-spoke model and a point-to-point approach to service provision.

Competitive pressures have also led to a new generation of bilateral "open skies" agreements among governments, resulting in liberalization of service between countries. The GATS has exerted limited influence on competitive developments in the sector, and only covers a narrow range of relevant services - repair and maintenance services, the marketing and selling of air transport services, and computer reservation services. Differing views persist as to whether a multilateral approach would be more effective than existing arrangements in delivering mutually beneficial liberalization.

Quantitative Analyses

Quantitative economic analysis has been used with increasing frequency in dispute settlement. Two main areas of dispute settlement where quantitative analysis has proven relevant have been in considering the effects of particular policy measures on trade flows and the effect of imports on similar domestic product or their producers. The first of these questions - how policy interventions impact on trade flows - has arisen most often in relation to arbitration decisions following a violation (Article 22.6 of the Dispute Settlement Understanding). The set of issues relating to "like products" arise in procedures aimed at determining the existence of a WTO violation or in trade remedy cases.

World Trade Rises

The report also reviews recent trends in global trade, highlighting that real merchandise trade grew by 9 per cent in 2004, the strongest performance since 2001. Trade in services expanded by 16 per cent, measured in nominal terms. This rapid growth in trade was driven largely by the surprisingly strong global economic performance last year, say the report's authors. Higher oil and commodity prices and a recovery in trade in office and telecom equipment helped developing countries see their share in world merchandise trade rise to 31 per cent, the highest since 1950.

WTO Releases 2005 Report

The third in an annual series initiated by Director-General Supachai Panitchpakdi, the 2005 WTR also includes analytical essays on offshoring services (a particular aspect of outsourcing), air transport services and the use of quantitative economic analysis in dispute settlement. The report also touches on recent and selected medium-term developments in global merchandise and services trade.

Offshoring Services

Offshoring services are not new, the report states, and are in fact no different from other forms of trade driven by comparative advantage. Moreover, the authors argue, the impact of offshoring services on production,

employment and trade is less severe than suggested by some press reports and public commentary.

Reform GATS

The report also discusses the role of the General Agreement on Trade in Services (GATS) in providing mutually beneficial opportunities for trade among countries via offshoring activities. It concludes that greater conceptual clarity between particular modes of supply (mode 1 - cross-border transactions, and mode 2 - consumption abroad), together with greater precision in the nomenclature used to describe service activities, could enhance the contribution of the