

## **ACP-EU COTONOU AGREEMENT**

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**AFRICAN, CARIBBEAN AND  
PACIFIC GROUP OF STATES**

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**COUNCIL OF  
THE EUROPEAN UNION**

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**Brussels, 8 October 2012**

**ACP/61/036/12**

**ACP-UE 2108/12**

### **DRAFT MINUTES**

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of :	10th meeting of the Joint ACP-EU Ministerial Trade Committee
on :	12 December 2011
at :	Centre de Conférence Albert BORSCHETTE, Rue Froissart 36, 1040 Brussels
Subject :	Draft Minutes of the 10th meeting of the Joint ACP-EU Ministerial Trade Committee

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The Joint ACP-EU Ministerial Trade Committee held its tenth meeting in Brussels on 12 December 2011 under the chairmanship of Mr Karel DE GUCHT, Commissioner for Trade.

The meeting was co-chaired for the ACP group by H.E. Ms Amelia KYAMBADDE, Minister for Trade, Industry and Cooperatives of Uganda.

## **1. Adoption of the Provisional Agenda**

The agenda was adopted as follows:

1. Adoption of the agenda
2. Approval of the minutes of the JMTC meeting held on 22 October 2010  
[ACP/61/069/11 - ACP-UE 2116/11]
3. State of play and perspectives of the ACP-EU Economic Partnership Agreements  
(including EC proposal to amend the Market Access Regulation)
4. WTO Issues (agenda for the WTO MC 8)
5. ACP-EU Trade Regime issues
  - a) Trade and Investment for Development Communication
  - b) Update on FTAs with third countries
  - c) Commodities (including Bananas Accompanying Measures and proposals for the reform of the CAP after 2013)
  - d) Trade-capacity building
6. Any other business

## **2. Approval of the minutes of the JMTC meeting held on 22 October 2010**

[ACP/61/069/11 - ACP-UE 2116/11]

The Committee approved the minutes of the 9th meeting of the Joint ACP-EU Ministerial Trade Committee.

## **3. State of play and perspectives of the ACP-EU Economic Partnership Agreements (including EC proposal to amend the Market Access Regulation)**

Commissioner De Gucht opened the discussion by presenting the rationale behind the Commission's proposal to amend Council Regulation 1528/2007<sup>1</sup> (so-called Market Access Regulation). He explained that the Market Access Regulation had always been conceived as a bridging instrument allowing for avoidance of disruption of trade flows between the 36 ACP countries concerned and the EU, while the parties were to move towards ratification of initialled EPAs. Four years after the negotiations had been concluded, 18 countries had not taken the necessary steps towards ratification of their agreements.

Commissioner De Gucht outlined the progress in EPA negotiations in various regions. In West Africa, good progress had been made towards closing talks at technical level, but issues such as development cooperation and market opening remained politicised. In the SADC region, good progress had been made, but more work was required to agree on market access, in particular to agricultural products from South Africa. With EAC, talks had restarted in a constructive way and outstanding issues included development, agriculture and rules of origin. In ESA, two negotiation rounds had provided new impetus, but it was not clear whether all countries of the region were committed. Addressing negotiations with Central Africa, he noted that the negotiations had resumed in a constructive attitude but much work remained to be done before concluding negotiations. The Commissioner reported good progress in the implementation of the interim EPA with the Pacific, which was ratified by the EU and Papua New Guinea. The Trade Committee established under the agreement met for

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<sup>1</sup> Council Regulation (EC) No 1528/2007 applying the arrangements for products originating in certain states which are part of the African, Caribbean and Pacific (ACP) Group of States provided for in agreements establishing, or leading to the establishment of, Economic Partnership Agreements.

the first time in April 2011 to discuss EPA implementation. Referring to the Caribbean, the Commissioner reported on the ongoing work on the implementation of the regional EPA, including the first meeting of the Customs Co-operation Committee, which took place in December 2011, as well as the first meetings of the Parliamentary Committee and the Trade and Development Committee in June.

Concluding his intervention, Commissioner De Gucht underlined the need to urgently conclude EPA negotiations, which required political commitment and flexibility on both sides. He confirmed his eagerness to bridge remaining gaps to reap the EPAs' development benefits.

Minister Kyambadde noted the differences in the state of play of negotiations and implementation of EPAs among ACP regions. While for the CARIFORUM countries monitoring EPA implementation and ratification of the Agreement constituted the major challenge, the remaining regions remained committed to concluding negotiations as soon as possible, if their concerns could be resolved.

She insisted that the EPA process must contribute to deepening the regional integration process and foster economic growth of all the countries and regions concerned. She warned that insisting on the inclusion of additional issues such as geographical indications, sustainable development and government procurement could delay the conclusion of negotiations.

Minister Kyambadde expressed concern over the Commission proposal to amend the Market Access Regulation, which in the view of ACP countries was a means of exerting pressure on governments of ACP States concerned to sign and ratify their EPAs, regardless of whether or not the contentious provisions had been resolved.

Minister Kyambadde insisted that Regulation 1528/2007 should be maintained until the full EPAs had been concluded and implemented, as the proposed amendment would run counter to the primary objective of the EPA to provide stable and increased market access for ACP exports. She called for the immediate withdrawal of the Commission proposal to amend the Regulation in view of its potentially detrimental effect. She suggested that instead, the application of the Regulation should be extended to non-LDC ACP States which are still involved in EPA negotiations.

Addressing concerns expressed by the ACP Co-chair, Commissioner De Gucht explained that the Commission proposal was already in the hands of the European Parliament and the Council, which would decide on its fate. He insisted on the need to ensure legal certainty of the ACP-EU trading system, and warned that the current system providing market access to ACP countries under Regulation 1528/2007 had already been challenged in the WTO.

Mr Dorcas Makgato-Malesu, Minister for Trade and Industry of Botswana, noted that in the SADC region there was substantial momentum in the negotiations. He declared that additional pressure should not be exercised on the countries of the region, if the negotiations were to be concluded to mutual satisfaction and if the SACU tariff coherence were to be preserved.

Ms Claudine Munari, Minister for Trade and Supplies of the Republic of Congo, outlined the state of play of EPA negotiations with Central Africa. While declaring that the region remained committed to concluding the negotiations, she insisted on the importance of accompanying the EPA with an appropriate development chapter. She called on the EU to extend the application of Regulation 1528/2007 to all countries of the region which remain engaged in the negotiations.

Mr Yaya Sow, ECOWAS representative in Brussels, outlined the key issues which remain outstanding in the EPA negotiations with West Africa, notably the market access offer, the non-execution clause, the Most Favoured Nation clause and the status of the PAPED protocol. He called on the Commission to present to the Joint Ministerial Trade Committee concrete solutions to these questions.

Mr Robert Sichinga, Minister for Commerce, Trade and Industry of Zambia, speaking on behalf of the ESA region, acknowledged the need to close negotiations, while insisting that more time was needed and that the timing of the Commission proposal to modify Regulation 1528/2007 was unfortunate. He suggested that variable geometry should be explored as a possible path for advancing in the negotiations with a view to keeping all countries on board.

Ms Hanna Tetteh, Minister for Trade & Industry of Ghana, called on both EU and ACP negotiators to continue their efforts in negotiations and to display the flexibility needed on both sides to advance in the negotiations.

Mr Fonotoe Nuafesili Pierre Lauofo, Deputy Prime Minister and Minister for Trade of Samoa, outlined the state of play of negotiations in the region, where not much progress had been made in the past few years, as the last formal negotiation session had been held in September 2009. He recalled that eight Pacific countries had submitted market access offers, which showed that the countries of the region remained flexible and interested in concluding an EPA. He expressed concern at EU plans to amending the Market Access Regulation, which would hit Fiji and the reform of the Generalised System of Preferences, which would result in deteriorating EU market access for a number of Pacific island states.

Commissioner De Gucht, addressing the comments made by ACP Ministers, stressed that both sides needed to show flexibility in negotiations. He emphasised that the EU was already demonstrating flexibility in the regional negotiations, e.g. through the application of variable geometry and rendezvous clauses. He insisted however that flexibility had its limits set by WTO rules and that 70 % market opening, advocated by certain ACP regions, crossed these limits. He agreed that there should only be one trade regime in an integrating region and argued that this showed the advantage of the EPA, which could provide this.

The Committee took note of the statements from both sides, and agreed to continue negotiations with a view to concluding mutually satisfactory agreements.

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#### 4. WTO Issues (agenda for the WTO MC 8)

Addressing the WTO-related issues, Minister Kyambadde expressed disappointment that ACP countries had not sufficiently benefited from participating in the multilateral trading system. She stressed that ACP countries were still struggling to tackle weaknesses in their supply capabilities and to build competitiveness which would allow them to fully benefit from their participation in international trade.

She thanked the EU for assistance extended to ACP countries in capacity building which was key to allowing them full participation in the work of the WTO.

She expressed disappointment with the impasse in the Doha Development Agenda negotiations whilst hoping that the difficulties could be overcome and that the DDA negotiations would fully take account of all issues of interest and concern to the ACP Group such as cotton or duty-free, quota-free market access. She welcomed positive developments in respect of the LDC services waiver and LDCs' accession, including the imminent accession of Vanuatu and Samoa.

She insisted that agreements reached at any time earlier than the conclusion of the DDA must first bear fruit in the DDA's key development components, respect the single undertaking and be multilaterally agreed. She declared that ACP countries remained committed to a balanced conclusion of the DDA negotiations, centred on development and responding to the needs of small and vulnerable economies.

Commissioner De Gucht concurred with the ACP Co-chair that the DDA was in a very serious impasse, being held hostage by a disagreement on industrial tariffs between a few major economies. He qualified this situation as most unfortunate, as successful completion of the DDA would deliver on development in both market access and rules.

He called on ACP governments to clearly express their preferences concerning WTO priorities for the following two years, including as regards advancing the DDA negotiations in areas where multilateral consensus could be reached. He stressed that operational guidance by Ministers was essential to advance in the negotiations.

The Commissioner declared that delivering on the LDC-specific issues, including duty-free, quota-free access and cotton, must be a priority and the EU continued to support this without any conditions. He suggested that Trade Facilitation, coupled with the envisaged support measures for developing countries, could be a genuine win-win outcome. He emphasised that, outside of the DDA, the EU and ACP countries needed to promote decisive WTO action to ensure that regional agreements reinforce rather than undermine the multilateral system.

Minister Kyambadde took note of the EU statement and the position of the EU with respect to WTO MC8. She acknowledged that the ACP and the EU agreed on many points.

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## **5. ACP-EU Trade Regime issues**

### **a) Trade and Investment for Development Communication**

Commissioner De Gucht outlined the content of the Commission Communication on Trade and Investment for Development due to be adopted in February 2012.

The Commissioner underscored progress made since 2002, when EU policy on trade and development was established, in opening the EU market to developing countries. He noted that thanks to initiatives such as the Generalised System of Preferences (GSP), the GSP+ and "Everything but Arms", the EU had become the most open market to developing countries. He recalled that the EU made it easier for developing countries to obtain practical access to the EU market through preferential rules of origin and improving the flow of information to developing countries on how to export to the EU. He recalled that, in parallel, the EU and its Member States had become the world's leading provider of Aid for Trade with EUR 10.5 billion in 2009.

He declared that against the backdrop of the growing weight and role of emerging economies and the increasing gap between the emerging economies and other developing countries, notably least-developed countries, the EU was rethinking its trade and investment policy for development.

He specified that greater differentiation would have to be built into the EU instruments, notably the Generalised System of Preferences. At the same time, the EU would have to further improve the impact of its instruments, notably Aid for Trade, by reinforcing aid effectiveness principles and focusing on results. He declared that the EU would also further reinforce the coherence of trade and development instruments.

He stressed that, while the EU would continue to provide substantial support to least-developed countries and other countries most in need, the ultimate success of development strategies depended on developing countries themselves. This notably concerns the creation of an enabling domestic environment through adequate reforms, and the proper integration of trade into national development policies.

Minister Kyambadde thanked Commissioner De Gucht for outlining the future EU trade and investment for development policy, and declared that the ACP side appreciated the assistance provided in the form of Aid for Trade. She noted however that the demand for resources under Aid for Trade was much higher than what was available and stringent EU regulations had often made it extremely difficult to access EDF funds.

She declared that although the ACP side recognised the need for differentiation, this should be based on needs rather than broad categorisation of countries. She expressed concern that the proposed review of the GSP could lead to differentiation that would push some ACP countries towards MFN treatment. In this context she expressed the opinion that use of per capita income as applied in the GSP review was inappropriate as other economic variables such as the level of indebtedness, size of the countries, economies, and populations, their vulnerability, landlockedness, aridity and proneness to natural disasters should also be taken into account.

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## **5. ACP-EU Trade Regime issues**

### **b) Update on FTAs with third countries**

Commissioner De Gucht described the ongoing EU negotiations with third countries, focusing on those that were most likely to have an impact on the ACP: Central America, Colombia, India and Malaysia.

He reported that the Association Agreement initialled in 2010 between the EU and Central America was being discussed in the Council and signature was expected to take place by the end of May 2012. The timeline for the trade agreement with Colombia and Peru was similar: signature could take place in spring 2012 and provisional application in the second half of 2012. Regarding specific trade openings for products of major interest to ACP countries (bananas, sugar, rice, rum, beef), both deals offered similar trade openings as the EU would liberalise these products only partially: with Central America, Colombia and Peru the EU agreed only modest duty-free tariff quotas for sugar, rice, beef or rum in bulk, while bananas would undergo a partial dismantling of the existing most-favoured-nation tariff. The EU was following a similar approach in the ongoing trade negotiations with Mercosur, offering only partial opening of the EU market for sensitive products.

Addressing negotiations with India, the EU Co-chair noted that intensive negotiations were taking place with a view to endorsing the overall package by the EU-India Summit planned for February 2012. Some difficult issues still remained to be solved, notably cars, wines/spirits, the overall services package and procurement.

The EU Co-chair noted that, following the suspension of the FTA negotiations with ASEAN, bilateral negotiations with Singapore and Malaysia had been launched in 2010 and discussions on preparatory scoping papers accelerated with Indonesia, Vietnam, the Philippines and Thailand. The EU continued to aim for ambitious and comprehensive FTAs with each of these countries, reflecting their level of development and covering all aspects of a new-generation FTA.

Negotiations with Singapore were moving forward at a good pace and were approaching their final phase. Both sides were aiming for an ambitious outcome and services, geographical indications, Rules of Origin and procurement were the key outstanding issues.

The EU side informed the ACP side that FTA negotiations with Malaysia were on track, but some areas, such as competition, SPS or procurement could prove to be difficult. The negotiations were scheduled to be completed in 2012 depending on Malaysia's continued engagement.

Reacting to the EU presentation, Minister Kyambadde reiterated the ACP position that the EU's conclusion of FTAs with third countries leads to the erosion of preferential market access for some ACP States. This in turn could have the effect of reducing the perceived benefits of the EPAs. In this context the ACP side reiterated its call for regular consultations in accordance with Article 12 of the Cotonou Agreement and for joint studies to assess the impact on ACP-EU trade relations of agreements reached, and in particular on the preference erosion.

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## **5. ACP-EU Trade Regime issues**

### **c) Commodities (including Bananas Accompanying Measures and proposals for the reform of the CAP after 2013)**

Commissioner De Gucht outlined the Commission proposal for the reform of the Common Agricultural Policy (CAP), designed to make the CAP more effective, fairer and greener. He explained that the Commission proposal was being discussed by the Council and the European Parliament with the aim of reaching agreement between all three institutions by the end of 2013.

He noted that the Commission proposed to end sugar production quotas as from 1 October 2015. The Commission considered putting an end to quotas the only option for providing the sugar sector with a long-term perspective. He reassured ACP countries, which had expressed concerns about the abolition of quotas, that EPA signatories and LDCs would continue to be the only ones benefiting from the most generous preferential access to the EU market: duty-free and quota-free access. He added that the EU's production capacity was not expected to increase following the abolition of production quotas and therefore the EU would continue to import sugar to meet its demand. In addition, the EU had a large refining capacity and it would need raw cane sugar for its refineries to operate. Therefore, the EU would continue to import large quantities of sugar from ACPs and LDCs and the EU market would continue to be an important outlet for ACP and LDC sugar exports. He noted that in accordance with the European Commission's impact assessment of the abolition of EU production quotas: ACP and LDC sugar exports to the EU would grow to 2.7 million tonnes, or 1 million tonnes more than in 2011.

Ms Francesca Mosca, Director at the European Commission's Directorate-General Development and Cooperation, outlined the state of play of the implementation of the Bananas Accompanying Measures (BAM).

She recalled that the BAM programme was proposed in March 2010 as an amendment to the DCI, the financing instrument for development cooperation; however, due to an institutional disagreement between the European Parliament and the Council, a final agreement on the Commission's proposal was reached only in December 2011.

She declared that the Commission was about to start programming of the funds which would be guided by three key concepts: 1) impact (i.e.: having an impact and being able to measure it), 2) improvement of living standards and conditions for persons concerned, notably small farmers and small entities, and 3) environmental sustainability.

She clarified that the Multiannual Support Strategies (MSS) that the EU would develop would have to take into account the National Adaptation Strategies (NAS) that ACP countries had agreed upon among the stakeholders in the banana value chains. She insisted that the EU support would have a relatively short duration whereas the NAS should be a long-term effort.

She concluded that the BAM programme would need to be implemented under considerable time pressure, as the funds would need to be committed in two years (2012 – 2013) instead of the four initially planned.

Reacting to the EU presentation on the reform of the Common Agricultural Policy, Minister Kyambadde emphasised that although the CAP was a domestic EU policy, it also had significant external implications, notably with regard to ACP countries.

The Minister recalled that the ACP Group made proposals to the European Commission in order to prevent any adverse implications of the CAP reform for the ACP commodity sector and regretted that the legislative proposals did not satisfy the demands submitted by the ACP Group, especially regarding the treatment of sugar and cotton.

The Minister reiterated that ACP countries supported the inclusion in the CAP of specific measures for income stabilisation of farmers, price volatility, food security and the maintenance of the quota system for EU beet sugar and isoglucose, which should remain in force at least until 2020. She stressed that predictability and stability on the sugar market could only be guaranteed if the European Commission maintained the current market measures which allowed ACP suppliers to derive a reasonably remunerative price from sugar exports.

The Minister called on the European Union to seize the opportunity of the CAP reform process to adopt a more ambitious approach to cotton by applying 100 % decoupling of support for European cotton producers, taking into account the fact that the average decoupling rate in EU agriculture was set at 90 %.

Addressing the BAM programme, Minister Kyambadde noted that it was adopted two years after the conclusion of the December 2009 Geneva Agreement on Trade in Bananas, while the BAM were an integral part of this December 2009 package and one of the triggers of ACP Group acceptance of this agreement.

The Minister recalled that the Banana Accompanying Measures had been conceived with the principal aim of enabling ACP countries to undertake the necessary investments and actions to prepare for a greater liberalisation of banana imports from most-favoured nation countries into the European Union. Nevertheless, as a result of EU internal procedures, no resources could be committed before 2013.

The Minister expressed concern that because of the delay due to institutional discussions within the European Union, the resources commitment and activities implementation period was likely to be cut short by three years, thereby putting ACP States at risk of not being able to absorb the totality of the BAM allocated resources.

The Minister invited the European Union to ensure that the modalities for the allocation of funds to beneficiary countries be set out in a transparent manner which would enable the ACP countries concerned and their producers to have a greater level of predictability regarding the implementation of the BAMs on an annual basis.

The Minister called upon the European Commission to take the necessary steps to maintain the BAM commitment period over a 4-year period and to ensure swift disbursement of the resources. Given the financial constraints of the producers, funds should be used for full financing of selected projects, without requiring any financial contribution from the beneficiary producers, this being a necessary condition to ensure quick absorption of the resources.

Following this intervention, Mr Robert Sichinga, Minister for Commerce, Trade and Industry of Zambia, made a statement on sugar (Annex I).

Mr John Bande, Minister for Industry and Trade of Malawi, addressed the issue of the ban on certain types of tobacco which caused major difficulties for producers from certain ACP countries. He insisted on the need for the EU to examine the possibility of providing assistance to the ACP States concerned.



## **5. ACP-EU Trade Regime issues**

### **d) Trade-capacity building**

Director Mosca introduced the item recalling that increasing trade capacity in the ACP States was a key objective of the Cotonou Agreement as trade preferences alone were not sufficient to generate trade and inclusive and sustainable growth.

She reported that the total EU and MS Aid for Trade reached EUR 10.5 billion in 2009, representing more than 35 % of global international Aid for Trade. A large share of those resources is flowing to the ACP States, in particular in Africa. Within the overall increase of the total Aid for Trade, there had been a substantial increase in Trade Related Assistance, bringing the EU collective amount to approximately EUR 3 billion in 2009, that is 50 % above the target the EU had announced in Hong Kong of EUR 2 billion by 2010.

This was coupled with a high level of disbursements: almost 80 % of commitments translated into disbursements in 2009, which also points to a significant absorption capacity in certain beneficiary countries.

The ACP share of Aid for Trade delivered by the EU and its Member States in 2009 reached 36 % in 2009, corresponding to a new all-time high of EUR 3.6 billion. This can mainly be attributed to increasing commitments in regional programmes (more than doubling from EUR 0.4 billion in 2008 to EUR 0.9 billion in 2009) notably in Africa. She reported that the main limiting factor was the capacity of recipient countries to define their concrete trade-related priorities in operational terms, in collaboration with key stakeholders.

She recognised that there was a gap still between the expectations of partner countries and the results of development projects, which could be bridged through 1) supporting Least Developed Countries (LDC) which receive only 22 % of EU and MS Aid for Trade; 2) promoting regional integration; 3) involving more closely the private sector; 4) improving the coordination among EU and non-EU donors; 5) improved monitoring and evaluation together with OECD, WTO, but also with developing countries.

Minister Kyambadde, while thanking the EU for the assistance provided in the area of trade capacity building, noted that there was still demand for additional trade capacity support.

She welcomed the fact that the ACP Secretariat, jointly with the European Commission, was exploring the possible ways of continuing trade capacity building assistance to ACP States and regions, following the impending closure of the MTS programme and the Trade.com facility, which includes the Hub and Spokes Programme.

She declared that the ACP side would like to retain the Hub and Spokes Programme, while in addition an intra-ACP trade capacity building facility managed directly by the ACP Secretariat could be established.

Concluding, Minister Kyambadde emphasised the need to make greater use of ACP consultants in all ACP regions.

## **6. Any Other Business**

No issues were raised under this point.

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**ACP statement on sugar**

Co-Chair,

Regarding the Commission's proposals to end sugar quotas on 30 September 2015, we were not invited to participate in the stakeholders' conference on the future CAP organised by the Commission on 19-20 July 2010. However, we made a formal online submission and also made written submissions on this issue which is crucial for our socio-economic development.

We have consistently underscored that it is absolutely vital for us to obtain a stable and commercially remunerative price with a sufficiently long-term perspective that will provide the predictability necessary for continued investment in improved efficiencies. These are essential to allow ACP sugar exporting countries to address the serious challenges brought about by the 36 % price reduction in the 2005 Sugar Regime reform. Indeed, in recognition of the socio economic hardships that such a dramatic price cut would create, the EU offered to assist in the restructuring of the ACP sugar sector with accompanying measures to the tune of 1.2 billion euros. Thus, considerable sums have been, and are still being invested in modernisation and diversification of our sugar industries with the intervention of various financial institutions and banks. It should be borne in mind that investments in the sugar cane sector require at least seven years to come to full fruition and the proposals would undermine all potential growth as a result of a more volatile sugar market.

We strongly believe that any further change to the sugar regime within two years since the largest and final price cut following the 2005 Reform would have serious negative consequences for our industries. We fully concur with a wide array of stakeholders and economists, who are of the view that the abolition of country quotas for EU beet sugar production and for isoglucose production will bring about market imbalance and instability. As the Commission's impact study acknowledges, the end of quotas would result in a significant price decrease over and above the cuts already being endured. If the EU continues to remain a net importer, and this is by no means certain, the continuing award of TRQs in new FTAs under negotiation or recently concluded will squeeze the availability of access for EPA/EBA sugar exports and impact negatively on our preferential status.

In these circumstances the inevitable downward pressure on price may make the EU an unattractive market especially with the increasing cost of marine freight to which we are subject. Within a short period such a situation would be totally unbearable for the investors and lenders to ACP sugar industries, most of which would simply disappear.

Some criticisms have been levelled recently at the ACP regarding their apparent inability to supply raw sugar to the traditional refiners. It cannot be denied that the first post-Reform year 2009/10 was a disastrous one for ACP/LDC industries, caused in the main by a much wider geographic range of bad weather plus some delayed new capacity launches but not as is frequently claimed by a diversion of sugar to World Market outlets. It is also true that export forecasts for the current and future marketing years are expected to reach the levels which were expected by the Commission.

We do not believe we are being over-dramatic in our analysis of the dangers facing the EU sugar market for ACP suppliers. Suffice it to say that adverse consequences would negate the principles and objectives contained both in the Cotonou Agreement and in our respective EPA agreements. Our small vulnerable economies will find it extremely difficult to meet the MDGs to which we are both deeply attached. The European Union recognises the importance of existing traditional links and notably the close historical, political and economic ties between the EU and ACP countries. It also acknowledges that Union policies – other than development policy – can support the development priorities of the ACP States in line with the objectives of these agreements.

The ACP Group has been working closely with the Commission and the Member States in various fora, including the WTO, to promote the need to recognise the important multifunctional role of agriculture in our respective countries. Indeed, rural development, environment protection and food security have been on the list of issues which have attracted our full attention. We therefore welcome the Commission's intention to include in the new CAP specific measures to address, inter alia, income stabilisation for farmers, price volatility, food security, climate change and the greening of the CAP. Price volatility which we have all witnessed on the market (both international and domestic) over the last years, together with a recent increase in climate-related problems, require the international community and governments to adopt corrective measures if we are all to contribute to the growth of our economies and the wellbeing of our populations.

The multifunctional role of sugar in our small, vulnerable economies and in many cases net food importing countries is well documented. We can only address most of our food security needs through the export earnings we derive from our sugar sales to the EU.

Co-Chair, We are therefore urging you to recognise the serious risk attached to a premature and, in our view, unnecessary removal of sugar quotas. A managed market is necessary for a further term of the CAP and should be based on the retention of tools linked to the maintenance of a sugar quota system at least up to September 2020. This would be a significant element in providing the basis for predictability and stability of a commercially viable market access and price for the benefits of both European and ACP sugar stakeholders.

We hope our views will be taken into consideration before a final decision is reached in the spirit of our partnership.

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