**REVIEW OF THE BALANCE OF COMPETENCES – TRADE AND INVESTMENT RESPONSE FROM AB SUGAR**

## Introduction to AB Sugar

AB Sugar is a business segment of Associated British Food plc (ABF) a diversified food, ingredients and retail group with 2012 sales of £12.3 billion and 106,000 employees in 47 countries. ABF has a primary relationship with the UK Government through the Strategic Relationship Management (SRM) initiative, for which its sponsor departments are DEFRA, BIS and UKTI.

AB Sugar produces cane and beet sugar plus a wide range of associated products in 9 countries worldwide. It has invested £1.6 billion since 2005, of which over £340 million has been in Britain, much of which has been in renewable energy. The UK beet sugar industry is one of the most efficient in Europe, makes an economic contribution of £1 billion/year and supports 13,000 jobs.

## Relevance of review for AB Sugar

AB Sugar interest. AB Sugar has an interest in the Trade and Investment Review for three principal reasons:

- in 2006 AB Sugar invested in a 51% interest in the largest sugar producer in Southern Africa, Illovo, which operates in South Africa, Mozambique, Zambia, Malawi, Tanzania and Swaziland
- as well as producing sugar from both sugar beet and sugar cane, AB Sugar has invested some £200 million in two bioethanol plants in East Anglia (opened 2007) and on Humberside (opened 2013)
- from 2017 onwards most elements of the current Sugar CMO, including minimum beet price and quotas, will be abolished, enabling current restrictions on exports of sugar to be removed

Balance of Competences Reviews in other sectors. AB Sugar will be responding to the review on Environment and Climate Change (Semester 2) and Agriculture (Semester 3) which will have a bearing on the response below.

## ***Questions***

1. *What are the advantages and disadvantages of the EU's competence over trade and investment, particularly in relation to international trade and investment negotiations?*

**Answer:**

In general we believe that EU competence in international trade negotiations operates reasonably effectively and adequately reflects and safeguards UK interests. It is particularly advantageous to operate within a trading bloc allowing the UK to have greater influence globally than might otherwise be the case.

That said, AB Sugar has some areas of concern:

Everything But Arms (EBA) and Economic Partnership Agreements (EPAs)

Under both these types of trade agreement, the EU has given preferential duty free and quota free access to the EU market for Least Developed Countries (LDCs) and African Caribbean and Pacific (ACP) developing countries under its development agenda. The UK has a particular responsibility to ensure that the EU continues to support these beneficiaries of the EBA and EPA agreements. As sugar is such an important source of income for the poorer developing countries, including those within which Illovo operates, it is essential that their preferential access is not eroded by concessions made to other trading partners. To protect this preferential access for LDCs and ACP developing countries, import duties for raw sugar should never fall below the non-preferential (‘ CXL’) duty rate of €98/tonne.

Free Trade Agreements (FTAs)

Since trade negotiations under the WTO Doha round have lapsed, the EU is negotiating FTAs with a wide range of global trading partners. As far as AB Sugar is concerned, these agreements could have potentially far-reaching consequences for both sugar and bioethanol. In both cases we believe that the EU position in all negotiations should be consistent with and not undermine its domestic policy in the sectors concerned. In particular:

- significant concessions that would undermine the EU’s nascent **bioethanol** industry should not be given to some of the world’s largest players in this market. The UK Government preference is to allow the greatest possible import access regardless of the strength of a new industry, particularly one like renewable transport fuels where the same standards do not necessarily apply globally and where it is difficult to internalise external costs.
- for both **sugar and bioethanol**, trade negotiations should be mindful of the domestic support arrangements in the supplying countries. It is important to ensure that trade is fair and that trading partners are not benefiting from support/subsidies that would give them an unfair advantage over EU suppliers. It is equally important that supplying countries have equivalent trading rules and environmental, economic and social standards so that competition is fair.

2. *What are the advantages and disadvantages of having trade and investment promotion largely at the national level? How well has this delivered on UK objectives?*

**No comment**

3. *What are the advantages and disadvantages of the current division of competence over export and import controls and export credits?*

**No comment**

4. *What are the likely advantages and disadvantages of moving from national to EU competence in relation to investment protection?*

**No comment**

5. *How well are UK objectives met and interests taken into account through a) EU trade defence investigations, and b) the EU representing the UK in trade defence cases against the EU and more generally in trade disputes with other WTO members?*

We are aware that the UK recognises when trade practices are unfair and were grateful for the Government's support for EU action in 2011 to close a loophole in the implementation of the Common Customs Code on bioethanol imports, which has been vital to the viability of the new investments in the UK renewable fuels industry.

6. *What future challenges/opportunities might we face on trade and investment policy and what impact might these have on the UK national interest?*

Earlier this year agreement was reached in Brussels to reform the EU's Common Agricultural Policy (CAP), including the Sugar Common Market Organisation (Sugar CMO). One element of this agreement involved extending the current Sugar CMO, including quotas and minimum beet price, by 2 years until 30 September 2017, after which time these measures will be abolished.

The current Sugar CMO includes a restriction on EU sugar exports to comply with a WTO ruling in 2005 which defined out of quota sugar exports as "cross-subsidised" because of the operation of the minimum beet price and quota systems at that time. Once these measures are abolished in 2017 it is assumed that the current export restrictions will be lifted. It is critical to the future competitiveness of the UK sugar sector that this commitment is honoured, as without freedom to export the industry will not be able to function in a normal 'free market' manner, and would be severely disadvantaged competitively. This would be very damaging for the UK, as it would shrink the size and economic contribution of the UK industry and prevent potentially lucrative export opportunities in the future.

We would ask the UK Government to support lifting the current export restrictions post-2017, both by pressing the European Commission to lift the ban, and by taking any appropriate action which falls under UK competence at the time.

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