THE ROLE AND FUTURE OF SUGAR IN THE COMMONWEALTH CARIBBEAN IN THE LIGHT OF BRITAIN'S ENTRY INTO THE E.E.C.*

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The Importance of Sugar

During the seventeenth and eighteenth centuries, the Caribbean was considered the sugar bowl of the world. Even today, this area remains the area of the world's greatest surplus production of sugar. Sugar occupies considerable areas of arable land in the Region (Tables 1 & 2) with an estimated total investment in sugar estates and factories (excluding cane farmers') of some TT$400m. for the West Indies Sugar Association (WISA) territories. The sugar investment in Belize (including cane farmers') exceeds TT$48m.

Direct employment is provided for over 150,000 persons who work for the sugar companies in the WISA territories and Belize. There are, in addition, some 55,000 cane farmers in the area who themselves employ an estimated 45,000 workers. These figures relate only to direct employment, but there is considerable indirect employment in the transport, handling and service industries and in the distributive and retail trades serving the industry. All in all, from the best available sources, it is estimated that some 500,000 persons or 11 per cent of the inhabitants of the Region under consideration are either directly or indirectly dependent on the sugar industry for a living.

In spite of the development of mineral based industries in Jamaica, Trinidad and Guyana, sugar continues to play a very important role in the economies of these territories; and in St. Kitts, Barbados, Belize and Guyana, it continues to occupy a dominating position in the economy. The contribution of sugar to the Gross Domestic Product in 1969 was:- Barbados -- 16.9 per cent; Guyana -- 12.8 per cent; Jamaica -- 4.4 per cent; St. Kitts -- 27 per cent; Trinidad -- 3.3 per cent;[1] and Belize -- 14 per cent.[2] The value of exports of sugar, rum and molasses in the same year for the countries in the order listed was 68.6; 36.1; 19.4; 95;4; 10.8 and over 50 per cent, respectively.

The price of sugar for local consumption has been increased within the last five years in all the territories except Guyana; so that, the gross income from the sale of sugar (both exports and on the home market), molasses and rum have now exceeded TT$300m. The leakage from this amounts to some 20 per cent, thus leaving some $240m. for circulation among nationals in the region every year. The multiplier effect, using a ratio of two thrown up by a study in Barbados, would raise this sum to some TT$480m. representing the contribution of sugar to economic activity in the Region.

* This paper limits the field of enquiry to the Commonwealth Caribbean countries, that is, the Carifta sugar exporting territories Belize, Jamaica, St. Kitts, Barbados, Trinidad and Guyana. All these territories, save Belize, are now in the sugar grouping called the West Indies Sugar Association (WISA).

1 *WISA Annual Report*

2 *Hulse Commission Report.*

Table 1. Acreage under Cane, Sugar Production, Exports, Local Consumption and Number of Factories: Commonwealth Caribbean including Guyana (excluding Belize)

Year	*Acreage under Cane*	*Sugar Production*	*Exports*	*Local Consumption*	*No. of Factories*
			(Long tons tel quel)		
1968	441,552	1,207,231	1,063,261	163,899	54
1969	445,652	1,136,805	983,004	159,191	51
1970	457,652	1,084,216	920,349	153,980	50
1971	463,226	1,132,569	956,845	182,069	46
1972	467,397	1,055,998	n.a.	180,442	45
1973*	n.a.	1,136,900	n.a.	n.a.	45

Source: *WISA Annual Report*

Note: Peak Production Year and Tonnage were 1965 and 1,300,802 tons, respectively.

* Estimated figures.

Table 2. Belize

Year	*Acreage under Cane*	*Sugar Production*	*Exports*	*No. of Factories*
1968	55,000	63,588	61,479	2
1969	55,000	52,138	48,846	2
1970	55,000	66,795	58,574	2
1971	55,000	64,857	n.a.	2
1972	55,000	69,967	67,258	2
1973	55,000	n.a.	n.a.	2

Sources: (a) *Hulse Commission Report, 1971*
(b) Correspondence with the Br. Honduras Sugar Board.

Note: All figures estimated.

Sugar has contributed materially to the opening up and development of the unit territories of the region and the development of the infrastructure necessary for servicing the industry. A whole network of roads and other public utilities has resulted. Sugar has contributed materially to the development of a wide range of skills associated with the industry.

Finally, through the operation of a Sugar Welfare Fund established in Trinidad in 1947, over 10,800 sugar workers and cane farmers have been assisted with soft loans, repayable over fifteen years with interest at 1 per cent per annum.

Sugar Markets

Our sugar is marketed locally, the United Kingdom, the United States, and Canada. The quotas in the markets for WISA sugar are:- Local markets -- 180,000 long tons; U.K. (Negotiated Price Quota) -- 725,000 long tons; United States (basic) -- 205,000 long tons and Canada (I.S.A.)[1] -- 200,000 long tons. The quotas in the markets for Belize are:- Local markets -- 3,000 long tons; U.K. (NPQ) -- 20,500 long tons; U.S.A. (basic) -- 34,300 long tons.

The only markets for Carifta sugar which can be affected by Britain's entry into the EEC are in respect of:-

(a) The Negotiated Price Quota (NPQ) of 725,000 tons in the U.K.

(b) The 200,000 tons entering the U.S.A.

These two markets will now be considered in some greater detail.

Negotiated Price Quota (NPQ)

This market, created by the Commonwealth Sugar Agreement of December 1951, and back-dated to 1950, to cover the period January 1, 1950 to December 31, 1959, was subsequently extended to December 31, 1974. Protocol 17 of the Treaty of Accession, 1972, extends the terminal date of the Commonwealth Sugar Agreement to February 28, 1975.

There were two types of quotas under this Agreement:-

(a) Basic Overall Agreement Quota (OAQ) which amounted to 2,535,000 long tons, exportable to the U.K., Canada and New Zealand. This quota represented possible outlets not firm guaranteed markets.

(b) NPQ forms that part of the OAQ in respect of which the U.K. Government guarantees access and price, that is, the quantity which the U.K. agrees to buy and the Commonwealth Sugar Agreement countries agree to sell at *negotiated prices which would be reasonably remunerative to efficient producers.*

The amount of the NPQ is 1,717,500 long tons and its division is contained in Table 3. The NPQ price amounts, by and large, to a negotiated average cost plus price. Sugar sold to the U.K. from any of the Commonwealth Sugar Agreement countries over and above the NPQ but not exceeding the OAQ gets only the world price.

It will be noted that the NPQ of the West Indies represents over 70 per cent of our sugar exports.

The United States Quota (USQ)

This is a managed market controlled by the United States Department of Agriculture (USDA) in

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1 International Sugar Agreement.

Table 3. Division of NPQ and Dependence of the Commonwealth Sugar Exports on NPQ's in the U.K. Market: 1967-1969.

Exporting Country	*Basic OAQ*	*NPQ*	*NPQ as per cent of Sugar Exports to the U.K.*	*NPQ as percentage of total Sugar Exports*
Australia	600,000	335,000	72.9	18.4
West Indies & Guyana	900,000	725,000	102.5	70.5
Belize	25,000	20,500	91.2	37.0
Fiji	170,000	140,000	90.8	41.2
Mauritius	470,000	380,000	90.1	68.1
Swaziland	110,000	85,000	96.2	60.2
India	125,000	25,000	58.4	18.4
East Africa	10,000	7,000	-	-
	2,410,000	1,717,500		
Rhodesia	125,000			
	2,535,000			

Source: Commonwealth Secretariat. *Association/Trade Agreement with the Enlarged EEC.* (Background Paper on Sugar.) March 1972.

which the price of sugar is permitted to fluctuate between a fixed floor price and a fixed ceiling price by the simple device of controlling the supply of sugar through increasing or cutting sugar quotas. One of the five criteria set by the USDA and the Congressional Sugar Committee for the award of quotas on this premium market as outlined by Congressman Poage during the 1971 Review of the United States Sugar Act was that the Government of the recipient country must be friendly to the United States. The recent action by Jamaica, Barbados, Trinidad and Tobago, and Guyana in according diplomatic recognition to Cuba has left the U.S.A. not abundantly happy with these territories and while it is conceivable that the U.S. Congressional Committee may translate their annoyance in terms of reduced sugar quotas to the Carifta territories, the opinion is widely expressed that the U.S.A. is unlikely to do this, their free use of sugar as an instrument of foreign policy notwithstanding.

There is another consideration. In any association with the Enlarged EEC, the Carifta territories would be required as a condition of entry (if the present policy persists) to grant reverse preferences to the EEC, on the granting of which (again, if the present policy persists), the preferential entry of Carifta sugar into the U.S.A. with its premium prices can be adversely affected. But the writer holds the view that these matters can be made the subject of tripartite negotiations with the EEC, the U.S.A. and the Carifta Governments, and it should not be incapable of resolution.

United Kingdom and E.E.C. Sugar Regimes

Access for our sugar into the Enlarged EEC after February 1975, will of necessity be heavily influenced by the existing sugar regimes of the U.K. and EEC. We proceed now to examine these more closely.

The United Kingdom Sugar System

The U.K. beet sugar industry covers approximately 30 per cent of the U.K.'s total consumption requirements, a much smaller percentage than any of the Six except Luxembourg. Since the end of World War II, the acreage has risen from 415,000 to 450,000 in 1972 now cultivated by 20,180 beet farmers.[1] This modest increase in acreage, plus steadily rising yields (approximately 38 per cent from 1946 - 1972) have been sufficient to maintain the ratio of domestic production to total domestic sugar consumption.

Contract prices for beet are fixed at the Annual Price Review and for the 1972-73 crop the price was fixed at £8 per ton with a sugar content of 16.56 per cent. The British Sugar Corporation receives no guaranteed price for its sugar and in some years a loss is registered, but the British Sugar Board makes good this loss out of proceeds of a levy on all sugar consumed in the U.K. Recently, the British Sugar Corporation has been making a profit. Thus, as with the Commonwealth Sugar Agreement, there is NO cost to the British Exchequer, and the cost of protecting domestic production is passed on to the consumer.

Sugar Regime of the E.E.C.

This system, although agreed on in 1966 only came into full effect on 1st July, 1968. The policy, which is part of the Common Agricultural Policy (CAP) of the Six drawn up under the provisions of Articles 38 - 47 of the Rome Treaty, 1958, covers sugar production in the Six including France's overseas Departments of Guadeloupe, Martinique and Réunion. This policy rests on a *Target Price (Prix Indicatif)* for white sugar which is now fixed at £103.92 per ton, a system of variable levies of imports designed to exclude imports from third countries below the target price, and constant intervention on the internal market to maintain the target price.

The *Basic Quotas* which are laid down in the EEC's Sugar Regulations and are unchanged for the period covered by them were determined originally with reference to an estimate of consumption needs, but the *Guaranteed Quantity* is fixed each year by reference to an estimate of consumption for that year only. But these basic quotas have been very liberally calculated with the result that in every year the consumption needs have been overstated, and this policy has produced growing surpluses since 1968. The *Maximum Quota* is 35 per cent in excess of the basic quota. The year 1967 was the last year that the Community imported sugar.

Attention is drawn here to the fact that until the enlargement of the Community, the guaranteed quantity was equal to the estimate of consumption in the year in question or a 105 per cent of basic quota (whichever was the larger). With the enlargement of the Community, that is, from 1st January, 1973, the guaranteed quantity will be equal to the estimate of consumption in the year in question, or 100 per cent of basic quota (whichever is the larger).

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1 F.G. Sturrock and M.C. Thompson. *Sugar Beet: A Study of Sugar Production in the United Kingdom and the Fesibility of Expansion.* 1972.

Individual producers have only basic quotas and maximum quotas, the maximum quota being 135 per cent of the basic quota (except for the time being in respect of the U.K. where it is 100 per cent of the basic quota). Producers receive the full EEC price for sugar within the basic quota. For sugar between the basic quota and maximum quota, they receive the full EEC price less a levy *(production contribution).* The levy (which is the same throughout the EEC) in any year is based upon the cost to the authorities of disposing sugar produced in excess of the guaranteed quantity.

The Community quota system, in effect, results in there being three sugar prices, namely:-

(i) the price of the sugar produced within the basic quota -- the *A quota price*;

(ii) the price of the sugar produced above the basic quotas, but within the limits of the maximum quota -- the *B quota price* (the *A quota price* minus the levy); and

(iii) the price of the sugar produced above the maximum quota -- the world market price.

The Assurances

The EEC has made it clear that they want the U.K. sugar regime fully integrated with that of the EEC and it has been agreed that this will be done in stages over the transitional period which extends up to 1977. Up to February 1975, there are no problems of entry of our NPQ sugar into the U.K. Thereafter, we depend on assurances given at three different times. The agreements reached are here described as:-

(a) the Brussels Formula;

(b) the Lancaster House Declaration;

(c) Protocol 22 of the Treaty of Accession.

We consider these in turn.

The Brussels Formula

In the Brussels Agreement of May 13, 1971 two main provisions were made. First, a reaffirmation of the 1963 Declaration of Intent in respect of the independent developing Commonwealth countries of a choice between two forms of Association and a trade agreement. Second, the Enlarged Community will have as its firm purpose *(aura a coeur)* the safeguarding of the interests of all the developing independent countries of the Commonwealth whose economies depended heavily on the export of primary products, particularly sugar.

These two assurances are collectively referred to in this paper as *The Brussels Formula.* However, no mention is made of quantities and prices; nor, for that matter, is any time limit proposed. Yet, in spite of all its vagueness and imprecision, the Brussels Formula represents a major departure from the principle of Community preference.

Lancaster House Declaration

On the 2nd to 3rd June, 1971, representatives of the developing member countries of the Commonwealth Sugar Agreement met with Geoffrey Rippon, the U.K. chief negotiator, the Hon, Minister of Agriculture, the Parliamentary Under Secretary of State Foreign and Commonwealth office at Lancaster House in London for consultation on the Brussels Formula pursuant to Article 6 of the Commonwealth Sugar Agreement, 1968 version, which states, that if the U.K. entered the Community, she would consult *with the other parties to the agreement with a view to seeking means of fulfilling the objectives which those obligations would otherwise fulfill.*

Further assurances were given that the developing commonwealth countries had nothing to fear about the entry of their sugar into the Enlarged Community both before and after 1974. Reference was made to the renewal of the 1963 Declaration of Intent together with a settlement of the sugar question, stating at the same time that these two arrangements went together as a package deal.

Rippon told the developing Commonwealth representatives that the Brussels Agreement was "*a firm undertaking. It is as I told the House of Commons, both specific and a moral commitment, by an Enlarged Community of which Britain would be a member.*"

This assurance was made in the context of the offer of association, and thus would give the Commonwealth countries an opportunity to negotiate when the association arrangements were being discussed.

Doubts were expressed as to *an identity of interpretation between the Six and the Commonwealth countries* of the text of the Brussels Agreement and misgivings ventilated about the assurances given, the period of the assurances and even Rippon's seemingly far-fetched interpretation. What is very clear is that the Brussels Formula was interpreted at the Lancaster House Consultations, but no proper or any consideration was given to part B of the Formula now appearing as the Second Part of Protocol No. 22, and this is the part which can militate against the Commonwealth Sugar Agreement countries. There was even a request to return to Brussels to re-open the sugar negotiations.

After these consultations, a press communique referred to in this paper as the Lancaster House Statement or Declaration was issued. The statement *inter alia* says:-

> *"The British delegation assured other delegations that the Community's proposal constitute a specific and moral commitment by the Enlarged Community, of which the United Kingdom would be a part. The British Government and other Commonwealth Governments participating regard this offer as a firm assurance of a secure and continuing market in the Enlarged Community on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement in respect of all existing developing member countries."*

A study of the proceedings of the Consultation clearly indicates that the Lancaster House Statement was accepted by the fourteen developing Commonwealth Governments and the Commonwealth sugar exporters on the clear understanding that this statement represents and is a true and correct interpretation of the Community's proposals on the entry of sugar into the Enlarged EEC. No reference was made to the arrangements for Commonwealth sugar after 1974.

Protocol 22

Protocol 22 is essentially the most important pronouncement on sugar made by the Enlarged EEC. It forms part of the Treaty of Accession passed by the House of Commons in July, 1972 and on 20th September, 1972 by the House of Lords.

This Protocol comprises three parts:-

(i) a renewal of the 1963 Declaration of Intent;

(ii) A restatement that the Enlarged EEC is ready to pursue its policy on Association with the eighteen Yaounde Agreement countries, hereafter referred to as the *Associated States,* and the twenty independent developing Countries of the Commonwealth, hereafter referred to as the *Associables,* and that neither the enlargement of the Community nor the extension of the policy of Association should weaken or in any wise prejudice existing relations with the Associated States and that the fundamental principles of Association should be safeguarded;

(iii) A restatement of the *aura a coeur* assurance in terms somewhat different and certainly more widely conceived than the Brussels Formula. This part of the Protocol reads in part:-

> *"The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this Protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar."*

Clearly, *all the countries* in this context includes both the eighteen Associated States as well as the twenty Associables.

A study of the statements above as well as the House of Commons Debate of 27th June, 1972, on Protocol 22 clearly indicates that there are still doubts and anxieties in many quarters about the ability of the U.K. to honour her assurance of admitting 1.4m. tons of sugar from the developing Commonwealth sugar countries after 1974.

Anxieties

These doubts and anxieties grow sharper in outline when a number of statements and facts are considered. They are as follows:-

(a) *Statistical:* The average beet sugar production of the Enlarged Community for the years 1969-71 was 9.65m. metric tons, whereas their consumption for the same period was 10.53m. metric tons leaving a net deficit of 0.88m. metric tons.[1] We are building our hopes on the continued entry of 1.4m. long tons into Britain after 1974. How can we when the Enlarged EEC is increasing beet acreage and contemplating self-sufficiency in sugar? Even the U.K. has been increasing production -- from just over 1m. tons in 1970-71 to an estimated 1.2m. tons in 1971-72. In 1970, the EEC exported 926,959 metric tons of sugar as against only 543,432 in 1969. But the net export for 1970 was 806,383 metric tons as against 259,670 in 1969.[2]

(b) *Policy:* There are strong forces against the maintenance of imports of sugar from the Commonwealth producing areas:-

   (i) a systematic increase in the production of sugar beet in the EEC irresistably eroding the opportunities of access for Commonwealth cane sugar; and

   (ii) pressures within Britain for increases in the efficient production of beet sugar by the U.K. farmers. In the light of the present high prices for U.K. farm products, beet is the best paying break crop for large-scale corn growers.

(c) *Absence of Indentical Constitutional Status:* There is need for instance for the Carifta territories to have a *single* form of relationship with the Enlarged Community if we are to preserve Carifta and deepen the movement for economic integration in the region, but while the LDCs and Belize automatically join the Community under Part 4 of the Rome Treaty on 1st January, 1973, the four independent territories do not. Further, the LDCs and Belize do not at the moment have open to them the options of the Declaration of Intent.

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1 I.S.O. *Sugar Yearbook, 1971.*

2 *Ibid.*

How then can the LDCs and Belize on the one hand and the four independent territories of the Region on the other hand adjust their differences so as to hammer out a common policy towards the enlarged Community? On a strict constitutional interpretation it is not open to all the Carifta countries to seek an identical form of relationship with the Enlarged EEC. and yet if they choose different relationships with correspondingly different obligations, Carifta would be at an end. Legal opinion both from within and outside of the Community indicates that Article 238 of the Rome Treaty is not legally inconsistent with the provisions of Carifta.

(d) *Bloc Quota and Shortfalls:* If the Commonwealth does not negotiate as a team, and if the taking up of shortfalls within the Commonwealth is not secured, then the deficit of any year would be immediately snapped up by the beet farmers of the Six, and once they are given a quota to produce more, rescuing these quotas from them may prove an intractable problem plagued with political hazards.

One must not forget in this connection that the taking up of shortfalls is not permitted in the sugar regime of the EEC itself. As a matter of fact, the taking up of shortfalls is only permitted where the suppliers are required to give a joint undertaking to supply. But this arrangement, in the present statistical position of the Enlarged EEC is the last thing the Community will require.

It is the Commonwealth which is seeking to join the EEC sugar regime and so it is the Commonwealth which may be called upon to make changes in order to be accommodated.

(e) *Self-sufficiency:* How can the EEC modify its CAP which aims at *self-sufficiency* in commodities which can be produced within the Community in order to accommodate 1.4m. tons of Commonwealth sugar? How will the sacrosanct *principle of Community Preference* be affected by this anticipated entry of our sugar in the post-1974 period?

(f) *International Sugar Agreement (ISA):* How will the ISA be affected by this new arrangement with the Enlarged EEC? At the sugar negotiations in Brussels in May 1971 three requests were made, namely:-

(i) that the contractual obligations under the CSA should continue until the end of 1974;
(ii) that thereafter the Enlarged Community should take sugar from the developing countries associated with the CSA to a total of the present negotiated price quota up to 1.4m. tons;
(iii) that the Australian quota of 335,000 tons should be phased out over the length of the transitional period for British agriculture.

Australia's sugar interest was sacrificed in the negotiations and no clear provision was made to phase out Australian NPQ sugar. The result is that the sudden throwing in on the world market of an additional 335,000 tons of sugar may well have the effect of destroying the present ISA. The Six are not members of the ISA, the U.K. is; how will the sugar regime of the Six with all its conflicts, unequal pressures and strains be harmonised with the differently conceived sugar regime of the U.K.?

(g) *United States GSP:* Finally, there remains the difficulty of the Carifta U.S. trade orientation and the American GSP. It seems palpably unfair that wealthy, developed countries like the U.S.A. and the Six with very broad resource bases and such a wide range of options in both agriculture and industry open to them, should, in the case of the latter, so insistently demand reverse preferences of relatively poor countries at the same time as the former is threatening withdrawal of preferential entry of our exports if we grant these reverse preferences to the latter. Negotiations for resolving these difficulties by a tripartite Conference of the U.S.A., the EEC and the Carifta countries is urgently indicated.

Strategy

The Commonwealth Caribbean, together with the developing countries of the CSA, relying on the Lancaster House Declaration, must take the stand that, insofar as the entry of 1.4m. tons of Commonwealth sugar into the U.K. after 1974 is concerned, this arrangement is *not negotiable.*

Promises of continued preferential entry of this 1.4m. tons into the U.K. after 1974 have been made time and time again, and entry of the U.K. into the EEC was secured on this particular settlement of the sugar question and the quantity of sugar to be given entry must no longer be regarded as a subject of discussion, negotiation or compromise.

Under pressures from the powerful beet-growers lobby of France and to a lesser extent the U.K. there will be attempts to dilute our quota. No efforts must be spared to resist this.

Finally, when the eighteen Associated States commence negotiations in August 1973 for a renewal of the Yaounde Convention, the twenty Associables, should be present at these negotiations without necessarily indicating the form of Association for which they opt.

Now that sugar has been added to the list of commodities covered by the Second Yaounde Agreement since October 1972, when a quota of 8,000 thousand tons was allocated to the Associated States, every effort must be made to take sugar out of the negotiations and let all those Associated and Associable countries which are sugar exporters carry on negotiations for the terms of entry (particularly prices and duration, but not quantity, for, in so far as the CSA countries are concerned, this must be regarded as settled).

Whatever is done, no one must be allowed to forget that sugar was treated as a separate subject during the Brussels negotiations for the U.K. entry. We must keep it that way.

The Future

Any attempt to forecast what the future holds in store for sugar will inevitably carry with it grave risks. In such a situation, there are so many imponderables which can upset any forecast made, that the net result is often a guessing game as past experience so amply demonstrates. Remembering that *the future is not ours to see*, this forecast is made with all these limitations in mind. We now proceed to examine each of the possibilities with notes on what future each is likely to bring.

If the Commonwealth Caribbean does not get a quota guaranteeing both access and price for 725,000 tons into the U.K. after 1974, there are a number of possible alternatives. These may be classified under two heads involving:-

(a) Continuing in sugar at present or slightly higher levels.

(b) Reduction in production:
   (i) for home consumption and the remaining foreign markets;
   (ii) for customary local exports; or
   (iii) coupled with extensive structural diversification.

Present or Higher Production Levels

On the assumption that the developing members of the Commonwealth Sugar Agreement get their quota of 1.4m. tons, the negotiators should press for the inclusion of a provision securing the increase of this 1.4m. tons to the same extent as the consumption of the Enlarged EEC increases so that the Commonwealth countries will maintain the same ratio in the provision of sugar as they get at the beginning. In such a case, expansion of sugar in the Caribbean is contemplated. The potential for expansion is already there. If the peak production of the WISA territories was taken (see Table 1) this figure will amount to 1,369,524 tons. Guyana has expansion plans and both in Jamaica and Trinidad, there is considerable room for expansion of sugar. Belize produced almost 70,000 tons in its peak year and has both the land area and factory capacity to step up its production to 130,000 tons.

If entry of a smaller quantity of sugar than the 1.4m. tons anticipated is received (perish the thought), a lot would depend on how severe the cut is. If the cut is very severe and a quota of only 500,000 or 600,000 tons is secured, this would mean that the portion for which a guaranteed price is secured will be reduced *pro-rata.*

It must be remembered in this context that our NPQ constitutes more than 70 per cent of our exports indicating a very high degree of dependence on the U.K. market (Table 3).

The alternatives then facing us would be:-First continue in sugar at existing levels but seek new outlets. There are markets in several of the English-speaking African countries which now get their sugar from a number of sources. The sugar imports of these countries in 1971 totalled 313,478 tons made up as follows:-

Guyana	-	80,000
Nigeria	-	79,745
Kenya	-	64,376
Tanzania	-	25,000
Gambia	-	9,000
Malawi	-	2,757
Sierra Leone	-	25,597
Uganda	-	11,637
Zambia	-	15,366

In addition, Ceylon purchased 312,179 tons, Hong Kong purchased 133,128 tons, Singapore 141,089 and Malayasia -- 387,342 tons. These Commonwealth countries together imported 1,287,216 tons in 1971. To this figure can be added 82,700 tons for Pakistan, the average import figure over the four year period 1968-71 and which but recently was in the Commonwealth.

The figures quoted indicate that Commonwealth outlets lost in the U.K. can *possibly* find a home within the Commonwealth by reason of political and other ties. But is this really possible? These countries already have their own arrangements with their sources of supply. Shipping services, bulk loading facilities and other storage and ancillary services are by and large owned and/or controlled by suppliers from the metropolitan countries. Any attempt to break in these existing trade arrangements will inevitably encounter stiff resistance and can lead to trade reprisals against the purchasing countries. Both France and the U.K. supply a fair proportion of the requirements of these markets by purchasing raws, refining it and exporting it to these countries. How will they react in so far as the 500,000 or 600,000 tons they would then be buying from the Commonwealth? This alternative, although appearing attractive on first view, may well prove quite difficult in attaining.

Another alternative is for the Caribbean Commonwealth countries to attempt to get a bigger quota in the U.S. on grounds of hemispheric loyalties and defence. But the U.S. continues to use its foreign quota allocations as instruments of foreign policy, and the performance of Jamaica, Barbados, Trinidad and Guyana on the diplomatic field in according recognition to Cuba and arrangement for consular representation could hardly assist us in this respect.

The third alternative that can be explored is arranging for a bilateral agreement between the Commonwealth Caribbean and Canada for the purchase of our sugar. This country imports nearly 1m. metric tons of sugar each year, and with the high prices reigning on the world market now and expected to continue at levels of over £90 per ton, because of the world statistical position, this may well prove attractive to Canada.

But the Government of this country has continued to pursue a policy of *laissez faire* in sugar matters, and despite strong representations from the Caribbean to this effect, Canada has constantly for over twenty years resisted such suggestions. A look at the past would clearly suggest that any such chances of getting such an arrangement are very tenuous.

The fourth alternative can be a bigger basic export quota (BET) under the new International Sugar Agreement to be negotiated in the Spring and Autumn of this year. This basic quota is now 200,000 metric tons for the WISA countries and 22,000 tons for Belize. There would be a problem of timing here. Negotiations for the Third Yaounde commence on 1st August this year and this paper has suggested that the twenty Associables should attend. But the Yaounde negotiations take several months, by which time it is widely believed that the negotiation for a new ISA would have been completed.

If this happens, then the basic export tonnage awarded the WISA territories is bound to be small because not in a single year has the WISA countries taken up all the BET quota available and export performance is still the most important criterion in the award of quotas under the ISA.

This alternative therefore appears as a non-starter and in any case, no sugar exporting country, unless it is extremely efficient and low cost, can hope to build up and sustain a sugar industry on the basis of supplying the major part of its exports to world markets. Some 85 per cent of the sugar produced in the Caribbean is exported and this fact *a fortiori* makes this proposal wholly untenable.

The fifth alternative is to go in for greater production and so reduce considerably the unit cost of production since over 70 per cent of the cost of producing sugar are fixed costs. This would have to be coupled with massive mechanisation and a determined effort at heightening the efficiency of the industry to the point where we could compete on the world market.

This alternative is likely to involve us in staying out of the ISA and concentrating our attention on the markets with centrally controlled economies, e.g., Eastern Europe and China, and can be dismissed as wishful thinking, since the will to do this is lacking and the social costs might be too high.

The sixth alternative is increasing greater local consumption of sugar for both domestic and export purposes. This alternative can possibly be achieved by developing a larger fruit canning industry and exporting sugar containing products. The Commonwealth Caribbean is not lacking in a wide range of tropical fruits which lend themselves to this and the development of industrial linkages for sugar cannot but be a good thing.

This suggestion raises two problems, (a) regular and sufficient supplies of the fruits for canning. This would mean developing large orchards which will take several years, and (b) whatever market we propose selling our canned fruits to are likely to have regulations treating the import of sugar containing products as the equivalent of importing sugar.

The final alternative not involving reduction of the level of our production is to make common cause with the other sugar exporters in the Caribbear area, e.g. Cuba, Dominican Republic and Mexico, so as to enhance our bargaining position on the world's export markets since this area is the world's largest sugar surplus area and we are now living in a period of a world sugar shortage. This in the present context appears a non-starter.

Reduction in Production

It is well to indicate that any reduction in the volume of production would inevitably be accompanied by a corresponding increase in the costs of production. Fixed costs in the sugar industry are over 70 per cent of the total costs of production and this cannot be reduced proportionately with the reduction in volume produced.

This would mean that the Caribbean Commonwealth sugar industry would grow increasingly less competitive, our ability to satisfy the remaining export markets would become increasingly difficult, the cost of local sugar would increase and all the benefits, economic and social, now flowing from the industry at its present level, would decline.

There will inevitably be a pressing need for deploying a lot of the resources now employed in sugar to other productive ends. The widespread diversification that is indicated is not in itself a bad thing but to date suitable avenues for the deployment of such resources have not been found. This is not to say such avenues cannot be found. Talk of diversification has been with us even before the 1897 Royal Commission but not a great deal has been achieved.

A final thought is to rationalise production of sugar in the Caribbean. Let the most efficient industry in the area continue to produce sugar to meet the needs of the area -- in this instant case -- Guyana.

This is easier said than done and widespread resistance in Belize, Barbados, Jamaica, St. Kitts and Trinidad can be expected by both the vested sugar interests in these areas as well as the hundreds of thousands of persons who depend directly or indirectly on sugar for a living.

Conclusion

The examination of these alternatives has not been undertaken in any depth because of considerations of length. However, what appears clear is that at the present time the Commonwealth Caribbean countries are so heavily committed to sugar production both as to men and materials that any disruption of market outlets can cause severe economic and social dislocation.

This is not to be interpreted to mean that it must stay so forever. But if and when change comes, and it is recognised that it must come sooner or later, no effort must be spared to effect the transition in the transfer and reallocation of resources with as little dislocation as is possible.

Britain's entry into the EEC has administered a shock treatment to these territories still clinging to the coat-tails of the metropolitan country. Britain's action has given a clear indication that the first responsibility of a Government is to protect and preserve the economic and social welfare of the people for whom it is responsible and to do this, it should make such changes as are necessary to achieve this even if it means surrendering a part of its sovereignity.

The Commonwealth Caribbean has a lot to learn from this.

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Table 4. Sugar Production and Consumption in the Enlarged Community of the Nine

(Metric Tons)

Calendar Years	EEC of the Six		EEC of the Six		United Kingdom		Denmark		Ireland		EEC of the Nine		
	Production	Consumption	Net Exports	Stocks at end of period	Production	Consumption	Production	Consumption	Production	Consumption	Total Production	Total Consumption	Deficit
1965	6,771,904	6,297,459	277,002	6,014,668	973,000	2,939,000	259,717	268,880	123,925	175,090	8,128,546	9,680,429	1,551,883
1966	6,569,253	6,528,071	167,549	5,903,323	936,000	2,891,000	325,148	259,369	124,291	175,088	7,954,692	9,853,528	1,898,836
1967	7,188,425	6,646,907	0	6,443,918	976,000	2,870,000	329,919	257,871	131,518	187,633	8,625,862	9,962,411	1,336,549
1968	7,313,386	7,211,144	636,857	5,928,688	937,000	2,887,000	340,853	260,788	152,306	185,160	8,743,545	10,544,092	1,800,547
1969	8,111,877	7,071,296*	259,670	6,653,961	1,006,400	2,936,664	304,097	253,333	152,434	184,015	9,574,808	10,445,308	870,500
1970	7,705,352	7,304,905*	806,383	6,248,025	925,144	2,938,457	290,941	264,333	165,157	184,375	9,086,594	10,692,070	1,605,476
1971	8,733,027	7,097,194*	894.317	6,989,541	1,054,900	2,909,000	323,697	266,752	175,618	187,830	10,287,242	10,460,776	173,534
Av. for 1969-1971	8,183,418	7,157,798	653,456	6,630,509	995,481	2,928,040	306,245	261,472	164,403	185,406	9,649,548	10,532,718	883,170

Source: I.S.O. *Sugar Yearbook, 1971.*

Note: * Of which for non-human consumption: 1969 –332,000 m.t.; 1970 – 216,000 m.t.; 1971 – 175,500 m.t.

Table 5. Beet Sugar Production in the Enlarged Community of the Nine: Crop Years Raw Value

(Metric Tons)

Countries	*1967-68*	*1968-69*	*1969-70*	*1970-71*	*1971-72*	*1972-73 Licht - 4th Estimate*	*Five Year Av. Production 1967-72*
West Germany	2,105,055	2,021,506	2,119,909	2,100,864	2,395,544	2,263,014	2,148,575
France (Metropolitan only)	1,766,968	2,433,322	2,782,442	2,755,553	3,273,330	3,047,000	2,602,323
Belgium	579,915	583,791	687,184	606,151	857,777	685,000	662,963
Netherlands	772,286	734,806	780,800	729,625	856,785	772,800	774,860
Italy	1,671,187	1,316,665	1,415,554	1,228,000	1,274,443	1,255,000	1,381,170
Denmark	329,474	340,853	304,097	297,777	332,222	349,000	320,884
United Kingdom	985,859	996,021	958,314	1,005,390	1,206,951	984,833	1,030,507
Ireland	145,487	162,001	150,137	153,128	191,811	167,500	160,513
Total Production	8,356,231	8,588,965	9,198,437	8,876,488	10,388,863	9,524,147	9,081,795

Sources: (a) Czarnikow Ltd. *Sugar Review No. 1116.* 1st March, 1973.

(b) Le Sucre, Memo. Statistique 1971-72.

Table 6. F.O. Licht's Third Estimate of Sugar Beet Sowings in the Enlarged Community of the EEC together with Revised Figures for Previous Seasons and Estimate of Potential for Expansion

(Hectares)

Countries	*1972-73*	*1971-72*	*1970-71*	*1969-70*	*Percentage of * Agriculturally used land under Beet cultivation 1969-70*
West Germany	328,000	318,362	311,274	309,508	2.24
France	415,000	390,600	370,000	363,341	1.10
Belgium/Luxembourg	100,000	93,138	89,688	89,929	5.15
Netherlands	113,000	102,290	104,493	102,865	4.65
Italy	250,000	247,154	274,500	290,567	1.44
Total EEC of the Six	*1,206,000*	*1,151,544*	*1,149,955*	*1,156,211*	
Denmark	56,000	50,000	46,000	50,700	1.70
United Kingdom	179,000	179,282	178,496	176,278	0.91
Ireland	34,000	29,200	25,360	24,450	0.51
Total EEC of the Nine	*1,475,000*	*1,410,026*	*1,399,811*	*1,407,639*	

Notes: Dr. Rudolph Hiller, Vice President and Secretary-General of the Austrian Sugar Producers Association, and Member of the European Producers Committee, who delivered a paper on the future of Beet Production in Europe at the Paris Symposium in 1972, expressed the opinion that a 20% increase in Beet acreage in the Enlarged Community (as well as other beet growing areas) could be undertaken without harming other agricultural products.

* A Hectare is 2.471 acres (roughly 2½ acres).

Source: FAO. *Production Yearbook.*