Moreover, **the European Parliament approved in September 2016 the partnership agreement between the EU and the South African Development Community** (SADC), which includes Namibia, Mozambique, Botswana, Swaziland and Lesotho. That agreement provides for **a duty-free import quota into the EU for 100 kt of raw sugar to be refined and 50 kt of white sugar or products with high sugar content.** That agreement will enter into force after approval by the Council of the European Union and ratification by the six African countries. According to the implementation timeline, **those new quotas could be opened in 2017 or 2018.** However, those countries already enjoyed free access to the EU market for raw sugar exports under the ACP partnership agreement, of which all are part, along with the EU. EU raw sugar imports from those countries should not change radically under that agreement. However, the new white sugar quota should open up prospects for Southern African refined sugar producers.

The EU also entered into an association agreement with Ukraine in 2014, which includes the setting up of a free-trade zone for many goods. For sugar, a duty-free import quota of 20 kt of sugar and isoglucose has been granted to Ukraine.

Finally, **the aggregate amount of sugar (raw and refined combined) authorized for import into the EU duty-free or at a reduced rate comes to almost 1.8 Mt and should climb to 2 Mt in 2017/18** (Table 5.1).

Table 5.1: Duty-free or reduced-rate sugar import quotas (kt)

| Annual quotas | 2015/16 | 2017/18 |
|---|---|---|
| Moldova | 34.00 | 34.00 |
| Ukraine | 20.07 | 20.07 |
| Panama | 13.08 | 13.08 |
| Peru | 13.98 | 13.98 |
| Colombia | 67.58 | 67.58 |
| Central America | 163.50 | 163.50 |
| Balkans | 201.17 | 201.17 |
| Industrial sugar | 400.00 | 400.00 |
| SADC* | 0.00 | 150.00 |
| CXL quotas | | |
| Australia | 9.92 | 9.92 |
| Brazil | 334.05 | 412.05 |
| Cuba | 253.98 | 253.98 |
| India | 10.00 | 10.00 |
| Erga omnes | 253.98 | 289.98 |
| **Total** | **1775.31** | **2039.31** |

*Source: FranceAgriMer*

** Provided that the EU-SADC agreement enters into effect in 2017/18*

## 5.1.3. Trade agreements now being negotiated

At this time, the EU is involved in many trade negotiations, in particular with the main sugar producing countries in the world, including Brazil, the USA, Thailand, Australia and Mexico. The issue of access for sugar to the EU market is—as for all agricultural issues—a sensitive area of negotiation.

That is true notably with the **Mercosur** negotiations. The latest negotiations between the EU and Mercosur date back to early May. In June 2016, several members of the European Parliament submitted a draft resolution to have sugar and ethanol permanently taken out of the Mercosur free-trade agreement negotiations. That proposal has not been fully taken on board. The European Commission only excluded from its offer goods deemed to be "sensitive", such as beef and ethanol. Thus, a quota of 78,000 tonnes of beef and 600,000 hectolitres of ethanol were taken out of the proposal. The increase in CXL quotas open to **Brazil** and its partners in Mercosur under a trade agreement therefore cannot be fully ruled out.

Subsequent to Council approval, the EU and **Thailand** initiated negotiations on a free-trade agreement in March 2013. This negotiations concerned customs duties, non-tariff measures, services, investments, public procurement, intellectual property, competition, and regulatory and sustainable development issues. Four rounds of negotiations have taken place to date. The most recent session took place in April 2014 in Brussels. Since the May 2014 military coup d'état in Thailand, no further negotiating session has been scheduled. Negotiations are currently at a standstill. Thai sugar entering the EU is now subject to a duty of 339 €/t (raw cane sugar) or 419 €/t (refined sugar or special sugars).

**Mexico** is a leading world sugar producer and is a very aggressive exporter. Mexico's industrial sugar production costs are much lower than in the EU, notably because of the low cost of labour. The first round of negotiations with the EU took place in June 2016. Negotiations could give Mexico preferential access to the EU sugar market. But the issue is sensitive, so it is difficult to prejudge the outcome of those negotiations that are in their early stages. Entry duty for Mexican sugar into the EU is now 339 €/t or 419 €/t.

In February 2016, the European Parliament voted to open negotiations for a free-trade agreement with **Australia** and New Zealand, but they have not yet really gotten underway. EU trade and agriculture commissioners have indicated that the sensitiveness of some EU agriculture sectors will be "taken into account" during the preparatory discussions and negotiations for entering into free-trade agreements with Australia and New Zealand. The touchy sectors potentially affected by such an agreement are many: sugar, milk, beef meat, sheep meat and cereals. Like Brazil, eventually increasing the CXL "sugar" quotas available to Australia cannot be ruled out.

The **US** sugar market is not self-sufficient and the American government considers sugar as a defensive interest (that is to say a sector that the country does not want to totally open to free-trade, as the latter threatened its longevity). During negotiations between the USA and the EU, the question was raised if the time had come to view sugar as an offensive interest or not (sector of the partner that the EU wish to make accessible to free-trade). At that stage, sugar was in the Commission's "other treatment" category, which includes goods considered a priori as sensitive, but with no guarantee regarding the final treatment they will be given. A key negotiating point will be compliance with the rule of origin in order to keep Mexican sugar manufacturers from penetrating the EU market indirectly through the clauses of NAFTA (North American Free Trade Agreement).