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TRADE

SWEET SORROW

THE CARIBBEAN IS SHOCKED AS THE EU PROPOSED THE FIRST PRICE CUT TO END THEIR SUGAR REGIME

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BY RICHARD LAPPER

It was never going to be easy for the English-speaking Caribbean to accept dismantling of the sugar protection regime that has shielded one of its core industries from international competition for much of its long history. Even so, the region's leaders have been taken aback by this week's announcement of a proposed 39 per cent cut in guaranteed European Union prices.

EU prices will still be nearly double the free-market level, but the cut will hit hard, and the two-year transition leaves them with less time than expected to diversify. To add insult to injury, the planned reductions have been introduced with minimum consultation with the six former British Caribbean colonies that are part of the 18-strong ACP (Africa, Caribbean and Pacific) group of poorer countries that traditionally export sugar to Europe.

Leaders from Jamaica and Guyana -- the two Caribbean countries most affected -- have been especially stung by the low priority afforded their plight by the British government. ''No one cares and they are not listening,'' Bharrat Jagdeo, president of Guyana, told the FT.

About a fifth of Guyana's 750,000 people earn their livelihood from sugar, and the industry pays for sports fields, community halls and even drainage systems in rural areas.

If the EU presses ahead with the proposal, the cut will cost Guyana at least $40m (22m, 33m) in export revenues -- more than six times the estimated $8m relief the country will gain as a result of the recent G8-led debt-relief initiative for poor countries.

Jamaica, where sugar is not only a big employer but also a provider of funds for fire and ambulance services, faces a similar dilemma.

It has plans to develop alternative uses of sugar and sugar cane -- such as ethanol and bagasse-based electricity generation plants -- but Derick Heaven, executive chairman of Jamaica's sugar industry authority, says pleas for more time and adequate compensation have fallen on deaf ears.

Proposed EU assistance payments of 40m a year are dwarfed by the amounts being made available to European sugar beet farmers, and fall well short of the annual 500m demanded by the ACP countries. ''There is a tendency to see us as mendicants, [as if] there is almost an arrogance about our point of view,'' says Mr Heaven.

This month, P.J. Paterson, the Jamaican prime minister, protested to Tony Blair, his British counterpart, that he and other ACP country leaders had learned about the cut through 'the media, leaked documents and consultants' studies''.

Both Caribbean leaders warn that job losses will increase high levels of unemployment and lead to further decline in rural areas and an escalation in violent crime and the drug trade.

The failure to win support for these arguments from Britain is surprising, given historical links and the priority placed by British ministers on security and clamping down on drugs.

Part of the problem is that the British lobby that traditionally defended Caribbean interests has weakened. Companies such as Cable & Wireless, De la Rue (the bank note manufacturer) and BAT have maintained an interest, but the days when ''30 or 40 blue-chip British countries'' had significant interests there are over, according to David Jessop, director of the Caribbean Council.

For NGO campaigners, whose efforts have helped spur action on debt relief for the region, sugar is a complicated issue. Public perceptions of the region have been influenced by the fact that Barbados, the producer with which most Britons are familiar because it is a popular holiday destination, is relatively wealthy. And in Trinidad, another better-off country, sugar's importance is now dwarfed by the natural gas industry.

At the same time, other developing countries that are more efficient in agriculture will benefit from greater liberalisation.

Duncan Green, head of research at Oxfam, says ''smaller vulnerable countries from the Caribbean and Africa are getting the short end of the stick,'' but that the reform needs to balance their interests with those of large, efficient producers such as Brazil.

This year Mr Jagdeo took Peter Mandelson, EU trade commissioner, through the Guyanese sugar region. ''[He said] `Yes, sugar is very special',' says the Guyanese leader. Mr Jagdeo will be hoping his guest's views carry some sway over the next few months as the EU legislative process proceeds.