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SUGAR

Subsidy cuts worry Caribbean

EU subsidy cuts on sugar could wreak economic havoc in Caribbean nations where sugar makes up a significant proportion of their gross domestic product.

KINGSTON, Jamaica - (AP) -- Sugar helped build the Caribbean and fueled its growth long before tourism became the backbone for most island economies. Now, in an era of free trade, the region is finally losing its sweet tooth.

European countries are planning to sharply reduce subsidies to sugar-cane growers in their former Caribbean colonies amid a ruling by the World Trade Organization that the preferences violate global trade rules.

The plan promises to deal another blow to the region's beleaguered sugar industry, which has been supplanted by tourism as the region's chief earner of foreign income but remains a major source of jobs and revenue.

"It's the equivalent of a hurricane slamming into the region and wiping out entire sugar crops -- year after year," Ian McDonald, executive officer of the Sugar Association of the Caribbean, said of the EU plan. "The only difference is that you can recover from a hurricane."

The EU is planning to phase out preferential prices paid for Caribbean sugar by almost 40 percent over three years. The bloc says the cuts, which start next year, are necessary to bring agricultural subsidies closer to world prices.

WTO DECISION

The move was reinforced in April when the World Trade Organization ruled EU subsidies for sugar producers broke international trade rules, siding with rival sugar producers of Brazil, Australia and Thailand.

Caribbean officials say the subsidy cut -- which will also impact former colonies in Africa and the Pacific -- will cost the Caribbean up to \$90 million annually and tens of thousands of jobs.

"It's too fast, too deep, and too soon," K.D. Knight, Jamaica's minister of foreign affairs and trade, said of the EU plan.

The EU is the largest buyer of Caribbean sugar, purchasing more than half the region's annual production of about 710,000 metric tons at prices more than four times the world average.

The industry has been decaying in recent years due to poor crop yields and lack of investment. Today, the Caribbean produces about half its 1965 peak of 1.49 million tons.

Without preferential access to Europe, Caribbean producers will have to compete on the world market against No. 1 producer and exporter Brazil, which is looking to more than double its current sugar output.

"Nobody can compete with that," McDonald said. He said the WTO ruling offers "a marginal improvement for Brazil, but a mortal blow for us."

The sugar challenge is one of several facing Caribbean agriculture and highlights the difficulty small states have in adapting to fast-changing global trade rules.

LOBBYING FOR CHANGES

To soften the impact of the subsidy cuts, the region is lobbying for the three-year phase out to be implemented over a longer period and for more financial help in adjusting to the change.

But the tiny island nation of St. Kitts yielded to the fight this month and shuttered its debt-ridden government owned sugar mills. The last trainload of sugar cane for the 300-year-old industry rolled to a stop in somber ceremony. The island's government said it wants to diversify its economy into other areas.

"While other sectors are growing, sugar continues to decline and that is why . . . we have to take the decisions that we are taking," St. Kitts Prime Minister Denzil Douglas told Parliament.

Abandoning sugar isn't an option for other countries like Guyana -- one of the region's top sugar producers -- where earnings from the crop account for 20 percent of gross domestic product.

In Jamaica, where sugar employs 40,000 people, officials say the subsidy cuts could cause a spike in unemployment, potentially sparking a wave of urban migration, pushing more farmers to pursue illicit marijuana growing and leading to greater reliance on the fickle tourism industry.

Those effects worried Robert Clarke, owner of the Worthy Park sugar factory, one of Jamaica's largest, where workers with machetes toil among tall rows of sugar-cane plants.

"Many small island nations are not going to survive [the subsidy cuts] and you're going to have all the social consequences that go with it," he said.