



REMARKS BY

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**DURING THE SIXTH MEETING OF THE KENYA SUGAR
SAFEGUARD SUB-COMMITTEE, 19- 20 SEPTEMBER 2023.**

VIRTUAL MEETING

Distinguished Delegates

Ladies and Gentlemen

On behalf of the Secretary General, it is my pleasure to welcome you all to this Sixth meeting of the Kenya Sugar Safeguard Sub-Committee. The Kenya sugar safeguard has a long history dating back to 2002 when the safeguard on sugar was first sought by the Kenyan government. The aim was to shield the domestic industry from intense competition in order to turn it around and secure the livelihoods of thousands of farmers and workers who rely on the sector.

The Council of Ministers has since issued various policy directives on the management of the safeguard, taking into consideration the interest of Kenya as well as the interests of COMESA sugar producing countries. The current safeguard extension was endorsed by the 43rd Council of Ministers meeting held in Lusaka, Zambia in December 2022 for a period of nine months, between March and November 2023.

Distinguished Ladies and Gentlemen

As you are aware, the COMESA Treaty recognises that free trade and associated import surges, should not adversely affect any firm, industry or sector of the COMESA economy. Specifically, Articles 49 and 61 of the Treaty provide for temporary protections of vulnerable industries that may be adversely affected by tariff liberalisation. This is equally consistent with the Article 19 of the WTO GATT Agreement. Thus, the Kenya Sugar Safeguard Measure represents a classic case of how a vulnerable sector can benefit from safeguard measures within the framework of a regional economic integration community.

At the same time, let's not forget that safeguard measures are meant to be temporary exceptions, in order to minimize the resulting distortion to free trade and regional integration, hence provisions on implementation timeframes and rules of application should be duly respected.

This sub-committee was established by the 38th Council of Ministers meeting, held in Lusaka, Zambia, on 14-15 July 2018, as a dedicated forum for the COMESA region to deliberate on the issues relating to the administration of the sugar safeguard.

Subsequently, the first meeting was held in November 2018. This is the sixth sub-committee meeting, which as I note from the draft Agenda, will be looking at the following:

- 1) Presentation of a progress report on the implementation of the Kenya Sugar Safeguard Measure following its 9-month extension; and
- 2) Consideration of a draft report on the implementation of the Kenya Sugar Safeguard Measure: Status and Policy Implications by the Secretariat.

The establishment of this sub-committee signifies two important points. First, the recognition that the sugar sector is an important one in the COMESA region, given the significance of the dynamics in the regional and global sugar market prices and its importance as a source of livelihood, backward and forward linkages in our economies.

Second, and most importantly, the need for a collective approach to address the challenges afflicting this sector in Kenya.

Distinguished Ladies and Gentlemen

This meeting comes at a time when the world is experiencing global sugar shortage due to the reduced output by some of the leading sugar producers such as India and Thailand. This has been occasioned by extreme weather conditions, rising cost of fuel, fertilizer and other critical supplies as well as export restrictions by some of the leading sugar exporters. In this regard, allow me to highlight a few global dimensions of the sugar industry which may inform our common approach to the industry.

The global sugar market is one of the most uncertain in present day world with fluctuating demand and supply. It is prone to volatile prices and widespread government interventions, including regulated prices, production controls trade and stock-holding policies. Ultimately, however, insulation from market forces distorts production, consumption, trade and world prices.

Over the next decade, global sugar consumption is projected to continue growing driven by population and income growth. Asia and Africa will contribute most to additional global demand, accounting for 67% and 32% of the world total respectively.

Nonetheless, Africa is expected to improve its share in the global market due to governments support measures, foreign investments and suitable conditions for growing sugarcane, including the potential for area expansion and lower costs of production.

By and large, sugar price volatility is exacerbated by its strong linkages with energy generation and oil prices. Over the next decade, the supply of sugar will continue to be tempered by the use of sugar crops as a feedstock for ethanol by leading sugar producers. Large producers can easily switch between sugar and ethanol from sugarcane according to the relative profitability of the two products.

Over the next ten years, ethanol is projected to become more attractive relative to sugar. In some other countries, implementation of policies promoting the development of biofuels will also add some pressure on the availability of sugarcane for sugar production, especially in India, with the Ethanol Blended Petrol (EBP) Programme aimed at reaching a blending rate of 20% of ethanol in petrol by 2025/2026.

Distinguished Delegates

The sugar industry is also faced with other risks and uncertainties. Climate change could have a marked impact on output and prices, considering the relatively high market concentration of exports. The fluctuation of crude oil and sugar prices affects the competitiveness and profitability of sugar production versus sugar crop-based ethanol production, remains a major source of uncertainty and impacts the quantity of sugar produced for the international market.

On the other side, consumers' preferences towards low- and no-sugar products could contribute to curbing consumption projections.

Distinguished Delegates

I am raising these issues because the fate of sugar producers in Africa and COMESA depends on the changes in the global production and consumption patterns and our approach to this issue will determine how best we keep farming households above the poverty line amidst increased competition and falling prices arising from outside the region.

Given the uncertainties in world sugar markets, it is about time that the region begins to strategize on how to deal with these uncertainties. Addressing productivity and diversifying sources and usage of sugar can help improve the position of small-scale sugarcane growers and their dependent communities, which remain vulnerable given the dynamics in sugar production and trade.

Distinguished Delegates

Finally, I am pleased to note that you have remained committed to playing your oversight role in ensuring that the safeguard measure is effectively implemented in light of the provisions of the COMESA Treaty. Over and above, the recommendations of the sub-committee provide valuable lessons not only for sugar safeguards but also any other similar measures in other sectors.

We therefore look forward to fruitful deliberations that would inform the Trade and Customs Committee and subsequently the 44th Council of Ministers on the best way-forward regarding the Kenya Safeguard Measure.

I thank you very much.