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THE HISTORICAL GEOGRAPHY OF THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY'S SUGAR PROTOCOL

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TRADE AGREEMENTS ARE SIGNED BY NATION STATES but private enterprises produce and distribute the traded goods. Numerous complex relationships are covered by this simple observation, including the bonds of principle that unite signatories, the diversity of participation and potential among signatories, and the possibly contradictory interests between and among governments and enterprises. The Southern African Development Community's (SADC) sugar trade protocol is a case in point.

The SADC comprises fifteen states, ten of which produce cane sugar and seven of which are net exporters of the product.[1] South Africa's is by a long way the major sugar industry of the regional bloc, followed by those of Mauritius and Swaziland. The three smallest sugar industries are those of Congo (which has only a very small production capacity), Angola (whose war-ravaged sugar industry is currently of little consequence) and Mozambique (where war-time damage is being repaired and major rehabilitation is in progress). This paper considers the formation of networks of investment that link the SADC sugar industries of Mauritius, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. It also looks at SADC's internal and external sugar trade and offers commentary on some of the more pressing contradictions that underlie the SADC sugar protocol.

THE SADC SUGAR INDUSTRIES

The earliest distinctive historical feature of sugar production in Southern Africa is the timing and location of its beginnings. The region's sugar production originated in the latter part of the eighteenth century on the physically and politically distant Indian Ocean island of Mauritius. In most respects the small tropical island's sugar industry resembled those of the contemporaneous plantation societies of the

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[1] The SADC members are Angola, Botswana, Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Current net exporters of sugar are Malawi, Mauritius, South Africa, Swaziland, Zambia and Zimbabwe. This paper considers these net exporters as well as Mozambique and Tanzania, whose rehabilitating industries are expanding with export ambitions but still produce less than their domestic markets consume.

Caribbean. Its chief link with the African continent lay in the supply of slaves to the island. After a century of growth, the number of mills fell rapidly as European sugar beet processing threatened colonial exports and encouraged technological modernisation. This centralisation of production was accompanied by the separation of estates and mills.[2]

Mauritius could be regarded in the company of older but technologically and organisationally similar New World sugar colonies. The industries that emerged on the Southern African subcontinent, by contrast, were contemporaries of the younger Hawaiian and Australian sugar industries. When the South African sugar industry took root in the late nineteenth century the Mauritian sugar industry was well placed to contribute to its early growth.[3] With its relatively sophisticated production and research infrastructure, Mauritius supplied much of the expertise and some of the used mechanical plant upon which Natal's sugar industry depended in its formative years, and Mauritian personnel permeated the Natal industry.[4] It was partially through the expertise accumulated in these two British colonies of Mauritius and Natal, and mainly with metropolitan British and Portuguese capital, that sugar milling was then established in Portuguese East Africa (Mozambique) at the end of the nineteenth century.[5]

By World War II these three original national sugar industries were advancing in similar fashion to their counterparts in other world regions; ownership and control tending to concentrate and scientific research and management helping to improve cane yields and milling capacities. Mauritius and South Africa continued to strengthen their respective reputations as centres of expertise and innovation in sugar production. The single new Southern African entrant at this stage was Southern Rhodesia (Zimbabwe), where Triangle Sugar Estate began milling in 1936 using a second-hand sugar mill from Natal, and the Rhodesian Sugar Refineries began refining in Bulawayo.[6]

It is the northward expansion of sugar production in the post-World War II period that gave rise to an international, regional sugar economy. This regional diffusion of sugar production under changing patterns of ownership and control is significant both for what it meant in investment terms as well as in terms of socio-economic development.[7] As much as corporate strategy underpinned the expansion, the respective states' responses and related development ideals were variously influenced by decolonisation, nationalism, civil conflict and reconstruction.

2 R. LAMUSSE, "The Economic Development of the Mauritius Sugar Industry".

3 See W.K. STOREY, *Science and Power in Colonial Mauritius.*

4 See D. LINCOLN, "From artistry to automation in cane sugar production...".

5 See VAIL and L. WHITE, *Capitalism and Colonialism in Mozambique; Moçambique e o problema açucareiro*; D. LINCOLN, "Capital and the milling of sugar in Moçambique before 1942".

6 According to an unverified reference, Rhodesian Sugar Refineries appears to have been established by the younger brother of J.P. Hornung, the founder of Mozambique's Sena Sugar Estates.

7 For elaboration see the IUF's detailed research findings on the region's sugar industries: J. CHÚLLEN, "Structural Aspects of the Sugar Industries in East and Southern Africa"; "Trade Agreements in the Sugar Industries in East and Southern Africa"; "Corporate Developments in the Sugar Industries of East and Southern Africa".

Post-war sugar industry expansion began within South Africa before taking in neighbouring and more distant British colonies. The relocation of a south coast mill to the eastern Transvaal in 1952 followed the opening up of new, irrigated sugar lands within the country, north of the historical Natal sugar belt. Cross border investment was encouraged by the favourable export quotas offered to Britain's former colonies by the 1951 Commonwealth Sugar Agreement, and the buoyant world sugar price of the late 1950s provided further impetus. Amongst other transactions Southern Rhodesia's Triangle mill and estates were bought by Huletts (a South African sugar company), Hippo Valley Estates was bought by South Africa's Anglo American (South Africa's largest mining and industrial corporation), and Chirundu Sugar Estates and a major share of the country's refining and distribution operations went to British sugar corporation Tate & Lyle. And when Huletts failed in a bid to establish a foothold in Tanganyika (Tanzania) the company turned to Swaziland.[8] In 1958, the same year that Swaziland's first mill started crushing at Ubombo, Mhlume (Swaziland) Sugar Company was set up as a joint venture of Huletts and the Commonwealth Development Corporation (CDC).[9]

Following South Africa's withdrawal from the British Commonwealth in 1961, and against the background of the 1960-61world sugar price slump, the country's larger sugar companies embarked on a programme of capital diversification.[10] As domestic non-sugar subsidiaries were being spawned, and with the world sugar economy anticipating a price recovery, the parent companies became embroiled in a struggle for domination of the South African sugar industry.[11] It was a titanic conflict that ended in a reconfiguration of ownership and opened the industry to fresh corporate intrusion. Two decades of internecine deals and take-overs left the industry dominated in the early 1980s by Anglo American (as owners of Tongaat-Hulett) and Barlows (owning C.G. Smith), with Transvaal Sugar occupying a minor but significant position.

While the 1950s had seen a Southern African sugar economy begin to form in earnest beyond South Africa's borders, the mid-1990s saw the next significant stage in the consolidation of a regional sugar economy. The turning point was South Africa's first democratic elections in 1994; it heralded political stability in the region, a new receptiveness to South African investors elsewhere in Africa, and the acceptance of South Africa as a SADC member. That new receptiveness was not entirely a regional geopolitical matter. It also spoke of a newfound disposition to industrial privatisation in countries dependent on international development funds.

The first of the three central features of the post-1994 consolidation of a Southern African sugar economy was what might be termed Illovo's (formerly C.G.

[8] Huletts AGM Reports, in *South African Sugar Journal*, 39:10 (1955), 40:10 (1956), 41:10 (1957), and 42:10 (1958).

[9] On labour and management tensions in Swaziland during the 1960s and '70s see M. FRANSMAN, "Labour, capital and the state in Swaziland, 1962-1977"; Lonrho Sugar Corporation, *Annual Report* (1980).

[10] See for example *South African Sugar Year Book* (1963-64), p.65-67.

[11] Perhaps the most detailed if little-known of sources on this struggle is R.F. OSBORN, *C.G.: A Great Natalian*..., p.108-112.

Smith) African project; second–and partly related to the first–was the investment drive to rehabilitate ailing sugar industries; and third was the strategic initiative to sign a SADC sugar protocol. These three features are discussed in turn.

Illovo Sugar emerged as an autonomous sugar corporation when Barlow's was "unbundled" during the late 1990s. In 1997 Illovo acquired ownership of Lonrho Sugar Corporation, thereby complementing its extensive South African sugar interests with new sugar subsidiaries in Mauritius, Malawi, South Africa and Swaziland. The three Mauritian mills were sold in 2001 to a Mauritian consortium mainly of private investors but including the island's National Pension Fund and the Sugar Investment Trust (SIT), a parastatal welfare organisation for sugar workers with a statutory share of all Mauritian sugar companies.[12] Overseen by the Mauritian Government, the so-called "Illovo deal" coincided with the release of the Sugar Industry Strategic Plan for the next five years and was used as an opportunity to hasten rationalisation and to shore up the island's sugar industry against global threats. In the wake of the Mauritian disposal Illovo acquired Tate & Lyle's Zambian holdings, giving it control of Zambia Sugar.[13] In Malawi Illovo was now the majority shareholder of Sucoma, and in Swaziland Illovo now held Ubombo in a 60:40 partnership with the Swaziland state.

The second feature was the rehabilitation drive that involved private capital serving state schemes to privatise and revive formerly productive sugar enterprises in Mozambique and Tanzania; Mozambique's having been crippled by sabotage and decades of war at the time of and since independence in 1974, and Tanzania's having been run down in state hands. Amongst other ventures, a Mauritian consortium bought the Companhia de Sena in partnership with the Government of Mozambique to revive and modernise the Marromeu mill. In Tanzania a Mauritian company secured a majority share of the Tanganyika Planting Co. Ltd. and Mauritian personnel were prominent in restoring the productivity of several Tanzanian mills. South African sugar capital also flowed into Mozambique and Tanzania, and by the early 2000s Illovo held three-quarters of Maragra (most of the balance belonging to the Government of Mozambique), and over half of Kilombero in Tanzania. Meanwhile Tongaat-Hulett held 49% of Xinavane and three-quarters of Acucareira de Mocambique (Mafambisse)–partnered in both instances by the Government of Mozambique.

The third feature of the post-1994 regional consolidation, namely the signing of the SADC sugar protocol, was an important but not a crucial requirement. At the time of the formation of the Southern African Development Coordination Conference (SADCC) in the late 1970s,[14] most of the Southern African countries were openly hostile to South Africa's apartheid regime and South Africa itself naturally

[12] See *The Sugar Worker*, 3:10 (October 2001).

[13] On Zambia Sugar's history see S. CRONJÉ *et al., Lonrho: Portrait of a Multinational*; and L. TURNER, *Multinational Companies and the Third World.*

[14] A good account of the SADCC's origins is provided by A. TOSTENSEN, *Dependence and Collective Self-reliance in Southern Africa...*

was excluded. Malawi, driven by pragmatism or political compromise, remained uncritical of South Africa while the other erstwhile "frontline" states were compelled by economic dependence as well as military force to preserve South African capital investments while espousing SADCC's anti-apartheid developmental goals. Refocused in 1992 as the SADC, the organisation was joined by newly democratic South Africa in 1994. SADC's post-1994 agenda encompassed the signing of a general trade protocol, of which the sugar protocol was an appendix. Since 2002 the sugar protocol has served as a documentary modus vivendi for sugar trade within the region.[15] Given its central purpose of curtailing opportunistic intra-regional sugar trade, the SADC sugar protocol's significance arguably lay more in what it symbolised of SADC's political progress than in its material relevance for regional sugar production.

By the early 2000s the SADC region was producing some 5 million tonnes of sugar annually (see Table 1). Two South African sugar corporations dominated the regional sugar economy; namely Illovo Sugar and Tongaat-Hulett Sugar. Within South Africa itself, these two and Transvaal Sugar together owned all but one of the country's 14 mills and Durban refinery. Although South African companies owned none of the eleven mills in Mauritius, there were very few sugar mills and refineries in Malawi, Mozambique, Swaziland, Zambia and Zimbabwe that were not fully or partly owned by Illovo or Tongaat-Hulett. And in the background, without any known direct influence, the South African state's pension fund corporation, the Public Investment Commissioners, had amassed the single largest block of Illovo shares as well as a sizeable minority shareholding in both Tongaat-Hulett Sugar and in Transvaal Sugar's parent company.

TABLE 1. SADC SUGAR PRODUCTION (TONNES P.A.)

Country	2000	2001	2002
Angola	30,000	31,000	31,000
Congo (DRC)	72,037	70,723	69,450
Malawi	207,300	215,700	260,600
Mauritius	569,000	645,597	520,887
Mozambique	39,035	35,000	35,000
South Africa	2,729,000	2,504,000	2,626,000
Swaziland	528,241	500,680	583,014
Tanzania	116,900	134,600	163,300
Zambia	189,000	243,000	232,000
Zimbabwe	585,000	638,500	554,000

Source: UN Food & Agricultural Organisation, FAOSTAT data, http://www.fao.org.

[15] SADC Trade Protocol, Annex VII Concerning trade in sugar. The agreement has been effective since April 2002; April being the beginning of the industry's "marketing year".

Corporate domination and the related concentration of investment and operational control are tempered by national conditions, with state forms and developmental approaches varying across the region. In every SADC country outside South Africa where the South African sugar corporations are active, the state has a direct equity interest in sugar production. And throughout the SADC region, sugar industries are expected to play a socio-economic developmental role.

In South Africa, hopes have been placed in the capacity for small-farmer employment creation, notably in the relatively new irrigated areas of Mpumalanga province but generally in the former bantustans of apartheid where commercial agriculture remains undeveloped. At another level attempts have been made to establish black medium-sized growers on miller-cum-planter estates in some of the historic heartlands of the South African sugar industry. There is also a strong determination by the state that black equity acquisition should be intensified. In Swaziland the monarchical state and international development agencies have been encouraged by the prospects of expanding cane growing onto new lands farmed by new small farmers.[16] This expansion is predicated on the construction of additional dams and land being made available to small farmers either under the traditional land use system or by purchase from the millers-cum-planters. Both Malawi and Zambia have also seen prospects for small-farmer development alongside the prevalent estates. In Mozambique the principal developmental approach has been employment creation on estates, with small farmers working about 40% of land under sugar cane.[17]

Capital returns and developmental success hinge largely on export earnings, and here the variation across the region is pronounced. Most SADC sugar producers have significant access to protected markets where they dispose of much of their sugar at guaranteed and favourable prices. The exception is South Africa which has a small United States quota but otherwise no guaranteed preferential market access under another general multinational agreement. South Africa's major export outlets of late have been Japan, South Korea and China with a host of other countries taking up the remaining one-half to two-thirds of the million tonnes or more exported annually.[18]

In a simple ranking of SADC sugar producers by gross sugar export income, Mauritius leads, South Africa follows, and the remainder of the SADC countries are clustered at relatively low earnings levels. When sugar export income is calculated as a proportion of a country's total income from agricultural exports, Mauritian sugar exports account for some 87% of its total agricultural income, with

[16] UNCTAD, *Policies for Small-Scale...*

[17] OECD, *African Economic Outlook 2003-2004*, p.236.

[18] See USDA Foreign Agricultural Service. GAIN Report SF4012 (8.4.2004). South Africa has been one of the four largest exporters to South Korea—in 2003-04 it was second—Australia being the largest and the others being Guatemala and Thailand (GAIN Report KS4023, 13.5.2004). It has recently followed Australia and Thailand as source of Japan's raw sugar imports (GAIN Report JA4024, 18.3.2004), and is a smaller but not insignificant supplier to China which imports sugar mostly from Cuba, Thailand and Australia (GAIN Report CH4009, 10.4.2004).

Swaziland and Zambia's proportions next highest at about 36% and 30% respectively. Four SADC countries, Malawi, Mozambique, Tanzania and Zimbabwe respectively account for less than 10% of SADC sugar export revenue while their respective sugar export earnings also account for less than 10% of each one's total national agricultural export earnings.[19] Quite clearly levels of dependency upon sugar exports vary widely and sugar industries make significantly different contributions to national economies across the SADC region.

Another way of differentiating the SADC sugar producers is by reference to labour productivity and relative cost of production. While South Africa ranks with (but is costlier than) relatively low-cost producers Swaziland, Zambia and Zimbabwe, Mauritius is a high-cost producer. In the early 2000s low-cost South Africa's sugar industry produced 19.9 tonnes of raw sugar per employee, medium-cost Malawi produced 11.8 tonnes, and high-cost Mauritius 8.1 tonnes.[20] Likely decisive for corporate investors and national trade policy makers; these variations might give cause for separate lobbying in international trade arenas.

INTERESTS AND INTERSECTIONS ACROSS SACU AND SADC[21]

Together with imperatives for regional solidarity in the face of global pressures, there are local impulses for an international agreement on sugar trade in Southern Africa and SADC's sugar trade protocol is born of the need to mitigate the potentially destructive "beggar-thy-neighbour" practices of the bloc's respective members.[22] Although most sugar-producing countries in the region belong to the global category of low-cost producers (Mauritius being the exception), they nevertheless have different production costs, domestic demands and export possibilities. (See Table 2 for import and export data.) Some have relatively small domestic markets (the glaring exception being South Africa), yet they may import cheap sugar for domestic consumption (as Mauritius does) in order to avail themselves fully of opportunities to enter the protected, lucrative markets of the North. And some find in the South African Customs Union (SACU) market a favourable alternative to the open world market for any surplus stocks. This gives rise to an important distinction in the regional sugar market between members of the SACU and the non-SACU members of the SADC.

Something of the intricacy of the regional sugar market may be appreciated by considering South Africa's two major sugar producing neighbours, namely Swaziland and Zimbabwe.[23] Swaziland and Zimbabwe's exporting behaviour is broadly

[19] The data used here are for 2002, UN Food & Agricultural Organisation, FAOSTAT data, http://www.fao.org.
[20] M.A. AKSOY and J.C. BEGHIN, *Global Agricultural Trade and Developing Countries*, p.145.
[21] Aspects of this discussion about SACU and SADC were included in my contribution to the group report: S. GODFREY, D. LINCOLN, J. THERON and K. TUOMI, "Regulation and the sugar product chain in South Africa".
[22] The term "beggar-thy-neighbour" is very aptly used in this context by R.H. THOMAS, A SADC *Sugar Agreement...*, p.14.
[23] The USDA's Sugar Annuals for Swaziland and Zimbabwe offer condensed comparative data on production, disposal and policies: GAIN Reports #WZ3001 (7.8.2002 and 12.5.2003); #RH3001 (11.4.2002 and 9.5.2003).

as follows. Their preferential Northern markets typically account for slightly less than one-half of their respective exports. Most of their remaining exports go into the regional market, some of it in irregular trade that undermines neighbours' domestic sugar markets. Consequently neither has to contend (too much) with exposure to the world market. There the similarity ends as Swaziland belongs to the SACU and Zimbabwe does not. Incidentally, although Zimbabwe is outside the SACU it remains a principal supplier of two other SACU member states, namely Botswana and Namibia.

TABLE 2. SADC SUGAR PRODUCERS' TRADE IN SUGAR (TONNES P.A.)

Country		2000		2001		2002	
		Raw	*Refined*	*Raw*	*Refined*	*Raw*	*Refined*
Angola	Imports	0	90,900	0	155,400	5,596	273,981
	Exports	0	0	0	0	731	0
Congo	Imports	36,500	8,700	55,000	11,500	56,573	3,124
	Exports	0	0	0	0	0	0
Malawi	Imports	7,125	214	5,361	600	2,047	130
	Exports	37,500	9,900	51,700	5,700	73,389	9,222
Mauritius	Imports	38,513	1	15,403	4,705	27,900	2
	Exports	424,270	0	599,422	1	570,789	4
S. Africa	Imports	1,698	6,060	275	241	5,012	12,392
	Exports	738,569	676,244	1,235,193	278,792	802,190	333,715
Swaziland	Imports	1,296	629	544	47	213	56
	Exports	834,469	22,470	258,878	14,501	276,024	17,334
Tanzania	Imports	4,904	127,002	31,770	74,843	21,935	58,659
	Exports	1,070	13,280	12,806	30,758	0	22,698
Zambia	Imports	770	2,020	2,796	3,962	408	800
	Exports	185,341	85,373	156,852	20,117	80,750	63,779
Zimbabwe	Imports	116	14	60	1	10	27
	Exports	185,341	85,373	156,852	20,117	80,750	63,779

Source: UN Food & Agricultural Organisation, FAOSTAT data, http://www.fao.org.

Swaziland has a particularly strong influence on the SACU and especially the South African sugar markets and South African domestic sugar prices remain vulnerable to inflows of Swaziland sugar. In 2002-03 just over one-half of Swaziland's exports of about 280,000 tonnes went to SACU destinations, including an undisclosed amount that went into South Africa. This latter quantity was delivered under a compromise reached by the two countries' sugar industries after high-level

political exchanges over earlier large-scale sales of Swaziland sugar in South Africa. The complication, and what doubtlessly underlies the secrecy of the compromise, is that South African corporations are Swaziland's key sugar producers.

The appeal of the SACU market is strong for regional outsiders as well as for its members.[24] Deliberate intervention is necessary to discourage or prevent opportunistic sugar trading within the region, on the one hand, and to sustain optimal individual and collective returns on sugar exports on the other hand. The SADC sugar protocol represents such a mediating instrument, the intention being gradually to phase out its constraints on regional sugar trade. SADC looks forward to the full liberalisation of regional sugar trade after 2012, this date being subject to a review of global conditions after five years. Until complete liberalisation is reached, the region's producers will have access to the SACU market under the following conditions: every net surplus producer in SADC is accorded non-reciprocal, duty-free access to the SACU market for a specified annual quantity related to this market's actual growth.[25] Every non-SACU state may furthermore deliver to SACU, duty free, an annual proportion of 20,000 tonnes according to its relative net surplus production after meeting domestic and preferential market requirements.[26]

SOUTH AND NORTH

The SADC sugar protocol was signed against the backdrop of WTO liberalisation and–of more immediate relevance–the European Union's (EU) sugar regime. The EU is undoubtedly the single most influential external agent where Southern African sugar policy is concerned. The EU's domestic agricultural supports (under its Common Agricultural Policy) sustain an expensive beet-sugar industry whose output is then a key determinant of quotas and prices for sugar imported into the EU. A great deal of what enters the EU as raw sugar imports, re-enters world markets after refining in Europe, making the EU the world's single largest exporter. The eastward expansion of the EU in 2004 has meant taking in more beet-sugar producers and more consumers. The impact of this growth on the region's sugar position is yet to be ascertained.

The EU's sugar regime encompasses a long-standing obligation to buy cane sugar from Europe's former colonies, as well as a recently introduced scheme to privilege sugar exported from the Least Developed Countries (LDCs). The first of these arrangements is formalised in the Cotonou Agreement (formerly the Lomé Convention). In terms of this non-reciprocal agreement the EU accepts quotas of cane sugar at guaranteed, favourable prices from the African, Caribbean and Pacific

[24] See M. Matsebula, "Key issues facing sugar industries in the Southern African Development Community".
[25] "Net surplus production" refers to the sugar remaining after domestic requirements have been met and preferential quotas fulfilled.
[26] SACU's sugar market growth was regarded as 45,000 tonnes in the first year of the agreement, 91,000 tonnes in the second year, 138,000 tonnes in the third, with subsequent growth to be determined according to a review of actual growth. Additional proportionate duty-free access to SACU for a non-SACU producer = ([individual non-SACU state's net surplus production ÷ total non-SACU net surplus production] x 20,000).

(ACP) countries that were signatories to the original Lomé Convention to which the Sugar Protocol was attached. The Lomé/Cotonou Sugar Protocol quota meets part of the needs of the EU's seven cane-sugar refineries. The balance of the annual supply to these refineries comprises a small Indian quota, a quota for Finland, all exports from the French Overseas Territories; the remainder is obtained from the ACP countries and India as Special Preferential Sugar (SPS). This SPS is a variable, residual supply category that fetches favourable though less than Sugar Protocol prices.[27]

The second of these two arrangements is the Everything but Arms (EBA) programme. From 2000, the world's 49 LDCs had unrestricted, duty-free access to the EU for any exports other than arms and rice, bananas and sugar. Restrictions on these three agricultural commodities are to be phased out over different periods, with LDC sugar imports able to enter the EU duty free under a steadily improving tariff quota until full liberalisation in mid-2009 (see Table 3).

The potential short-term impact of the EBA deal on the world sugar economy may be to increase pressure on the ACP countries to cut sugar production costs or diversify out of sugar, while any increase in the sales of EU sugar on the world market would tend to reduce the world market price. In the longer run, prices could stabilise if all restraints on LDC sugar imports eventually were lifted in line with the EBA proposal and according to evolving WTO rules favouring LDCs in a liberalised world sugar market. Critical factors will be whether the EU's high-cost beet industry scales down sugar production, and how many non-LDC countries in the ACP group survive the erosion or loss of their current EU quotas.

Both the Cotonou Agreement's sugar protocol and the EBA programme have knock-on effects on demand and prices outside the European market. One and/or the other apply to the SADC countries other than South Africa. Although South Africa is not a direct beneficiary of either, they may indirectly affect its domestic market while its sugar corporations operate in countries that are directly affected by these arrangements. Zambia's zero ACP quota may be increased in any year by reallocations from other ACP countries unable to fulfil their quotas. South Africa is an ACP country but is not subject to the Cotonou Agreement's sugar protocol. Mozambique is also excluded on account of Portugal having joined the EU after the establishment of the sugar protocol. It is also significant (for "cumulation" purposes) that sugar, sugar confectionery and chocolate are among the products that cannot be considered as originating in an ACP state if they come from South Africa.[28]

[27] EUROPEAN RESEARCH OFFICE, *Implications of the reform of the EU sugar regime...*, p.4-5. The minimum price is about 85% of the ACP guaranteed price, calculated by deducting eu8.1 per 100kg from the ACP raw sugar price. See http://www.acpsugar.org/protocols.htm.

[28] ACP-EU Partnership Agreement signed in Cotonou on 23rd June 2000. Annex XIII to Protocol 1, p.138-46.

TABLE 3. PREFERENTIAL MARKET ACCESS FOR SADC (OTHER THAN SOUTH AFRICAN) SUGAR

Country	EU: EBA deliveries in first year, 2001-02 (tonnes w.s.e.)	EU: ACP Sugar Protocol Quota (tonnes w.s.e.)	EU: SPS Basic Allocation, 2001-02 (tonnes tel quel)	USA: Tariff Rate Quota, 2004-05 (tonnes raw value)	Normal Annual Production (tonnes tel quel)
Congo (DRC)	0.0	10,186.1	2,519.2	7,258	43,000
Malawi	10,402.2	20,824.4	10,000.0	10,530	200,000
Mauritius	–	491,030.5	41,980.1	12,636	650,000
Mozambique	8,331.4	–	–	13,690	–
Swaziland	–	117,844.5	30,000.0	16,849	474,000
Tanzania	9,965.4	10,186.1	2,485.9	–	120,000
Zambia	8,758.0	0.0	12,731.5	–	200,000
Zimbabwe	–	30,224.8	25,000.0	12,636	600,000

Sources: LDC London Group. The LDC Commercial Group on EBA Sugar in London (http://www.sugar-traders.co.uk/ldc_london_group.htm). ACP Sugar. ACP/EU sugar quotas and production (http://www.acpsugar.org/acpstats1.htm). USDA. 2004. Foreign Agricultural Service. US Raw sugar tariff rate quota, 2004-05 initial allocation.

Clearly the erosion or loss of preferential Northern export markets, notably the EU, could be devastating for SADC countries like Mauritius and Swaziland. The impact of the anticipated change will however be uneven and not without benefit for some SADC interests. The future significance of the EU sugar regime for internal SADC markets is twofold: trade within SADC may intensify as its non-LDC members respond both to new opportunities opened by the EBA and to receding ACP and SPS opportunities; on the other hand, as EBA possibilities improve, SADC's LDCs may trade less sugar within the region.[29]

LATENT TENSION IN THE SADC SUGAR PROTOCOL

Britain's Chancellor of the Exchequer Gordon Brown briefly visited Mozambique during January 2005. Besides announcing the cancellation of Mozambique's debt to the United Kingdom, Brown was taken by Mozambique's Prime Minister Luisa Diogo on a tour of Illovo's Maragra estates. The purpose of the sugar estate tour was no doubt to make a favourable impression of economic progress. In the same week neighbouring Swaziland's Minister for Planning and Economic Development Absolom Dlamini declared that "sugar is no longer sweet" in reference to his country's dependence on sugar exports and to the need to diversify particularly into cotton and its textile products. Coincidentally the paradox of sugar production was being highlighted in two SADC countries found to be especially low-cost producers and with global comparative advantage (subsidies and other financial interventions aside).

[29] Some of the other implications for SADC countries are covered by: OXFAM, *The great EU Sugar Scam*...

Sugar production historically has exerted an immeasurable influence upon regional economies and societies. The SADC sugar protocol implicitly at least represents an endeavour to optimise the positive socio-economic dimensions of sugar production across the region. The challenge will be to address several underlying contradictions.

The region is beset by vast socio-economic disparities,[30] and geographic proximity alone provides a fragile foundation for market unity. The regional sugar industry is a significant but not a uniformly major sector, subsidiary to other sectors in the countries with the larger and more diversified economies. South Africa's relative power aside–and that will always be a crucial feature of SADC unity–the country occupies a distinct position in global and regional contexts. Mauritius too has a distinctive identity in the world sugar economy both for historical reasons and as the single largest ACP sugar exporter. But if the two chief individual countries are South Africa and Mauritius, their respective sugar industries' domestic interests are nevertheless quite different and their international interests outside SADC are divergent.

State involvement is ubiquitous in the region's sugar industries and in some instances it runs quite deep. There is undoubtedly an inherent conflict of national and corporate interests when the state is simultaneously involved in the commercial as well as international policy aspects of the regional sugar economy. Even where the state adopts a hands-off stance on management, there is little likelihood that the commercial interests of individual corporations are completely and always consistent with national interests in a regional bloc. Conversely, the relationships of an individual corporation might be strained if it partners state agencies in different countries belonging to the same bloc.

Developmental aspirations give rise to particular stress. In situations where the popular majority await redress on matters of land tenure, social exclusion and poverty, corporate owners are under pressure to align the pursuit of financial returns with national developmental priorities. This is not a hypothetical observation and international NGO Oxfam has recently paid close attention to sugar production in Southern Africa and challenged sugar companies to improve working conditions and wages for their employees in developing countries.[31]

It follows also that the structural contradictions that underlie the SADC sugar protocol extend to the sphere of labour relations. The question arises: how does the SADC optimally exploit the region's comparative advantage in the production of sugar at very low cost without treating labour as a low cost factor of production? The possibility of harmonising employment practices across the SADC sugar in-

[30] The sugar producers' respective GDP per capita in US$ is, in rank order: Mauritius ($4,274), South Africa ($3,489), Swaziland ($1,669), Zimbabwe ($639 - 2002), Zambia ($417), Tanzania ($287), Mozambique ($230) and Malawi ($156). Ranking according to UNDP's Human Development Index is: Mauritius (65th highest), South Africa (120th), Zimbabwe (145th), Swaziland (147th), Tanzania (164th), Malawi (165th), Zambia (166th) and Mozambique (168th). All these data but the Zimbabwe GDP figure are for 2003, the latest available in late 2005.

[31] OXFAM, *The great EU Sugar Scam*...

dustries is remote. Economic stature, democratic polity and the development of labour relations institutions seem to be somewhat connected in the cases of South Africa and Mauritius, but they are markedly unlike SADC's other members, whether labour repressive or not.

Considering all these latent tensions, the regional SADC sugar economy is not firmly integrated. The outcome of EU sugar regime reform and WTO policy discussions is likely to accentuate differences, aggravate tensions, and thus jeopardise the SADC sugar protocol's continued relevance and efficacy.

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Significant flows of capital, technology and personnel in the formation of a regional SADC sugar economy