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Lomé and the Trinidadian Sugar Industry 1975-2005

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Introduction

In 1975, Trinidad and Tobago, and a number of cane sugar producing African Caribbean and Pacific (A.C.P.) nations, signed the first Lomé Agreement with the European Economic Community (E.E.C.). Resulting from this was the creation of the Lomé Sugar Protocols (Foreign and Colonial Office (FCO 30/2664) 1975) which, henceforth, governed the sugar trade between the Western European economic bloc and the A.C.P nations. The new Lomé accord replaced the Commonwealth Sugar Agreement (C.S.A.) which was established with Britain in 1951 (Commonwealth Sugar Agreement 1951), and which had proved to be economically very favourable to sugar exporting islands like Trinidad.

The creation of Lomé, however, set up a trading association that extended into the twenty-first century and was in many respects quite different from the one it replaced. This paper challenges the quite positive perceptions of the Lomé Sugar Protocols signed by nations like Trinidad and Tobago and the European Economic Community in 1975. The general idea expressed on both sides of the Atlantic Ocean was that this arrangement directly continued the favourable trading relationship established by the Commonwealth Sugar Agreement of 1951. In the words of the then President of the European Parliament, "on 28 February in Lomé the European Economic Community signed a cooperation agreement with [forty six] African, Caribbean and Pacific States which constitutes a turning point in the history of international development cooperation." (FCO 30/2664) 1975) However, the protocols of the Lomé accord worked overwhelmingly to the advantage of the British cane sugar refining company, Tate and Lyle, at the expense of Commonwealth sugar exporters.

Tate and Lyle and the Genesis of Lomé

A new sugar agreement was required between the A.C.P. and E.E.C. in 1975 because Britain became a member state of the Community in that year (Girwar 1972). This meant that it could no longer individually negotiate the kind of deals it previously had with its existingand former colonies. Instead, that would be the responsibility of the E.E.C. as a body (Girwar 1972). This change was potentially disastrous for the A.C.P. nations because prominent members of the Community like the West Germans and the French did not wish to have substantial volumes of cane sugar coming into the Western European beet market (FCO 30/2841) 1975). However, it was also a problem for Tate and Lyle which needed large volumes of A.C.P. cane sugar to maintain its refineries. This encouraged the company to become very involved in the negotiations that created Lomé.

Tate and Lyle waded into the consultations with the intent of making sure that the entry of A.C.P. sugar into the E.E.C. market was one of the major negotiating points of Britain's admission to the bloc. In so doing, the company sought to coerce the British Government whenever it was considered to be doing a poor job of advocating on its behalf

(CAB 128/53) Papers 1973). It also presented deliberate misinformation to the Community's representatives, such as the suggestion that the A.C.P. nations only wished to sell to Western Europe "export raws", a relatively cheap variety of under-refined sugar and not fully refined sugar (Meyers to Hayes 1975), 1975). This deception had much to do with the fact that the company did not want the E.E.C. to purchase higher quality sugar from the A.C.P. nations which would have helped to ruin its lucrative refining business. Tate and Lyle eventually got its wish because the Community was coaxed into accepting some 1.3 million tons of raw cane sugar annually from the A.C.P. states under an agreement called the Lancaster House Assurances (Hart to Braithwaite, 1974 FCO 30/2292)).

Lomé versus the Commonwealth Sugar Agreement

The Lancaster House Assurances, however, were not the British Company's only success where the peculiarities of the Lomé Sugar protocols were concerned. Instead, there were great differences between the new and the old agreements. The new Lomé accord was more beneficial to the British cane sugar refining industry and less advantageous to the A.C.P. exporting countries. Some of the inequities were structural in nature. For example the E.E.C., unlike the British government under the C.S.A., decided to take a hands-off approach to the sugar trade with respect to the A.C.P. nations. In fact, during the talks that preceded the agreement, Monsieur Lordinois (a French commissioner appointed by the bloc) painstakingly stated that:

> On our side, our importers are not the Community nor the Member States. They are the private traders or the private refineries. In other words we envisage that there should be no upper limit imposed on the prices that your traders or countries are able to secure in practice. But there will always be a guaranteed price, for every ton of sugar, below which the price you can obtain from the Community will never be allowed to fall. In other words the effective market price is different from the guaranteed price (FCO 2306).

This structure meant that all negotiations would be conducted with the purchasing company. This buying company in the long run would only be Tate and Lyle, because during 1976 the company purchased Manbré and Garton, the only other major cane sugar refining company in Britain and thus set itself up as that country's only cane sugar refining company (Tate and Lyle P.L.C. 1991) 1991). The fact that the A.C.P. sugar exporting countries would still have to sell their sugar to Tate and Lyle, a British refining company meant that contrary to the European President, history had not been rewritten. Instead, the Lomé Agreement meant the A.C.P. nations were still trapped into supplying low cost, raw cane sugar to Britain for downstream industries. This meant that they remained locked into what economic theorists Kari Levitt and Lloyd Best (1996) described as the exploitative "parent-affiliate relationships" between former colony and colonial master.

Furthermore, the details of the Lomé Sugar Protocols stripped A.C.P. sugar of almost all of the advantages it once held under the old Commonwealth agreement, whilst ensuring they received none of the benefits normally provided to sugar sold in the E.E.C. For example, after 1975 A.C.P. sugar was traded in a mode which in the sugar world was referred to as Cost Insurance and Freight (C.I.F.) and no longer in the traditional manner which was called Free On Board (F.O.B.) (FCO 30/2841)30/2841). When sugar was sold C.I.F. it meant that sugar producers paid the full costs of shipping and insurance, unlike the old F.O.B. arrangement under which the refiners accepted these responsibilities (FCO 30/2841)). This was a significant alteration that the A.C.P. nations did not take lightly. For example, within the agreement that would be signed to determine sugar prices for the period 1978-79, the following was noted:

> The A.C.P. States point out that, as long as the above prices refer to sugar offered on a C.I.F. European port basis, they will have to carry the full burden of freight charges. As a result, their ex-factory prices have been substantially lower than the ex-factory prices of European beet producers. The A.C.P. states therefore request that the Community consider appropriate ways and means of providing some compensation for these charges. The Community takes note of this request. (Agreement 1978) 1978).

A.C.P. complaints of what, from its perspective, seemed the unjustness of this shift became a reliable aspect of every succeeding pricing arrangement between the trading partners. This was the case despite the reality that the Community's official response to the group's complaints up to the twenty-first century never really extended beyond the perfunctory "takes note" stage.

There were also major alterations in the pricing scheme under which A.C.P. sugar was purchased. Henceforth, it was bought at the lowest value available on the E.E.C. market at a level called the Intervention Price (CAB 130/791) 130/791). This was unlike the previous agreement under which it was sold on the British preferential markets, and usually received the highest prices available on the London Sugar Terminal (Report of the Board of Inquiry 1960: 4) 1960: 4). This situation was made even less advantageous when one notes that, as a foreign commodity entering the market, A.C.P. sugar would not receive any of the perks normally provided to Western European companies producing beet sugar, such as export cost refunds and the reimbursement of sugar storage costs (FCO 30/2848) 30/2848).

Given these unfavourable changes in the sugar regime, it was not surprising that the A.C.P.'s lead negotiator, Jamaica's P. J. Patterson, on his return to the Caribbean in 1975, chose to focus more on the necessity of the agreement and not its peculiarities by noting that:

> For our part: sugar being so vital to our economies, because of the contribution it makes to employment and foreign exchange and notwithstanding the fact that because of the colonial relationship our economies are presently geared to the production of raw sugar for U.K. refineries, we had to seek an urgent resolution of the problem, which in view of all the circumstances, I have outlined, required a great display of ingenuity and political will to achieve the desired result (FCO 30/2848).

Caroni and the New Western European Dispensation

In effect, Lomé created a major shift in the structure of the European trade conducted by A.C.P. member Caribbean nations like Trinidad and Tobago. The country's newly nationalised sugar company, Caroni (1975) Limited, the final 49% of which was purchased from Tate and Lyle in 1975 (Budget Speech 1976: 45), would henceforth have to pay the costs of insurance and shipping for the sugar it sold to Britain. Additionally, the prices on the European market would not necessarily bring the record profits realised in previous decades (Report of the Board of Inquiry 1960: 5). Thus, it was not surprising that, when asked to indicate the size of its sugar quota under the new structure, the government of Trinidad and Tobago, unlike other A.C.P. nations, opted to reduce it from the old Commonwealth value of 158,000 tons annually by 53% to some 70,000 tons (FCO 62/6).

At its most basic level this new agreement meant that after 1975 Caroni would still have a guaranteed European outlet for sugar exports. It would not face a crisis of markets. However this was a company that, during the early to mid-1970s, was facing a host of internal problems, which included falling productivity, decreased sugar production, pest invasions, continuous worker dissatisfaction and unrest, and steadily rising production costs (Director's Reports and Accounts 1966-1974). These difficulties meant that the company was not really organisationally or economically equipped to deal with the kinds of changes made in its historically most significant export relationship.

The end result was that Caroni (1975) Limited, from 1975, was ensnared in a very unprofitable export trade with the Community that negatively affected the economic performance of the local sugar industry, a situation which was only relieved by its closure at the beginning of the twenty-first century. One of the most significant explanations for this was that the company's production costs were simply too high. For example, in 1976, just one year after the beginning of the new regime, it received an E.E.C. price of TT$766.92 for each of the 74,326 tons of sugar sold to the Community (Central Bank Report 1976: 19), however, production costs during that year rose to some TT$870 per ton (Auditor General 1976: 3.03). This means that Caroni's production costs were already too high to fully benefit economically from the long term guarantees provided by Lomé, just one year after its initiation.

Consequently, Caroni entered into an economic slump. It was so severe that Professor John Spence, in his 1978 state-sponsored study of Trinidad's sugar sub-sector, described the company as displaying "a total absence of dynamism and growth potential" (Committee to Consider Rationalization 1978: 18). He also saw it as an institution that "appears to have operated without clear directives, as to its role and responsibilities, and has accordingly operated in a vacuum" (Committee to Consider Rationalization 1978: 18). These words were not mere exaggerations. After 1975, Caroni seemed to have lost its way completely, both financially and organisationally, and a significant catalyst of its decline was its unprofitable trade with the Community under Lomé. For example, the largest loss suffered by the company before 1975 amounted to TT$4,592,832 in 1970 (Spotlight on Caroni 1972: 13). However by the late 1970s, this figure was being dwarfed exponentially by losses of a magnitude hitherto unseen in Trinidad (Financial Statement 1982: 1).

Not even the company's diversification thrust, which began in 1982, and which sought to convert Caroni from a producer of sugar for export into a multifaceted manufacturer of diverse agricultural goods (Committee to Consider Rationalization 1978), proved able to stem the tide of itseconomic decline. Ever worsening financial performances were a staple of the 1980s (Issues Facing the Trinidad Sugar Industry 1982: 2), 1990s (Financial Statement 1992: 3.05.04), and early 2000s (Financial Statement 2000: 20). In 2000 the company's annual loss was as high as TT$351,997,000, (Financial Statement 2000: 4) despite a sizeable state subsidy of TT$ TT$328,380,000 (Financial Statement 2000: 4) meant to rationalise that performance. This set the stage for Caroni's eventual closure by the state in 2003 (Financial Statement 2003: 20).

Perhaps, the greatest irony was that, in the midst of this decline between 1975 and 2003, the British refining company Tate and Lyle was still assured of thousands of tons of cane sugar from Trinidad as part of its annual A.C.P. subvention. The British firm also had stakes in the shipping of sugar from the Caribbean to Europe and the provision of insurance for those voyages (Beckford 1972: 128-129). This meant that while Lomé clearly aided in the economic decline of sugar in Trinidad, the British sugar transnational was well placed to take advantage of favourable circumstances post-1975.

Conclusion

In the end the Lomé Sugar Protocols only resembled the old Commonwealth Sugar Agreement in one significant aspect. They provided a guaranteed sugar market for A.C.P. nations like Trinidad and Tobago. Aside from that, Lomé overturned almost all the beneficial aspects of the arrangement it replaced, skewing the remaining advantages overwhelmingly towards the refiners and away from the sugar exporters. While it would be incorrect to say that Lomé was entirely responsible for the decline of the Trinidad sugar industry after 1975, the significance of its role in that fall must not be underestimated. The sugar industry in Trinidad was economically ravaged during the period 1970-2005 and it is quite clear that the export of sugar to Britain under the auspices of the Lomé Sugar Agreement played a significant part in that situation.

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