

**Completely Missing the Point****By Meghan Sapp**

Trade preferences are contentious. When a developed country wants to give trade preferences to developing countries, those who are excluded scream to high heaven. It's not fair, it's unbalanced trade, it distorts the markets, there's a whole host of "whys". And when these 'non-preferential' countries get mad, the WTO backs them up, from sugar to bananas.

But sometimes there's enough justification because a country is so poor that only preferences will help it get out of the gutter. This is the concept behind the Everything But Arms agreement that gives Least Developed Countries duty-free and quota-free access into the European market. Finally that agreement now even includes sugar. Companies like Illovo and Tongaat Hulett are investing millions into LDCs in Africa to boost production and capture more of the European market while at the same time economic benefits will work their way down into the communities. It's not overnight development, but it's a start.

Not all LDCs are in Africa, however, and not all companies are going about their investments in ways that will help improve the economic stability of the host country.

In Laos, just like in Malawi, Thai companies rather than South African are investing millions to boost sugar production. About 95% of the sugar will be exported to Europe under the EBA while only 5% will stay in the country for local consumption. What stays isn't refined but is sold raw because no one has seen a value in investing in local refining capacity.

Instead they choose to import sugar from Thailand.

Since the two Thai companies investing big in Laos are among the biggest in Thailand, no doubt the sugar imported into Laos is their own production as well. That way the companies can benefit on both sides—once from the poor Laotians and once from the rich Europeans—without needing to invest in additional infrastructure for the local market.

But it's the local population that is suffering instead of benefiting. They're paying extremely high prices, around 45% higher than if the same sugar was bought in Thai supermarkets. The reason the companies give for not investing in local refining is that the people in Laos are too poor to justify the expense.

Laos is a perfect place for growing sugarcane. It's cheap, quick and, when under proper management, one of the most efficient places in the world to grow it. That's why there's value for exporting the sugar to Europe. Despite the shipping costs, it still makes a profit. The logic would then show that if local refining capacity was installed, the refined sugar would be cheaper than the sugar imported from Thailand. Sure, the market wouldn't be huge for the refining operations but it would be a whole lot better for the host country.

Perhaps the worry then is competition. Thailand dominates trade in white sugar exports in the region, and sometimes a bit beyond. But with all the production capacity being installed in Laos, if white sugar was cheap to make there too then eventually it could start competing for some of Thailand's whites market share. That wouldn't look good for the Thai market, Thai consumers or Thai shareholders if these Thai companies were so successful in Laos that they priced their own home country out of that market.

It's a silly idea to think that installing some refining capacity for the local market and perhaps a little bit for additional exports was a kind of slippery slope that would lead to the downfall of market dominance for Thai white sugar.

Another silly idea is completely shutting out the local market because they're deemed 'too poor' yet happily use the trade preferences given to the country specifically intended on making sure the country was making its way out of being 'too poor.' Oil and diamonds have been exploited in Africa for decades without the economic benefits trickling down to the local community. Sugar shouldn't be the next commodity to join such an unholy duo.