



कृषि और प्रसंस्कृत खाद्य उत्पाद
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PHILIPPINES INTRODUCES RICE TARIFFICATION LAW (RTL) 2019

The Philippines has recently passed the Rice Tariffication Law (Republic Act 11203 of 14 February 2019) that lifts quantitative restrictions on import of rice into Philippines. This will provide an opportunity to enhance exports of Indian rice to the Philippines. The details of the Rice Tariffication Law are attached.

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Philippines Introduces Rice Tariffication Law (RTL) 2019

1. Philippine President Rodrigo Duterte has signed the Rice Tariffication Bill (Republic Act 11203) on 14 February 2019 that lifts quantitative restrictions (QRs) on import of rice into the Philippines and will liberalize rice importation of the country. Earlier, under the QRs policy of the Philippines rice could be purchased under the Import Quota (IQ) and Minimum Access Volume (MAV) programmes only. With the enactment of the Tariffication law, IQ and MAV will be abolished and rice importation could be open to private traders. The measure seeks primarily to address inflation through ample supply of cheaper rice for consumers and to ensure food security.
2. The following are the salient features of the Republic Act No. 11203 (copy enclosed) on tariffication:
 - i. As per Section 5 of RTL, importers are required to secure Sanitary and Phytosanitary Import Clearance (SPSIC) from Bureau of Plant Industry (BPI) Philippines prior to importation. Failure of BPI to act on importer's SPIC application would mean automatic approval within seven (7) days after submission of complete requirements.
 - ii. As per Section 6 of RTL, QRs will be replaced by tariff equivalents based on maximum bound rates committed by the Philippines to the World Trade Organization (WTO) namely 35% tariff for rice importation from ASEAN countries; 50% tariff for rice importation from non-ASEAN origins; and in-quota tariff for MAV commitment of the Philippines under WTO Agreement on Agriculture. The mechanism for the implementation of MAV under AoA will be developed with the least government participation but will be led mostly by private sector. For imports originating from non-ASEAN WTO members states, the out-quota tariff rate is one hundred eighty percent (180 %) or the tariff equivalent calculated in accordance with Paragraph 10 of Annex 5, Section b, of the WTO Agreement on Agriculture (copy enclosed) upon the expiration of waiver relating to the special treatment of rice of the Philippines, whichever is higher, shall apply. The calculated tariff equivalent shall be determined by the Tariff Commission and approved by the National Economic Development Authority (NEDA) Board within fort-five(45) days upon the effectivity of this Act."
 - iii. In accordance with Section 7 of the RTL , the President is empowered to act with full delegated authority, who may increase, reduce, revise or adjust existing rates of import duty upto the bound rate committed by the Philippines under the WTO Agreement on Agriculture and under ASEAN Trade in Goods and Services (ATIGA), subject to the provisions of the Customs Modernization and Tariff Act (CMTA).
 - iv. The law also provides for creation of the Rice Competitiveness Enhancement Fund (RCEF) with an annual allocation of Php10 billion for next 6 years as safety net for Filipino farmers who would be adversely affected by its implementation. The RCEF will comprise of programs such as development of rice machinery and equipment, rice seed propagation and promotion, rice credit assistance, and rice extension services such as skills training, financial assistance, land

titling, crop insurance and crop diversification programs. At least 50% of the Rice Fund will be used for rice farm machineries and equipment; 30 % for rice seed development, propagation and promotion; 10 % for expanded rice credit assistance; and, 10 % for rice extension services (Sec-13).

v. Reduction of the statutory mandate of the National Food Authority (NFA) from an overseer of QRs to a mere manager of rice buffer stock to be sourced from local farmers. Thus, NFA has been stripped of its power to issue license of rice importers as well as of its function of regulating the entry of imported rice through competitive bidding (Sec- 14)

vi. Formulation of the Rice Industry Roadmap which aims to restructure the government's delivery of support services with the underlying principles of sustainable investments on support infrastructure and post harvest facility, farmers productivity and efficiency, R&D programs for resiliency enhancement of rice sector, among others (Sec-15).

vii. Establishment of a National Single Window Program (NSWP) for the accurate collection of tariff with the Bureau of Customs (BOC) (Sec 16).

viii. The Department of Agriculture (DA) Philippines is expected to issue the Implementing Rules and Regulations (IRR) within 45 days from the passage of the new measure. The IRR will set out the proper mechanism by which the new law will be implemented (Sec 17).

xi. According to the media reports, local farmers opposed the law for fear that it would flood the market with cheaper rice from abroad. Duterte, however, said the measure would address the urgent need to improve availability of rice in the country, prevent artificial rice shortages, reduce the prices of rice in the market, and curtail corruption and cartel domination in the rice industry.

x. Leading business groups and foreign chambers in the Philippines such as Management Association of the Philippines (MAP), Bankers Association of the Philippines (BAP), American Chamber of Commerce of the Philippines (AmCham), Makati Business Club (MBC), have expressed their support to the new policy saying that it would help harness the financial resources, management expertise, logistics support and extensive nationwide distribution system of rice.

EFFECTS OF RICE TARIFFICATION LAW (RA 11203)

I. Comparative Tariff (%) Regime for Rice

(Source: Tariff Commission)

HS Code 10.06	Preferential Agreements / Free Trade Agreement (FTA)					
	ATIGA	Asean-China	Asean-Korea	Asean-India	JPEPA*	Asean-ANZ**
1006.10 (seeds)	35	50	50	0	50	50
1006.20	35	50	50	50	50	50
1006.30	35	50	50	50	50	50
1006.40	35	50	50	50	50	50

*Asean-Japan Economic Partnership Agreement

**Asean- Australia/ New Zealand Agreement

According to Tariff Commission, the existing tariff rates cited above will still be effective despite the new law. The rates will be modified if there is a new bilateral arrangement between

Philippines and another country. This subject could be put on the agenda for next JWG on Trade and Investment in order to reduce tariff (%) under Ascan-India FTA.

II. Limited Role of National Food Authority (NFA)

The NFA's role will be reduced into buffer-stocking of rice during natural calamities and purchasing of local Palay from Filipino farmers. It has been stripped off of its power to import rice from specific country and to issue permit to Filipino importers & traders.

II. Trade Obligation under World Trade Organization (WTO)

The passage of RA 11203 recognizes the existing trade obligation of Philippines to the WTO which was approved in 2012. The obligation contains a waiver to exempt the Philippines from tariffication of its agriculture products (including rice) with the corresponding commitment for a minimum access volume (MAV) of rice equivalent to 350,000 MT. The grant was given by WTO General Council (GC) under Special Treatment Clause of Agreement of Agriculture (AoA). Under the WTO scheme, the MAV allocation in 2012 was as follows: (a) Australia – 15,000 MT; (b) China – 25,000 MT; (c) India – 25,000 MT; (d) Thailand – 98,000 MT; and (e) Open to all countries – 187,000 MT.

Sources:

https://www.senate.gov.ph/publications/SEPO/PB_Rice_Tariffication_19Dec2017.pdf

https://www.wto.org/english/res_e/publications_e/ai17_e/agriculture_ann5_oth.pdf

III. Implementing Details of RA 11203

The Department of Agriculture (DA) and other government agencies will promulgate the Implementing Rules Regulations (IRR) of the new law within 45 days (Sec-17). According to NFA, the implementing guidelines of RA 11203 will be crafted in order to achieve proper implementation of the new law, which will include the following items, among others.

1. New procedure of rice importation for Filipino traders
2. Calculation of Tariff Equivalent
3. New MAV level commitment under the WTO AoA
4. Special Safeguard Provision
5. To avail and Utilize the Rice Competitiveness Enhancement Fund (RCEF)
6. Drafting of Rice Industry Road-map
7. Private Sector-led MAV Implementation Mechanism

Quantity of Rice Imports in Philippines during the last 3 years:
(Source: PSA)

Country of Origin	2015		2016		2017	
	Qty.	Value	Qty.	Value	Qty.	Value
Vietnam	882.54	316.22	379.28	134.86	500.25	175.04
Thailand	638.14	236.93	223.95	83.14	282.30	100.0
India	7.16	17.99	5.98	19.21	11.08	21.25
China	4.93	14.85	6.16	18.92	4.51	12.98

Pakistan	0	0	0.021	0.024	81.89	25.84
	Qty. based on gross kilograms (kg.) in millions			Value based on US\$ in millions FOB		

Implications for India:

Based on WTO rice quota approved in 2012, India would have assured allocation of 15,000 MT annually at a tariff of 50 %. Now with the enactment of Rice Tariffication law, Indian exporters would be able to export more rice to Philippines beyond this limit also.

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