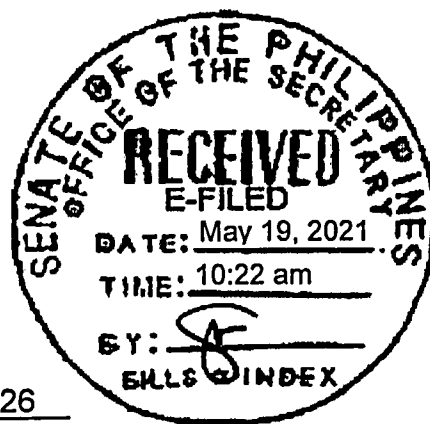


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE

Proposed Senate Resolution No. 726

Introduced by Senators FRANCIS N. PANGILINAN, FRANKLIN M. DRILON,
MARIA LOURDES NANCY S. BINAY, LEILA M. DE LIMA, and RISA
HONTIVEROS

RESOLUTION

URGING THE PRESIDENT TO WITHDRAW EXECUTIVE ORDER NO. 135, SERIES OF 2021, TEMPORARILY MODIFYING THE RATES OF IMPORT DUTY ON RICE UNDER SECTION 1611 OF REPUBLIC ACT NO. 10863, OTHERWISE KNOWN AS THE "CUSTOMS MODERNIZATION AND TARIFF ACT"

WHEREAS, on January 28, 2021, the Department of Agriculture (DA) proposed to the Tariff Commission the lowering of tariffs on rice imports to thirty-five percent (35%) from the current forty percent (40%) rate for those imported within the minimum access volume (MAV) and fifty percent (50%) for rice imports outside the MAV;

WHEREAS, on March 11, 2021, the National Economic and Development Authority (NEDA) Board endorsed *ad referendum* the temporary modification of the Most Favoured Nation (MFN) tariff rates on rice;

WHEREAS, on May 15, 2021, pursuant to his delegated power under Section 7(a) of Republic Act No. 8178, as amended by Republic Act No. 11203, President Rodrigo Roa Duterte issued Executive Order No. 135 entitled, "Temporarily Modifying the Rates of Import Duty on Rice under Section 1611 of Republic Act No. 10863, Otherwise Known as the 'Customs Modernization and Tariff Act'" lowering the MFN tariff rates on rice from 40% for in-quota imports and 50% for out-quota imports to 35% for one year "to diversify the country's market sources, augment rice supply, maintain affordable prices, and reduce inflationary pressures, all for the purpose of ensuring food security in the country and protecting consumers";

WHEREAS, according to Executive Order No. 135, there has been a continuous increase in the price of rice from other countries, particularly those imported from the Association of Southeast Asian Nations (ASEAN) region, and there are uncertainties relative to the supply of rice because of the current global economic situation brought about by the COVID-19 pandemic;

WHEREAS, the Federation of Free Farmers (FFF) questions the basis for lowering tariffs on rice mainly because DA Secretary William Dar had previously stated that there is an ample supply of rice in the Philippines following a record harvest in 2020;

WHEREAS, the FFF also said that, "aside from Vietnam and other ASEAN countries, the Philippines has been consistently importing from nine other countries, including India and Pakistan, and more recently, China. Similarly, there is no urgent need to augment our rice supply";

WHEREAS, according to the Philippine Statistics Authority (PSA), the rice inflation rate was -0.3% in April 2021, 0.9% in March 2021, and 0.5% in February 2021;

WHEREAS, the National Food Authority (NFA) said that "while the reduction [in tariff rates] will encourage the inflow of rice from Most Favoured Nations (MFN), such reduction is not sufficient to "warrant" or guarantee the projected supply of rice in the country";

WHEREAS, the country's rice self-sufficiency ratio declined to 79.8% in 2019 from 86.2% in 2018 and 93.4% in 2017, as the country's dependence on rice imports significantly rose from 6.6% to 20.2% in a span of three years;

WHEREAS, according to the Tariff Commission, the Philippine Government stands to lose at least P60 million in revenue per year if the MFN tariff rates on rice are reduced to 35%. However, the FFF estimates that the lowered tariffs could cost the government around P548 million in foregone revenues;

WHEREAS, as of March 2021, the DA and other implementing agencies have obligated P16.2 billion and disbursed over P7.1 billion of the Rice Competitiveness Enhancement Fund (RCEF) for 2019 and 2020. Under the RCEF, a total of 9,236 farm machineries and equipment have been delivered to 3,180 farmers' cooperatives and associations (FCAs); 1.65 million bags of certified seeds have been distributed to 661,567 farmers; P2 billion has been loaned to 5,956 farmers and 97 FCAs; and 90 new farm schools have been established while 43 have been enhanced;

WHEREAS, since the RCEF depends on the annual tariff revenues from rice importation, the lowering of tariffs would result in lower collection which would affect the appropriations for rice farmer financial assistance, titling of agricultural rice lands, expanded crop insurance program on rice, and/or crop diversification program under Republic Act No. 11203. These programs depend on the excess of the P10 billion tariff revenues collected from rice importation;

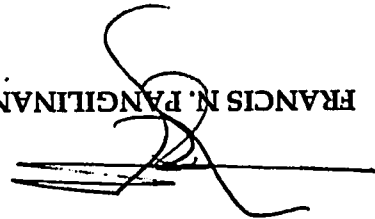
WHEREAS, the power to fix tariff rates and import quotas falls within the realm of the power of taxation, a power which is within the sole province of the legislature under the Constitution, and it is Congress which authorizes the President to impose tariff rates, import and export quotas, tonnage and wharfage dues, and other duties or imposts and that such authorization can be exercised only within the specified limits set in the law and is further subject to limitations and restrictions which Congress may impose (*Southern Cross Cement Corporation v. Cement Manufacturers Association of the Philippines*, G.R. No. 158540, August 3, 2005);

WHEREAS, from the foregoing, there is no reasonable and sufficient basis to reduce the tariff rates on rice and it will only cause more burden to our local rice farmers, further increase our import dependency, and cost the government millions in foregone revenues;

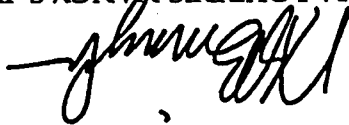
NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to urge President Rodrigo Roa Duterte to withdraw Executive Order No. 135, series of 2021, which provides for the temporary modification of the rates of import duty on rice under Section 1611 of Republic Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act."

Adopted,

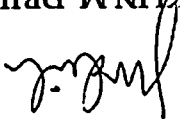
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