

Ex-Ante Impact Evaluation of the Removal of Quantitative Restrictions (QR) on Philippine Rice

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RATIONALE

The Philippine National Economic and Development Authority (NEDA) has commissioned a study on ex-ante impact assessment of the removal of quantitative restrictions (QRs) on rice imports. The QRs on rice were the main instrument of the Philippine government that regulated the imports of rice into the country, thereby protecting rice farmers from the influx of cheaper imported rice and supporting the policy of achieving rice self-sufficiency.

The Philippines joined the World Trade Organization (WTO) in 1995 with a commitment to end import quota restrictions and convert these into tariffs or import taxes instead. After several extensions, the Waiver on the Special Treatment of Rice terminated on June 30, 2017 and the QR on rice must be replaced with tariffs.

The removal of QRs however is perceived to have varying impacts not only on the rice and agriculture sector but on the different sectors of the economy and on global rice trade as well. It is also anticipated to have differential welfare effects on farmers, consumers, and other stakeholders; and impacts on nutrition and food security. Hence, it is necessary to conduct an ex-ante impact assessment of rice tariffication to identify appropriate courses of actions and proactive interventions.

PROJECT INFORMATION

NEDA commissioned the International Food Policy Research Institute (IFPRI) to conduct this study. IFPRI has the technical expertise and experience in the usage of analytical models and tools well-suited for this type of assessments and analyses, including the application of the global and Philippine-calibrated versions of the International Model for Policy Analysis of Agricultural Commodities and Trade (IMPACT) and a computable general equilibrium (CGE) model of the Philippines.

Objectives

The primary objective of the project is to simulate and analyze the impacts of lifting QRs on rice imports on the Philippine agriculture sector and to the economy. The study will do this by simulating a 35 percent tariff policy scenario in lieu of the QR, with a primary focus on:

- a) nutrition and food security objectives of the Philippine government;
- b) welfare of rice producers and consumers;
- c) effects on the competitiveness of the rice industry and the agriculture sector; and
- d) economy-wide impacts on gross domestic product, household income, employment, and wages.

Secondary objectives include:

1. developing investment strategies for enhancing the competitiveness of the rice industry with the removal of QR; and
2. simulating the impact and effectiveness of the proposed Rice Tariffication Enhancement Fund (RCEF) to be generated from rice import tariffs in boosting farmers' productivity, competitiveness and income.

Methodology

The main economic tools to be applied in the study are IFPRI's IMPACT (global and Philippine-calibrated versions) and the Phil-CGE models. The Phil-CGE is a computable general equilibrium model specifically developed for the Philippines by IFPRI in a previous research project (Refer to to Philippine agriculture and climate change project, <http://www.ifpri.org/project/addressing-impacts-climate-change-philippine-agriculture-sector-pacc>). The model will be carefully calibrated to achieve the current project objectives and will be updated with the latest available data. It will be used for economy-wide impact analyses required by the project. IMPACT, on the other hand, is a partial equilibrium model, and is more focused on the agriculture sector. It is a global model of agricultural production and trade that captures long-term world market interactions and projections to 2050, not only for rice but for other agricultural commodities as well. IMPACT will also be used to evaluate agricultural policies and investments that can affect the competitiveness of the rice industry and the agricultural sector. For this project, a more compact country-specific version of IMPACT will be especially calibrated to reflect the Philippine situation. As the global IMPACT model monitors and projects world price movements, the Philippine-calibrated version will simulate domestic price movements and their direct effects on consumption, nutrition and food security, under the different policy scenarios of tariff rates and climate change.

Outputs

The expected outputs of the project are:

1. Technical Report
2. Power Point presentations
3. Project Policy Note

The results of the study will be presented in a policy forum to be convened by NEDA in May 2019, with participation from concerned government agencies, private sector, and civil society.

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