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Philippines

Sugar

RP Maintains High Tariff on ASEAN Sugar

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Report Highlights:
The Office of the Philippine President issued Executive Order No. 230 imposing a 48 percent tariff on raw and refined sugar from all ASEAN countries. The new rate reflects a two percent reduction from the current fifty percent levied on sugar imports. The new order formalized the transfer of sugar from the country's Common Effective Preferential Tariff (CEPT) temporary exclusion list to the sensitive list.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

The Office of the Philippine President issued on August 7, 2003, Executive Order No. 230 (EO 230), setting tariffs for all raw and refined sugar, including cane and beet sugar, imported from all Southeast Asian countries at 48 percent. This order was dated July 26, 2003 and took effect immediately.

The new order, which reduces sugar tariffs by two percent from the current 50 percent in-quota Most Favored Nation (MFN) tariff, follows the decision of the Tariff and Related Matters (TRM) Committee to grant the tariff concession to ASEAN members in exchange for the transfer of Philippine sugar to the sensitive list. The sensitive products of ASEAN countries include poultry and swine products, coffee, tea, copra, manioc, rice, tobacco and sugar. The ASEAN Free Trade Council approved the move that exempts Philippine sugar from further tariff cuts until 2010 during the ASEAN Economic Ministers (AEM) Meeting held in Vietnam in September 2001.

The Philippines had earlier committed to include sugar in ASEAN Free Trade Association-Common Effective Preferential Tariff (AFTA-CEPT) program of reducing tariffs on most products to a range of five to zero percent. Thailand, a major sugar producer in the region, would have largely benefited from the lower Philippine tariffs on sugar. While Thailand has expressed support for the Philippine position, it has requested that it be allowed to export at least 200,000 metric tons of rice to the country for the next three years in compensation for the delay in the inclusion of sugar in the tariff reduction program. This arrangement would assure Thailand of a 25 percent share in this year's planned 800,000 metric ton rice importation

The country's decision to maintain high tariffs on sugar for several more years before phasing it down to a maximum of five percent in 2010 is intended to buy more time for the Philippine sugar sector to improve its competitiveness in the global arena.

The Philippine government has already notified the WTO of its intention to break its tariff binding for raw and refined sugar raising the bound rate to 80 percent. Under the Uruguay Round, the Philippines committed to unifying both in-quota and out-of-quota sugar tariffs at 50 percent beginning January 2003. However, Executive Order No. 164 was issued on January 10, 2003, freezing out-of-quota sugar tariffs at 65 percent (2002 levels).

The Sugar Regulatory Administration (SRA) has revised its earlier forecast of 2.13 million metric tons on raw sugar production for the 2003 crop year, increasing it to 2.16 million metric tons or 13.5 percent higher that last year's 1.898 MMT. Given the production situation, the Philippines will not likely be importing sugar from any source, not even its Minimum Access Volume (MAV) of close to 60,000 MT. Despite several years of having been a net importer of raw sugar, the Philippines is poised become a net exporter.