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## HOUSE OF REPRESENTATIVES

H. No. 6436

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INTRODUCED BY HONORABLE SATOR, LEDESMA IV, JOAQUIN, MARAÑON, SARMIENTO (A.), AUMENTADO, REYES, ALMARIO, NOGRALES, RAMA, SR., TAJON, VILLAROSA, SANDOVAL, ERMITA, ADIONG, CLAUDIO, PAREDES, JR., VILLAREAL, LOBREGAT, CRUZ-DUCUT, ANGARA-CASTILLO, DIAZ (R.), RUIZ, TEVES, PALMA GIL, LIBAN, BARBERS, ROMERO, RESPICIO, GUANZON (R.G.), ACUÑA, CARLOTO, BONDOC, SINGSON, CEZAR, APOSTOL, CABILAO, PANCHO, ANDOLANA, PARAS, ESCUDERO III, JAAFAR, PUNZALAN (J.), TIRADOR, BAUTISTA, SR., TILANDUCA, AQUINO (F.), ABINES, SHAHANI, FALCON, ALMENDRAS, JR., MONTILLA, MAMBA, COSALAN, BENGSON III, BALINDONG, OLEGARIO, SR., UNAS, QUIMPO, BAGATSING, JR., ACOSTA, ABAD, PADILLA, ALVAREZ, JR., SALALIMA, GARCIA (E.), FUENTES, CAPPLEMAN, PIMENTEL, LARA, TAGLE, MONTEMAYOR, JAVIER (E.), GILLEGO, FIGUEROA, DEL MAR, DURANO III, TINGA, RAMIREZ, SILVERIO, ZUBIRI, JR., VELOSO, TUAZON, CHAVES, BORJA-AGANA, FAJARDO, FUA, RECTO, MANGOTARA, SARMIENTO (R.), VALDEZ, OSMEÑA, AQUINO (H.), GONZALES II, MUARIP, PAYUMO, CANDAZO, CERILLES, ARROYO, ABAYA (A.), SERAPIO, ASISTIO, DEQUÍÑA, ALFELOR, LOPEZ (A.), AND TY, PER COMMITTEE REPORT NO. 247

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AN ACT REPLACING QUANTITATIVE IMPORT RESTRICTIONS (QRs) ON AGRICULTURAL PRODUCTS, EXCEPT RICE, WITH TARIFFS, CREATING THE AGRICULTURAL COMPETITIVENESS TARIFFICATION FUND, AND PROVIDING FUNDS THEREFOR

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           SECTION 1. *Declaration of Policy.* – It is the policy of the  
2 State to make the country's agricultural sector viable, efficient and  
3 globally competitive. The State adopts the use of tariffs in lieu of  
4 non-tariff restrictions to protect local producers of agricultural  
5 products, except rice, which will continue to have quantitative import  
6 restrictions.

7           Consistent with the constitutional mandate of protecting  
8 Filipino firms against unfair trade, it is furthermore the policy of the  
9 State to apply special safeguards, anti-dumping and countervailing  
10 measures to protect local producers from unfair trade practices.

11           To prepare the agricultural sector for global competition, the  
12 State shall improve productivity by providing the necessary support  
13 services such as irrigation, farm-to-market roads, post-harvest  
14 equipment and facilities, credit, crop insurance, research and  
15 development, extension, other marketing infrastructure, information,  
16 and other support services.

17           SEC. 2. *Definition of Terms.* – The following definitions apply  
18 to the terms used in this Act:

19           (a) "Agricultural products" shall have the same meaning as  
20 agricultural products under Presidential Decree No. 1464, otherwise  
21 known as the Tariff and Customs Code of the Philippines, as  
22 amended.

1 (b) "Quantitative import restrictions" refers to non-tariff  
2 restrictions used to prevent the entry of imported commodities,  
3 including but not limited to import prohibitions, discretionary import  
4 licensing, and import quotas, whether qualified or absolute.

5 (c) "Tariff" refers to a tax levied on a commodity imported  
6 from another country. It earns revenues for the government and is  
7 regarded as an instrument to promote local industries by taxing their  
8 competitors. The benefit is accorded to the local producers by the  
9 maintenance of a domestic price at a level equal to the world price  
10 plus the tariff.

11 (d) "Minimum access volume" refers to the volume of a  
12 specific agricultural product that is allowed to be imported with a  
13 lower rate of duty as specified in the Tariff and Customs Code of the  
14 Philippines, as amended.

15 (f) "Base bound rate" refers to the maximum limits on tariffs  
16 on products committed by the Philippines to the World Trade  
17 Organization (WTO) under the General Agreement on Tariffs and  
18 Trade (GATT) Uruguay Round Agreement on its initial year of  
19 implementation.

20 SEC. 3. *Repeal.* – The following laws prescribing quantitative  
21 import restrictions on agricultural products, except rice, are hereby  
22 repealed:

1 (a) Republic Act No. 1296, entitled: "An Act to Prohibit the  
2 Importation of Onions, Potatoes, Garlic, and Cabbages, Except for  
3 Seedling Purposes, and to Provide Penalties for the Violation  
4 Thereof";

5 (b) Republic Act No. 2712, entitled: "An Act to Prohibit the  
6 Importation of Coffee";

7 (c) Presidential Decree No. 1297, as amended, entitled:  
8 "Centralizing the Importation of Ruminants for Breeding, Slaughter  
9 and Beef";

10 (d) Presidential Decree no. 1483, entitled: "Authorizing the  
11 Importation of Foreign Cigar Leaf Tobacco for Blending Purposes."

12 Likewise, the following provisions of law prescribing  
13 quantitative import restrictions or granting government agencies the  
14 power to impose such restrictions on agricultural products, except  
15 rice, are also hereby repealed:

16 (1) Paragraph 10 of Section 23 of Republic Act No. 7607,  
17 entitled: "An Act Providing a Magna Carta for Small Farmers";

18 (2) Paragraph (a) of Section 15 of Republic Act No. 7308,  
19 entitled: "Seed Industry Development Act"; and

20 (3) Section 4 of Republic Act No. 4155, as amended,  
21 entitled: "An Act to Promote and Strengthen the Virginia Tobacco  
22 Industry."

1           SEC. 4. *Amendment.* - Subparagraph (xii), Paragraph (a),  
2   Section 6 of Presidential Decree No. 4 (National Grains Authority  
3   Act), as amended, is hereby further amended to read as follows:

4           "SEC. 6.(a) *Powers.* -

5           "(xii) To establish rules and regulations governing the  
6   importation of rice[, corn and other grains and their substitutes  
7   and/or by-products/end-products] and to license, impose and  
8   collect fees and charges for said importation for the purpose of  
9   equalizing the selling price of such imported [grains and their  
10   substitutes and/or their by-products/end-products] RICE with the  
11   normal prevailing domestic prices.

12           "In the exercise of this power, the Council after consultation  
13   with the Office of the President shall first certify to a shortage of  
14   [grains and/or their substitutes] RICE that may occur as a result of  
15   a short-fall in production, a critical demand-supply gap, a state of  
16   calamity or other verified reasons that may warrant the need for  
17   importation. The Authority shall undertake direct importation of  
18   [grains and/or their substitutes] RICE or it may allocate import  
19   quotas among certified and licensed importers, and the distribution  
20   thereof through cooperatives and other marketing channels, at  
21   prices to be determined by the Council regardless of existing floor

1 prices and the subsidy thereof, if any, shall be borne by the National  
2 Government."

3 SEC. 5. *Tariff Rates.* - The base (maximum) bound rates  
4 committed under the Uruguay Round shall be imposed on the  
5 agricultural products whose quantitative restrictions are repealed by  
6 this Act.

7 SEC. 6. *Agricultural Competitiveness Tariffication Fund.* - To  
8 implement the policy enunciated in this Act, there is hereby created  
9 the Agricultural Competitiveness Tariffication Fund, which are  
10 public funds, hereinafter referred to as the Fund. The Fund shall be  
11 sourced from the proceeds of importation of the Minimum Access  
12 Volumes (MAV) of agricultural products, the same being the  
13 difference between the landed cost of the commodity and the market  
14 price.

15 The Fund shall be appropriated by Congress annually in the  
16 General Appropriations Act to improve farm productivity and  
17 competitiveness by providing the necessary support services such as  
18 irrigation, farm-to-market roads, post-harvest equipment and  
19 facilities, credit, research and development, extension, and other  
20 marketing infrastructure and information.

1           The allocation of the Fund shall be made proportionately to  
2 the sectors/industries adversely affected by the repeal based on the  
3 specific needs of the agricultural sector concerned.

4           The Committee on Agriculture of both the Senate and the  
5 House of Representatives of Congress shall conduct an annual  
6 oversight on the use of the Fund. The Fund shall have a term of ten  
7 (10) years.

8           **SEC. 7. *Repealing Clause.*** - All laws, decrees, executive  
9 issuances, rules and regulations inconsistent with this Act are hereby  
10 repealed or modified accordingly.

11           **SEC. 8. *Separability Clause.*** - The provisions of this Act are  
12 hereby declared to be separable and in the event one or more of  
13 such provisions are held unconstitutional, the validity of the other  
14 provisions shall not be affected thereby.

15           **SEC. 9. *Effectivity.*** - This Act shall take effect thirty (30) days  
16 from the date of its publication in the *Official Gazette* or in at least  
17 two (2) newspapers of general circulation.

Approved,