

TENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

*Amended version of SB 1450
containing Individual Amendments,
to be considered on March 25, 1996*

SENATE

S. No. 1450

(In substitution of S. Nos. 1039, 1040, 1041, 1256, 1257, 1275, 1276 and 1277)

Prepared by the Committees with Senators Shahani, Enrile and the Members of
the Committees as authors thereof

AN ACT

REPLACING QUANTITATIVE IMPORT RESTRICTIONS (QRs) ON AGRICULTURAL
PRODUCTS, EXCEPT RICE, WITH TARIFFS, CREATING THE AGRICULTURAL
COMPETITIVENESS ENHANCEMENT FUND AND FOR OTHER PURPOSES

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

1 SECTION 1. *Title.* - This Act shall be known as the "Agricultural Tariffication Act."

2 SEC. 2. *Declaration of Policy.* - It is the policy of the State to make the country's

3 agricultural sector efficient and globally competitive and to honor its commitments as a member

4 of the World Trade Organization (WTO). Non-tariff restrictions such as quantitative import

5 restrictions are inefficient measures of promoting agricultural production because these measures

6 increase investment uncertainty and raise the cost of doing business. [It shall therefore be the

7 policy of the State to adopt the use of tariffs in lieu of quantitative restrictions, except in the case

8 of rice, which is the country's main staple, as a more transparent means of providing ample

9 protection to local producers of agricultural products while they adjust to a more open trade

10 regime.] IT SHALL THEREFORE BE THE POLICY OF THE STATE TO ADOPT THE USE

11 OF TARIFFS IN LIEU OF NON-TARIFF IMPORT RESTRICTIONS, TO PROTECT LOCAL

12 PRODUCERS OF AGRICULTURAL PRODUCTS, EXCEPT IN THE CASE OF RICE,

13 WHICH WILL CONTINUE TO HAVE QUANTITATIVE IMPORT RESTRICTIONS.

14 Consistent with the Constitutional mandate of protecting Filipino firms against unfair

15 trade, it is furthermore the policy of the State to employ anti-dumping and countervailing

1 measures to protect local producers from unfair trade practices, rather than use quantitative
2 import restrictions.

3 To prepare the agricultural sector for global competition, the State aims to improve farm
4 productivity by providing the necessary support services such as, but not limited to, irrigation,
5 farm-to-market roads, post-harvest equipment and facilities, credit, research and development,
6 extension, other market infrastructure and market information.

7 **SEC. 3. Definition of Terms.** - The following definitions apply to the terms used in this
8 Act:

9 (a) "Agricultural products" shall have the same meaning as agricultural products under
10 Chapters 1-24 of Presidential Decree No. 1464, otherwise known as the Tariff and Customs
11 Code of the Philippines, as amended.

12 (b) "Agricultural Sector Advisory Committee" refers to the body (also created under
13 MO. 245, which supersedes MO 231) that will recommend to the Cabinet Committee appropriate
14 mechanisms for the importation of minimum access quotas.

15 (c) "Applied Rate" is the rate of import duty that is actually used by Customs authorities
16 in the collection of Customs revenues.

17 (d) "Base[d] Bound Rate" refers to maximum limits on tariffs on products committed by
18 the Philippines to the World Trade Organization (WTO) under the Uruguay Round Final Act in
19 its initial year of implementation.

20 (e) "Final Bound Rate" refers to the maximum limits on tariffs on products committed
21 by the Philippines to the WTO under the Uruguay Round Final Act in its final year of
22 implementation.

23 (f) "Minimum Access Volume" refers to the volume of a specific agricultural product
24 that is allowed to be imported with a lower tariff as specified in the Tariff and Customs Code
25 of the Philippines, as amended.

26 (g) "Quantitative Import Restrictions" refers to non-tariff restrictions used to prevent the
27 entry of imported commodities, including but not limited to import prohibitions, discretionary

1 import licensing, and import quotas, whether qualified or absolute.

2 (h) "Tariff" refers to a tax levied on a commodity imported from another country. It
3 earns revenues for the government and regarded as instruments to promote local industries by
4 taxing their competitors. The benefit is accorded to the local producers by the maintenance of
5 a domestic price at a level equal to the world price plus the tariff.

6 (i) "Tariffication" refers to the process of removing all existing quantitative restrictions
7 such as import quotas or prohibitions, imposed on agricultural imports, and converting these
8 restrictions to their tariff equivalents.

9 SEC. 4. *Repeal.* - The following laws and all other laws or provisions of law prescribing
10 quantitative import restrictions or granting government agencies the power to impose such
11 restrictions on agricultural products, except rice, shall be deemed repealed only upon the
12 imposition of equivalent tariffs pursuant to Section 6 hereof:

13 (1) Republic Act No. 1296 entitled "An Act To Prohibit the Importation of Onions,
14 Potatoes, Garlic, and Cabbages, Except for Seedling Purposes, and to Provide Penalties for the
15 Violation Thereof";

16 (2) Republic Act No. 2712 entitled "An Act to Prohibit the Importation of Coffee";

17 (3) Presidential Decree No. 1297, as amended, entitled "Centralizing the Importation of
18 Ruminants for Breeding, Slaughter and Beef";

19 (4) Paragraph 10 of Section 23 of Republic Act No. 7607 entitled "An Act Providing a
20 Magna Carta for Small Farmers";

21 (5) Paragraph (a) of Section 15 of Republic Act No. 7308 entitled "Seed Industry
22 Development Act";

23 (6) Section 4 of Republic Act No. 4155, as amended, entitled "An Act to Promote and
24 Strengthen the Virginia Tobacco Industry"; and

25 (7) Presidential Decree No. 148[5]3, entitled "Authorizing the Importation of Foreign
26 Cigar Leaf Tobacco for Blending Purposes".

27 SEC. 5. *Amendment to the National Grains Authority.* - The quantitative import

1 restrictions on corn and other grains, except rice, are hereby repealed. [The power of the
 2 National Food Authority, formerly the National Grains Authority, shall be confined to the
 3 importation of rice.] AS SUCH, THE NATIONAL FOOD AUTHORITY, FORMERLY THE
 4 NATIONAL GRAINS AUTHORITY, SHALL REFRAIN FROM INTERVENING DIRECTLY
 5 IN THE TRADE OF CORN, AND OTHER GRAINS, EXCEPT RICE, BUT SHALL
 6 CONTINUE TO PERFORM ALL OTHER FUNCTIONS RELATED TO THE ATTAINMENT
 7 OF FOOD SECURITY THROUGH PRIMARILY PROMOTING THE GRAINS FARMERS'
 8 WELFARE AS AN ESSENTIAL APPROACH TO THE INTEGRATED GROWTH AND
 9 DEVELOPMENT OF THE GRAINS INDUSTRY. For this purpose subparagraph (xii),
 10 paragraph (a), Section 6 of Presidential Decree No. 4, otherwise known as the National Grains
 11 Authority Act as amended, shall be amended accordingly.

12 **SEC. 6. *Tariffication.*** - In lieu of quantitative restrictions, equivalent tariffs shall be
 13 applied on commodities whose quantitative restrictions were repealed by this Act. [S. No. 1450.]

14 The President is hereby authorized to adjust in accordance with the provisions of Section
 15 401 of the Tariffs and Customs Code, as amended, the tariffs on agricultural products whose
 16 quantitative import restrictions are repealed by this Act: *Provided*, That the schedule of the
 17 initial and final applied rates shall be equal to the base bound rate and final bound rate,
 18 respectively, as committed by the Philippine Government under the Uruguay Round: *Provided*,
 19 *further*, That the phase down of the applied rates shall be consistent with our tariffs binding
 20 commitments.

21 **SEC. 7. *Mechanisms for the Implementation of Minimum Access Volume (MAV).*** - An
 22 equitable and transparent mechanism for allocating the Minimum Access Volume (MAVs) of
 23 agricultural products, whose quantitative restrictions are herein repealed, shall be developed and
 24 established, having the least government intervention, addressing the requirements of each
 25 geographical area, and without entailing any cost to importers/users of these products to the
 26 detriment of local consumers and other end-users.

27 For this purpose and in accordance with these guiding principles, the Cabinet Committee

1 and the Agricultural Sector Advisory Council (ASAC) created by Memorandum Order No. 245
2 dated December 13, 1994 to oversee and manage the minimum access quotas committed by the
3 Philippines under the General Agreement on Tariffs and Trade Uruguay Round with the inclusion
4 of the National Economic and Development Authority (NEDA), and in consultations with all
5 concerned agricultural farmer/producer/processor/importer groups, shall perform the following
6 tasks within six (6) months from the effectivity of this Act:

7 (a) To identify all eligible quota users or beneficiaries, both large-scale and small scale,
8 through a system of accreditation to be administered by the respective government agencies:
9 *Provided, that* new users or beneficiaries must register within ninety (90) days from their
10 organization in order to be entitled to the allocation of the minimum access volume;

11 (b) To identify the allocation of quota per eligible user or beneficiary and if applicable,
12 in response to the needs of specific geographical areas, on the basis of specific criteria/relevant
13 factors, such as, but not limited to, the following:

- 14 1) Capitalization;
- 15 2) Proven capability to import;
- 16 3) Adequate storage facilities;
- 17 4) Records of production volumes; and
- 18 5) Plant capacity

19 (c) To determine the volume and timing of the in-quota importation taking into
20 consideration the periods of the product's scarcity of supply; and

21 (d) To determine the manner in which the importation of minimum access volumes shall
22 be made such that the users/beneficiaries may be able to import their allocated volume either
23 individually or as a group.

24 **SEC. 8. *Agricultural Competitiveness Enhancement Fund.*** - To implement the policy
25 enunciated in this Act, there is hereby created the Agricultural Competitiveness Enhancement
26 Fund, hereinafter referred to as the Fund. **THE PROCEEDS OF THE IMPORTATION OF**
27 **MINIMUM ACCESS VOLUME SHALL ACCRUE TO THE GENERAL FUND AND**

1 DEPOSITED WITH THE NATIONAL TREASURER.

2 THIS NOTWITHSTANDING, FIFTY PERCENT OF THE SAID PROCEEDS SHALL
3 BE SET ASIDE BY THE NATIONAL TREASURER AND EARMARKED FOR ASSISTANCE
4 AND SUPPORT OF THE AGRICULTURAL SECTORS ADVERSELY AFFECTED BY THIS
5 LAW SUCH AS, BUT NOT LIMITED TO, IRRIGATION, FARM-TO-MARKET ROADS,
6 POST-HARVEST EQUIPMENT AND FACILITIES, CREDIT, RESEARCH AND
7 DEVELOPMENT, EXTENSION, OTHER MARKETING INFRASTRUCTURE, PROVISION
8 OF MARKET INFORMATION. RETRAINING, AND AGRICULTURAL EXTENSION:
9 PROVIDED, HOWEVER, THAT THE FUND HEREIN EARMARKED SHALL NOT BE USED
10 AS FAR AS PRACTICABLE TO DUPLICATE THE REGULAR APPROPRIATIONS FOR
11 AGRICULTURE IN THE NATIONAL BUDGET FOR ANY SECTOR CONCERNED.

12 SAID FIFTY PERCENT (50 %) SHALL NOT BE DISBURSED AND EXPENDED
13 WITHOUT PRIOR CONGRESSIONAL APPROPRIATION.

14 [Fifty percent (50%) of the proceeds from the importation of the minimum access volumes will
15 accrue to this Fund, the remaining fifty percent (50%) of which shall be reverted to the National
16 Treasury.

17 The Fund shall be plowed back to the sectors/industries adversely affected by the repeal
18 and shall be used solely to improve farm productivity by providing the necessary support services
19 such as, but not limited to, irrigation, farm-to-market roads, post-harvest equipment and
20 facilities, credit, research and development, extension, and other marketing infrastructure and
21 provision of market information.] The allocation of the Fund shall be based on the specific
22 needs of the agricultural sector concerned.

23 The Committee on Agriculture of both the Senate and the House of Representatives of
24 Congress shall conduct an annual oversight on the use of the Fund. The Fund shall have a term
25 of nine (9) years.

26 SEC. 9. *Agricultural Competitiveness Enhancement Fund Board.* - There is hereby created
27 an Agricultural Competitiveness Enhancement Fund Board, hereinafter referred to as the Board,

1 TO BE COMPOSED OF A MAXIMUM OF FIFTEEN (15) MEMBERS MAJORITY OF
2 WHOM SHALL COME FROM THE PRIVATE SECTOR, REPRESENTING THE FARMER,
3 FISHERFOLK, AND BUSINESS SECTORS, OF THE PARTICULAR SECTORS AFFECTED
4 BY THIS ACT. THE MEMBERS SHALL BE NOMINATED BY THEIR RESPECTIVE
5 NATIONAL ORGANIZATIONS AND APPOINTED BY THE PRESIDENT OF THE
6 PHILIPPINES ON A STAGGERED TERM BASIS.

7 THE SECRETARY OF AGRICULTURE SHALL BE THE CHAIRPERSON WITH THE
8 SECRETARIES OF ECONOMIC PLANNING, TRADE AND INDUSTRY AND FINANCE
9 AS MEMBERS.

10 [composed of the following: The Secretary of Agriculture as Chairperson, two (2) representatives
11 from the farmer/peasant and fisherfolk sectors and two (2) representatives from the private
12 sector.

13 The four (4) members of the Board whose term shall be for a period of three (3) years,
14 with possible re-appointment, shall be appointed by the President from among the nominees
15 submitted by the different organizations within the sector.]

16 The Board shall formulate a set of rules and regulations governing the administration of
17 the fund referred to in Section 8 of this Act.

18 THE SAID BOARD SHALL STUDY THE SPECIFIC AND UNIQUE NEEDS OF
19 EACH OF THE SECTORS CONCERNED AND RECOMMEND TO CONGRESS THE
20 ALLOCATION AND USE OF THE FIFTY PERCENT (50%) FUND, OUT OF THE
21 PROCEEDS OF THE MINIMUM ACCESS VOLUME.

22 The operating expenses to be incurred by the Board shall be charged against the Fund.

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

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

1 **SEC. 12. *Effectivity.*** - This Act shall take effect thirty (30) days from the date of its
2 publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,