

S E N A T E

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
2 "Agricultural Tariffication Act."

3 SEC. 2. *Declaration of Policy.* - It is the policy of
4 the State to make the country's agricultural sector
5 efficient and globally competitive and to honor its
6 commitments as a member of the World Trade Organization
7 (WTO). Pursuant thereto the State shall impose tariffs in
8 lieu of non-tariff import restrictions, to protect local
9 producers of agricultural products, except in the case of
10 rice, which will continue to have quantitative import
11 restrictions.

12 Consistent with the Constitutional mandate of
13 protecting Filipino firms against unfair trade, it is
14 furthermore the policy of the State to employ anti-dumping
15 and countervailing measures to protect local producers from
16 unfair trade practices, rather than use quantitative import
17 restrictions.

18 To help the agricultural sector compete globally, the
19 State shall seek to raise farm productivity levels by providing
20 the necessary support services such as, but not limited to,
21 irrigation, farm-to-market roads, post-harvest equipment and

1 facilities, credit, research and development, extension,
2 other market infrastructure and market information.

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

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

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

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

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

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

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

29 (g) "Quantitative Import Restrictions" refers to non-
30 tariff restrictions used to prevent the entry of imported
31 commodities, including but not limited to import
32 prohibitions, discretionary import licensing, and import
33 quotas, whether qualified or absolute.

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

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

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

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

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

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

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

29 (5) Paragraph (a) of Section 15 of Republic Act No.
30 7308 entitled "Seed Industry Development Act";

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

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

4 SEC. 5. *Amendment to the National Grains Authority.* -
5 The quantitative import restrictions on corn and other
6 grains, except rice, are hereby repealed. As such, the
7 National Food Authority, formerly the National Grains
8 Authority, shall refrain from intervening directly in the
9 trade of corn, and other grains, except rice, but shall
10 continue to perform all other functions related to the
11 attainment of food security through primarily promoting the
12 grains farmers' welfare as an essential approach to the
13 integrated growth and development of the grains industry.
14 For this purpose subparagraph (xii), paragraph (a), Section
15 6 of Presidential Decree No. 4, otherwise known as the
16 National Grains Authority Act as amended, shall be amended
17 accordingly.

18 SEC. 6. *Tariffication.* - In lieu of quantitative
19 restrictions, equivalent tariffs shall be applied on
20 commodities whose quantitative restrictions were repealed by
21 this Act.

22 The President is hereby authorized to adjust in
23 accordance with the provisions of Section 401 of the Tariffs
24 and Customs Code, as amended, the tariffs on agricultural
25 products whose quantitative import restrictions are repealed
26 by this Act: *Provided*, That the schedule of the initial and
27 final applied rates shall be equal to the base bound rate
28 and final bound rate, respectively, as committed by the
29 Philippine Government under the Uruguay Round: *Provided*,
30 *further*, That the phase down of the applied rates shall be
31 consistent with our tariffs binding commitments: *Provided*,
32 *finally*, That in cases of unusual import surges as a
33 consequence of tariffication, the President may fix the
34 tariff of agricultural products in accordance with the

1 special safeguards allowed under the Agreement on
2 Agriculture contained in the Uruguay Round Final Act.

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

12 For this purpose and in accordance with these guiding
13 principles, the Cabinet Committee and the Agricultural
14 Sector Advisory Council (ASAC) created by Memorandum Order
15 No. 245 dated December 13, 1994 to oversee and manage the
16 minimum access quotas committed by the Philippines under the
17 General Agreement on Tariffs and Trade Uruguay Round with
18 the inclusion of the National Economic and Development
19 Authority (NEDA), and in consultations with all concerned
20 agricultural farmer/producer/processor/importer groups,
21 shall perform the following tasks within six (6) months from
22 the effectivity of this Act:

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

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

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

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

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

SEC. 8. *Agricultural Competitiveness Enhancement Fund.*

- To implement the policy enunciated in this Act, there is hereby created the Agricultural Competitiveness Enhancement Fund, hereinafter referred to as the Fund. The proceeds of the importation of minimum access volume shall accrue to the General Fund and deposited with the National Treasurer.

This notwithstanding, fifty percent of the said proceeds shall be set aside by the National Treasurer and earmarked for assistance and support of the agricultural sectors adversely affected by this law such as, but not limited to, irrigation, farm-to-market roads, post-harvest equipment and facilities, credit, research and development, extension, other marketing infrastructure, provision of market information. retraining, and agricultural extension: *Provided, however,* That the fund herein earmarked shall not be used as far as practicable to duplicate the regular appropriations for agriculture in the National Budget for any sector concerned.

Said fifty percent (50%) shall not be disbursed and expended without prior congressional appropriation.

The allocation of the Fund shall be based on the specific needs of the agricultural sector concerned.

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

5 SEC. 9. *Agricultural Competitiveness Enhancement Fund*
6 *Board.* - There is hereby created an Agricultural
7 Competitiveness Enhancement Fund Board, hereinafter referred
8 to as the Board, to be composed of a maximum of fifteen (15)
9 members majority of whom shall come from the private sector,
10 representing the farmer, fisherfolk, and business sectors,
11 of the particular sectors affected by this Act. The members
12 shall be nominated by their respective national
13 organizations and appointed by the President of the
14 Philippines on a staggered term basis.

15 The Secretary of Agriculture shall be the Chairperson
16 with the Secretaries of Economic Planning, Trade and
17 Industry and Finance as members.

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

21 The said Board shall study the specific and unique
22 needs of each of the sectors concerned and recommend to
23 Congress the allocation and use of the fifty percent (50%)
24 fund, out of the proceeds of the minimum access volume.

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

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

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

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

Approved,