

TUESDAY, MAY 16, 2000

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supporting/concurring to Resolution No. 2000-23 of the SP of Lagawe, Ifugao, petitioning Congress not to privatize the National Food Authority.

The President. Referred to the Committees on Government Corporation and Public Enterprises; and Agriculture and Food.

The Secretary. Letter from Secretary Aurora B. Caballes of the Sangguniang Panlungsod of Butuan furnishing the Senate, SP Resolution No. 224-2000 endorsing the immediate passage and approval of H. No. 3549 and S. No. 1759.

The President. Referred to the Committee on Labor, Employment and Human Resources Development.

The Secretary. Letter from Asst. Secretary Ernesto A. Gulbin of the Sangguniang Panlungsod of Island Garden City of Samal, Davao del Norte respectfully forwarding to the Senate Resolution No. 162, series of 2000, supporting the President's call for unity.

The President. Referred to the Committee on Peace, Unification and Reconciliation.

The Secretary. Resolution No. 2808-S-2000 of the City Council of Angeles, supporting S. No. 1962 and H. No. 9519, which extends the term of existence of the Mt. Pinatubo Assistance, Resettlement and Development Commission.

The President. Referred to the Committee on Social Justice, Welfare and Rural Development.

The Majority Leader is recognized.

#### SPECIAL ORDER

Senator Tatad. Mr. President, I move that we transfer from the Calendar for Ordinary Business to the Calendar for Special Orders Committee Report No. 230 on Senate Bill No. 2033, entitled

AN ACT PROTECTING LOCAL INDUSTRIES BY PROVIDING  
EMERGENCY SAFEGUARD MEASURES AND FOR OTHER  
PURPOSES

The President. Is there any objection? [Silence]  
There being none, the motion is approved.

## APPROVAL OF S. NO. 1943 ON SECOND READING

Senator Tatad. Mr. President, I move that we vote on Senate Bill No. 1943, as amended, on Second Reading.

The President. Is there any objection? *[Silence]* There being none, we shall now vote on Second Reading on Senate Bill No. 1943, as amended.

As many as are in favor of the bill, say *aye*.

Several Members: *Aye*

The President. As many as are against the bill, say *no*. *[Silence]*

The *ayes* have it; Senate Bill No. 1943, as amended, is approved on Second Reading.

Senator Osmena (J). Thank you very much, Mr. President.

## SUSPENSION OF CONSIDERATION OF S. NO. 1943

Senator Tatad. Mr. President, I move that we suspend consideration of Senate Bill No. 1943.

The President. Is there any objection? *[Silence]* There being none, the motion is approved.

## BILL ON SECOND READING

S. No. 2033 ■ Providing Safeguard Measures  
To Local Industries

Senator Tatad. Mr. President, I move that we consider Senate Bill No. 2033 as reported out under Committee Report No. 230.

The President. Consideration of Senate Bill No. 2033 is now in order.

With the permission of the Body, the Secretary will read only the title of the bill, without prejudice to inserting in the *Record* the whole text thereof.

The Secretary. Senate Bill No. 2033, entitled

AN ACT PROTECTING LOCAL INDUSTRIES BY PROVIDING  
EMERGENCY SAFEGUARD MEASURES AND FOR OTHER  
PURPOSES

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The following is the whole text of Senate Bill No.  
2033:

(Insert)

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Senator Tatad. Mr. President, to sponsor the measure, I ask that the Chairman of the Committee on Trade and Industry, Sen. Ramon B. Magsaysay Jr., be recognized.

The President. Sen. Ramon B. Magsaysay Jr. is recognized to sponsor the measure.

Senator Magsaysay. Thank you, Mr. President. Before I start my sponsorship speech, may I ask the Majority Leader if we could also simultaneously use the power point....

MOTION OF SENATOR TATAD  
(To Allow Senator Magsaysay to Use  
Audiovisual Support)

Senator Tatad. Mr. President, I move that we allow Senator Magsaysay to use all the audiovisual support that he needs.

The President. Is there any objection? *[Silence]*  
There being none, the motion is approved.

Senator Magsaysay is recognized.

Senator Magsaysay. Thank you, Mr. President. I hope our colleagues here and the audience will not fall asleep

because we have just dimmed the lights. At any rate, this is a short sponsorship speech.

#### SPONSORSHIP SPEECH OF SENATOR MAGSAYSAY

Mr. President, as Chairman of the Senate Committee on Trade and Commerce, I have the honor of sponsoring the legislation on safeguard measures.

Committee Report No. 230 is a consolidation of five significant bills, namely: Senate Bill No. 88 by Sen. Juan F. Flavio; Senate Bill No. 692 by Sen. Miriam Defensor Santiago; Senate Bill Nos. 764 and 926, by Sen. Juan Ponce Enrile and Sen. Sergio R. Osmeña III; and the approved House Bill No. 7613, which was referred to the committee for consideration.

#### *The Philippines in GATT*

In December 1994, this august Chamber ratified the General Agreement on Trade and Tariffs, or simply called GATT. The trade pact mandates the cutting of tariffs on industrial goods by an average of more than one-third progressive liberalization of trade and agricultural products, and the creation of the World Trade Organization or WTO as a successor of GATT.

Among its principal thrusts, the Uruguay Round encourages stronger market orientation to agricultural trade by reducing export subsidies and converting all nontariff barriers to tariffs. The latter, known as "tariffication" makes more transparent the extent of support that the government extends to agricultural products.

These market-oriented rules governing international trade are expected to improve predictability and stability for both importing and exporting countries. Likewise, it means that countries can no longer arbitrarily impose restrictions on agricultural imports nor employ hidden subsidies or other forms of support to agricultural exports.

The accession of the Philippines in the WTO was never easy. In this very same Chamber, an important decision was made on whether we should join the League of Nations in free trade or not. And when a positive vote was taken, the government collectively vowed to modernize the countryside as analyses would show that the agricultural sector would be the "most at risk" with the liberalization process. Among the package of benefits included in the commitment are the

lowering of tariff on inputs, construction of more infrastructure in the rural areas, increasing expenditure in research and development, provision for market information, accessibility of credit at more favorable interest rates and the formulation of a less onerous tax system.

*Agriculture and Industry: Scenario at Present*

Almost six (6) years into the WTO, and already bearing the adverse impacts of the accelerated trade liberalization policy, the Congress has enacted various measures necessary to maximize our membership in the body. Among them: Republic Act Nos. 8751 and 8752 passed in August, 1999 and both authored by Sen. Juan Ponce Enrile on the rules for the imposition of a countervailing and anti-dumping duties.

Countervailing duties are imposed upon subsidized products, the importation of which has caused or threaten to cause material injury to the domestic market and are applied against the subsidizing country, while an anti-dumping duty is one imposed arising from the difference between normal values and export prices is applied against the exporter.

But there remains legislative measures as safety nets that have yet been enacted. For example, domestic producers, small entrepreneurs and farmers have yet to see a safeguards law they can fall back on. Safeguards measures are emergency actions which the Philippines may take against any excessive, increase in the importation of a product that is causing or threatening to cause serious injury to the domestic industry.

With these as backdrop, the economic condition of the country continues to be bleak. The officials of the Department of Agriculture (DA) admitted that they are in the midst of several challenges in international trade, with agricultural trade proving to be the toughest nut to crack. Agricultural trade is faced with trade-distorting domestic support or subsidy estimated at US\$363 billion in 1998 from Organization for Economic Cooperation and Development (OECD) nations, export subsidies (around US\$11 billion in 1997) and market access barriers, resulting in an unlevel playing field between developed and developing countries.

In the domestic market alone, the Department of Agriculture has taken note of severe import surges of poultry parts, onions, garlic, and other agricultural products which threaten to seriously injure, if not kill, the country's local sector.

Consider the following information:

- a. Increase in imports of chicken parts:

In the years 1997 and 1998, the increase was 101%. But in the 1998 to 1999 years, it was 2021% or 20 times that of the previous year.

b. The import price of chicken parts from the United States of America per kilogram is PhP25.83, while the farmgate price of chicken per kilogram in the Philippines is PhP53.17. Note that the import price of chicken parts is so low because there is a very small market for red meat/chicken parts in the US and these are considered "by-products". The Americans prefer the white meat the breast.

Sugar is another agricultural product worsely hit as a result of GATT. Sugar prices have dropped from 14 cents a pound to 6 cents a pound, or only 43% of its price in 1995. This is the result of our commitment. The Philippines has committed not only the lowest outbound tariff among its percentage of reduction of the outquota tariff rate over time.

From an initial bound rate of 100%, the Philippines committed to a final bound rate of 50% or a 50% reduction in 2001. To compare our commitment with the rest of ASEAN, Thailand's tariff reduction is a mere 10% and that of Indonesia 15%, as against our 50%.

As a result, the Philippine sugar industry is vulnerable to the onslaught of imports from cheap world sugar market. If no adjustment measures are put in place, we are putting in peril an industry that contributes 3% to the agricultural gross value added (GVA) and providing jobs to half a million Filipino workers.

Let us go to a third commodity--coffee. World prices of coffee this year is only about 63% of its price in 1995. That time, the Philippine government committed tariffs to be 60% in 2000, or P0.98 based on a US\$1.63 per kilogram price in 1995. Instead, they are now at P0.66 per kilogram at prevailing prices of US\$1.02 per kilogram. The price with the tariff would now be US\$1.68 or P68.90 a kilo based on a conversion rate of P41.00 to a US\$1 compared to a P107.10 kilo that the government expected in 1994.

The import surge of chicken parts, sugar and coffee is just at the tip of agricultural problem vis-a-vis liberalization. Social scientist Dean Rene Ofreneo of the University of the Philippines and Raul Montemayor of the National Federation of Free Farmers share the observation that the local agriculture scene is in shambles. The Philippines is in the middle of a full-blown crisis as far as production, importation, and distribution of agricultural

products are concerned. Corn and sugar have been performing poorly. Tobacco and coconut are also on the decline. The theory that nontraditional export crops would fare well is turning out to be, well, mere theory. Philippine pineapple is losing out to Thailand and Indonesia due to cheaper labor in those countries, lower land rental and government subsidy. The Philippine banana is no match to the banana being dumped in the Japanese market by Central American producers.

In the industrial and manufacturing sectors, on the other hand, the statements made by its leaders in a report published by *Asiaweek* in November, 1999 would indicate the harsh effects of liberalization if not properly planned and prepared for. Mr. John Gokongwei of the JG Summit Group of Companies remarked, " ...Nearly all our industries will die. Our tire industry, shoe industry, steel, textile and paper industries are all dead." Raul Concepcion of the Federation of Philippine Industries, for his part, said that with the sudden advance in tariff cuts, manufacturing firms will have to rethink their respective plans to brace for the inflow of foreign competition.

#### *The Committee Report on Safeguard Measures*

Amidst these realities, the Committee Report on safeguard measures is submitted. The survival of the people in a free market environment can only be achieved if the necessary balance is considered. The legislation at hand is a balancing tool: protecting domestic industries, given the policy in place.

The Committee Report is highlighted by the following salient features:

1. It provides two forms of safeguards which may be resorted to in cases of import surges of a specific commodity. These are the General Safeguard Measures (GSG) and the Special Safeguard Measures (SSG).

The General Safeguard Measures are those used to protect agricultural and nonagricultural products, in cases where an import surge is causing or threatening to cause serious injury to domestic industry. A Special Safeguard Measure, on the other hand, are those applied for sensitive agricultural products which have been tariffied once a pre-specified trigger volume of imports or trigger price of imports is reached.



2. It provides that the Philippine government can adopt provisional measures in the form of tariff increases unless that would not be sufficient to redress or prevent injury to the domestic industry. This is patterned after this Australian provision on the similar measure.

The provision is significant as it signals the country's policy to push the limits of the WTO agreement to afford such protection as may be allowed and which may be beneficial to our industries. The Committee Report took notice of the present laws of the United States, the European Union countries and Australia on provisional measure and adopted the same in our jurisdiction.

3. as the bill provides the entire process detailing the application of safeguard measures, it likewise provides the necessary mechanism that may be adopted by interested parties through judicial review.

Mr. President, let me just stress that safeguards can either be immediate and trigger-based for agricultural products as in the Special Safeguards for tariffied products, those with MAVs or Minimum Access Volumes or they can be immediate but temporary, for both agricultural and industrial products, if the injury or threat thereon is imminent, through the provisional safeguards. Special safeguards are added safeguards for agricultural products. These measures can be invoked if:

- (a) the volume of imports of the product exceeds trigger level, or
- (b) the price at which imports of that product are at that level.

Special safeguards do not replace regular safeguards, but are meant to be supplementary. Failure to use these measures or to provide Philippine industry and government the option to use them can lead to the decimation of productive capacity, loss of equity and assets invested in the industry and loss of jobs for hundreds of thousands of Filipinos that can lead to social problem, particularly, massive unemployment.

The Committee Report was guided by the tenet that globalization is positive for everyone, including and especially the poor. Globalization affords us a world where we produce goods as cheaply as possible so that millions of

people can buy them at lowest prices. But the small farmers and those dependent on the small producers and entrepreneurs must have the adequate purchasing power to consider the good virtues of free trade. To achieve this, we must extend to them the necessary protection. Protection for them to keep their jobs and the assurance against displacement, protection for industries to be competitive and the assurance against unfair competition.

Finally, Mr. President, may I quote the late President John F. Kennedy of the United States, saying: "If a free society cannot help the many who are poor, it cannot save the few who are rich."

Thank you, Mr. President.

The President. The Majority Leader is recognized.

Senator Tatad. Mr. President, we would like to thank Senator Magsaysay and President Kennedy, for the sponsorship speech. *[Laughter]*

#### SUSPENSION OF CONSIDERATION OF S. NO. 2033

To allow the sponsor and our colleagues to prepare for the interpellations, I move that we suspend consideration of Senate Bill No. 2033.

The President. Is there any objection? *[Silence]*  
There being none, the motion is approved.

Senator Tatad. Mr. President, there is an Additional Reference of Business, it is only short. With the consent of the Chamber, I move that we dispense with the reading of this Additional Reference of Business and consider the same as read and inserted into the record.

The President. Is there any objection? *[Silence]*  
There being none,....

Senator Roco. Mr. President.

The President. Senator Roco is recognized.