

PROVIDING FOR THE DEVELOPMENT AND ACCREDITATION OF CERTAIN TRADING COMPANIES AND PRESCRIBING INCENTIVES THEREFOR.

PRESIDENTIAL DECREE NO. 1319, March 29, 1978

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WHEREAS, the sound and balanced development of the economy requires the expansion and sustained growth of export trade, the attainment of which necessitates the trading sector's assumption of a leading and more innovative role in improving the country's export performance;

WHEREAS, this role requires that trading firms develop and extend their functional coverage to include expanded bulk trading, adequate and reliable sources of supply, worldwide market networks, trade and production financing, risk absorption, and other innovative functions needed to improve trade leverage;

WHEREAS, this lead role further requires that trading firms provide the vehicle for developing the markets for non-traditional export products particularly of small and medium-scale industries;

WHEREAS, the undertaking of these functions and activities require that trading firms be organized with a sufficiently large capital base, and be geared towards large-scale and integrated trading operations;

WHEREAS, to accelerate and assist the organization and development of such trading firms, there is need to prescribe performance-based incentives and provide institutional support for their operations;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. Declaration of Policy.—It is hereby declared to be the policy of the government to promote and encourage the organization and development of large-scale and integrated trading companies that can positively assist develop, expand and diversify the production base and export markets of Philippine non-traditional export products particularly of small and medium scale industries, in order to attain a rising level of production and employment, increase foreign exchange earnings, and accelerate the economic development of the nation.

SECTION 2. Definition of Terms.—For purposes of this Decree:

- "Governing Council" shall mean the Governing Council of the Philippine Export Council created under P.D. 941;
- "Committee" shall mean the Committee on Accredited Trading Companies created under this Decree;
- "Accredited Trading Companies" shall mean corporations duly incorporated, organized and existing under Philippine laws, of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by Filipino citizens, and duly accredited in accordance with this Decree;
- "Non-Traditional Export Products" shall refer to export products the total F.O.B. Philippine Port value of the export of which did not exceed five million U.S. dollars (US \$5,000,000) in 1968.

SECTION 3. Qualifications of Applicants.—In addition to satisfying the citizenship requirements provided for in Section 2 (c) of this Decree, an applicant must meet the annual eligibility requirements proscribed by the Committee at planning intervals of not less than three years, taking into account the combination of any or all of the following criteria:

- Sufficient capital base for large-scale and integrated trading operations;
- Annual export targets in terms of value, diversity of non-traditional export products traded, and diversity of foreign markets serviced;
- Linkage with small and medium-scale export producers in terms of value and number of sources tapped and financing assistance provided;
- Such other criteria as may be recommended by the Committee and approved by the Governing Council.

SECTION 4. Incentives to Accredited Trading Companies.—A duly accredited trading company shall be granted such specific incentives as may be necessary to achieve the purposes and intent of this Decree within the purview of the following general list of incentives, subject to applicable laws and rules and regulations prescribed by each agency having jurisdictional authority and responsibility therefor:

- Export financing privileges and/or preferential treatment;
- Facilitation of procedures for the importation of raw materials for use in the manufacture of export products;
- Preference in the grant of government loans;
- Availment of incentives under the Export Incentives Act (RA 6135);
- Availment of simplified export procedures under Executive Order No. 286;
- Operation of bonded warehouse facilities; and
- Facilitation assistance in trading operations.

SECTION 5. Committee on Accredited Trading Companies.—A Committee on Accredited Trading Companies, which shall be responsible for administering and coordinating the implementation of this Decree, is hereby created within the Philippine Export Council.

The Governing Council shall appoint the members of the Committee, which shall be composed of one senior official each nominated by the respective Department/Agency Heads of the Department of Trade, Department of Industry or Board of Investments, Department of Finance, Central Bank of the Philippines, and the Philippine Export Council. The appointed nominee of the Department of Trade shall be the Chairman of the Committee.

The Governing Council shall prescribe the organizational framework and guidelines under which the Committee shall operate, drawing upon, to the maximum extent possible, the technical staff expertise of government agencies concerned to assist the Committee in effectively carrying out its functions and duties under this Decree. The guidelines shall contain provisions giving due encouragement to the organization of cooperative trading organizations and other forms of joint export marketing groups by producers either as accredited trading companies or to be supported by the activities of accredited trading companies.

SECTION 6. Functions and Duties.—Subject to policy and operating guidelines which the Governing Council shall prescribe, the Committee shall have the following functions and duties:

- Formulate policies and strategies for the development and regulation of large-scale and integrated trading

companies, which policies and strategies shall be in accordance with approved national development plans;

- Draw up annual eligibility requirements for accreditation for a planning period of not less than three years, taking into account the criteria provided for under Section 3 of this Decree;
- Promulgate rules and regulations as may be necessary to implement the intent and provisions of this Decree, which rules and regulations shall take effect thirty (30) days after their publication in two (2) newspapers of general circulation in the Philippines;
- Process and evaluate, imposing such terms and conditions as it may deem necessary to promote the objectives of this Decree, applications for accreditation, and issue proper certificates of accreditation upon payment of reasonable fees as it may deem necessary to prescribe;
- Periodically check and verify, either by inspection of the books or requiring submission of regular reports, the compliance by accredited trading companies with the provisions of this Decree, the rules and regulations promulgated under this Decree, the terms and conditions and annual eligibility requirements for accreditation promulgated pursuant to this Decree, and the citizenship requirement prescribed in Section 2 (a) of this Decree;
- Coordinate, liaise, facilitate the promulgation by agencies concerned of the specific incentives to be granted under Section 4 of this Decree, and the availment of said incentives by accredited trading companies;
- Require accredited trading companies to list their shares of stock in any stock exchange, or directly offer a portion of their capital stock to the public and/or their employees in accordance with a time-phased plan that it shall draw up therefor;
- Suspend the enjoyment of incentives and/or after due notice and hearing, cancel the accreditation of accredited trading companies for failure to attain and/or maintain the qualification and/or annual eligibility requirements established under this Decree, or for willful or grossly negligent violation of any provision of this Decree and/or the rules and regulations promulgated thereunder and/or the terms and conditions of their accreditation;
- Whenever deemed appropriate, recommend for consideration of the President of the Philippines amendments to the general list of incentives provided under Section 4 of this Decree; and
- Within four (4) months after the close of the fiscal year, submit thru the Governing Council an annual report to the President of the Philippines on the implementation of this Decree.

SECTION 7. Appropriation.—There is hereby appropriated the sum of one million pesos (P1,000,000) out of the funds of the National Treasury not otherwise appropriated for the initial organizational and operating expenses of the Committee up to the end of Fiscal Year 1978. Thereafter, its budget shall be provided for by contributions from the agencies represented in the Committee, the respective amounts of which shall be determined by the Governing Council.

SECTION 8. Penal Provision.—Violation of any provision of this Decree or the rules and regulations promulgated pursuant thereto or of the terms or conditions of accreditation, or any act of abetting or aiding in any manner any such violation, shall be punished by a fine in the amount of not more than fifty thousand pesos (P50,00) or imprisonment for not more than three (3) years, or both, at the discretion of the Court.

If the offense be committed by a juridical entity, the present and/or other officials responsible therefor shall be subject to the penalty described above. If the official be an alien, he shall be deported after serving the sentence, without need of further proceedings for deportation. If the offender is a naturalized citizen, he shall be automatically denaturalized from the date his sentence becomes final.

SECTION 9. Separability Clause.—The provisions of this Decree are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of other provisions shall not be affected.

SECTION 10. Repealing Clause.—Any and all acts, statutes, decrees, orders, rules and regulations or parts thereof inconsistent with this Decree are hereby repealed or modified accordingly.

SECTION 11. This Decree shall take effect upon its approval.

Done in the City of Manila, this 29th day of March, in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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