



HOUSE OF REPRESENTATIVES

H. No. 12073

INTRODUCED BY HONORABLE DE VENECIA, JR., LOPEZ (J.), DEL MAR, TANJUATCO, JR., TEVES, LOPEZ (A.), PAYUMO, CUA, VILLAROSA, LIBAN, STARKE, ACOSTA, MONTEMAYOR, TAGLE, SILVERIO, AMATONG, NAZARENO, JR., PANCHE, ROXAS (M.), TUAZON, FUGOSO, RECTO, VILLAR, JR., VENEGAS, BELMONTE, JR., GILLEGO, MENDOZA, DIAZ (R.), ORBOS, SARMIENTO (A.), GOLEZ, VELOSO, VERCELES, JR., ANDAYA (R.), TILANDUCA, CATANE, ESCUDERO III, ALFELOR, DEL ROSARIO, CHIONGBIAN, ESTRELLA (E.), ENRILE, COJUANGCO, JR., ALMARIO, BAGATSING, JR., BAGATSING (A.), ROMERO, FUA, VILLAVIZA, LUCIANO, PUNZALAN, JR., PARAS, JAVIER (E.), LORETO, TINGA, REYES, ROLDAN, LORENZO, TUGUNG, DOMINGO, ANTONINO, DURANO III, PANES, TUPAS, GORDON, DEQUINA, ASPIRAS, FAJARDO, JAVIER (R.), MATTI, SOONRUIZ, VERGARA, DUREZA, BICHARA, YAP (R.), LOBREGAT, PALACOL, LINGAD, LAZATIN, TINGZON, ARROYO, AQUINO (H.), FUENTEBELLA, TAJON, FIGUEROA, SINGSON, MARTINEZ, JR., ANDOLANA, ESPINOSA, MONTEJO, BONDOC, CANDAZO, RAMIREZ, CABILAO, URRO, TAMMANG, QUIMPO, FUENTES, HENSON, CARMONA, PAREDES, JR., GARCIA (M.), BAGUIO, YULO, ZUBIRI, JR., PUEY, PEREZ, JR., LOPEZ (E.), PEREZ (H.), CHAVES, AQUINO (F.), VALDEZ, GULLAS, DIAZ (A.), ABLAN, JR., MARCOS II, PALMA GIL, ORTEGA, ESTRELLA III, ANDAYA, JR., SANCHEZ, CLAUDIO, JAAFAR, PUNZALAN (J.), DOMINGUEZ, RAMIRO, JR., YAP (J.),



ALMENDRAS, SR., APOSTOL, LAGMAN, MASTURA, DRAGON,
GUANZON, CARLOTO, ZARRAGA, SARMIENTO (R.),
SERAPIO, ALBANO, AND PLAZA, PER COMMITTEE REPORT
No. 503

**AN ACT TO EVOLVE EXPORTS AS THE KEY TO A
BALANCED AND SUSTAINED AGRI-INDUSTRIAL
DEVELOPMENT FOR PHILIPPINE NICHOOD
TOWARDS THE YEAR 2000**

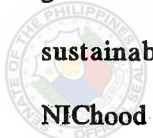
*Be it enacted by the Senate and House of Representatives of the
Philippines in Congress assembled:*

ARTICLE I

BASIC PRINCIPLES AND POLICIES

1 **SECTION 1. *Short Title.*** – This Act shall otherwise be known
2 as the "Magna Carta for Exporters."

3 **SEC. 2. *Declaration of Policy.*** – It shall be the policy of the
4 State to evolve export development into a national effort. The
5 government shall champion exports as a focal strategy for a
6 sustainable agri-industrial development to achieve Philippine
7 NICHood status towards the year 2000. The private sector shall take
8 the lead in the collective effort to promote exports through
9 discipline and hard work, as it confronts the challenge of winning
10 international markets.



1 The government and the private sector shall jointly transform
 2 the Philippines into an exporting nation. Towards this end, the
 3 State shall instill in the Filipino people that exporting is not just a
 4 sectoral concern, but the key to national survival and the means
 5 through which the economic goals of increased employment and
 6 enhanced incomes can most expeditiously be achieved.

7 Small- and medium-scale enterprises (SMEs), which
 8 comprise the bulk of the country's domestic business entities, shall
 9 play a dominant role in the country's export thrust. Export
 10 programs and strategies shall be geared towards transforming
 11 small- and medium-scale exporters into world-class exporters and
 12 non-exporting SMEs into exporting enterprises.

13 **SEC. 3. Key Operating Principles.** – A macroeconomic policy
 14 framework that supports export development shall be provided,
 15 especially in key areas of concern to exporters:

- 16 (a) Monetary and foreign exchange policy shall establish and
 17 maintain a competitive exchange rate, supported by measures to
 18 provide safety nets for various sectors that may be adversely
 19 affected in the short run by the implementation of such policy. Such
 20 policy shall be consistent with the responsibility and primary
 21 objective of the *Bangko Sentral ng Pilipinas* pursuant to Section 3 of

1 **Republic Act No. 7653;**

2 (b) **Fiscal and credit policy shall provide adequate funds for**
3 **public and private investments and business expansion, while**
4 **keeping the cost of credit comparable to international levels and**
5 **ensuring access to loanable funds for SMEs as well as highly**
6 **technical export enterprises, especially those in the countryside;**

7 (c) **Agricultural policy shall build up viability and**
8 **competitiveness of the country's primary sectors and facilitate their**
9 **linkage with industry to strengthen the agri-industrial base of the**
10 **country's export thrust;**

11 (d) **Trade, tariff and customs policy shall engender**
12 **competitiveness in domestic industries and facilitate their**
13 **participation in international trade;**

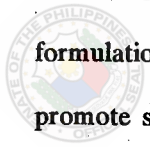
14 (e) **Policies to improve the material supply chain to the**
15 **Philippine export sector shall be adopted, particularly those relating**
16 **to infrastructure development, technology transfer and adaptation,**
17 **and investment in supporting industries and services. As such, the**
18 **Department of Science and Technology and the Department of**
19 **Agriculture shall be supported by state universities and colleges in**
20 **the diffusion of technology, information and training to the**

1 countryside for agri-industrial and exports development;

2 (f) Urgent attention must be given to policies affecting
3 infrastructure in order to ensure the adequate supply and quality of
4 power, water (e.g. for irrigation), transportation (e.g. shipping and
5 cargo handling), and communication to support the flow of goods
6 and services in the context of the national export drive;

7 (g) The link between export growth and countryside
8 development must be strengthened through policies favorable to
9 small- and medium-scale enterprises, regional industrial centers,
10 and export processing zones to boost rural and farm-based
11 entrepreneurship in identified geographic areas of economic
12 growth;

13 (h) Labor and industrial relations policy must recognize the
14 inevitable industrial shifts that will occur in the effort to achieve
15 international competitiveness. Focus shall be given to the
16 formulation of accords between labor and management which shall
17 promote sustained increase in productivity and competitiveness. In
18 line with this, dual training schemes shall be integrated as a basic
19 component to the country's primary and secondary education
20 program to ensure that the manpower needs of agriculture and
21 industry will be matched by the skills generated by the educational



1 system. Reasonable price and income policies shall likewise be
2 adopted in order to safeguard the interests of sectors adversely
3 affected by the structural adjustments;

4 (i) All government agencies whose actions affect exporters,
5 such as the Board of Investments, the Bureau of Customs, and the
6 Bureau of Internal Revenue shall simplify procedures to minimize
7 bureaucratic red tape; and

8 (j) Provisions of existing laws deemed detrimental to the
9 export sector shall be repealed in subsequent acts.

10 SEC. 4. *Definition of Terms.* - For purposes of this Act, the
11 following definitions shall apply to the following terms:

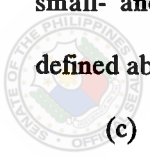
12 (a) "Exporter" means any person, natural or juridical, (1)
13 engaged in the production, manufacture or trade of products and/or
14 services, which earns at least sixty percent (60%) of its normal
15 operating revenues either from the sale of its products and/or
16 services abroad for foreign currency, or from the sale of products
17 whose export pricing is based on quotations in an international
18 commodity exchange or market, and which will result in the
19 increase in the international reserve for the country, or (2) in the
20 case of "indirect exporter" engaged in the production or



1 manufacture of products or provision of services which earns at
 2 least sixty percent (60%) of its normal operating revenues from the
 3 sale of its products or services to an exporter or exporters, as
 4 defined above, as raw materials for or component parts of, or
 5 otherwise inputs to, a product which is finally exported.

6 (b) "Small- and medium-scale exporters" – Small-scale
 7 enterprises are those with assets equivalent to or in excess of One
 8 million pesos (₱1,000,000.00) but less than Ten million pesos
 9 (₱10,000,000.00) while medium-scale enterprises are those with
 10 assets equivalent to or in excess of Ten million pesos
 11 (₱10,000,000.00) but not more than Forty million pesos
 12 (₱40,000,000.00) or as small- and medium-scale enterprises may be
 13 subsequently defined by the Small- and Medium-Scale Enterprises
 14 Development Council. Small- and medium-scale exporters are
 15 small- and medium-scale enterprises who are also exporters as
 16 defined above.

17 (c) "Export promotion" shall refer to a wide range of export
 18 activities which the public and private sectors undertake, such as
 19 networking, especially in export support services and the provision
 20 of trade/market information; organization of trade fairs and
 21 missions; provision of advisory services; conduct of seminars,



1 lectures, workshops, conferences and trainings on export-related
2 subjects; publication of export-related documents; handling of
3 quality standards, product design and such other activities aimed at
4 promoting existing exports, especially those meant to reinforce and
5 improve the position of Philippine export products in specific
6 foreign markets, principally being those activities necessary for the
7 implementation of the Philippine export development plan.

8 (d) "Export development" shall refer to those activities aimed
9 at the generation of new export trade (e.g., old products to new
10 markets, new products to old markets, new products to new
11 markets) over the medium- to long-term, including such
12 activities/services which the private sector, because of risks or
13 uncertainties, capital requirements or gestation period, may not
14 wish to undertake, such as market research and information.

15 (e) "Export sale" means the sale and shipment or exportation
16 of goods from the Philippines to a foreign country, irrespective of
17 any shipping arrangement that may be agreed upon which may
18 influence or determine the transfer of ownership of the goods so
19 exported. It shall be reckoned at Philippine port f.o.b. value, as
20 determined from the invoices, bills of lading, inward letters of

1 credit, landing certificates, and other commercial documents of
2 exports directly sold abroad by an exporter member.

3 (f) "Export support services" shall refer to activities that are
4 vital to strengthen the actual conduct of trade such as insurance,
5 port services, transportation, communication, and other similar
6 services.

7 (g) "Export incentives" shall refer to support measures
8 provided by government to exporters to encourage the investment in
9 the export sector, create a freer trade environment and motivate
10 exporters to perform competitively in the export market. The
11 overall objective is to increase the country's export sales.

12 (h) "Accredited organization" shall refer to the organization
13 of exporters granted accreditation by the Export Development
14 Council, as provided in Section 7(l) of this Act.

15 ARTICLE II

16 INSTITUTIONAL STRUCTURES AND STRATEGIES



17 SEC. 5. *Philippine Export Development Plan (PEDP)*. -- The
18 President of the Republic of the Philippines shall approve a rolling
19 three-year Philippine export development plan prepared by the
20 Department of Trade and Industry which shall form part of the
21 medium-term Philippine development plan. It shall be formulated

1 in consultation with the private sector, validated and updated
 2 semestrally. The Philippine export development plan shall define
 3 the country's annual and medium-term export thrusts, strategies,
 4 programs and projects, and shall be jointly implemented by the
 5 government, exporters, and other concerned sectors.

6 **SEC. 6. *Export Development Council.*** – The existing Export
 7 Development Council, hereinafter referred to as the Council, which
 8 was created by Executive Order No. 98 (1993) as modified by
 9 Executive Order No. 110 (1993), shall be strengthened and
 10 institutionalized for the purpose of overseeing the implementation
 11 of the Philippine export development plan and coordinating the
 12 formulation and implementation of policy reforms to support it. It
 13 shall be attached to the Office of the President and shall be vested
 14 with executing and implementing authority over the coordination of
 15 government efforts to promote exports. In addition, the President
 16 of the Philippines shall sit as *ex officio* chairman in recognition of
 17 the role of exports as the key to economic growth.

18 **SEC. 7. *Powers and Functions.*** – The Council shall:

- 19 (a) Approve the Philippine export development plan;
- 20 coordinate, monitor, and assess the implementation thereof and,

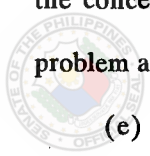
1 when necessary, institute appropriate adjustments thereon in the
2 light of changing conditions in both the domestic and international
3 environment;

4 (b) Periodically review and assess the country's export
5 performance, problems, and prospects;

6 (c) Identify the main bottlenecks, problem areas, and
7 constraints in all areas/sectors/activities which influence the
8 development of exports, including but not limited to, such matters
9 as policy framework, physical infrastructure, finance, technology
10 and other specialized support services, production, promotion, and
11 marketing;

12 (d) Mandate specific departments/agencies to attend to the
13 bottlenecks and problems constraining the development of exports
14 in any of the areas mentioned in paragraph (c) above, and require
15 the concerned secretaries to deliver a progress report(s) on the
16 problem at the next meeting(s);

17 (e) Ensure export quality control by overseeing the
18 formulation and implementation of quality control guidelines by
19 appropriate agencies to make Philippine exports at par with world-
20 class products;



1 (f) Impose sanctions on any government agency or officer or
2 employee thereof, or private sector entity that impedes efficient
3 exportation of Philippine goods;

4 (g) Recommend to Congress any proposed legislation that
5 would contribute to the development of exports;

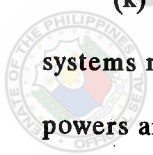
6 (h) Submit quarterly reports to Congress;

7 (i) Formulate the policies to rationalize the export promotion
8 and development functions of the International Trade Group of the
9 Department of Trade and Industry (ITG-DTI) for the eventual
10 transfer of government export promotion and development activities
11 to the private sector within a period of two (2) years after the
12 approval of this Act;

13 (j) Formulate the policies for the granting of incentives to
14 exporters;

15 (k) Adopt such policies, rules, procedures and administrative
16 systems necessary for the efficient and effective exercise of its
17 powers and functions, including the creation or adoption of an
18 executive committee or secretariat; and

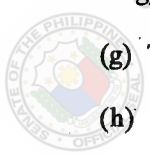
19 (l) Grant and review the accreditation of the organization of
20 exporters, according to the guidelines which it shall later



1 promulgate for the said purpose: *Provided*, That the organization
 2 accredited shall be the dominant one among the other existing
 3 export organizations as determined under the guidelines
 4 promulgated by the Council hereof.

5 SEC. 8. *Composition of the Council.* - The Council shall be
 6 composed of the following:

- 7 (a) The President of the Philippines as *ex officio* chairman;
- 8 (b) The Secretary of the Department of Trade and Industry
 9 as first vice-chairman;
- 10 (c) The Director-General of the National Economic and
 11 Development Authority;
- 12 (d) The Secretary of the Department of Finance;
- 13 (e) The Governor of the *Bangko Sentral ng Pilipinas*;
- 14 (f) The Secretary of the Department of Science and
 15 Technology;
- 16 (g) The Secretary of the Department of Agriculture;
- 17 (h) The Administrator of the Cooperative Development
 18 Authority;
- 19 (i) The Presidential Assistant for Visayas;
- 20 (j) The Presidential Assistant for Mindanao;



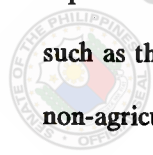
1 (k) Nine (9) representatives from the private sector, the
 2 majority of whom shall be recommendees of the accredited
 3 organization, and one of whom shall be appointed second vice-
 4 chairman.

5 Other heads of executive agencies, private organizations or
 6 individuals can be called upon by the President to attend any or all
 7 council meetings and assist the Council to resolve issues and
 8 problems that concern their respective offices.

9 Likewise, such heads of executive agencies, private
 10 organizations or individuals shall respond to the queries of the
 11 Council within two (2) weeks from the time such queries were
 12 received.

13 *SEC. 9. Mode of Selection and Tenure of Private Sector*
 14 *Representatives.* – The President shall appoint the private sector
 15 representatives, ensuring balanced representation among sectors,
 16 such as the agricultural and traditional export sectors as against the
 17 non-agricultural and non-traditional export sectors and the like.

18 The private sector members of the Council shall serve for two
 19 (2) years. When a vacancy arises due to the resignation, death or
 20 incapacity of a member, a replacement who shall serve for the



1 remainder of the member's term of office shall be appointed by the
2 President.

3 SEC. 10. *Meetings of the Council.* - The Council shall meet
4 at least once every two (2) months: *Provided,* That the President
5 may convene the Council anytime whenever he deems it necessary.

6 SEC. 11. *Funding.* - The activities and operational expenses
7 of the Council shall be funded jointly by budgetary appropriations
8 from the government and by private sector contributions as
9 provided for in Executive Order No. 98.

10 SEC. 12. *Accredited Export Organization.* - The Council shall
11 accredit a single organization of exporters pursuant to Section 7(l)
12 of this Act to represent the export sector concerns and interests for
13 three (3) years, after which the Council shall undertake a review of
14 the accreditation prior to the granting or regranting of the said
15 accreditation.

16 The accredited organization shall:

17 (a) Recommend private sector representatives to the
18 Council, with the consideration of balanced sectoral representation,
19 as provided in Section 9 hereof;

20 (b) Be responsible for the performance of appropriate export
21 promotion functions privitized by the Department of Trade and

1 **Industry; and**

2 (c) **Manage the Philippine Trade Center, which shall include**
3 **among others the authority to enter into contracts with specific**
4 **organizations or firms for the operation of certain promotion**
5 **facilities or functions.**

6 **SEC. 13. *Specific Mandate to National Economic and***
7 ***Development Authority (NEDA).* – The NEDA shall issue**
8 **standards and policies to be observed by local government units**
9 **(LGUs) in order to:**

10 (a) **Ensure that local government units plans and budgets are**
11 **supportive of agri-industrial growth and export competitiveness**
12 **thrusts of the national government; and**

13 (b) **Ensure optimal allocation of expenditures.**

14 **The regional development councils shall be the channels**
15 **through which these standards and policies shall be coursed.**

16 **SEC. 14. *Export Financing, Guarantees and Insurance.* – The**
17 **Council shall hereby undertake the necessary alignment and**
18 **rationalization of government functions, programs and agencies,**
19 **such as the Philippine Export and Foreign Loan Guarantee**
20 **Corporation (Philguarantee), the Guarantee Fund for Small and**



1 Medium Enterprises (GFSME), the Small Business Guarantee and
 2 Finance Corporation (SBGFC), and other existing government
 3 institutions and programs dealing with export financing and
 4 guarantees into one institution, whose services shall be primarily
 5 geared towards supporting the operations of small- and medium-
 6 scale exporters as well as highly technical export enterprises.
 7 Furthermore, the unified institution shall endeavor to provide
 8 insurance cover to exporters. In this regard, the Council shall
 9 submit to Congress a study on the legal and financial feasibility of
 10 the proposed unification of export financing agencies and the
 11 corresponding program of action within ninety (90) days after the
 12 effectivity of this Act.

13 Two (2) representatives from each of the committees on trade
 14 and industry and economic affairs from the House of
 15 Representatives and the Senate shall likewise be included in that
 16 study team.

17 SEC. 15. *Export Promotion and Information.* - As provided
 18 in Section 7(i) of this Act, the Council through the Department of
 19 Trade and Industry shall prepare an export promotion privatization
 20 program within sixty (60) days from the approval of this Act and
 21 shall subsequently identify the appropriate funding mechanism for

1 such a program. The privatization process shall be completed
2 within a period of two (2) years.

3 While the appropriate funding mechanism is not yet in place,
4 financial and technical assistance to the accredited organization on
5 a project-to-project basis shall be granted. In this regard, the
6 national government shall appropriate such sums as may be
7 necessary to the Council to be exclusively earmarked for export
8 promotion and information until such time that the Council
9 establishes the funding mechanism. The Council shall formulate
10 the criteria for the availment of this financial and technical
11 assistance and the extent to which the assistance shall be granted
12 with the primary consideration of encouraging the formation of a
13 nationwide marketing cooperative for export promotion.

14 SEC. 16. *Philippine Trade Center.* - The government shall
15 hereby assist the private sector in the establishment of a world-class
16 Philippine trade center which shall house the trade promotion
17 offices of the two sectors and shall serve as the permanent exhibit
18 site of the country's export products. In this regard, the government
19 shall provide the land for the center, through a land grant or long-
20 term lease to the accredited organization, and assist in arranging



1 financing for the construction of the trade complex. Upon its
2 establishment, the center shall be managed by the accredited
3 organization.

4 ARTICLE III

5 OTHER INCENTIVES

6 SEC. 17. *Fiscal Incentives.* - In addition to existing incentives
7 provided by the Board of Investments, the following incentives shall
8 likewise be granted to exporters:

9 (a) Exemption from Presidential Decree No. 1853 requiring
10 advanced payments of duties and taxes for importations prior to
11 opening of letters of credits - This Act shall grant exemption to
12 exporters from Presidential Decree No. 1853, provided that the
13 importation shall be used for export production;

14 (b) Duty-free importation of inputs/raw materials - Inputs
15 and raw materials primarily used for the production and packaging
16 of export goods, which are not readily available locally, shall be
17 exempted from any import duty;

18 (c) Tax credit for locally-sourced inputs - Exporters who
19 manage to locally source their inputs, whether raw materials,
20 machinery, equipment and/or spare parts, will be granted a tax
21 credit equivalent to one hundred percent (100%) of the value of the

1 national internal revenue taxes and customs duties that would have
2 been waived on the said inputs had these items been imported;

3 (d) Additional deduction for labor-intensive industries -
4 Exporters who primarily use labor inputs for the production of
5 export commodities shall be allowed an additional deduction from
6 their taxable income equivalent to the total expenses for these labor
7 inputs.

8 *Provided, That these incentives shall be granted only upon:*

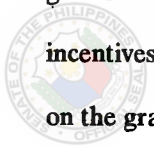
9 (1) the presentation of a Bureau of Export Trade Promotion
10 (BETP) certification of the exporter's eligibility, and (2) in the case
11 of importations, the items imported shall be used exclusively for
12 production of export goods.

13 *Provided, further, That the above incentives shall be granted*
14 *for five (5) years. Those exporters whose performance has shown a*
15 *growth of at least ten percent (10%) shall continue to avail of the*
16 *incentives herein given. The Council shall formulate the guidelines*
17 *on the grant of incentives in this regard.*

18 **ARTICLE IV**

19 **TRANSITORY PROVISIONS**

20 **SEC. 18. Appointment of Private Sector Representatives. -**



1 Upon the effectivity of this Act, the President of the Philippines
 2 shall appoint the nine (9) private sector representatives to the
 3 Council who shall serve a term of two (2) years. Thereafter, the
 4 determination of the private sector representatives shall be
 5 governed by Sections 8(k) and 9 of this Act.

6 SEC. 19. *Funding of the Council.* - Upon the effectivity of
 7 this Act, the budget granted to the old Export Development Council
 8 shall be transferred to the new Council created in this Act.
 9 Thereafter, such sums as may be necessary for its operation and
 10 maintenance shall be included in the annual General
 11 Appropriations Act.

12 SEC. 20. *Operation of the Council.* - The Council shall
 13 immediately function one (1) month after the approval of this Act.

14 ARTICLE V

15 CRIMINAL OFFENSES AND PENALTIES

16 SEC. 21. *Misuse of Funds.* - Any person who shall
 17 unlawfully and maliciously divert funds under this Act for purposes
 18 other than intended shall, in addition to the penalties under existing
 19 laws, be punished with imprisonment ranging from three (3) to six
 20 (6) years and a fine equivalent to the fund intended for the program
 21 or project so diverted.



1 SEC. 25. *Repealing Clause.* - All other laws, decrees,
 2 executive orders, administrative orders, rules and regulations or
 3 parts thereof which are inconsistent with the provisions of this Act,
 4 are hereby repealed, amended or modified accordingly.

5 SEC. 26. *Effectivity Clause.* - This Act shall take effect
 6 immediately upon approval.

Approved,

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Senate Archives (LRAS)

