

SENATE

S. NO. 1517

Introduced by Senator Heherson T. Alvarez

EXPLANATORY NOTE

The battlecry of Philippines 2000 is for the country to achieve NIChood status by the turn of the century. Unfortunately, the country's overreliance on its limited domestic economy hinders the speedy attainment of the desired industrialization. This sad state of affairs inevitably points to the need for government to broaden its economic reach through the adoption and promotion of an export strategy.

Increased exports prod a nation to produce goods and deliver services effectively and efficiently in efforts to keep pace with global industrialization. This climate of global competitiveness will, hopefully, propel a country towards rapid industrialization.

From 1985 to 1991, the Philippines has lagged behind other Asian nations namely, Korea, Malaysia, Singapore and Thailand, in terms of investment rate as a result of differences in export policy. While the country's investment rate was a measly 19% of its Gross National Product (GNP) in 1991, those of other neighboring countries ranged from 35-39%, more than double that of the Philippines.

As a result of an outward-looking economic policy, other Asian nations, Japan in particular, today provides its population with a per capita income close to \$30,000 annually compared to the Philippines' annual per capita income valued at \$835.

The country cannot afford to be content with this economic status, specially with a 40.7% poverty rate staring her in the eye. The challenge of making the international market a Philippine market, then, should once and for all be met. The greater challenge, however, is for government to translate benefits from our export products to a better system of delivering basic social services. Ultimately, the country should aim at becoming an export dragon to ensure competitiveness in the world export war.

This bill seeks to provide the necessary support to the export sector through the strengthening of the Export Development Council, created by virtue of Executive Order No. 98. It is hoped that with the institutionalization of the Council, exports will be vigorously promoted and developed via an enhanced automatic access to export incentives.

The urgent passage of this bill is, therefore, earnestly sought.


HEHERSON T. ALVAREZ

CONGRESS OF THE PHILIPPINES)
SECOND REGULAR SESSION) S.S.

SENATE

S. NO. 1517

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DATE OF RECEIPT
OFFICE OF THE
RECORDS
DATE: **NOV 08 1993**
TIME: 5:05 BY: Rff

Introduced by Senator Heherson T. Alvarez

**AN ACT
GRANTING INCENTIVES TO EXPORTERS TO EVOLVE EXPORTS AS THE KEY TO
INDUSTRIAL DEVELOPMENT FOR PHILIPPINE NICHOOD BY THE YEAR 2000,
INTENSIFYING EXPORT PROMOTION AND INFORMATION, AND FOR OTHER
PURPOSES**

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

ARTICLE I

BASIC PRINCIPLES AND POLICIES

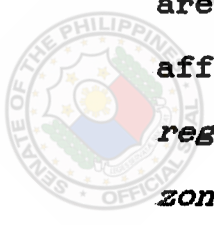
SECTION 1. Short Title. - This Act shall be known as the
"Export Producers Incentives Act of 1993".

SEC. 2. Declaration of Policy. - It shall be the policy of
the State to champion exports as a focal strategy to achieve
Philippine NICHood status by the year 2000. To this end, the
State shall coordinate with business in a collective effort to
promote export through discipline and hardwork, with the end in
view of cornering the international market, thereby achieving our
national economic objectives of enhanced incomes and increased
employment.

SEC. 3. Key Operating Principles. - A macroeconomic policy
framework that supports export development shall be provided,
specially in key areas of concern to exports:

- a. Monetary and Foreign Exchange policy shall encourage an
environment conducive to a competitive exchange rate,
supported by measures to provide safety nets for
various sectors that may be adversely affected in the
short-run by the implementation of such policies.

- b. Fiscal and Credit policy shall provide adequate funds for business operations and investments while keeping the cost of credit comparable to international levels and ensuring access to loanable funds by small and medium enterprises, specially those in the countryside.
- c. Trade, tariff and customs policy shall upgrade local business practices to international standards and facilitate the country's international trade flows.
- d. Policies to improve the *material supply chain* to the Philippine export sector shall be put in place, particularly those relating to infrastructure development, technology transfer and adaptation, and investment in supporting industries and services.
- e. Urgent attention must be given in particular to policies affecting *infrastructure* to ensure the adequate quantity and quality of power, water (e.g. for irrigation), transportation (e.g. shipping and cargo handling), and communication to support the flow of goods and services for the national export drive.
- f. Boost rural entrepreneurship in identified geographic areas of economic growth by strengthening policies affecting *small - and medium - scale exporters, regional industrial centers, and export processing zones.*
- g. Labor and industrial relations policy must focus on the formulation of social contracts between the labor and management sectors for the provision of just and reasonable prices and wages that ensure increases in productivity.



SEC. 4. Definition of Terms. - For purposes of this Act:

- a. *Exporter* - shall refer to any person, natural or juridical, who is: (i) engaged in the production,

manufacture, trade, or barter of products and/or services, which earns part or all of its normal operating revenues either from the sale of its products and/or services abroad for foreign currency; or (ii) in the case of "indirect exporter", is engaged in the production or manufacture of products which earns part or all of its normal operating revenues from the sale of its products to an exporter or supplies raw materials for, or component parts to, a product which is finally exported.

- b. *Small-Scale Exporters* - shall refer to exporters with a net worth of less than ₱5 million.
- c. *Medium-Scale Exporters* - shall refer to exporters with a net worth of over ₱5 million but less than ₱20 million.
- d. *Export Promotion* - shall refer to a wide range of export activities which the public and private sectors are willing to undertake such as networking especially in export support services and the provision of trade/market information, organization of trade fairs and missions, provision of advisory services, conduct of seminars, lectures, workshops, conferences and trainings on export-related subjects, publication of export-related documents, handling of quality standards, product design, and such other activities necessary for the implementation of the Export Development Plan.
- e. *Export Development* - shall refer to a wide range of export activities which can translate into an increase in export sales.
- f. *Export Sale* - shall refer to the sale and shipment or exportation of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that



may be agreed upon which may influence or determine the transfer of ownership of the goods so exported.

- g. *Export Support Services* - shall refer to activities that are vital to strengthen the actual conduct of trade such as insurance, port services, transportation, communication, etc.
- h. *Export Incentives* - shall refer to support measures provided by government to exporters to encourage the investment in the export sector and motivate exporters to perform competitively in the export market thereby increasing the country's export sales.

ARTICLE II

INSTITUTIONAL STRUCTURES

SEC. 5. *Philippine Export Development Plan (PEDP)*. - The President of the Republic of the Philippines shall approve a rolling three-year Philippine Export Development Plan which shall form part of the Medium-Term Philippine Development Plan (MTPDP). It shall be formulated in consultation with the private sector, and validated and updated annually. The PEDP shall define the country's annual and medium-term export thrusts, strategies, programs and projects and shall be jointly implemented by the government, exporters and other sectors of society.

SEC. 6. *Export Development Council*. - For purposes of this Act, the Export Development Council created by Executive Order No. 98 (1993) as modified by Executive Order No. 110 (1993), is hereby made permanent.

SEC. 7. *Function of the EDC*. - The EDC, in coordination with NEDA and the private sector, shall coordinate all promotional activities for export and undertake activities complementary to those being currently done by the government. It shall also be the central coordinating body in a network of government and private entities involved in export support

services such as the following:

- trade policy research and advocacy
- trade and technology information
- technology transfer and adaptation
- investment promotion

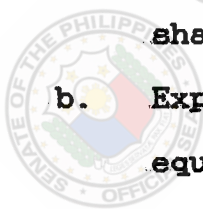
SEC. 8. Special Mandate to NEDA. - To ensure: (i) that local government units' (LGUs) plans and budgets are supportive of the export competitiveness thrusts of the country; and (ii) optimal allocation of expenditures; the National Economic and Development Authority (NEDA), through its Regional Development Councils, shall issue standards and guidelines to be observed by LGUs in the drafting of their respective economic development plans.

ARTICLE III

OTHER INCENTIVES

SEC. 9. Exporters' Incentives. - In addition to existing incentives, the following shall likewise be granted to exporters:

- a. Exemption from PD 1853 requiring advance payments of duties and taxes for importations prior to opening of letters of credits; *Provided*, that the importation shall be used for export production;
- b. Exporters shall be allowed to post a re-export bond equivalent to the amount of duties, taxes and other charges due in lieu of actually paying customs duties for imported inputs;
- c. Exporters who manage to locally source their inputs, whether raw materials, machinery, equipment, and/or spare parts will be granted a tax credit equivalent to 100% of the value of the national internal revenue customs duties that would have been waived on the said inputs had these items been imported;



- d. All government agencies affecting exporters such as the Board of Investments, Bureau of Customs and Bureau of Internal Revenue are mandated to simplify procedures to minimize bureaucratic red tape; and
- e. Effectively and efficiently implement E.O. 470 to reduce tariff barriers on important imported inputs.

ARTICLE IV

ADMINISTRATIVE PROCEDURES AND SPECIAL CLAUSES

SEC. 10. Implementing Rules and Regulations. - The EDC shall formulate the rules and regulations to effectively implement the provisions of this Act.

SEC. 11. Separability Clause. - If for any reason any provision of this Act is declared unconstitutional or invalid, such parts or portions not affected thereby shall remain in full force and effect.

SEC. 12. Repealing Clause. - All laws, decrees, executive and administrative orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 13. Effectivity. - This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,

NINTH CONGRESS OF THE REPUBLIC }
OF THE PHILIPPINES }
Second Regular Session }



SENATE
S. B. NO. 1555

Introduced by Senator Macapagal-Arroyo

EXPLANATORY NOTE

Proclamation No. 167 (1993) provides that it shall be the policy of the Government to make export development the key to sustainable and balanced agri-industrial economic growth of the country.

Pursuant thereto, Executive Order No. 98 (1993), as amended by Executive Order No. 110 (1993), has established the Export Development Council (EDC).

These executive issuances are all geared towards the attainment by the Philippines of the status of a Newly Industrialized Country (NIC) by the year 2000.

However, in order to attain such a goal, it is imperative that there should exist a favorable climate that will foster and enhance economic growth based on global competitiveness. Growth and expansion of the country's export industry could be achieved by establishing a strong central agency that will review and assess policies affecting the export sector.

Therefore, it is the thrust of this proposed legislation that the Export Development Council, as created by the aforementioned executive orders, be institutionalized so as to give affirmation to the government's commitment to stimulate the export sector, be competitive in the international market, and to provide that stability and consistency in economic policies that are vital in fostering economic growth.

In view of the foregoing, approval of this bill is strongly recommended.


GLORIA MACAPAGAL-ARROYO
Senator