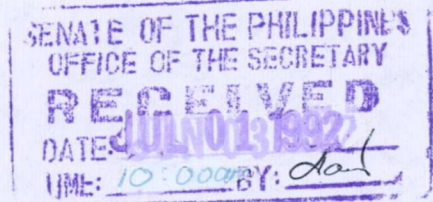


Congress of the Philippines )  
First Regular Session )



SENATE

S. No. 1

---

Introduced by Senator Guingona, Jr.

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EXPLANATORY NOTE

The Philippine economy is passing through a deeply-troubled period of its history, and the harsh realities of our economic situation calls for sweeping and well-coordinated adjustments of existing strategies to meet the challenges of the wide range of economic problems we have to resolve.

It has been said that "poverty anywhere represents a danger to prosperity everywhere." Any "freedom is fragile if the the population is impoverrihed." Indeed ---

"It has been demonstrated beyond doubt and debate that where the people are gainfully employed or self-employed, have enough food in the stomach, cloth on the back and roof over the head, there is little room for crime and rebellion.

Thus, the economist, the politicians and the military who think are in agreement that in our tormented time and condition perking up the economy, particularly in the rural areas where the bulk of the population (and the bulk of the poor) live is the Government's most urgent task. The order is taller: The job is not only urgent but necessary which the Government could leave undone only at its own peril. The prosperity required is that which touches the lives of the people." (Editorial by N. G. Rama, Philippine Panorama, November 22, 1987).

This is precisely the problem this bill seeks to grapple with and solve by translating into relaities the following constitutional State policies or mandates:

(a) "The State shall promote a just and dynamic social order, that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide . . . an improved quality of life for all." (Sec. 23, Art. II);

(b) "the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments." (Sec. 20, Art. II);

(c) "The State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the nation." (Sec. 23, Art. II);

(d) "The State recognizes the vital role of communication and information in nation-building." (Sec. 24, Art. II);

(e) "The State shall ensure the autonomy of local governments." (Sec. 25, Art. II);

(f) "The State shall guarantee equal access to opportunities for public service, and prohibit political dynasties as may be defined by law." (Sec. 26, Art. II);

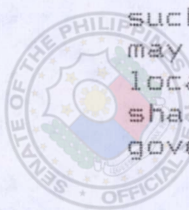
(g) ". . . . The spouse and relatives by consanguinity or affinity within the fourth civil degree of the President shall not during his tenure be appointed as . . . heads of bureaus or offices . . ." (Sec. 13, Art. VII);

(h) "The territorial and political subdivisions shall enjoy local autonomy." (Sec. 2, Art. X);

(i) "Each local government unit shall have the power to create its own sources of revenues and to levy taxes, fees, and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments." (Sec. 5, Art. X);

(j) "Local government units may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them in accordance with law." (Sec. 13, Art. X);

(k) "the use of property bears a social



function, and all economic agents shall contribute to the common good. Individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands." (Sec. 6, Art. XII);

(l) "The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive." (Sec. 12, Art. XII);

(m) "The State shall pursue a trade policy that serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity." (Sec. 13, Art. XII);

(n) "The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequalities by equitably diffusing wealth and political power for the common good.

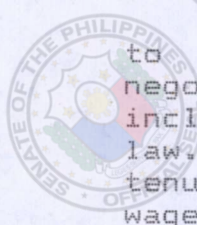
"To this end, the State shall regulate the acquisition, ownership, use and disposition of property and its increments." (Sec. 2, Art. XIII);

(o) "The promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance." (Sec. 2, Art. XIII);

(p) "The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

"It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

"The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary



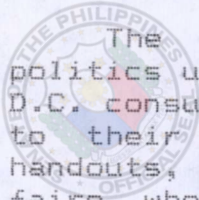
modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace.

"The State shall regulate the regulations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth." (Sec. 3, Art. XIII).

(q) "The State shall, by law and for the common good, undertake, in cooperation with the private sector, a continuing program of urban housing which will make available at affordable cost decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens. In the implementation of such program the State shall respect the right of small property owners." (Sec. 9, Art. XIII).

These more than a dozen State policies and mandates which are now enshrined in our Constitution give us the impression that the illustrious Framers of our fundamental law, fully cognizant of the compedium of problems buffeting this nation, has laid the constitutional grid for Congress to pursue to bring this country to the road to economic recovery and prosperity. It is not for us to leave these mandates and State policies unattended to as to frustrate their clear-out purpose, which are so forcefully expressed in language that convey the vision and dreams of the Founders of this Republic.

To implement the foregoing constitutional policies and mandates, this bill aims to transplant in Philippines soil some of the applicable ideas and practices that made possible what are



The "Economic Free Zones are beginning to turn politics upside down," says Mark Frazier, a Washington, D.C. consultant who helps nations tailor such enclaves to their needs. 'Instead of distributing government handouts, politicians are now creating areas of laissez faire where government steps out, not in.' Indeed, under the French scheme, any company opting for tax and other fiscal breaks will be ineligible for more subsidiaries.

The free port's lure of tariff postponement can also count heavily. West Germany's customs agents

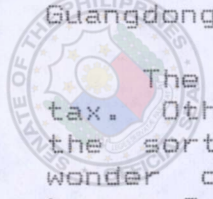
treat Hamburg's free port—a six-square mile area — as foreign territory. No duties are collected until goods are transported past checkpoints into other parts of the Federal Republic."

By cutting corporate taxes, red tape and tariffs, those special laisses faire enclaves have concerned some ten percent of today's world trade. (See Those Booming Economic Free Zones, pp.55-50, Readers Digest, November 1987).

The case of Singapore — an island so small that it cannot grow its own food to feed its inhabitants — is unique. It imports most of its beef, vegetables and fish. Yet, it has built an economy based on manufacturing and today, more than 60% of its products are exported. Singapore is alive with the diversity of its people and their occupations. The port of Singapore is the second busiest in the world after Rotterdam, and is used by over 300 shipping lines. There are over 100 banks, most with international connections, perhaps due to the country's political stability and thriving economy. (See First Class, The Official Magazine of the International Airline Passengers Association, No. 2, 1983).

The effervescent that the economies of Hongkong and Singapore reflected must have been the reason that impelled the leadership of the Peoples's Republic of China to formally establish Special Economic Zones in several areas of its territory. In the short period of six (6) years, these Special Economic Zones have developed into, highly-industrialized communities and their features are continuously changing for the better with the passing of each day.

Thus, the favorable investment policy in Shenshen has lured some US\$400 million in 600 projects over the last few years, making it the most active Special Zone in China today. To encourage more commerce, there is even talk of eliminating border formalities from Hongkong and pushing customs formalities and immigration controls seven kilometers north into Guangdong.



The key to success in Shenzhen is its 15% profits tax. Other would be SEZ's hope to offer the same with the sort of autonomy Shenzhen now enjoys. It is no wonder other parts of southeast China are eager to become Special Economic Zones (SEZs) as well (See Asian Business Letter, July 1, 1981).

Consider the case of the Republic of China in Taiwan:

"Time was when mention of the Republic of China on Taiwan (ROC) would evoke ripples of laughter as a joke should. Many then saw Taiwan's Chinese government's claim of the right to represent the billions of Chinese on the mainland as laughable as the vision of the tail wagging the dog.

". . . But fewer governments and pundits are laughing at the Chinese government in Taiwan. Something has happened on its way out of the United Nations. By will power, industry, honesty and intelligence, it has become one of the richest nations in the world. It came a long way from a poor Third World Country, poorer than the Philippines some fifteen years ago, to a respected industrial giant.

"It has the biggest international reserves, \$69 billion, (Author's Note: it is now very much more than this amount as of December 31, 1987) next only to Japan. If these were reckoned alongside population, the Chinese in Taiwan are the wealthiest since there are only 120 million of them to divide the \$69 billion, Japan has 120 million Japanese.

". . . Taiwan that has been no strike since the 50's provides the highest wages for labor on this part of the globe. It's perhaps the only country in the world where nobody is unemployed.

"The Taiwan Chinese have so much money they don't know what to do with it. Their government told them to go abroad and invest some of it.

". . . The Philippines, more than anybody else, needs to understand the Taiwan formula for success because rich Taiwan is the country we should have been or easily could have been now if only its leaders and people have in the last twenty years had half the patriotism, honesty, and intelligence of the Chinese in Taiwan.

"Economist T.S. Tsiang, one of the principal planners, pointed to the strategy of the market-oriented economy.

"Taiwan's remarkable experience was built on her rejection of certain fashionable postwar development theories and her embrace of more traditional strategies based on market allocation of resources. Taiwan languished when she followed the fashionable practices of using quantitative restrictions and tariff barriers to

ensure a sheltered domestic market for import substituting industries, and keeping interest rates low by strict regulation of banks."

" . . . No monopolies. Competitiveness among exporters thriftiness and the habit of saving by the people. Honesty of government. Initial capital information through development of agriculture. Light then heavy industries. Peaceful relationship between labor and capital, not confrontation. Directed foreign investments, which bring not just capital but technology and ready market. These are Taiwan's basic formula for success.

"A big factor in the Taiwan miracle is the absence of labor strikes. . . . Taiwan workers enjoyed highest wages in this part of the pacific. their minimum wage is P600 a day. As of last week, the construction workers asked and got the minimum of P800 per day. Strike-less Japan had the time. Here, our unions need to stress responsibilities as well as rights.

" . . . Labor unions in more civilized countries have long abandoned the strategy of intimidation, insults, confrontations and violent strikes. In our enlightened age, the labor unions have discovered they could get more from peaceful negotiations than from belligerence and strikes.

" . . . The leftist abroad are already going away from Communism, a failed irrational system, while our leftist here, poor devils, are still marching merrily and ignorantly into Communism which because of its failure even the top Communist leaders of the world, Gorbachev and Deng Xiaping, are with some embarrassment trying to revise." (Panorama Editorial, October 24, 1987).

This bills aims to adopt, with certain modifications, the strategies that made Taiwan, Hongkong, Singapore, Manhattan, the Special Economic Zones of the People's Republic of China, Corby in England, the in-bond plants of Mexico and the other free zones in the world economically buoyant.

It seeks to establish self-reliant and self governing Economic Zones in selected areas of the country, where the legends of the Exotic East will meet with the highly sophisticated high-tech industrial and economic giants of the Methodical West and embrace in the world of trade and commerce, high-tech industries,

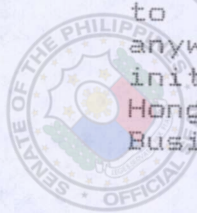
aqua-culture, agriculture, international banking and finance, tourism, telecommunications, etc. If successful, our vision of abundance in this blessed land of ours would become a reality.

The Economic Zones are areas set aside for economic activities, i.e., trade, commerce agro-industry, industry and services. Unlike the Export Processing Zone, the government under the proposal will not spend. It sets aside several hectares in a given area for twenty five years, and those who decide to participate organize themselves as homeowners in a new subdivision company to preserve their vested rights. they become self-reliant and self-governing, subject to national supervision. They pay rent, raise the revenue to build the infrastructure, issue rules to members to adhere to. Shenzhen in China has an actual operating area of about twenty-eight square kilometers. In the space of five years it generated an investment of US\$400 million and provided jobs to thousands of Chinese, linking local agriculture and industry to the business of said zones.

In order to see how the zones work, the bill proposes three (3) projects --- one in Zamboanaga to displace the barter trade, another in Cebu to implement the same as the nations trading center, and a third in Port Irene, Cagayan to stem insurgency and link the potentials of the entire Cagayan Valley.

The confidence which this bill will generate could be the source of strength for our suffering people. Thus, no matter how buoyant its economy, Hongkong is never free of the spectre of 1997 because it is a British Colony soon to return to the big giant - the People's Republic of China.

"The 1997 date with fate is still some way off, but already Hongkong has felt the overt rumblings of the future. there has been a constant stream of pessimism from the more privileged Hongkong Chinese, many of whom have bought passports to Australia, Canada, the US and elsewhere - anywhere to escape, one again, the regim they initially fled, many of them penniless, to Hongkong's rampant proprosperity." (p. 32, Asian Business, January 1987)



"The exit of magnified, to some extent, in the lawyer companies, all of whom are oprating on projected strategies that bring them well into the Influence of post-1977 Hongkong, China and give strong indications as to where their futures lie." (Id.)



"Privately, some senior executives and decision makers express grave reservations about the future of Hongkong free-wheeling under Chinese administration - reservations that can materialize in the future strategy." (Id.)

This bill thus dreams of enticing to the Philippines the entrepreneurs from other parts of the world and spreading the effects of rapid growth to all sectors of the Philippine economy through the medium of highly sophisticated economic and technological changes and linkages with the local products and processes.

It (this bill) hopes to achieve, within a short span of time a state of economy that is "firing on all cylinders" and riding on a high tide of highly sophisticated export products that are very much in demand by other countries of the world.

Of course, [o]f obstacles are obvious. Old myths are many. But the time has come when all nations must think beyond the thinking they have done before. If the people of the world are to raise up their incomes - step up their growth and lift up the standards by which men live, this is essential."

The Philippine, being a developing country, could ill-afford to neglect or lose the benefits arising from the impact of economic and technological changes and the flow of international trade. The exchange of goods between countries and the economic interdependence of nations is a living reality that cannot be ignored.

The "task of economic policy is to create a prosperous nation" And "ceaseless change or improvement is the hallmark of a progressive and dynamic system," which must have "the flexibility and adaptability that flow from the voluntary response to shifting situations."

No country in the world can deny the reality of a global economy and the emergence of expanding world markets. Even the closed economies of the communist countries, like the People's Republic of China, are reevaluating their economic ideologies in light of contemporary realities.

To survive, the Philippines must respond and in its response, it must establish structures which, consistent with its sovereign interests, will at least integrate effectively our economy to the growing unified markets both in Europe and in Asia.

"By 1992, the European Economic Community intends to remove the last of the barriers that impede the free flow of goods, services, and capital across Europe. The plan included the abolition of currency controls, sweeping deregulation of financial markets, and elimination of customs delays that cost companies some \$5 billion." (See Europe's Takeover Kings, p. 63 Fortune International Magazine, July 20, 1987)

It is time that we devise imaginative systems and programs to solve the tangled problems of our complex society in regard to free trade. We should continue our effort to serve the broader national interest, against obstacles erected by old bias, prejudice, custom, inertia, or narrow interest. We must be able to proceed with confidence and flexibility in seeking effective answers to the changing problems of our ever changing world. The search for efficiency and economy must never cease in order to widen the benefits of prosperity.

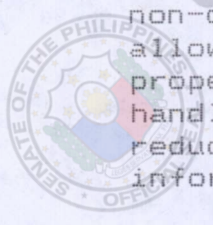
To cite a concrete example:

"There were 25 Enterprise Zones in the United Kingdom, 17 in England, 3 in Scotland, 3 in Wales and 2 in Northern Ireland. Eleven sites were designated between June 1981 and April 1982. three of these have been extended and a further fourteen were created between July 1983 and April 1984. In October 1986, the North West Kent Zone was extended.

"The Enterprise Zones were established as an experiment to test how far private sector activity could be encouraged by the removal of certain tax burdens and by relaxing or speeding some statutory or administrative controls .

"The main benefits available in the Enterprise Zones include exemption from rates for non-domestic property; 100 percent capital allowances for industrial and commercial properties; relaxed planning requirements; speedy handling of remaining planning controls; and a reduction in Government requests for statistical information.

"A further 9,800 jobs were created in Britain's 23 Enterprise Zones in 1986 increasing the total to 83,300 and the number of firms located in Enterprise Zones increased by almost 500, to a total of 2,802.



"There are two of the findings published today by the Department of the Environment in two reports. One is the report delivered by the PA Cambridge Economic Consultants who carried out an evaluative study into the impact of Enterprise

Zones on their local areas. The other is the third Annual Monitoring Report produced by DOE.

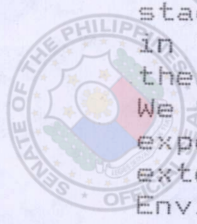
"The consultants' report also finds that the jobs established on the zones since the start of the experiment about 35,000 are there as a direct consequence of the Enterprise Zones policy. About 13,000 net additional jobs are supported directly and indirectly by the Enterprise Zones experiment. Other beneficial effects included the supply of modern premises and the removal of dereliction with resulting improvement to the local environment.

"The report by consultants reveals as well, that 26 percent of the firms were new start ups, a further 14 percent were branches and 37 percent were transfers. Of the total number of firms 48% of the total floorspace of 4.6 million square meters was used for industry.

"The consultants' report also refines the estimate of the cost of the new experiment and concludes that public sector costs of L297 million were directly attributable to the scheme.

"Mr. Trippier, Parliamentary Undersecretary of State responsible for inner cities and urban development welcomed the publication of the reports.

"He said: The Enterprise Zone experiment has provided impulse for many firms and jobs throughout the country. It has proved that the private sector can be encouraged into the inner city to provide cash incentives for reversing the stagnation of industry. The development of land in the zones and the increase of economic activity there is a boost to the surrounding localities. We shall continue to monitor the progress of the experiment but do not to introduce a general extension of Enterprise Zones" (See Department of Environment News Release, 22 December 1987, 2 Marsham Street, London SW1P 3EB).



1 Evaluation of the Enterprise Zone Experiment. HMSO L13.50.

2 Enterprise Zone Information 1985-86: Great Britain. HMSO L7.50.

There should be no hesitation on the part of our government to avail and make use of the highly sophisticated technology that is now available to this generation and which keeps on improving with the passing of each day. Indeed, through the use of modern technology, this country can actually achieve in a short span of time what it has been struggling for through the years: freedom from want, disease, and drudgery, and the consequent opportunity to live a prosperous existence. "...what we can do is worth doing. And "the things most worthdoing are those we can do most efficiently...."through the use of modern technology. (Of. Two faces of Federalism (1961) by Dr. Robert M. Hutchins).

Through this bill, the broad "pipelines through which goods and money might flow into the Philippines" will hopefully be established in the shortest possible times as these could place our country in the mainstream of world trade - "a one-step global supermarket" with linkages to the chain of global shopping centers. Definitely, the Filipinos' production and trading capabilities could be enhanced, which could make life happier for the great majority of our people.

If the Economic Zones envisioned in this bill are established in selected areas of our country, it is sincerely believed that a sizeable portion of the population will engage in, and benefit from, the manufacturing and export industries.

We are, of course, aware that while Economic Zones are bringing benefits to more and more countries around the world --there are lessons to be learned from the People's Republic of China's experiences on Special Economic Zones.

In the early 1980's there was rapid development in the Special Economic Zones, especially Shenzhen, the largest of the four Special Economic Zones established in Guangdong. By the mid-1980's, however, investors began encountering unexpected difficulties. Production costs and wages increased drastically administrative inefficiency and erratic regulations also plagued foreign firms. Further, exacerbating their problems, investors suffered at the Chinese government's recent tightening on controls on domestic sale of their products. Many enterprises have closed down and the number of new investments is declining.

The Special Economic Zones of China, between 1984 and 1986, were a major factor in the rapid dwindling of China's foreign exchange reserves. They emerged as the major channels through which exported consumer goods

that were not approved and/or not properly taxed were transferred to the interior of China and sold at excessively high prices. (Reader's Digest, November 1987, p.59)

This bill has taken into account the lessons learned from China's experiences and has focused its attention to renovating the lessons thus learned from China's experiences.

This bill is indeed a bold attempt to explore, survey and develop the unexplored landscapes of the several new constitutional peninsulas that have been established by the 1987 Constitution of the Philippines.

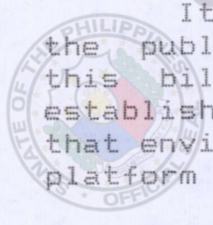
The several proposals that have been reduced into one game plan in this bill have been culled from the several new concepts and philosophies that are now enshrined in the 1987 Constitution and from the other various sources we have mentioned here. Some 18 provisions of the present Constitution of the Philippines are touched upon the bill in the form of either specific or general provisions.

While it must be conceded that what is being proposed in this bill is not acure or for our economic woes and/or malacies, we are nevertheless hopefull that the same will serve as an appropriate vehicle in which this Administration could ride in its search for the effective remedies for such economic infirmities.

We feel that the creation of an agro -industrial scenario that it attractive to private investors and the promotion of industries which would develop the inherent resources and potentials of the country is essential to the solution of our present day problems.

It has been said that "Failure are the price we pay for the successes" and " uncertainly is an invitation to innovate, to create to the economic problems that now confront the country.

It is fervently hoped that the joint efforts of the public, private and social sectors envisioned in this bill will serve as a bastion of development for establishing the high tech agro industrial industries that envisage the founded possibility of a broad export platform in the future.



Of course, there is no straight-ahead ticket to success for the proposals contained in this bill. Indeed, as someone aptly put it:

"It is fear and gread that make the market go... People think of what will be best for their

own personal interest and not for the entire nation as a whole." And the "most difficult aspect of planning is its execution." But we feel that "the reality of the experiences of other countries" readily refutes the "defeatist vision" that will be presented by some for "opportunistic reasons". We are confident that "the conviction and sense of national dignity that link a majority of (our people) today will act as unshakeable bastions" against such violent assaults.

For yet another reason, we feel that we should give the ideas embodied in this bill a try, considering that beginning January 2, 1989 Hong Kong, South Korea, Taiwan and Singapore will no longer be eligible to export some products to the United States duty-free.

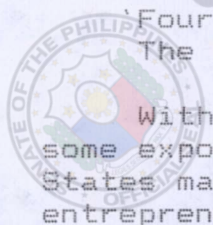
"...President Reagan has decided to remove Hong Kong, South Korea, Taiwan and Singapore from the list of countries eligible to export some products to the United States duty-free, the White House announced.

"Presidential spokesman Marlin Fitzwater said the decisions was taken because the four Asian Nations fo not need the aid.

"The decisions means the four countries will not be allowed to export products to the United States under the generalized system of preferences, (GSP), aprogram aimed at boosting trade with poor countries.

"The decision will be effective January 2, 1987, he said.

"Over the past decade, Hong Kong, the Republic of Korea, Singapore and Taiwan have made such tremendous strides in their economic development that they can now compete effectively in the United States without preferential treatment, Fitzwater said in the statement."( See 'Four Tigers' lose privilege in U.S. mart, p. 9, The Financial Post, February 1, 1988.)



With the withdrawal of duty-free privileges of some export products of the "four tigers" in the United States market, there is the great possibility that the entrepreneurs from these countreis will relocate their manufacturing planst and export operations in a country that enjoys duty-free privileges in the U.S. market like the Philippines, Thailand and Indonesia. As a matter of fact, economists said ---

"Thailand is a major beneficiary of a U.S. decision to cut special trade concessions for Hong Kong, Singapore, South Korea and Taiwan, economist said on Sunday.

"Thailand could substantially boost exports to the United States after Asia's "four tigers" are removed from the US generalized system of preferences (GSP) in 1988, they said.

"We stand to benefit at least in the short term as U.S. market share for most Thai export is relatively small compared with those for the affected four tigers, said Olarn Chaipravat, senior executive vice president Siam commercial bank.

"The Reagan administration said on Friday the tigers—so called because of their aggressive push towards prosperity — would be removed from the ESP because their economic were so strong they should no longer benefit from measures intended for less well developed countries.

"The GSP, which allows a number of nations to export goods to the United States without duties, covers goods such as electronics, wooden furniture, toys, household electrical goods and magnetic recording material.

"Many Thai products have great potentials in the US market, were they account for only a fraction of total US imports the economist said.

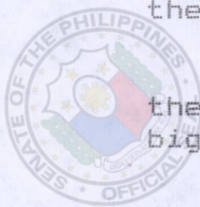
"The products include textiles, furniture, athletic shoes and toys.

"Thai economist said they did not expect Thailand to face the same trade pressure that the United States has put on the tigers which last year accounted for nearly 58% of imports entering the US duty free.

"The removal of the four Asian countries from the program would, however, make Thailand the biggest Asian beneficiary next year, they said.

"Thailand has contented it should not be grouped without other fast growing Asian economist that have bulging trade and current account surpluses.

"The US department of commerce says Thailand gran a nine hundred million surplus in the trade



with the US during the first 10 months of 1987, up from \$817 million the previous year.

"The surplus was half that enjoyed by Singapore and about 17 times less than Taiwan's." (See Thailand benefits Manila Chronicle, February 8, 1988.)

Truly, we should give this bill a try to be able to determine its merits. As the Pampangos aptly put it: "Subucan Pamu Para Mabalu" which, freely translated, simply means: Give It A try If You Want To Find Out its Merits".

Approval, therefore, of the attached bill is earnestly recommended.

*Teodoro T. Guingona, Jr.*  
TEODORO T. GUINGONA, JR.  
Senator

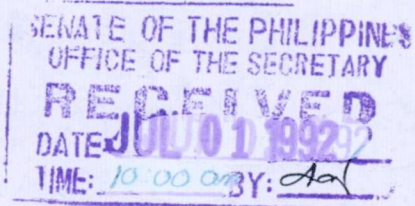
Senate Archives (LRS)





SENATE

S. No. 1



Substitute Bill

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Introduced by Senator Guingona, Jr.  
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AN ACT  
ESTABLISHING SPECIAL ECONOMIC ZONES IN THE PHILIPPINES,  
PROVIDING THE LEGAL FRAMEWORK AND MECHANISMS FOR THEIR  
CREATION, OPERATION, ADMINISTRATION, AND COORDINATION AND  
INTEGRATION WITH SIMILAR SCHEMES CREATING FOR THIS PURPOSE  
THE PHILIPPINE INDUSTRIAL ZONE DEVELOPMENT BOARD, AND FOR  
OTHER PURPOSES

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

CHAPTER I

PURPOSES, AND OBJECTIVES; ESTABLISHMENT AND

NATURE OF SPECIAL ECONOMIC ZONES;

COORDINATION WITH OTHER SIMILAR SCHEMES

SECTION 1. Title. - This Act shall be known and cited  
as "The Special Economic Zones Act of 1991".

SEC. 2. Declaration of Policy. - It is the declared  
policy of the Government to translate into practical  
realities the following State policies and mandates in the  
1987 Constitution, namely:

(a) "The State recognizes the indispensable role of  
the private sector, encourages private enterprise, and  
provides incentives to needed investments." (Sec. 20,  
Art. II);

(b) "The State shall promote the preferential use of  
Filipino labor, domestic materials and locally produced  
goods, and adopt measures that help make them competitive."  
(Sec. 12, Art. XII);

(c) "The State shall afford full protection to labor,  
local and overseas, organized and unorganized, and promote  
full employment and equality of employment opportunities for  
all."

"The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth." (Sec. 3, Art. XIII);

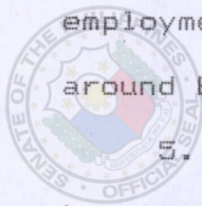
SEC. 3. Purposes, Intents and Objectives. - It is the purpose, intent and objective of this Act:

1. To establish the concept and define the operations of Special Economic Zones;

2. To establish the framework and mechanisms for the integration, coordination, planning and monitoring of Special Economic Zones, industrial estates, export processing zones, and regional industrial centers in the country;

3. To transform selected areas in the country into highly-developed, geographically dispersed agro-industrial, commercial, banking, investment, and financial centers, where highly trained and trainable workers and efficient services will be available to commercial enterprises;

4. To promote the flow of investors, both foreign and local, into the Special Economic Zones which would generate employment opportunities and linkage industries in and around Economic Zones;



5. To stimulate the repatriation of Filipino capital by providing an attractive climate and incentives for business activity;

6. To promote financial and industrial cooperation between the Philippines and industrialized countries through technology-intensive industries to modernize the country's industrial sector and improve productivity by utilizing new technological and managerial know how; and

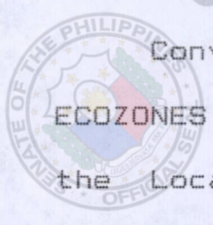
7. To vest the Special Economic Zones with the status of a free port and a separate customs territory within the

framework of the Constitution, and the national sovereignty and territorial integrity of the Philippines.

SEC. 4. Establishment of Special Economic Zones. -

A. Upon approval of this Act, the President of the Philippines shall direct the Bureau of Lands to survey the areas designated in this Act and others that may be designated by the President for the purpose of fixing and delimiting the metes and bounds and formulating the technical description of the boundaries of each Special Economic Zone, hereinafter referred to as Economic Zone or ECOZONE. The recommendations of the Bureau of Lands shall be submitted within sixty (60) working days from receipt of the President's directive.

Upon receipt of the recommendation of the Bureau of Lands, after due consultation with the national agencies and local officials and leaders of the local government units that will be directly affected by the establishment of the Economic Zones and with the concurrence of the local government units concerned, as provided in the Local Government Code and its implementing rules and regulations, the President shall issue a Proclamation fixing and delimiting the boundaries of each ECOZONE.



Conversion of lands for purposes of establishing ECOZONES shall be governed by the appropriate provisions of the Local Government Code and its implementing rules and regulations, after due consultations with the National Land Use Committee within a reasonable period of time.

B. Any provision of existing laws, decrees, letters of instructions, executive orders, and other issuances or parts thereof to the contrary notwithstanding, there are hereby established prototype Special Economic Zones; hereinafter referred to as Economic Zones or ECOZONES, in each of the following areas of the country, namely:

1. So much as may be necessary of that portion of Zamboanga City and its immediate environs, including Sta. Cruz Island and its territorial waters, in the Province of Zamboanga del Sur;

2. So much as may be necessary of that portion of the city of Lapu-Lapu and the municipality of Cordova in the Island of Mactan, including its territorial waters and islets, and its immediate environs, in the Province of Cebu.

3. So much as may be necessary of that portion of Port Irene and its immediate environs in the Province of Cagayan; and

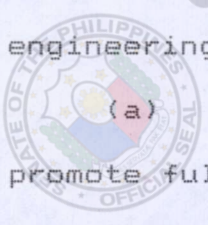
4. So much as may be necessary of that portion of General Santos City in South Cotabato and its immediate environs.

The metes and bounds of each Economic Zone are to be delineated and more particularly described in a Proclamation to be issued by the President of the Philippines.

SEC. 5. Criteria for the Establishment of Special Economic Zones: Expansion or Reduction of the Area Occupied by a Zone. - In designating other areas as Special Economic Zones, the following factors shall, as much as possible, be present as shown in a detailed feasibility and engineering study:

(a) the probability that the Economic Zone will promote full employment, a rising standard of living, and an improved quality of life for the inhabitants inside the ECOZONE as well as those in the outlying or surrounding provinces, cities, and municipalities;

(b) the existing and required infrastructure in the proposed Economic Zone, such as roads, railways, telephones, ports, airport, etc., and the suitability and capacity of the proposed site to absorb such improvements;



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(c) the availability of water source and electric power supply for use of the ECOZONE;

(d) the extent of vacant lands available for industrial and commercial development and future expansion of the ECOZONE as well as of lands adjacent to the ECOZONE available for development of residential areas for ECOZONE workers; and

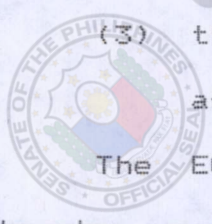
(e) the availability of skilled, semi-skilled and non-skilled trainable labor force in and around the ECOZONE.

The feasibility study showing that the proposed ECOZONE can meet or has the potential of meeting the above criteria shall be the basis of the ECOZONE Authority established under this Act in formulating its policies and deciding on matters concerning the ECOZONE's development and operations.

The areas comprising an ECOZONE may be expanded or reduced when necessary. For this purpose, the Government shall have the power to acquire either by purchase, negotiation or condemnation proceedings any private land within or adjacent to the ECOZONES for:

- (1) consolidation of lands for zone development purposes;
- (2) acquisition of right of way to the ECOZONES; and
- (3) the protection of watershed areas and natural assets valuable to the prosperity of the ECOZONES.

The ECOZONE Authority established under this Act is hereby vested with the power of eminent domain: It shall have the right and power to acquire lands and property by purchase, negotiation, or by condemnation proceedings: Provided, That as much as possible, the ECOZONE Authority shall preserve private ownership of lands and property. Condemnation proceedings shall be resorted to only for the acquisition of rights of way, or of any property for the establishment of ECOZONES, or of

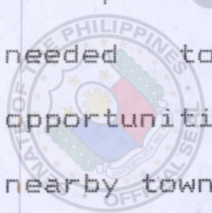


low-cost housing projects for the employees working in the ECOZONES, or for the protection of watershed areas, or for the construction of dams, reservoirs, wharves, piers, docks, quays, warehouses and other terminal facilities, structures and approaches thereto: Provided, further, That condemnation proceedings shall be maintained by and in the name of the ECOZONE Authority and shall proceed in the manner provided for by law. Private landowners shall however be subject to such reasonable regulations by the ECOZONE Authority necessary for the full utilization of their commercial and industrial values and significance, and to prevent land speculation.

SEC. 6. Economic Zones to be Decentralized Agro-Industrial, Industrial, Commercial/Trading, Investment and Financial Communities. - Within the framework of the Constitution, the interest of national sovereignty and territorial integrity of the Republic, the Economic Zones shall be developed, as much as possible, into decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, banking, financial and investment centers. The ECOZONES shall be provided with transportation, telecommunications, and other facilities needed to generate linkage industries and employment opportunities for inhabitants of the Economic Zones, and nearby towns and cities.

The ECOZONES shall administer themselves on economic, financial, tourism development and such other matters not within the exclusive competence of the National Government.

The ECOZONES may establish mutually beneficial economic relations with other entities within the country, or, subject to the administrative guidance of the Department of Foreign Affairs and/or Department of Trade and Industry with foreign entities or enterprises.



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Foreign citizens, and companies owned by non-Filipinos in whatever proportion, may set up enterprises in the ECOZONES, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the ECOZONE. Their assets, profits and other legitimate interests shall be protected: Provided, That the minimum investment in any ECOZONE enterprise shall not be less than the equivalent of US\$1,500,000.00 in freely convertible currencies: Provided, further, That the new investment shall fall under the priorities, thrusts and limits provided for in this Act.

SEC. 7. ECOZONES shall Operate and be Managed as Separate Customs Territories and Free Ports. - In coordination with the Department of Finance, the Department of Trade and Industry and other appropriate agencies of the National Government, the Authority shall operate and manage the ECOZONES as separate customs territories and free ports.

The ECOZONES Authority provided for in this Act is hereby vested with authority to issue certificates of origin for products manufactured or processed in each ECOZONE in accordance with the prevailing rules of origin, and the pertinent regulations of the Department of Trade and Industry and/or Department of Finance.

SEC. 8. Economic and Trade Policy. - Subject to limitations imposed by the Constitution and this Act, the ECOZONES Authority shall formulate the ECOZONES' economic policy, which shall include a free market and free port policy, with least government intervention in commercial activities.

SEC. 9. Shipping and Shipping Register. - Private shipping and related businesses, including private container terminals may operate freely in the Economic Zones, subject

- 8 -

only to such minimum reasonable regulations of local application which the ECOZONE Authority may prescribe.

Each ECOZONE Authority shall, in coordination with the Department of Transportation and Communications, maintain a shipping register for each ECOZONE as a business register of convenience for ocean-going vessels and issue related certifications under the name of the ECOZONE in which registered, viz: "ZAMBOANGA SEZ" or "MACTAN SEZ" or "PORT IRENE SEZ" and so forth.

Ships of all sizes, descriptions and nationalities shall enjoy access to the ports of the ECOZONES, subject only to such reasonable requirements as may be prescribed by the ECOZONE Authority in coordination with the appropriate agencies of the National Government.

SEC. 10. Exemption from Taxes under the National Internal Revenue Code. - The provisions of existing laws, rules and regulations to the contrary notwithstanding, persons and enterprises in the ECOZONES shall be exempt from all national taxes under the National Internal Revenue Code for a period of fifteen (15) years from its establishment. Thereafter, they shall be subject to all appropriate taxes provided under the Code. In lieu of paying all other national taxes, three percent (3%) of the gross income earned by all persons and enterprises in the ECOZONE shall be remitted to the ECOZONE Authority created under this Act.

The Department of Finance, the Bureau of Internal Revenue and the ECOZONE Authority shall jointly issue the appropriate rules and regulations to implement this provision.

SEC. 11. Free Flow and Movement of Goods, etc. - The ECOZONES shall ensure the free flow and movement of goods and capital within, into and out of the ECOZONES: Provided, however, That dutiable goods originating from the ECOZONES



shall be subjected to applicable duties and taxes upon entry into customs territory, as provided in Section 50 (c) of this Act.

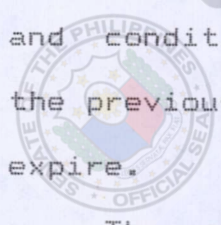
SEC. 12. Supervision Over Operations of Banks, etc. - The Central Bank or Central Monetary Authority shall have supervision and regulatory powers over the operations of banks and other financial institutions within the Economic Zones: Provided, That the Central Bank or Central Monetary Authority shall establish a special unit in the ECOZONES which shall facilitate and carry out routinary matters involved in the supervision of the operations of these establishments under such guidelines it shall provide.

SEC. 13. Foreign Exchange Controls. - No exchange control policy shall be applied and free markets for foreign exchange, gold, securities and futures shall be maintained within the ECOZONES.

SEC. 14. Leases of Lands and Buildings. - Lands and buildings in each Economic Zone, whether publicly or privately owned, may be leased to foreign investors for a period not exceeding twenty-five (25) years, renewable for a period of twenty-five (25) years under such reasonable terms and conditions that are more favorable to the lessor than the previous lease agreement that has expired or is about to expire.

The minimum annual rental price of lands within the ECOZONES shall be determined zonally by the ECOZONE Authority.

SEC. 15. Economic Relations, Air Agreements, etc. - Subject to the principle that foreign affairs are the overall responsibility of the National Government, the ECOZONE Authority under the supervision, direction and control of the Department of Foreign Affairs and in coordination with the other appropriate agencies of the



National Government, may initiate talks with states, regions and relevant international organizations on appropriate fields, more specifically on matters of economic nature, such as trade, shipping, aviation, financial relations, tourism and communications, and other related fields.

To enable each ECOZONE to look after its own interests in said areas, each ECOZONE shall have the right to designate a representative in the Philippine Government delegation to international negotiations on such areas.

Conformably with the foregoing limited authority, any of the ECOZONES may, under the direction, control and supervision of the Department of Foreign Affairs:

1. Initiate negotiation and conclusion of Air Service Agreements providing for routes for airlines incorporated and having their principal office in an ECOZONE and for overflights and stops;

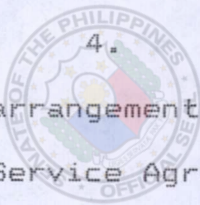
2. Initiate negotiation and conclusion of provisional arrangements where no Air Service Agreement with a foreign state or other region is in force;

3. Initiate talks on the renewal or amendment of Air Service Agreements and arrangements previously in force and affecting any of the ECOZONES established under this Act;

4. Initiate negotiation and conclusion of all arrangements concerning implementation of the aforesaid Air Service Agreements and provisional arrangements;

5. In coordination with the Department of Transportation and Communications and other appropriate agencies of the National Government, issue licenses to airlines incorporated and having their principal place of business in any of the ECOZONES;

6. In coordination with the Department of Transportation and Communications and other appropriate agencies of the National Government, issue permits to



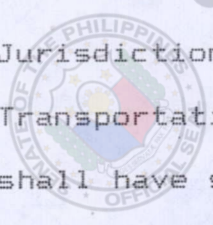
foreign airlines for services other than those to, from or through other places not within any of the ECOZONES established under this Act; and

7. In coordination with the Department of Transportation and Communications and other appropriate agencies of the National Government, designate such airline under the aforesaid Air Service Agreements and provisional arrangements.

SEC. 16. Defense and Security. - The defense and security of the Economic Zones shall be the responsibility of the National Government. Military forces sent by the National Government for the purpose of defense shall not interfere in the internal affairs of any of the ECOZONES, and expenditure for these military forces shall be borne by the National Government.

SEC. 17. Disposition of Income from Rents. - Income from rents of lands and buildings belonging to or owned by any of the ECOZONES shall be put into the Capital Works Reserve Fund administered by the ECOZONE Authority of each ECOZONE for the financing of its land development and public works and services program.

SEC. 18. Control of Airports Within its Territorial Jurisdiction. - In coordination with the Department of Transportation and Communications, the ECOZONE Authority shall have supervision and operational control over the airport(s) located within its area, particularly on matters of routine business, technical management of civil aviation within the ECOZONE, its management and maintenance, provision of traffic services within the flight information region of the ECOZONE, the discharge of other responsibilities allocated to the ECOZONE under the regional navigation procedures of the International Civil Aviation Organization (ICAO), and its needed expansion or



modernization, any provision of existing law, decree, executive order and other issuances or parts thereof to the contrary notwithstanding.

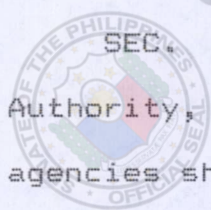
SEC. 19. Immigration. - Subject to the policy directions of the National Government, the ECOZONES shall, in coordination with the Department of Foreign Affairs, the Bureau of Immigration and Deportation and other appropriate agencies of the National Government, apply simplified and computerized uniform immigration controls and procedures on entry, stay in, and departure from the ECOZONES, any provision of existing law, decree, executive order and other issuances or parts thereof to the contrary notwithstanding. Unless restrained by law, holders of valid travel documents shall be free to leave without special authorization.

SEC. 20. Import of Raw Materials, etc. - Enterprises in the ECOZONES may import raw materials, machinery and equipment without duty. Foreign investors may bring in a reasonable amount of items for their personal use free of duty, subject to appropriate rules and regulations promulgated by the ECOZONE Authority.

Imports of these goods and exports of products of the ECOZONES shall go through special customs procedures.

SEC. 21. Protection of Environment. - The ECOZONE Authority, in coordination with appropriate government agencies shall take concrete and appropriate steps and enact the proper measures for the protection of the local environment.

SEC. 22. Purchase of Local Inputs and Materials. - Enterprises and firms in the ECOZONES shall be encouraged to purchase or procure to the extent possible raw materials, inputs, materials, machinery, semi-furnished products or goods, and services from local firms, enterprises and contractors. The ECOZONE Authority shall coordinate with



local government units and the appropriate National Government agencies to provide incentives and encourage subcontracting schemes for this purpose.

SEC. 23. ECOZONES Development Plan. - The ECOZONE Authority shall, in coordination with appropriate authorities and neighboring cities and municipalities, immediately conduct a survey of the physical, natural assets and potentialities of the areas listed in Section 4 of this Act. The surveys shall be the bases for a Medium-Term Development Plan for the ECOZONE, which shall be coordinated and integrated with other sectoral plans in nearby and outlying areas of the ECOZONE.

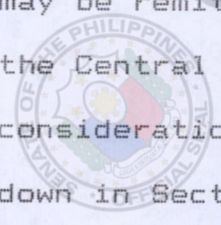
SEC. 24. Power to Repossess, etc. - The ECOZONE Authority or the private landowner, as the case may be, shall have the right to repossess any land owned by any one of them which was leased to investors in cases of insufficient use or misuse: Provided, That such insufficient use or misuse has been established by the proper courts after due process and hearings.

SEC. 25. After Tax Profits. - After tax profits and other proper earnings of the enterprises in the ECOZONES may be remitted outward through any of the banks licensed by the Central Monetary Authority in the ECOZONES, taking into consideration the no-foreign exchange control policy laid down in Section 13 of this Act.

CHAPTER II

GOVERNMENT STRUCTURE

SEC. 26. The Philippine Industrial Zone Development Board. - There is hereby created a Philippine Industrial Zone Development Board or PIZDB attached to the Office of the President. The Board shall have an Executive Director with the rank of Department Secretary who, upon recommendation of the Secretary of the Department of Trade



and Industry, shall be appointed by the President for a term of six (6) years without re-appointment. The Executive Director shall be at least forty (40) years of age, of proven probity and integrity, and with a degree in economics, business, public administration, law, management or its equivalent.

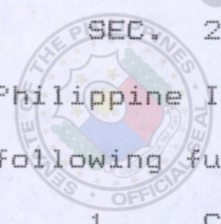
The Board shall be composed of the Executive Director as ex-officio chairman with the following members: a public sector representative, two (2) private sector representatives composed of one (1) from the business sector and one (1) from the academe, a representative of the labor sector and, in an ex-officio capacity, the administrators or its equivalent of the ECOZONES, export processing zones, industrial estates and the like.

The existing Export Processing Zone Authority created under Presidential Decree No. 66 shall evolve into the PIZDB in accordance with the guidelines and regulations set forth in an Executive Order issued for this purpose. The said Order shall also effect the transfer of the abovementioned entities from the Department of Trade and Industry and other supervisory agencies to the PIZDB.

27. Functions and Powers of PIZDB. - The Philippine Industrial Zone Development Board shall have the following functions and powers:

1. Coordinate and exercise general supervision over the development, plans, activities and operations of Special Economic Zones, industrial estates, export processing zones, regional industrial centers, industrial/technology parks, agro-industrial estate and the like.

2. Endorse to the President the establishment of Special Economic Zone, industrial estate, export processing zone, regional industrial center, industrial/technology park, agro-industrial estate and the like, Thereafter, it shall



facilitate and assist in the organization of said entities;

3. Coordinate the formulation and preparation of the development plans of the different entities mentioned above;

4. Coordinate with the National Economic and Development Authority (NEDA), the Department of Trade and Industry, Department of Science and Technology, the local government units and appropriate government agencies for policy and program formulation and implementation.

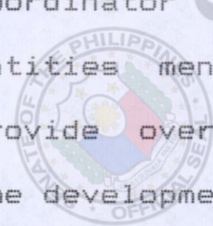
5. Monitor and evaluate the development and requirements of entities in subsection (1) and recommend to the local government units or other appropriate authorities the location, incentives, basic services, utilities and infrastructure required or to be made available for said entities;

6. Exercise its powers and perform its functions as provided for in this Act; and

7. Issue rules and regulations to implement the provisions of this Act in so far as its powers and functions are concerned.

SEC. 28. Powers and Functions of the Executive Director. - The Executive Director shall be the overall coordinator of the policies, plans and programs of the entities mentioned in Section 6 (1). As such, he shall provide overall supervision over and general direction to the development and operations of these entities. He shall determine the staffing pattern and personnel complement of the Authority and establish regional offices, when necessary.

SEC. 29. Administration of Each Economic Zone. - The administration of each Economic Zone shall be the responsibility of an ECOZONE Authority established for this purpose. The Authority shall be organized and incorporated, viz, "ZAMBOANGA ECOZONE Authority" or "MACTAN-CORDOVA



ECOZONE Authority", and so forth and shall be vested the personality and the powers of a corporation under Philippine laws and as provided for in this Act.

The ECOZONE Authority shall be headed by a Board composed of the following:

1. Chairman who shall, at the same time, be the Administrator of the Authority, appointed by the President for a term of six (6) years without re-appointment;

2. Vice Chairman selected from among the representatives of the investors in the ECOZONE enterprises; and

3. Members consisting of:

- a. one representative from domestic investors in the ECOZONE enterprises;
- b. one representative from foreign investors in the ECOZONE enterprises;
- c. the representative(s) of the mayor(s) of the city(ies) or municipality(ies) where the ECOZONE is located;
- d. the representative(s) of the governor(s) of the province(s) where the ECOZONE is located;
- e. one representative from labor organizations established in the ECOZONE duly registered with the Department of Labor and Employment, to be chosen from a list of not more than five (5) nominees endorsed by the Secretary of Labor to the President. For this purpose, each labor organization shall be entitled to nominate only one from among its members for inclusion in said list of nominees.





SEC. 30. Powers and Functions of the Authority. -

The ECOZONE Authority shall have the following powers and functions:

1. To operate, administer, manage and develop the ECOZONE according to the principles and provisions set forth in this Act;

2. To register, regulate and supervise the enterprises in the ECOZONE in an efficient and decentralized manner;

3. To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ECOZONE such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices therefor;

4. In coordination with local government units concerned and appropriate government agencies, to construct, acquire, own, lease, operate, and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, adequate utilities and infrastructure such as light and power systems, water supply and distribution systems, telecommunications and transportation, buildings, structures, warehouses, roads, bridges, ports and other facilities for the operation and development of the ECOZONE;

5. To create, operate and/or contract to operate such agencies and functional units or offices of the Authority as it may deem necessary; and

6. To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its duties and functions as provided for in this Act.

SEC. 31. Powers and Functions of the Board. - The Board of the ECOZONE Authority shall have the following powers and functions:

1. Set the policies, rules and regulations for the operation, administration, and development of the ECOZONE as set forth in this Act;

2. Provide the guiding principles and general policy directions for the operation of the ECOZONE Authority and the development of the ECOZONE particularly in the formulation of the ECOZONE development plan;

3. Install an efficient framework and mechanism for proper coordination with appropriate National Government agencies, local governments and the judiciary;

4. Approve the annual budget, work, financial and expenditure program of the Authority and the ECOZONE development plan at their level, and recommend its approval to the PIZDB;

5. Approve the contracts, agreements, and borrowings of the ECOZONE Authority at their level and recommend its approval to the PIZDB;

6. Upon recommendation of the Administrator, organize, reorganize and determine the Authority's staffing pattern; to fix their salaries and to define their powers and duties; and

7. Render annual reports to the President, the PIZDB, and the Congress.

SEC. 32. Minimum Qualifications of Administrator. - The Administrator of an Economic Zone must be a natural-born citizen of the Philippines, at least thirty (30) years of age on the day of his appointment, preferably a resident of the ECOZONE or of the province for at least one (1) year immediately preceding his appointment, and a holder of a degree from a reputable school, college or university.

SEC. 33. Powers and Functions of the Administrator. -

The Administrator of each ECOZONE Authority shall have control, direction and supervision of the affairs of the Economic Zone. In addition, he shall have the following powers and functions:

1. To safeguard all the lands, buildings, records, monies, credits and other properties and rights of the Economic Zone;

2. To ensure that all revenues of the Economic Zone are collected and applied in accordance with its budget;

3. To ensure that the investors/firms and employees of the Economic Zone are properly discharging their respective duties;

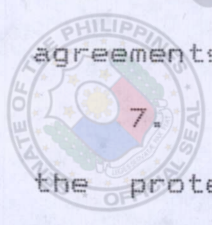
4. To give such information and recommend such measures to the Board, as he shall deem advantageous to the Economic Zones;

5. To submit to the Board the on-going and proposed projects, work and financial program, annual budget of receipts and expenditures of the Economic Zone;

6. To represent the Economic Zone in all its business matters and sign, in its behalf after approval of the Board and the PIZDB, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Act;

7. To receive, hear and decide, as he may deem proper the protests, complaints, and claims of the residents and enterprises in the Economic Zone concerning administrative matters;

8. To recommend to the Board the grant, approval, refusal, amendment or termination of Economic Zone franchises, licenses, permits, contracts, and agreements in accordance with the policy set by the Board: Provided, That the action taken by the Board in refusing to grant a franchise, license or permit or in revoking, amending or



terminating one may be appealed to the Executive Council by the aggrieved party. The decision of the Council shall be rendered not later than thirty (30) days from the receipt of the appeal;

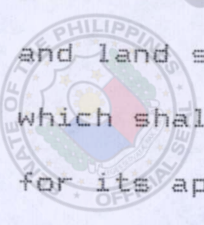
9. To require owners of houses, buildings or other structures constructed without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice, and upon failure of such owner to remove or demolish such house, building, or structure within said period, the Administrator may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding: Provided, That the aggrieved party may appeal the action taken by the Administrator to the PIZDB, and the appeal shall be decided within thirty (30) days from receipt thereof;

10. To take such emergency measures as may be necessary to avoid fires, floods, and mitigate the effects of storms and other natural or public calamities;

11. To prepare and make out plans for the physical and economic development of the Economic Zone, including zoning and land subdivision, and issue, such rules and regulations, which shall be submitted to the Board and Executive Council for its approval; and

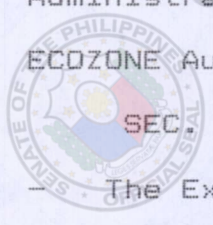
12. To perform such other duties and exercise such other powers as may be prescribed by the Board, and to implement the policies, rules and regulations set by the ECOZONE Authority.

SEC. 34. Deputy Administrator. - Each Economic Zone shall have a Deputy Administrator who shall be chosen and appointed in the same manner as the Administrator of the Zone.



SEC. 35. Salary and Other Emoluments. - The salary of the Administrator of an Economic Zone shall be Three hundred sixty thousand pesos (P360,000.00) and the Deputy Administrator shall be Three hundred thousand pesos (P300,000.00) a year and such other emoluments which the Executive Council may approve.

SEC. 36. Investigation and Inquiries. - Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed, the PIZDB, the Board of the ECOZONE Authority or the Administrator of the ECOZONE concerned, shall have the power to inquire into the conduct of firms or employees of the ECOZONE and to conduct investigations, and for that purpose may subpoena witnesses, administer oaths, and compel the productions of books, papers, and other evidence: Provided, That to arrive at the truth, the investigator(s) may grant immunity from prosecution to any person whose testimony or whose possession of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the PIZDB, the Administrator of the ECOZONE concerned or the Board of the ECOZONE Authority.



SEC. 37. Prohibition Against Holding Any Other Office. - The Executive Director of the PIZDB, Administrator, the Deputy Administrator, their deputies, staff, or assistants shall not hold any other office or employment within or outside the Economic Zone during their tenure. They shall not, during their tenure, directly or indirectly practice any profession, participate in any business, or be financially interested in any contract with, or any franchise, or special privilege granted by the ECOZONE

Authority or National Government, or any subdivision, agency, or instrumentality thereof, including any government-owned or controlled corporation, or its subsidiary, during their tenure or office.

SEC. 38. Disbursement of Funds. - No money shall be paid out of the funds of any of the ECOZONES except in pursuance of the budget as formulated and adopted by the ECOZONE Authority and approved by the PIZDB.

SEC. 39. Extent and Scope of Rule-Making and Administrative Powers. - The provisions of existing laws, rules and regulations to the contrary notwithstanding, the ECOZONE Authority shall exercise rule-making and administrative powers over the ECOZONES within the framework of national development plans, policies and goals, in the following areas:

- (a) Organization of ECOZONES administrative system;
- (b) Agricultural, commercial and industrial programs for the ECOZONES;
- (c) Infrastructure development of the ECOZONES;
- (d) Urban and rural planning for the ECOZONES;
- (e) Revenue-raising measures as provided for and limited in this Act;
- (f) Establishment, operation and maintenance of health, welfare and other social services, programs and facilities; and
- (g) Such other matters as may be authorized by this Act.



Accordingly, the ECOZONE Authority shall have the power to institute rules and regulations to govern the following subjects within the ECOZONE:

1. The construction, acquisition, ownership, lease, operation, franchise, license, and contracting out to the

private sector of infrastructure facilities, factories, buildings, warehouses, dams, reservoir, water distribution, electric light and power system, gas, telecommunications and transportation, or other facilities and services necessary in the conduct of commerce and industry, banking and finance, etc. within the ECOZONE. The rates, charges and fees for such facilities and services shall also be collected or regulated by the Authority.

2. The taking of water from any public stream, river,

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private sector or infrastructure facilities, factories, buildings, warehouses, dams, reservoir, water distribution, electric light and power systems, gas, telecommunications and transportation, or other facilities and services necessary in the conduct of commerce and industry, banking and finance, etc. within the ECOZONE. The rates, charges and fees for such facilities and services shall also be collected or regulated by the Authority.

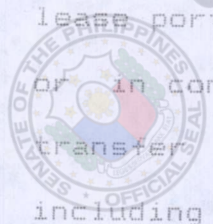
2. The taking of water from any public stream, river, creek, lake, spring or waterfall;

3. The reclamation of land, alteration, obstruction or increase of the flow of water in streams or in water channel intersecting or connecting therewith or contiguous to its works;

4. The types of enterprises or investments within the ECOZONES in order not to adversely affect the operations and viability of existing domestic industries outside the ECOZONES;

5. The grant to private persons, under such terms as may be reasonable and proper, of permission to use, rent, or lease port facilities, or of any concession incident thereto or in connection with the receipt, delivery, shipment and transfer in transit, storing and handling of goods, including the port terminal facilities;

6. The issuance of permits to persons, firms, corporations or associations to make use of the facilities of the ECOZONES, or to erect buildings and other structures



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private sector or infrastructure facilities, factories, buildings, warehouses, dams, reservoir, water distribution, electric light and power systems, gas, telecommunications and transportation, or other facilities and services necessary in the conduct of commerce and industry, banking and finance, etc. within the ECOZONE. The rates, charges and fees for such facilities and services shall also be collected or regulated by the Authority.

2. The taking of water from any public stream, river, creek, lake, spring or waterfall;

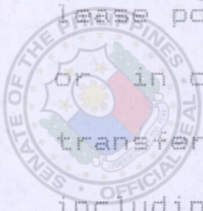
3. The reclamation of land, alteration, obstruction or increase of the flow of water in streams or in water channel intersecting or connecting therewith or contiguous to its works;

4. The types of enterprises or investments within the ECOZONES in order not to adversely affect the operations and viability of existing domestic industries outside the ECOZONES;

5. The grant to private persons, under such terms as may be reasonable and proper, of permission to use, rent, or lease port facilities, or of any concession incident thereto or in connection with the receipt, delivery, shipment and transfer in transit, storing and handling of goods, including the port terminal facilities;

6. The issuance of permits to persons, firms, corporations or associations to make use of the facilities of the ECOZONES, or to erect buildings and other structures within the ECOZONES;

7. the assessment and collection of rentals for the lease, use or occupancy of lands, buildings, structures, warehouses and other properties and facilities owned or



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administered by the ECOZONES;

8. Special consideration and privileges for industries introducing new and advanced technology;

9. The development of a portion of the ECOZONES as may be necessary to accomodate the construction of housing units, and/or condominiums and houses which shall be leased or sold to bona fide residents of or workers in the ECOZONES, according priority and preferential treatment to low-cost housing;

10. the maintenance and preservation of peace and public morals and in pursuance thereof to provide for the suppression of riots, disturbances, disorderly assembles and all disorderly conduct; and for the prohibition of houses of ill-fame, gambling houses, gambling and prostitution, vagrancy, and the printing, circulation, exhibition or sale of obscene pictures, books or publications.

11. To provide for and maintain a fire department and to establish, acquire and maintain engine houses, fire engines, hydrants and other equipment for the prevention and extinguishment of fires;

12. To establish or authorize the establishment of fix the fees for the use of, slaughterhouses and markets and inspect, regulate the keeping, preparation and sale of meat, fruits, poultry, game, milk, fish, vegetables, bread and other provisions of food offered for sale; to adopt such measures to prevent the introduction and spread of disease;

13. To provide for enforcement of rules and regulations issued by health services and by law; to impose penalties for violations of such rules and regulations;

14. To provide for the established and maintenance,

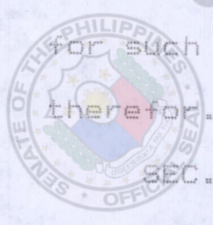


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and regulate the construction and use, of public drains, sewers, latrines, and cesspools; to provide for the establishment and maintenance of waterworks and purification systems for potable water supply, and to regulate the consumption and use of the water; to fix and provide for the collection of rents thereof, and to regulate the construction, repair, and use of hydrants, pumps, cisterns and reservoirs;

15. To provide for the laying out, construction, improvement, maintenance and regulation of the use of streets, avenues, alleys, sidewalks, wharves, piers, parks, cemeteries, and other public places; to provide for the construction and maintenance and regulate the use of bridges, viaducts and culverts; to close any city road, street, alley, boulevard, avenue, park or square within the ECOZONE;

16. Subject to limits and procedures provided for by law and by rules and regulations of appropriate government agencies, to enter, if necessary, into contracts, for partial or deferred payment; to sell bonds to raise money for such projects; and to appropriate funds of the ECOZONES therefor.



SEC. 40. Full Disclosure of Financial and Business Interests. - Every member of the Board of the ECOZONE Authority, employee of the ECOZONE Authority and the Executive Director of the PIZDB and their staff shall, upon assumption of office, make a full disclosure of his financial and business interests.

SEC. 41. Appointment and Removal of Certain Officials and Employees.- The Administrator of the ECOZONE, upon approval of the Board, shall appoint and may remove in

- 26 -

accordance with the provisions of the Civil Service Law that are not inconsistent with this Act, the department heads and their assistants and all their officials and

SEC. 42. Offices and Each ECOZONE. - The ECOZONE Administrator shall have direct supervision and control of the following offices, subject to guidelines prescribed by the Board and the implementing rules adopted by the PIZDB:

- (a) Office of Engineering and Public Works;
- (b) Office of Public Health;
- (c) Office of Finance;
- (d) Office of Public Services;

and such other offices as an ECOZONE may require as approved by the Board.

#### A. OFFICE OF ENGINEERING AND PUBLIC WORKS

SEC. 43. Powers and Duties of the ECOZONE Engineer. - There shall be an ECOZONE Engineer who shall be in charge of the Office of Engineering and Public Works. He shall have charge of all the surveying and engineering work of the ECOZONE; maintenance of streets, canals and esteros, parks, bridges and public grounds, and shall perform engineering services in connection with public improvements, or any project by the ECOZONE. He shall be responsible for issuance of permits for the construction, repair, and removal of public and private buildings, land improvements and other civil works within the ECOZONE and to enforce all rules and regulations relating to the same of waterworks and sewerage and of all sources of water supply. He shall have power, subject to the approval of the Administrator, to tear down or to cause buildings dangerous to the public to be made secure.

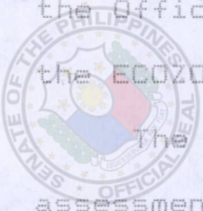


## B. OFFICE OF PUBLIC HEALTH

SEC. 44. Powers and Duties of the ECOZONE Health Officers. - There shall be an ECOZONE Health Officer, who shall have charge over the health and sanitary conditions of the ECOZONE and shall have control and supervision over puericulture centers in the ECOZONE. He shall recommend to the Board, through the ECOZONE Administrator, appropriate rules and regulations for the preservation of public health, and shall be responsible for their enforcement. He may be aided in sanitary inspections by such members of the police force and by such sanitary inspectors as may be authorized. He shall keep the civil registry for the ECOZONE and record therein all births, marriages, and deaths with their respective dates. He shall perform such other duties as may be assigned by the Administration with reference to the health of the residents and sanitation within the ECOZONE.

## D. OFFICE OF FINANCE

SEC. 45. Powers and Duties of the ECOZONE Treasurer. - There shall be an ECOZONE Treasurer who shall have charge of the Office of Finance and shall act as financial officer of the ECOZONE and custodian of its funds.



The ECOZONE Treasurer shall collect all levies and assessments due from persons and enterprises in the ECOZONES as provided in this Act: shall collect all license fees and rents due for public lands, markets, and other property, and shall receive and receipt all costs, fees, fines and forfeitures imposed on persons and enterprises in the ECOZONE. He shall collect all miscellaneous charges for inspection, permits, licenses, etc. made by the ECOZONE Authority. He shall be accountable for all funds and

property of the government in the ECOZONE and shall render such accounts in connection therewith as may be prescribed by the Commission on Audit. He shall deposit daily all funds and collection in any government bank duly designated by the Board as government depository.

The ECOZONE Treasurer shall submit to the Administrator an annual certified detailed statement of all receipts and expenditures of the ECOZONE in the preceding year. He shall submit to the Administrator each quarter a statement of receipts and expenditures during the immediately past calendar quarter, and an estimate of the receipts and expenditures for the remainder of the current year. Upon receipt thereof, the Administrator shall formulate and submit to the Board for approval a detailed budget covering the estimated necessary expenditures for the ensuing twelve months: Provided, however, That in no case shall the Board approve an aggregate amount of appropriations exceeding the estimate of revenues and receipts submitted by the ECOZONE Treasurer.

SEC. 46. Exemption from Local Taxes and Licenses. -



Pursuant to the provisions of the Local Government Code and its implementing rules and regulations, the appropriate local government units may grant exemptions from the payment of local imposts, fees, licenses or taxes to persons and enterprises in the ECOZONE. These tax exemptions shall be designed primarily to attract investors into the ECOZONE and make it internationally competitive.

SEC. 46 Audit Jurisdiction - The Commission on Audit or COA shall audit, examine, and settle on post audit basis all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property owned or held in

trust by or pertaining to the philippine government in each ECOZONE.

SEC. 48. Engagement of Private Auditors. - With the approval of the COA, the ECOZONE Authority may engage private auditors to undertake service not otherwise performed by the COA.

When the exigencies of the service demand it, the COA may deputize and retain in the name of the COA such certified public accountants and other licensed professionals not in the public service as it may deem necessary to assist government auditors in undertaking special audit engagements.

SEC. 49. Audit Reports. - The COA shall submit to the President of the Philippines, the Congress of the Philippines, the ECOZONE Authority and PIZDB an annual report covering the financial condition and operation of each ECOZONE, which shall also recommend measures necessary to improve efficiency in the ECOZONES.

CHAPTER III

OPERATIONS PERMITTED WITHIN THE ECONOMIC ZONES



SEC. 50. Dealing In or Disposal of Goods in the ECOZONES. - In the matter of dealing in or disposal of good in the ECOZONES, the following rules shall be enforced:

- (a) Goods of every description, except tobacco, firearms, ammunitions, narcotics and prohibited drugs specifically and absolutely prohibited by law, may be brought into an ECOZONE;
- (b) Allowable goods inside an ECOZONE may be removed

from the ECOZONE in the original package or otherwise;

(c) Unless otherwise directed by the ECOZONE Authority or the appropriate government functionary, goods allowable within an ECOZONE may be stored, sold, exhibited, broken up, repacked, processed, assembled, distributed, sorted, graded, cleaned, mixed, or otherwise manipulated, or be manufactured in accordance with the provisions of this Act. Provided, That any good dutiable on entry into customs territory, whether in its original condition or after manufacture or as component or ingredient of any goods manufactured in an ECOZONE are sent from an ECOZONE into the customs territory, shall be subject to the duty which should have been paid on the imported good(s) in original condition or as component or ingredient of the product. If the import had been made directly into the customs territory and to the pertinent provisions of the Tariff and Customs Code and any regulations made thereunder;

(d) Goods, except as are prescribed under the provisions of the succeeding paragraph, which have been brought into an ECOZONE from customs territory shall be deemed exported for the purpose of drawback under the pertinent provisions of the Tariff and Customs Code;



(e) The provisions of paragraph (c) hereof shall not apply to such goods as may be listed from time to time by the PIZDB upon recommendation of the Board of the ECOZONE Authority save that such listed goods may be stored in the ECOZONE for the purpose of transshipment, survey and repacking before removal into customs territory: Provided, That such survey and repacking shall not be carried out except with the prior permission of a senior customs official in the Economic Zone and shall be subject to such



conditions as may be prescribed in the rules and regulations promulgated by the ECOZONE Authority.

SEC. 51. Manipulation or Manufacture in an ECOZONE. -

1. Subject to the provisions of Section 50 (c) of this Act, any person who intends to assemble, mix or otherwise manipulate any goods or to carry out such manufacture to the extent allowed under this Act or the rules of the ECOZONE Authority for entry into customs territory shall give the Administrator of the ECOZONE Authority written notice of his intention and obtain his prior written permission to do so. Such permission shall be granted or withheld to the rules of the ECOZONES: Provided, That, such manipulation or manufacture shall be carried out under customs supervision and in accordance with pertinent ECOZONE regulations.

2. The Administrator of the ECOZONE may, subject to such guidelines prescribed by the Board of the ECOZONE Authority, give an allowance for recoverable waste, but if recoverable waste is sent into customs territory, it shall be dutiable in its condition and quantity and as its weight at the time of entry.



SEC. 52. Calculation of Customs Duty. - The rate of customs duty and the valuation applicable to any dutiable good shall be:

1. in the case of goods lawfully brought into or manufactured in the Economic Zones -

(a) if there has been no manipulation or manufacture effecting a change in tariff classification, the rate and valuation in force on the day on which such goods are sent into customs territory;

(b) if such goods are used in the manufacture of any product which is not a class dutiable on entry into customs territory, the rate and valuation in force on the day on which such goods are removed for manufacture; and

(c) if such goods are manufactured from materials which are not subject to customs duty, the rate and valuation in force on the day on which the entry of such manufactured goods into customs territory is authorized by the proper customs official; and

2. in case of uncustomed goods, the rate and valuation in force on the day on which such goods became uncustomed goods, if known, or the rate and valuation in force on the day of seizure, whichever, is higher.

The rate of exchange of any foreign currency shall be the current selling rate in the ECOZONE as last notified before the time the goods are removed for the purpose of manufacture or entry into customs territory.

SEC. 53. Retail Trade. - Not more than ten percent of the goods being manufactured by an ECOZONE enterprise shall be made available for domestic retail sales in the ECOZONE.



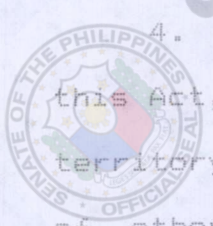
SEC. 54. Taxation and Tax Treatment of Merchandize in the Economic Zones. -

1. Except as otherwise provided in this Act, foreign and domestic merchandise, raw materials, supplies, articles, equipment, machinery, spare parts and wares of every description, except those specifically prohibited by law, brought into the ECOZONES to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded, or

otherwise processed, manipulated, manufactured, mixed with foreign or domestic merchandise or used whether directly or indirectly in such activity, shall not be subject to customs and internal revenue laws and regulations nor to local tax ordinance of cities or municipalities outside of the ECOZONES;

2. Merchandise purchased by a registered zone enterprise from the customs territory, if paid for in United States dollars or in any convertible foreign currency and subsequently brought into the ECOZONES, shall be considered as exported, and the exporter thereof shall be entitled to the benefits allowed by law for such transaction;

3. Domestic merchandise, sent from the ECOZONES to the customs territory shall, whether or not combined with or made part of other articles likewise the growth, product or manufacture of the Philippines while in the ECOZONES, be subject to internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption;



4. Subject to the provisions of Section 50 (c) of this Act, merchandise sent from the ECOZONES to the customs territory shall, whether or not combined with or made part of other articles while in the ECOZONES, be governed by pertinent laws and regulations on imported merchandise;

5. Domestic merchandise on which all internal revenue taxes have been paid, if subject thereto, and foreign merchandise previously imported on which duty or tax has been paid, or which have been admitted free of duty and tax, may be taken into the ECOZONES from the customs territory of the Philippines and be brought back thereto free of quotas,

duty or tax;

6. Subject to such regulations respecting identity and the safeguarding of the revenue as the ECOZONE Authority may deem necessary when the identity of an article entered into the ECOZONES has been lost, such article when removed from the ECOZONES and taken to the customs territory shall be treated as foreign merchandise entering the country for the first time, under the pertinent provisions of the Tariff and Customs Code of the Philippines; and

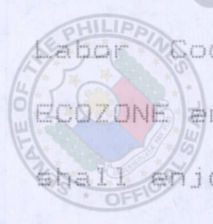
7: Articles produced or manufactured in the ECOZONES and exported therefrom shall, on subsequent importation into the customs territory, be subject to the import laws or regulations applicable to like articles manufactured in a foreign country.

CHAPTER IV

INDUSTRIAL HARMONY IN THE ECOZONES

SEC. 55. Labor and Management Relations. - Except as otherwise provided in this Act, labor and management relations in the ECOZONES shall be governed by the existing Labor Code of the Philippines. Employees and personnel in ECOZONE enterprises shall receive salaries and benefits and shall enjoy working conditions not less than those provided under the Philippine Labor Code and other relevant laws, issuances, rules and regulations of the Philippine Government and the Department of Labor and Employment.

SEC. 56. Master Employment Contracts. - The ECOZONE Authority, in coordination with the Department of Labor and Employment, shall prescribe a Master Employment Contract for all ECOZONES enterprise staff members and workers, the terms of which shall provide salaries and benefits not less than



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those provided under this Act, the Philippine Labor Code as amended and other relevant issuances of the National Government.

SEC. 57. Percentage of Foreign Nationals. - Employment of foreign nationals hired by ECOZONE enterprises in a supervisory, technical or advisory capacity shall not exceed five per centum (5%) of its workforce without the express authorization of the Secretary of Labor and Employment.

Foreign nationals under employment contracts, their spouses and unmarried children under twenty-one (21) years of age, who are not excluded under any policy or law, shall be permitted to enter and reside in the Philippines during the period of the contract of employment of such foreign national.

SEC. 58. Migrant Worker. - The ECOZONE Authority, in coordination with the Department of Labor and Employment, shall promulgate appropriate measures and programs leading to the expansion of the services of the ECOZONES to help the local governments of nearby areas meet the needs of the migrant workers.

SEC. 59. Incentive Scheme. - An additional deduction from the National Government share of the three percent (3%) of gross income of persons and enterprises in the ECOZONES equivalent to one-half (1/2) of the value of training expenses incurred in developing skilled or unskilled labor or for managerial or other management development programs shall be granted to the person or enterprise concerned. Such shall first be approved by the ECOZONE Authority according to guidelines prescribed by it in coordination with the Department of Labor and Employment. The deduction



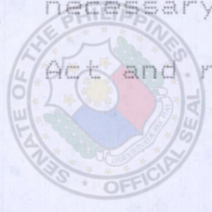
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allowed under this section shall, not exceed ten percent (10%) of direct labor wage.

The PIZDB, the ECOZONE Authority and the Department of Labor and Employment shall jointly make a periodic review of the incentive scheme provided in this section every two (2) years or when circumstances so warrant.

SEC. 60. Service Charges. - All service charges collected by hitels, motels, restaurants, nightclubs, day clubs, gambling casinos and other similar establishments in the ECOZONES shall be distributed at the rate of eighty-five percent (85%) for all employees of said establishments, regardless of the nature of their work in the same establishments, and fifteen percent (15%) for management. The share pertaining to the employee shall be equitably distributed among them.

SEC. 61. Offices and Agencies of the Department of Labor and Employment. - The Department of Labor and Employment shall establish and maintain in the ECOZONES its appropriate offices, agencies and instrumentalities necessary to effectively carry out the provisions of this Act and relevant provisions of the Philippine Labor Code.



CHAPTER V

RELATIONSHIP WITH THE NATIONAL GOVERNMENT AND OTHER ENTITIES

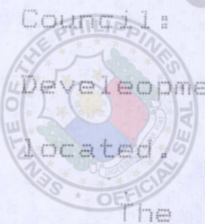
SEC. 62. Applicability of National Laws. - National Laws shall prevail vis-a-vis ECOZONE rules, regulations and standards, unless there is a clear intent in this Act or other acts of the Congress to vest the ECOZONES specific powers and privileges not otherwise allowed under existing laws.

SEC. 63. Relationships with Certain Regional Directors and other Government Entities. -

1. Subject to the power of coordination that is vested in the PIZDB by this Act, the Administrator of each ECOZONE shall have supervision and control over the implementation of development projects in the ECOZONE that are funded by the ECOZONES.

2. The ECOZONE Administrator shall coordinate with the respective regional directors of the Department of Health, Education, Culture and Sports, Public Works and Highways; Trade and Industry, and with the relevant officials of such other departments and local government units that will establish offices with the ECOZONE. Such coordination shall be effected especially in the identification, planning, programming, prioritization, and implementation of socio-economic regional development projects in the ECOZONE that are funded out of national funds, as well as evaluation thereof from a regional development perspective.

SEC. 64. Relationship with the Regional Development Council: Delineation of Responsibilities for Regional Development Council of the Region where the ECOZONE is located.



The ECOZONE Authority shall determine the development goals for the ECOZONE within the framework of national development plans, policies and goals, and the Administrator shall submit the ECOZONE plans, programs and projects to the Regional Development Council for inclusion in and as inputs to the overall regional development plan.

SEC. 65. Relationship with Service-Wide Agencies. - The Department of Budget and Management, the Commission on

Audit, the Civil Service Commission, the Department of Finance, the Central Bank and other service-wide agencies shall make the necessary amendments and adjustments in their respective regulations and procedures in order to make them consistent with the purposes, intents and objectives of this Act and responsive to the particular developmental needs of the ECOZONES.

SEC. 66. Resolution of Conflict. - In case of conflict between the local government units concerned and the ECOZONE Authority on matters affecting both entities which cannot be resolved in their level, it shall be elevated by any of the parties to the Regional Development Council having territorial jurisdiction over them. The Decision of the Council shall be final and immediately executory.

For purpose of this Section, the PIZDB shall formulate and issue the necessary implementing rules and regulations.

CHAPTER VI

MISCELLANEOUS PROVISIONS



SEC. 67. Power to Borrow and Incur Debts. - The ECOZONE Authority is hereby vested with the authority to borrow money for the account of the ECOZONES from local or foreign investors directly or through private placement, or public issuances and flotation of bonds, notes, debentures, certificates of indebtedness, securities and other financial instruments and papers for the purpose of financing the development and/or operations of the ECOZONE under such terms and conditions the PIZDB may deem for the best interests of the ECOZONES: Provided, That such borrowings and flotations shall be subject to the approval of



Department of Finance and if made foreign exchange to the prior approval of the Central Bank, according to prescribed guidelines and procedures.

SEC. 68. Termination of Business. - Investors in the ECOZONES who desire to terminate business or operations shall comply with such requirements and procedures which the ECOZONE Authority shall set, particularly those relating to the clearing of debts. The assests of the closed enterprises can be transferred and the funds can be remitted out of the ECOZONES subject to rules, guidelines and procedures prescribed jointly by the Central Bank, Department of Finance and the ECOZONE Authority concerned.

SEC. 69. Jurisdiction of the ECOZONES for the Police Purposes. - The jurisdiction of the ECOZONES for police purposes shall extend to six (6) kilometers from the shore, and the land to a perimeter of up to three (3) kilometers in width, subject to the consent of the concerned local government and PNP unit, solely for the purpose of protecting and ensuring the safety of water supply of the ECOZONES. Such police jurisdiction shall also extend over all territory within the drainage area of such water supply, or within two hundred (200) meters of any reservoir, conduit, canal, aquaduct, or pumping station used in connection with an ECOZONE water service.

SEC. 70. Foreign-Assisted Projects.- The foreign-assisted projects of an ECOZONE shall be under the direction and supervision of the ECOZONE Administrator, subject to the powers of the ECOZONE Authority and the PIZDB: Provided, That the foreign-assisted projects of National Government agencies shall be under the supervision



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of the appropriate agencies of the National Government.

SEC. 71. Corporate Register. - The ECOZONE Authority shall have and maintain their individual separate business register for partnerships, corporations or single proprietorship and shall supervise, regulate and control all corporations and partnerships registered with the ECOZONES, in accordance with the policies laid down by the PIZDB.

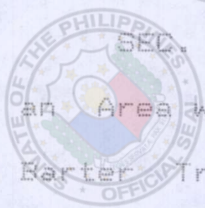
The Securities and Exchange Commission, for statistics and information purposes only, shall note in a separate book the pertinent papers of corporations and partnerships that have been established in the ECOZONES.

SEC. 72. Construction and Other Permit Fees. - To further encourage investments in the ECOZONES, the Administrator of the ECOZONES, upon approval of the ECOZONE Authority, may waive the payment of construction permit fee, electrical inspection fee, water connection fee, and other similar fees to the first one hundred (100) investors in the ECOZONE.

CHAPTER VII

SPECIAL PROVISIONS

SEC. 73. Effect of the Establishment of an ECOZONE in an Area where there is an Existing Export Processing Zone, Barter Trade Office or Industrial Estate. - Whenever an ECOZONE is established in an area where there is an existing Export Processing Zone, Barter Trade Office or Industrial Estate, the same shall be absorbed and integrated with the ECOZONE and all properties, records, equipments, appropriations, subsidies, buildings, facilities and other assets of said entities, including such applicable personnel and existing obligations, shall be transferred to the ECOZONE.



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Government personnel whose services are not retained by the ECOZONE Authority or any government office within the ECOZONE shall be entitled to separation pay and such retirement and other benefits they are entitled to under the laws then in force at the time of their separation: Provided, That in no case shall the separation pay be less than one (1) month salary for every year of service.

SEC. 74. A strategy of Development of the ECOZONES. - The strategy and priority of development of the ECOZONES established under this Act shall follow the following patterns:

(a) the development of high-value marine or aquatic industry products that are highly in demand in the world markets;

(b) the manufacture of agri-products and the development of the food and beverage processing industry and other similar or related activities;

(c) commercial activities, such as the establishment and development of international investment banking facilities and financial services, trading, insurance, shipping, establishment of modern container terminals, transshipment of goods, securities and development of commodity futures trading;

(d) light and medium high technology industries, such as the manufacture of highly sophisticated telecommunications equipment, computers, peripherals and softwares, the manufacture of medical diagnostic and therapeutic, equipment and other similar or related high-technology electronics industry;

(e) the manufacture of essential drugs and other pharmaceutical products both for local consumption and



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export: Provided, That ten percent (10%) of the total production of pharmaceutical products by an ECOZONE enterprise may be required to be made available to the domestic market;

(f) establishment of modern infrastructure and facilities such as airports, telecommunications stations and other highly efficient facilities.

Second priority shall be accorded to the processing into finished products of raw materials sent by business firms from abroad to their local branches or affiliates in the ECOZONES and other similar or related activities.

Third priority shall be extended to tourism and travel and other service industries in the ECOZONES, such as hotels, motels, tourist restaurants and other similar or related activities.

Depending on the appropriateness of the area where the proposed ECOZONE is to be established, priority shall be given to heavy industries such as shipbuilding and repair facilities and other heavy industries: Provided, That the ECOZONES shall, as much as possible, align their strategy development to the priorities of the National government.



It shall be the policy of the government and the ECOZONE Authority to encourage, provide incentives and facilitate private sector participation, especially the build-operate-transfer scheme, in the construction and operation of public utilities and infrastructure in the ECOZONE.

SEC. 75. Conversion of Existing American Military Installations in the Philippines into ECOZONES. - In the event that the United States government shall decide not to

continue maintaining its existing military installations in the Philippines, the President of the Philippines shall set in motion the procedure provided for in this Act for the conversion of such installations into ECOZONES.

SEC. 76. Sources of Funding. - The initial, as well as the regular operations of the ECOZONES shall be funded from the following:

(a) The annual subsidies, appropriations and/or other assets of the Export Processing Zones, the Barter Trade Office and the Industrial Estates that have been absorbed/transferred to the ECOZONES as mandated in this Act;

(b) The proceeds from the rents of lands, buildings, and other properties belonging to the ECOZONE concerned;

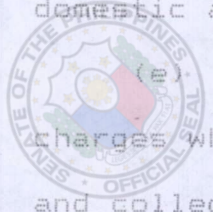
(c) The proceeds from fees, charges and other revenue generating instruments which the ECOZONE Authority is authorized to impose and collect under this Act;

(d) The proceeds from bonds which any of the ECOZONES established under this Act is authorized to float both domestic and abroad;

(e) The advance rentals, license fees, and other charges which the ECOZONE Authority is authorized to impose and collect under this Act and which an investor is willing to advance payment; and

(f) Such amounts which the National Government shall advance to help expedite the organization of an ECOZONE and its other initial expenses, which shall be paid back by the ECOZONE Authority concerned at reasonable terms and conditions.

SEC. 77. Authority of the President to Advance Initial



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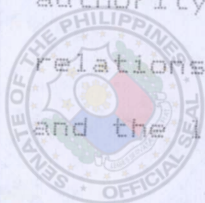
Expenses, Etc. - Subject to existing laws, the President of the Philippines is hereby authorized to advance out the savings of the Office of the President and any other executive department such funds as may be necessary to effect the organization of an ECOZONE which shall be reimbursed by the ECOZONE Authority at reasonable terms and conditions.

CHAPTER VIII

FINAL PROVISIONS

SEC. 78. Separability Clause. - The provisions of this Act are hereby declared separable, and in the event one or more of such provisions or part thereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.

SEC. 79. Interpretation/Construction. - The powers, authorities and functions that are vested in the ECOZONES and the ECOZONE Authority by this Act, are intended to establish decentralization of governmental functions and authority as well as an efficient and effective working relationship between the ECOZONES, the central government and the local government units.



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