

[REPUBLIC ACT NO. 7916, February 24, 1995]

AN ACT PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS FOR THE CREATION, OPERATION, ADMINISTRATION, AND COORDINATION OF SPECIAL ECONOMIC ZONES IN THE PHILIPPINES, CREATING FOR THIS PURPOSE, THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), 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 Zone Act of 1995."

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:

"The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."

(Sec. 20, Art. 11)

"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)

In pursuance of these policies, the government shall actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people especially those in the rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition through the establishment, among others, of special economic zones in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments.

SEC. 3. *Purposes, Intent and Objectives.* — It is the purpose, intent and objective of this Act:

- a. To establish the legal framework and mechanisms for the integration, coordination, planning and monitoring of special economic zones, industrial estates/parks, export processing zones and other economic zones;
- b. To transform selected areas in the country into highly developed agro-industrial, industrial, commercial, tourist, banking, investment, and financial centers, where highly trained workers and efficient services will be available to commercial enterprises;
- c. To promote the flow of investors, both foreign and local, into special economic zones which would generate employment opportunities and establish backward and forward linkages among industries in and around the economic zones;
- d. To stimulate the repatriation of Filipino capital by providing attractive climate and incentives for business activity;
- e. To promote financial and industrial cooperation between the Philippines and industrialized countries through technology-intensive industries that will modernize the country's industrial sector and improve productivity levels by utilizing new technological and managerial know-how; and
- f. To vest the special economic zones on certain areas thereof with the status of a separate customs territory within the framework of the Constitution and the national sovereignty and territorial integrity of the Philippines.

SEC. 4. Definition of Terms. — For purposes of this Act, the following definitions shall apply to the following terms:

- a. "Special economic zones (SEZ) " — hereinafter referred to as the ECOZONES, are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist/recreational, commercial, banking, investment and financial centers. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZs), free trade zones, and tourist/recreational centers.
- b. "Industrial estate (IE)" — refers to a tract of land subdivided and developed according to a comprehensive plan under a unified continuous management and with provisions for basic infrastructure and utilities, with or without prebuilt standard factory buildings and community facilities for the use of the community of industries.
- c. "Export processing zone (EPZ)" — a specialized industrial estate located physically and/or administratively outside customs territory, predominantly oriented to export production. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes and other import restrictions.
- d. "Free trade zone" — an isolated policed area adjacent to a port of entry (as a seaport) and/or airport where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed, or otherwise manipulated without being subject to import duties. However, movement of these imported goods from the free-trade area to a non-free-trade area in the country shall be subject to import duties.

Enterprises within the zone are granted preferential tax treatment and immigration laws are more lenient.

SEC. 5. *Establishment of ECOZONES.* — To ensure the viability and geographic dispersal of ECOZONES through a system of prioritization, the following areas are initially identified as ECOZONES, subject to the criteria specified in Section 6:

- a. So much as may be necessary of that portion of Morong, Hermosa, Dinalupihan, Orani, Samal, and Abucay in the Province of Bataan;
- b. So much as may be necessary of that portion of the municipalities of Ibaan, Rosario, Taysan, San Jose, San Juan, and cities of Lipa and Batangas;
- c. So much as may be necessary of that portion of the City of Cagayan de Oro in the Province of Misamis Oriental;
- d. So much as may be necessary of that portion of the City of Iligan in the Province of Lanao del Norte;
- e. So much as may be necessary of that portion of the Province of Sarangani;
- f. So much as may be necessary of that portion of the City of Laoag in the Province of Ilocos Norte;
- g. So much as may be necessary of that portion of Davao City and Samal Island in the Province of Davao del Norte;
- h. So much as may be necessary of that portion of Oroquieta City in the Province of Misamis Occidental;
- i. So much as may be necessary of that portion of Tubalan Cove, Malita in the Province of Davao del Sur;
- j. So much as may be necessary of that portion of Baler, Dinalungan and Casiguran including its territorial waters and islets and its immediate environs in the Province of Aurora;
- k. So much as may be necessary of that portion of cities of Naga and Iriga in the Province of Camarines Sur, Legaspi and Tabaco in the Province of Albay, and Sorsogon in the Province of Sorsogon;
- l. So much as may be necessary of that portion of Batan Island in the Province of Batanes;
- m. So much as may be necessary of that portion of Lapu-lapu in the Island of Mactan, and the municipalities of Balamban and Pinamungahan and the cities of Cebu and Toledo and the Province of Cebu, including its territorial waters and islets and its immediate environs;
- n. So much as may be necessary of that portion of Tacloban City;
- o. So much as may be necessary of that portion of the Municipality of Barugo in the Province of Leyte;
- p. So much as may be necessary of that portion of the Municipality of Buenavista in the Province of Guimaras;
- q. So much as may be necessary of that portion of the municipalities of San Jose de Buenavista, Hamtic, Sibalom, and Culasi in the Province of Antique;
- r. So much as may be necessary of that portion of the municipalities of Catarman, Bobon and San Jose in the Province of Northern Samar, the Island of Samar;
- s. So much as may be necessary of that portion of the Municipality of Ternate and its immediate environs in the Province of Cavite;
- t. So much as may be necessary of that portion of Polloc, Parang in the Province of Maguindanao;
- u. So much as may be necessary of that portion of the Municipality of Boac in the Province of Marinduque;
- v. So much as may be necessary of that portion of the Municipality of Pitogo in the Province of Zamboanga del Sur;
- w. So much as may be necessary of that portion of Dipolog City-Manukan Corridor in the Province of Zamboanga del Norte;
- x. So much as may be necessary of that portion of Mambajao, Camiguin Province;

- y. So much as may be necessary of that portion of Infants, Real, Polillo, Alabat, Atimonan, Mauban, Tiaong, Pagbilao, Mulanay, Tagkawayan, and Dingalan Bay in the Province of Quezon;
- z. So much as may be necessary of that portion of Butuan City and the Province of Agusan del Norte, including its territorial waters and islets and its immediate environs;
 - (aa) So much as maybe necessary of that portion of Roxas City including its territorial waters and islets and its immediate environs in the Province of Capiz;
 - (bb) So much as may be necessary of that portion of San Jacinto, San Fabian, Mangaldan, Lingayen, Sual, Dagupan, Alaminos, Manaoag, Binmaley in the Province of Pangasinan;
 - (cc) So much as may be necessary of that portion of the autonomous region;
 - (dd) So much as may be necessary of that portion of Masinloc, Candelaria, and Sta. Cruz in the Province of Zambales;
 - (ee) So much as may be necessary of that portion of the Palawan Island;
 - (ff) So much as may be necessary of that portion of General Santos City in South Cotabato and its immediate environs;
 - (gg) So much as may be necessary of that portion of Dumaguete City and Negros Oriental, including its territorial waters and islets and its immediate environs;
 - (hh) So much as may be necessary of that portion of the Province of Ilocos Sur;
 - (ii) So much as may be necessary of that portion of the Province of La Union;
 - (jj) So much as may be necessary of that portion of the Province of Laguna, including its territorial waters and its immediate environs;
 - (kk) So much as may be necessary of that portion of the Province of Rizal;
 - (ll) All existing export processing zones and government-owned industrial estates; and
 - (mm) Any private industrial estate which shall voluntarily apply for conversion into an ECOZONE.

These areas shall be developed through any of the following schemes:

- i. Private initiative;
- ii. Local government initiative with the assistance of the national government; and
- iii. National government initiative.

The metes and bounds of each ECOZONE are to be delineated and more particularly described in a proclamation to be issued by the President of the Philippines, upon the recommendation of the Philippine Economic Zone Authority (PEZA), which shall be established under this Act, in coordination with the municipal and/or city council, National Land Use Coordinating Committee and/or the Regional Land Use Committee.

SEC. 6. *Criteria for the Establishment of Other ECOZONES.* — In addition to the ECOZONES identified in Section 5 of this Act, other areas may be established as ECOZONES in a proclamation to be issued by the President of the Philippines subject to the evaluation and recommendation of the PEZA, based on a detailed feasibility and engineering study which must conform to the following criteria:

- a. The proposed area must be identified as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Development Council;
- b. The existence of required infrastructure in the proposed ECOZONE, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;
- 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 the ECOZONE workers;
- e. The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the ECOZONE;
- f. The area must have a significant incremental advantage over the existing economic zones and its potential profitability can be established;
- g. The area must be strategically located; and
- h. The area must be situated where controls can easily be established to curtail smuggling activities.

Other areas which do not meet the foregoing criteria may be established as ECOZONES: *Provided*, That the said area shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), and without any financial exposure on the part of the national government: *Provided, further*, That the area can be easily secured to curtail smuggling activities: *Provided, finally*, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the PEZA.

SEC. 7. ECOZONE to be a Decentralized Agro-Industrial, Industrial Commercial/Trading, Tourist, Investment and Financial Community. — Within the framework of the Constitution, the interest of national sovereignty and territorial integrity of the Republic, the ECOZONE shall be developed, as much as possible, into a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with minimum government intervention. Each ECOZONE shall be provided with transportation, telecommunications, and other facilities needed to generate linkage with industries and employment opportunities for its own inhabitants and those of nearby towns and cities.

The ECOZONE shall administer itself on economic, financial, industrial, tourism development and such other matters within the exclusive competence of the national government.

The ECOZONE 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 the Department of Trade and Industry, with foreign entities or enterprises.

Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the ECOZONE, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the