

Quezon City  
THIRD REGULAR SESSION  
HOUSE BILL NO. 14464

24 JAN 1975

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**Introduced by Hon. Ferdinand R. Marcos II**  
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**EXPLANATORY NOTE**

Whereas, the country will be subjected to intense competition, assaults by foreign-controlled corporations and aligned interests as the country opens up all its productive sectors to more investments;

Whereas, the country needs to have the basic industrial infrastructure to create capital goods required by the specific character of our economy and the legal framework, a Magna Carta for Industrialization, for pursuing this is imperative;

Whereas, an industrial base will support our agricultural sector, intensifying production and generating more consumption in the process;

Whereas, the country needs to have heavy industries to support its growth targets, democratize income distribution and increase the surplus available for reinvestment.

Whereas, all advanced countries today achieved critical mass for development through heavy industries and active promotion of local production, making these necessary factors for long-term growth.

Whereas, various sources of funds for industrialization are available and adequate. (Refer to Annex "A")

Thus, approval of this bill is earnestly requested.

  
**FERDINAND R. MARCOS II**

Quezon City

THIRD REGULAR SESSION

HOUSE BILL NO. 14464

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**AN ACT  
PROVIDING FOR A MAGNA CARTA ON  
NATIONALISM AND INDUSTRIALIZATION**

**Article I: BASIC PRINCIPLES**

**SEC. 1. Title.** --- This Act shall be known as "The Magna Carta on Nationalism and Industrialization".

**SEC. 2. Declaration of Policy.** It is hereby declared the policy of the State to promote and ensure the systematic and comprehensive industrialization of the Philippines under effective Filipino control in order to provide the adequate and stable jobs and income the Filipino people greatly need and to ensure the prosperity and dynamism on the basis of which lasting national dignity can be restored.

**SEC. 3 Definitions.**

(a) By "industrialization" is meant the development of high productivity manufacturing activity through the facilitation of productivity-enhancing forms of employment and tenure mechanization, continuous innovation of technology and technological upgrading through research and development, and rapid application of new technologies.

(b) By "effective Filipino control" is meant the provision and exercise of substantial and actual decision-making powers by Filipino entities -- private and public -- concerning various concerns of the State through various requirements, which include but are not limited to, nationality of investors.

(c) By "capital goods" is meant machinery, inorganic and organic chemicals, fuel, machine tools, hand tools, iron and steel, computers, construction supplies and other tangible products that serve as inputs in any production process.

(d) By "heavy industries" is meant various branches of manufacturing and services that produce consumer durables such as

(f) By "agriculture" is meant crop-growing, fisheries, and forestry.

(g) By "services" is meant research, banking, transportation, communications, audio visual, construction and engineering, health-care, education, recreation and culture business promotion and management, and various professions like accounting and lawyering.

(b) By "productivity" is meant both the quantity and quality of output per labor input.

#### **SEC. 4. Principles of Industrialization.**

(a) Heavy industries perform a strategic function in the industrialization process, since these will directly determine the level of mechanization and productivity potential of industries at large. Machinery and various equipment will supply the core of the industrial non-human resources required.

(b) Light industries should directly serve the basic consumption needs and demand of the Filipino people. Textiles as a type of good needed by the people in large volume and for regular replacement, will be a key product in the industrialization effort.

(c) Agriculture will undergo industrialization through step-by-step mechanization, shift from small-scale to large-scale production and adoption of productivity enhancing tenurial forms. This mechanization process will be based on the utilization of locally produced machineries as targeted in the industrialization program.

### **ARTICLE II. -- SCOPE AND THRUSTS**

**SEC. 5.** The industrialization process shall embrace comprehensive range of economic activity, including capital goods, consumer durables, agriculture and services.

**SEC. 6.** The types of goods and services to be promoted shall be promoted on the basis of the need to establish and maintain high and rising quality of life of Filipinos, and on current levels of dependence on importation for these goods and services.

**SEC. 7.** Two major lines of industrialization shall be pursued. One is the development of downstream industries for existing and potential raw materials, in other words, forward linkages, to produce finished goods, or goods ready for use by consumers.

include, but not be limited to, copra or crude coconut oil into cocodiesel and cocochemicals, sugar into alcogas and sugar-base chemicals, gold into jewelry and bullion, and abaca into pulp and paper.

**SEC. 9.** Equipment using these processed goods such as cocodiesel shall be retooled as a major activity of the engineering industry.

**SEC. 10.** The other major line of industrialization that shall be pursued is the development of upstream industries for existing industries currently dependent on imported inputs, in other words, backward linkages. This should involve the development of genuine import-substitution industries with import content of costs not greater than 30 percent within 3 years, 20 percent within 5 years and 10 percent within 7 years.

**SEC. 11.** The upstream industries shall include, but not be limited to, cotton, thread and synthetic yarn for textiles.

**SEC. 12.** Current industries dependent on imports, especially its raw material supplies, shall shift to local substitutes, such as banana and cassava for wheat.

### **Article III. -- TECHNOLOGY SOURCING**

**SEC. 13.** On a short to medium term basis, licensing of foreign technology shall be a major source of technology transfer.

**SEC. 14.** Over the long-term, the State shall take the lead in developing local research and development capabilities through a massive, fast-track science and technological research and education program.

**SEC. 15.** Government shall allot a minimum of 1.5 percent of its Gross National Product to research and development by the end of seven years. This shall increase from the current 25 percent to .5 percent immediately, .75% in 2 years time, 1% on years' time, and 1.25% in 6 years' time.

### **Article IV. -- OWNERSHIP AND CONTROL**

**SEC. 16.** The core policy regarding ownership and control shall be that Philippine industrialization shall be principally controlled by Filipinos.

**SEC. 17.** For reasons cited in Sec. 16, majority ownership of industrial corporations (at least 60 percent) shall belong to

**SEC. 18.** The national government shall own and control the majority of shares in enterprises belonging to key heavy industrial sectors, such as iron and steel and petrochemicals, to prevent undue concentration of wealth and power in any private entity, and to assert Filipino control of these industries.

**SEC. 19.** Directors representing the government and managers of these enterprises shall be selected on the basis of merit that is, their nationalism, professional business competence, and their integrity.

**SEC. 20.** They shall be accountable directly to the people through processes of consultation with non-governmental organizations, and to the Philippine Congress.

#### **Article V. -- MARKETS**

**SEC. 21.** The core market policy shall be the development of the home or domestic market as the principal market for Philippine industrialization.

**SEC. 22.** Export markets shall also be developed, but primarily as a spillover of the local market in order to minimize the risks of dislocation from the volatility of market conditions abroad, or to international factors beyond Philippine control.

**SEC. 23.** The national government shall ensure the adequate supply of goods and services for the home market in keeping with the goal of maintaining and continual improvement of the quality of life of Filipinos. The selection of goods and services for priority development should be based on a concrete appreciation of the life needs of the Filipino people in raising their quality of life.

**SEC. 24.** The government shall implement and give high priority to programs complementary to the industrialization process and supportive of the growth of the local market such as agrarian reform, price support for small farmers, and cooperative development.

**SEC. 25.** Mass information and education campaigns to foster the patronage of products of Philippine industrialization and to develop the nationalist consciousness of the Filipino buying public shall be launched and sustained to ensure continued consumer and market support for the industrialization process.

**SEC. 26.** The government shall take the lead in gathering and assessing market information translating these into industrial plans and targets; giving guidance to investment centers.

of physical distribution are efficient and fairly priced in order to assure adequate and prompt supplies for consumers at reasonable consumer prices.

**SEC. 28.** In coordination with non-government and people's organizations, the government shall regulate prices in consonance with productivity performance to discourage price speculation and profiteering, protect consumers, ensure price stability, and guarantee that rising productivity of goods and services of the industrialization program will lead to declining prices of Philippine industrial and consumer goods.

**SEC. 29.** Councils involving government and non-governmental organizations and representatives shall assist in the monitoring of prices. This activity may be undertaken by the council monitoring and assessing the quality of goods and services, as in Price and Quality Monitoring and Evaluation Councils, at various levels.

**SEC. 30.** For various key industries, franchises may be granted to government, government-and-private and private enterprises to ensure the maximization of the productive capacity of industrial facilities. However, these franchises shall be conditional on the performance of price, quality and productivity standards of the enterprises involved, and will be revoked, if these standards are not met within a reasonable time period.

**SEC. 31.** Penalties shall also be meted out to enterprises falling below the quality, price and productivity standards, such as fines and ineligibility for government credit. The license to operate of private enterprises consistently violating these standards will be revoked. In the case of government-owned or controlled enterprises, chief executive officers will be recalled.

#### **Article VI. -- RAW MATERIALS SOURCING AND DEVELOPMENT**

**SEC. 32.** The core policy in raw materials sourcing and development shall be the primary reliance of Philippine industrialization on local raw materials in order to save on high import costs and precious foreign exchange, and better guarantee price stability and security of continued supplies.

**SEC. 33.** Only raw material supplies which already adequately meet the demand of local industries for processing for the home market and of which a surplus exists shall be exported.

**SEC. 34.** Local raw materials shall have first priority over foreign raw materials in terms of sourcing. Local industries using imported raw materials shall shift to local raw material sources and supplies within a reasonable time period, once it has

standards and specifications.

**SEC. 35.** Development of quality and ample local raw materials supplies shall be a main priority of government. The government shall therefore provide support services in terms of determining and monitoring raw material needs of local industries, facilitating investments in raw material production establishing linkages between raw material suppliers and clients, research and development.

#### **Article VII. -- PRODUCTIVITY AND QUALITY**

**SEC. 36.** The comprehensive development of local products and services meeting or surpassing rising world-class quality standards shall be a priority concern of government and the industrialization program in order not only to discourage smuggling, but also to ensure a high and rising quality of life for the Filipino people.

**SEC. 37.** The government shall set quality standards, monitor and assess quality of output and performance of quality control, and initiate or encourage procedures and mechanisms to maintain or improve quality of output and work. Quality standards and monitoring shall be undertaken by government in consultation with the people, consumer groups and non-governmental organizations. Product and service quality monitoring councils, involving the Department of Trade and Industry and Department of Agriculture on the part of the government, and representatives from non-governmental organizations may be established and sustained at various levels from the national to the local levels.

**SEC. 38.** Apart from ensuring high quality of output, the industrialization program shall seek to maintain reasonable minimum and improving productivity standards and performance, a high quantity of output per man-hour in order to keep prices to a reasonable low, discourage dumping of imports or smuggling, minimizing wastage of raw materials and energy, and maximize utilization capacity of equipment.

**SEC. 39.** To maintain high productivity, the government and Filipino industrialists in coordination with people's and non-government organizations shall pursue the selection, usage and upgrading of reasonably advanced technology; formulation of productivity-monitoring systems; quality training and retraining of workers on a continuing basis; upholding of workers' moral and motivation, through adequate compensation, social security benefits, productivity bonuses, job security, unionization, job rotation and similar measures.

**SEC. 40.** The formulation and implementation of productivity

conferences and councils, where their participation in decision making and assessing processes, together with management personnel, will be encouraged.

#### **Article VIII. -- GROWTH**

**SEC. 41.** The core policy for industrial growth and accumulation is that savings from industrial investment shall be principally used to continually and progressively develop local industrial enterprises in order to ensure the dynamism and continued expansion of Philippine industrialization, and the rapid formation and accumulation of domestic capital for Philippine industries.

**SEC. 42.** At least 80 per cent of net earnings from Philippine industrialization shall either be reinvested directly in Filipino enterprises, or loaned to Filipino enterprises.

#### **Article IX. -- FISCAL POLICY**

**SEC. 43.** Tax incentives, which shall include but shall not be limited to 2 year tax holidays, shall be granted to the key priority local industries for development, such as iron and steel, and machinery.

**SEC. 44.** The tax burden shall shift from local domestic production to imports through high tariffs and to speculator activities such as the stock market. The tax regime shall also shift from a regressive one, penalizing consumption in general to a progressive one, in order to enhance income redistribution.

#### **Article X. -- FINANCING**

**SEC. 45.** Generation of funds from industrialization will originate from two basic sources: the public sector, and the private sector. On the part of the public sector, the following large sources of funds for the industrialization program are identified to include, but shall not be limited to, the following: revenue savings from reductions in imports, a debt ceiling and the renunciation of fraudulent loans, the existing deposits in government banks and financial institutions, and earnings of government corporations.

**SEC. 46.** The industrialization program shall target reduction in imports in the order of 10 per cent in the first year, 20 per cent in the second, 30 per cent in the third, 40 per cent in the fourth, 50 per cent in the fifth, 60 per cent in the

seventh year, this shall be expected to yield yearly savings of at least P312 billion for industrialization.

**SEC. 47.** In the private sector, savings from domestic bank shall be mobilized on a massive scale for the industrialization program. To lessen the costs of industrialization and at the same time encourage bank deposits, the bank margin spread shall be lowered. Shares of government and private corporation participating in the industrialization shall be sold publicly to capture the savings of upper-middle income groups.

#### **Article XI. -- FOREIGN TRADE**

**SEC. 48.** The government shall adopt as its core policy the adequate protection of its domestic industries until it attains world-class standards, and its development under a protectionist policy of their productivity and world-class competitiveness through adequate research and development, and through strict enforcement of high and rising quality, productivity and price standards in order to achieve the twin goals of comprehensive domestic industrialization, and world-class efficiency.

**SEC. 49.** The protectionism shall support the growth of local industries through a variety of measures, including but not limited to import bans, import ceilings, high tariffs, and strong support services such as research and development.

**SEC. 50.** The government shall adopt a flexible but clear policy on selecting protectionist measures for each specific type of imported items, depending on the level of need for local protection.

**SEC. 51.** The government shall ensure the Philippine economy shall focus its importation on the vital and essential imports for which it has no immediate local substitutes or counterparts or adequate local supplies, for reasons of geography or for current lack of technological capability.

**SEC. 52.** In support of the industrialization program, the law enforcement agencies shall focus on various forms of economic sabotage, which will hinder this process, such as smuggling, poaching in Philippine waters, and illegal logging.

#### **Article XII. -- ENVIRONMENT**

**SEC. 53.** The government shall strive to ensure strict environmental control standards regarding each industrial project.

**SEC. 54.** The government shall exercise the political will to implement comprehensive industrialization by playing a activist rule in initiating, implementing or assisting in this process.

**SEC. 55.** A Joint Executive-Legislative-Non-Government Commission on Filipino-Led Industrialization shall oversee and monitor the implementation of the industrialization program. In consultation with people's and non-government organizations members of this commission will be selected and replaced on the basis of their proven adherence to nationalist principles state heretofore, their integrity and their accountability to people' and non-government organizations.

**SEC. 56.** All deliberations and undertakings of this commission shall be undertaken with the utmost transparency.

#### **Article XIV. -- FINAL PROVISIONS**

**SEC. 57.** The aforementioned Commission shall prepare the implementing rules and regulations necessary for the implementation of the Act.

**SEC. 58.** All violations of this Magna Carta shall be penalized in accordance with provisions contained in the implementing rules and regulations.

**SEC. 59.** Repealing Clause. - All general and special laws, acts, city charters, decrees, executive orders, proclamations and administrative regulations, or part or parts thereof which are inconsistent with any of the provisions of this Magna Carta are hereby repealed or modified accordingly.

**SEC. 60.** Separability Clause. - If, for any reason, any part of the provisions of this Magna Carta shall be held to be unconstitutional, other parts or provisions hereof which are not affected thereby shall continue to be in force.

**SEC. 61.** Effectivity Clause. - This Magna Carta shall take effect upon the approval of the law.

Approved,