

Title:

Subic Bay Freeport Zone Used Motor Vehicle Importation Case

Facts:

This complex legal battle began when President Gloria Macapagal-Arroyo issued Executive Order No. 156 (EO 156) on December 12, 2002, prohibiting the importation of used motor vehicles into the Philippines, including the Subic Bay Freeport Zone, with specific exceptions. This led to three separate actions for declaratory relief filed by Southwing Heavy Industries, Inc., United Auctioneers, Inc., Microvan, Inc., Subic Integrated Macro Ventures Corp., and Motor Vehicle Importers Association of Subic Bay Freeport, Inc., who are engaged in the business of importing and/or trading used motor vehicles in the Subic Bay Freeport Zone. They challenged the constitutionality of Article 2, Section 3.1 of EO 156, claiming it usurped legislative power, was contrary to Republic Act No. 7227 (The Bases Conversion and Development Act of 1992), and adversely affected their businesses. The trial court and subsequently the Court of Appeals declared the EO unconstitutional. The case was eventually escalated to the Supreme Court, consolidating the petitions.

Issues:

1. Whether respondents had the legal standing to question EO 156.
2. Whether the issuance of EO 156 was within the President's executive and administrative or quasi-legislative powers.
3. Whether EO 156 violates the provisions of RA 7227 regarding the operation of Subic Bay Freeport as a special economic and freeport zone.
4. Whether the application of EO 156's importation ban on used vehicles was reasonable and lawful.

Court's Decision:

The Supreme Court took a nuanced approach. It validated respondents' standing, given the direct injury they would sustain from EO 156's enforcement. It acknowledged the President's authority to regulate imports for national welfare, sourced from the Constitution and existing laws. However, it ruled that extending EO 156's application to the Subic Bay Freeport—a special economic and freeport zone designed with minimum government interference and designated somewhat as a foreign territory—was beyond the scope of EO 156's intended application. The Court found this extension unreasonable as it did not serve the EO's purpose within the confines of the Freeport. Therefore, the petition was partially granted: EO 156 was declared valid outside the Subic Bay Freeport but void within it.

Doctrine:

The Court established the doctrine that while the executive has broad powers to regulate imports in the interest of national welfare, such powers do not extend to areas designated as special economic and freeport zones under specific laws like RA 7227, which intends to encourage foreign investment with minimal government interference.

Class Notes:

- **Legal Standing**: One who will sustain direct injury from the enforcement of a law or executive issuance has the standing to challenge it.
- **Executive Order's Authority**: An EO must have constitutional and statutory bases, follow prescribed promulgation procedure, be within the scope of granted authority, and be reasonable.
- **Special Economic and Freeport Zones**: Areas designated under RA 7227 as separate customs territories are intended to attract investors with minimal interference, including liberal import and export policies.
- **Doctrine of Reasonableness**: An administrative issuance must not only fall within the scope of delegated authority but must also be reasonable and serve its intended purpose without overreaching.

Historical Background:

This case underscores the tension between executive regulatory authority and the legislative mandate to create special economic zones to stimulate investment and economic growth. It reaffirms the autonomy granted to areas like the Subic Bay Freeport Zone under RA 7227 against broader national regulations that might undermine their unique status and objectives.