BILATERAL

PROGRAM FOR COOPERATION ON INDUSTRIAL PARKS DEVELOPMENT BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE PEOPLE’S REPUBLIC OF CHINA

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The Department of Trade and Industry on behalf of the Government of the Republic of the Philippines and the Ministry of Commerce on behalf of the Government of the People's Republic of China, collectively referred to as "Participants";

WHEREAS, cooperation on industrial parks development was identified as a priority under the Six -Year Development Program (SYDP) for Trade and Economic Cooperation (2017-2022) and the Memorandum of Understanding (MOU) on Strengthening Bilateral Trade , Investment and Economic Cooperation;

WHEREAS, the MOU for Cooperation on Industrial Parks Development between the Department of Trade and Industry of the Republic of the Philippines and the Ministry of Commerce of the People's Republic of China, signed on 15 November 2017, provides that the Participants shall jointly formulate a Program for Cooperation on Industrial Parks Development, hereinafter referred to as the "Program " , and utilize various investment promotion mechanisms and platforms to implement the Program in order to guide interested Chinese enterprises to invest in Philippine industrial parks development;

WHEREAS, that a Joint Working Group will be responsible for coordinating the relevant agencies and consultants in the formulation of the Program;

Will undertake the following:

I. Purposes, Objectives and Principles

1 . Purposes

1.1 The Program is aimed at promoting bilateral cooperation on industrial parks development. It shall be guided by international production capacity cooperation and pragmatic efforts to create win-win outcomes. Both countries' aspirations for development, commitment to cooperate, investment environments, and industrial conditions, should be considered in order to make a scientific layout, progressively develop industrial parks, explore scope of bilateral cooperation, enhance industrial cooperation and promote economic development.

2. Overall Objectives

2.1 To further lay a solid foundation for expanding and deepening bilateral economic and trade cooperation and promote mutual exchanges in various areas.

2.2 To utilize respective comparative advantages and complementarity in a wide range of areas, establish an effective framework and mechanism for industrial park cooperation , propel social and economic development, improve investment environment, with a view to realizing mutual benefit and achieving common development goals.

2.3 To establish comprehensive scope and modes of cooperation in planning, construction , and operation of

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industrial parks .

2.4 To promote cooperation in international production capacity and manufacturing by encouraging investment in the industrial sector , improving infrastructure facilities , increasing level of industrialization, optimizing industrial plan and layout, and developing resources .

3. Underlying Principles

3.1 Cooperation on industrial parks development between both sides shall be guided by such principles as " government guidance , decision making by enterprises and market-based operation " , " industrial complementation , production capacity cooperation and win-win cooperation " , "efficiency, consideration of local conditions to tailor measures to meet participants ' requirements, and " establishment of platforms , and service to enterprises . The type and industries to be developed within the industrial park shall be defined based on full consideration of Philippine development plan, industrial strategy, infrastructure and policies on foreign investment, and other factors .

4. Timeline

4.1 The effectivity of this Program is from 2018 to 2022 or five (5) years from date of signing. A mutual consent from both participants is necessary should there be a need for extension.

II. Mode and Focus of Cooperation

5. Mode of Cooperation

5.1 Based on the industrial development planning , resource endowments , current conditions of industries and infrastructures of the Philippines , both sides will consider focusing on promoting six types of industrial parks and developing industries engaged in high-value adding related activities/services in regions with corresponding comparative advantages . The list of indicative projects is attached as the Annex .

5.2 Both sides could explore to establish industrial parks in developed industrial agglomeration areas, such as the special economic zones under the Philippine Economic Zone Authority (PEZA) , Subic Bay Metropolitan Authority (SBMA) , and Clark Development Corporation (CDC) , or within existing economic zones, which is referred to as the " zone in the park " or " sub-zone" model , with a view to utilize available transportation and infrastructures to achieve rapid industrial agglomeration . Both sides will focus on developing export-oriented processing/manufacturing industrial parks , which will attract Chinese enterprises to settle and operate.

5.3 Capable Chinese enterprises interested in large-scale industrial park development projects may undertake such in the form of joint ventures, among others , (i. e . with comprehensive development companies or infrastructure development and operation companies) to fulfil their advantages in cooperation . Contractual arrangements in the context of Private-Public Partnerships (PPP) are also encouraged for industrial park development projects.

5.4 Specific mode of cooperation and equity proportion shall be negotiated in accordance with existing Philippine laws , rules and regulations in establishing a sustainable business model.

6. Focus of Cooperation

6.1 Processing/Manufacturing-Oriented Industrial Parks

Priority is given to industrial cluster areas and regions in the countryside including Clark Special Economic Zone , Laguna , Cavite , Batangas and Cebu. The industrial parks could mainly focus on export-oriented industries including light industries such as but not limited to furniture , gifts, housewares, footwear and leather goods, particularly on manufacturing activities focused on production of related parts and components

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such as: (a) tool and die ; (b) rubber ; (c) adhesives ; (d) textile ; (e) tannery for leather ; (f) chemicals; (g) plastic products ; (h) electronic products and IC Design; (i) automobile and auto parts; j) electric vehicles including parts ; (k) metal casting, engineering and machinery , metal machine parts, and building materials for aerospace parts ; and (l) food processing and chemicals . Research and development , service outsourcing , and business offices are secondary focuses. High-tech and high value-added industries should be encouraged and guided to form several major industry categories and relatively integral industry chains, to further realize manufacturing clusters , labor-intensive industrial clusters and high-tech clusters.

6.2 Port-Neighboring Industrial Parks

This type of industrial parks shall be based on existing or newly built large-scale ports such as in Subic , Cebu , Iloilo , and Zamboanga . Port-neighboring parks could facilitate promotion of various industries such as modern business logistics and manufacturing to further realize the comprehensive development throughout the region. Leading industries could include transport and logistics, manufacture of construction materials, furniture, electric appliances, automobile and spare parts, engineering and machinery, and plastic products.

6.3 Agribusiness/Agro-lndustrial Parks

This type of industrial parks could be located in Philippine main agricultural production areas and fishery-clustering regions with comparatively better infrastructures. Industries may include high value processing for agricultural products including grain crops planting and processing; poultry breeding and processing; tropical fruits production; and fishery products processing. Such parks could rely on key leading enterprises, improve related pre- and post- harvest facilities and logistics infrastructure, adopt independent planting, cooperative planting and contract farming.

The focus shall be on planting rice , corn, and high - value crops; cultivating superior quality crops/seeds ; planting and processing tropical fruits such as coconut, pineapple, mango and dragon fruit preferably in Davao, SOCCSKSARGEN, Northern Mindanao, Eastern Visayas, Western Visayas and Central Luzon; and developing fishery cultivation and processing industries in Davao and Eastern Visayas .

6.4 Resource-Based Processing Parks

The Philippines has rich resources and strategic geographic location. Based on comparative advantages of both sides and subject to applicable Philippine laws, rules and regulations , cooperation may be considered in a sustainable and responsible way, of materials and resources .

6.5 Science and Technology Parks

Both sides could utilize China's advanced technology, funds and management methods , to explore cooperation on establishing intelligence-intensive and technology-intensive industrial parks , to further promote integration of scientific research, education and production and to maximize commercialization of high- tech achievements. Therefore , industrial parks of this type could play an important demonstrating role in attracting foreign investments, talents, and developing high-tech industries. Both sides may focus, subject to applicable Philippine laws, rules and regulations , on the development of information and communication technology (ICT) , servers, telecommunications infrastructure and equipment, wireless broadband networks, software and creative industry, information construction and upgrade , and intelligent manufacturing .

6.6 City-Industry Integration Parks

Both sides could explore to develop livable , sustainable, green and smart parks promoting industry cluster development , with the aim to integrate production, research and development , living , tourism and other supporting functions.

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III. Collaborative Measures

7. Establishment of Bilateral Consultation Mechanism

7.1 Pursuant to the framework of the Cooperation on Industrial Parks Development, which was identified as a priority under the Six -Year Development Program (SYDP) for Trade and Economic Cooperation (2017-2022) and the Memorandum of Understanding (MOU) on Strengthening Bilateral Trade , Investment and Economic Cooperation, the Participants will establish a Joint Working Group , hereinafter referred to as the "JWG", that will be responsible for the implementation of the Program under the ambit of the Joint Commission on Economic and Trade Cooperation (JCETC) .

7.2 The JWG's main responsibilities include but not limited to the following:

a) To guide enterprises ' participation through developing policies in line with the needs of the market and industry that encourages cooperation between the private and public sector;

b) To monitor the development of key industrial parks and help resolve specific problems during project implementation ;

c) To assist in the over-all development of industrial parks, through the implementation of key policies , applicable laws, rules, and regulations;

d) To coordinate with the relevant government entities which may have jurisdiction on the proposed industrial parks ;

e) To promote industrial parks to potential investors ;

f) To make timely adjustments in the Program based on prevailing economic conditions of the two countries and changing global markets .

8. Organization Enhancement, Coordination and Implementation

8.1 To further improve corresponding organization and coordination mechanisms, formulate concrete and feasible measures, reinforce uniform coordination , planning and guidance in industrial park investment and cooperation and effectively propel the implementation of the Program.

8.2 The JWG will guide and monitor the implementation of the Program , and will hold meetings to communicate and coordinate as may be necessary .

8.3 Both sides will resolve emerging issues during the implementation of the Program through friendly consultation and negotiation.

9. Cooperation on Promotion of Investments

The Participants will , within their respective statutory authority and in accordance with their respective laws, rules and regulations, will:

9.1 Conduct investment seminars or missions, including business matching activities. Any individual project agreed by the Participants on the basis of the Program shall be subject to review by relevant government agencies, further negotiation and the signing of an individual project agreement;

9.2 Identify areas of cooperation in industry development on a mutually advantageous basis ;

9.3 Coordinate joint efforts in the development of industrial sector with the purpose of enhancing competitiveness and ensuring sustainability thereof;

9.4 Consult and exchange relevant information by sharing best practices in the field of industry development

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and investment promotion;

9.5 Facilitate possible collaboration between relevant economic entities of the Participants in the realization of joint programs and projects;

9.6 Set up a special working team , as may be needed, to promote cooperation in specific areas;

9.7 Exchange of information on the Philippines and Chinese investors relating to guidelines to doing business in the Philippines , industry information, investment projects of interests, and investments promotion programs.

The Participants shall share or disclose information in accordance with and subject to their existing confidentiality agreements

IV. Supplementary Provisions

10. In the next five years, China and the Philippines will actively promote investment and cooperation in industrial parks development in the priority areas . Investment and cooperation in other areas agreed upon by both sides will not be excluded . Expiry of the Program will not affect the validity of on-going cooperation projects agreed upon in the Program.

11 . The agreements stated or activities rendered based on the Program shall be subject to the applicable laws , rules , and regulations .

12 . The Program does not create any legal obligation or binding commitment on either Participant.

Signed on 20 November 2018 in Manila , Philippines, the Program is prepared in duplicate in the English and Chinese languages , both texts being equally authentic.

For and on behalf of
the Government of the
Republic of the Philippines

(Sgd.)
Secretary
Department of Trade and Industry

For and on behalf of
the Government of the
People's Republic of China

(Sgd.)
Minister
Ministry of Commerce

Entry into Force: November 20, 2018

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