

AN ACT TO PROMOTE AND EXPAND THE UTILIZATION OF CHEMICALS DERIVED FROM COCONUT OIL AND FOR OTHER PURPOSES.

PRESIDENTIAL DECREE No. 1863, May 18, 1983

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WHEREAS, it is the policy of the State to maximize the country's foreign exchange earnings and conserve its foreign exchange resources;

WHEREAS, in implementation of that policy, the Government has adopted various programs to encourage, promote, and assist the establishment of commercial activities and industries geared towards the production of goods and services, using indigenous raw materials and resources, which are intended not only for the export market but also as substitutes for essential goods and services imported into the country;

WHEREAS, in line with that program, the Government has declared the establishment of a coco-chemical process plant in the Philippines as one of its major industrial projects and directed the bank acquired for the benefit of the coconut farmers of the Philippines under P.D. No. 755, acting as the Administrator of the Coconut Industry Investment Fund ("CIIF"), to cause, as it did, the organization of United Coconut Chemicals, Inc. ("UNICHEM"), a corporation owned and controlled by the coconut farmers which shall establish, operate and maintain in the Philippines a process plant for the manufacture of chemicals consisting initially of fatty acids, fatty alcohols and glycerine derived from coconut oil ("coco chemicals") ;

WHEREAS, the coco-chemicals to be produced by UNICHEM are direct substitutes for chemicals derived from petroleum and natural gas ("petro-chemicals") which are utilized as raw material feedstock for the surfactant, the plasticizer, and other industries;

WHEREAS, the surfactant industry in the country, principally manufacturers of soaps and detergents, presently utilize imported petro-chemicals at a substantial foreign exchange expenditure, which petro-chemicals, being non-biodegradable, pollute our lakes, rivers and other bodies of water;

WHEREAS, it is in the best interest of the State and for the public good that the Government encourage, promote and assist the substitution of coco-chemicals for petrochemicals in the manufacture of soaps, detergents and other consumer and industrial products:

WHEREAS, the greater and wider use of coco-chemicals as a substitute for petro-chemicals will induce the shift of the usage of coconut oil from the edible market thereby minimizing, if not eliminating, the violent fluctuation of the price of coconut oil as it competes in the world market with other edible fats and oils;

NOW, THEREFORE , I, FERDINAND E. MARCOS , President of the Republic of the Philippines, do hereby decree and order that:

SECTION 1. Declaration of Policy —It is hereby declared to be the policy of the State to establish, promote, and assist the development of a coco-chemical industry in the country and by way of implementing this policy, the Government has adopted, as one of the major industrial projects of the country, the establishment and operation of

manufacturing facilities for the production of coco-chemicals by the United Coconut Chemicals, Inc. ("UNICHEM") which is owned and controlled by the coconut farmers of the Philippines.

SEC. 2. Pioneer Enterprises —Within the period herein Prescribed, enterprises established either by existing or new companies which will utilize coco-chemicals as raw material feedstock in the manufacture, processing or pro-auction of goods, products, or commodities are hereby declared pioneer enterprises in a preferred area of investment and upon due application with the Board of Investments ("BOI"), shall be granted all the benefits and incentives accorded to such enterprises by the Omnibus Investments Code (P.D. No. 1789) and such other benefits and incentives as may hereafter be granted by law, rules, and regulations, on condition that they will continue to utilize coco-chemicals as their raw material feedstock. To avail of the benefits and incentives herein granted, the enterprises must be registered with the BOI within ten (10) years from the effectivity of this Decree, unless it is sooner determined by the BOI in the exercise of its delegated powers that the particular area of investment herein contemplated is adequately exploited.

SEC. 3. Investments by the Coconut Industry —To ensure that the country shall, within the shortest possible time, have adequate manufacturing facilities for the production of consumer and industrial goods wherein coco-chemicals constitute the principal raw material or an ingredient as substitutes for petro-chemicals, especially when private venture capital is unable or unwilling to make the necessary investments, the bank acquired for the benefit of the coconut farmers under P.D. No. 755, notwithstanding any law to the contrary, is hereby authorized, by itself and/or through the Coconut Industry Investment Fund (CIIF), UNICHEM, or the bank's affiliates and subsidiaries, or other entities, to invest in enterprises and pilot or experimental plants utilizing coco-chemicals as raw material feedstock or ingredient, which enterprises shall be granted the same benefits and incentives under Section 2 hereof.

SEC. 4. Foreign and Other Costs. —To induce and facilitate the transfer of foreign technology required or necessary to effect the substitution of petro-chemicals with coco-chemicals in the manufacture of consumer and industrial products and minimize the costs of coco-chemicals to consumers, the enterprises authorized to be established under Section 3 hereof, including UNICHEM, are hereby granted, in addition to the benefits that are granted to them under Section 2 hereof and other laws, executive orders, rules and regulations, the following exemptions and benefits for a period, unless otherwise specified herein, of ten (10) years counted from the date of their respective registrations with the BOI:

(a) The fees and royalties paid to foreign persons or entities for the supply of technology, know how, services, materials, and/or equipment for the construction, operation and administration of the plants, including those for technical and marketing studies and consultancy services, as well as salaries for foreign technical personnel, are hereby declared exempt from any and all assessable taxes, including but not limited to contractor's and income taxes;

(b) All interests payable by such enterprises on their foreign currency loans obtained from foreign banks, offshore banking units, or foreign currency deposit units of local banks, as well as commitment, management, and/or guarantee fees on such loans, are hereby declared exempt from any and all assessable taxes including income taxes and contractor's taxes; and

(c) Such enterprises are likewise hereby declared exempt, for a period of ten (10) years from the commencement of their commercial operations, from the payment of real property tax on their respective land and plant machinery and equipment utilized for the manufacture, or as a pilot or experimental plant for the production, of coco-chemicals and/or consumer and industrial products wherein coco-chemicals constitute the raw material or is an ingredient in substitution of petro-chemicals.

SEC. 5. Conditionally Prohibited Importation and, Use of Petro-Chemicals —Upon certification to the BOI by the bank acquired for the benefit of the coconut farmers under P.D. No. 755 that UNICHEM, in accordance with its BOI certificate of registration, has commenced commercial production of coco-chemicals which may be utilized as raw material feedstock by the surfactant industry initially in the manufacture of soaps and detergents, the importation and the use in the Philippines of detergent grade alcohols and their derivatives derived from petroleum or natural gas, for use in the manufacture and sale of detergents and soaps, and other petro-chemicals and their derivatives as may hereafter be determined pursuant to Section 7 herein, are hereby prohibited and shall be allowed only in the manner and in the instances prescribed under Section 6 hereof.

SEC. 6. Manner of and conditions for the Importation of Petro-Chemicals —To ensure an orderly and gradual shift from the use of petro-chemicals to coco-chemicals and to minimize, if not eliminate, illicit importations of petro-chemicals, all importations of detergent grade alcohol and their derivatives, for use in the manufacture and sale of detergents and soaps, and such other petro-chemicals and their derivatives as may hereafter be determined Pursuant to Section 7 hereof, shall be made solely through and by UNICHEM at its own expense, for resale at cost plus a reasonable return to, and use by, manufacturers of detergents and soaps and other industries that may hereafter be determined pursuant to Section 7 hereof, and only upon the occurrence and on the duration of a shortage in supply of coco-chemicals.

SEC. 7. Research in Other Usages of Coco-Chemicals—Pursuant to the provisions of Article III, Section 9, of P.D. No. 1468, the bank acquired for the benefit of the coconut farmers under P.D. No. 755 shall conduct, or cause to be conducted, the appropriate researches and studies for the purpose of ascertaining the other petro-chemicals and their derivatives which may be substituted with coco-chemicals and their derivatives as raw material feedstock or ingredient. Upon submission of the results of such researches and studies, the President of the Philippines may, by Executive Order, include such other specific petro-chemicals and their derivatives in the list of petro-chemicals the importation of which is banned and regulated in accordance with the provisions hereof.

SEC. 8. Penalties. —Whenever any person or entity violates any provisions of this Decree, or any rule or regulation legally promulgated hereunder, the person or persons responsible for such violation shall be punished by a fine of not more than P20,000.00 and imprisonment of not more than five (5) years, in addition no such other penalties as may be provided by other laws. If the offender be a corporation, partnership or juridical person, the penalty shall be imposed on the officer or officers authorizing, permitting or tolerating the violation. Any alien found guilty of any offense hereunder shall, after having served his sentence, be immediately deported and, in the case of a naturalized citizen, his certificate of naturalization shall be cancelled.

SEC. 9. Effectivity. —This Decree shall take effect immediately.

Done in the City of Manila, this 18th day of May, in the year of our Lord, nineteen hundred and eighty-three.

(SGD.) FERDINAND E. MARCOS

President of the Philippines

By the President :

(SGD.) JOAQUIN T. VENUS JR.

Deputy Presidential Executive Assistant

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