

JOURNAL NO. 56

VOL. II, August 14, 1986

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Friday, August 14, 1986

CALL TO ORDER

At 9:49 A.M., The Vice-President Of The Constitutional Commission, The Honorable Ambrosio B. Padilla, Called The Session To Order.

NATIONAL ANTHEM AND PRAYER

The National Anthem Was Sung Followed By A Prayer Led By Mr. Jose C. Colayco, To Wit:

"Dear Lord And Heavenly Father, When We Assumed Office On June 2, 1986, We Solemnly Swore To Perform Our Task Of Framing A New Constitution That Will Embody The Ideals And Aspirations Of Our People, And Guarantee The Enjoyment Of Our People's Freedom From Tyranny And Oppression For Generations To Come. We Were Eager And Able To Do What Had To Be Done. It Has Been More Than Two Months Now Since We Made That Promise. We Reaffirm It Now.

The Task Is Tremendous, But We Have Not Spared Study, Time And Diligence To Accomplish What We Have Set Out To Do. In The Process, Some Of Us, Including Your Humble Servant, Are Beginning To Falter And To Fall Behind. Others Have Had To Drop Back Out Of Strain And Sheer Fatigue And Exhaustion. Our Spirit Is Faltering, Our Health Weakening. We Need Your Help.

We Beseech Thee, Dear Lord, Restore Our Energy And Rekindle Our Spirit, So That We Can Carry On And Resume Our Assigned Task To Its Final And Successful Completion.

Amen."

Roll Call

Upon Direction Of The Chair, The Secretary-General Of The Commission Called The Roll And The Following Members Responded:

Alonto, A. D.

Jamir, A. M. K.

Aquino, F. S.

Laurel, J. B.

Azcuna, A. S.

Padilla, A. B.

Bennagen, P. L.

Rama, N. G.

Rosario Braid, F.

Rigos, C. A.

Calderon, J. D.

Rodrigo, F. A.

De Castro, C. M.

Romulo, R. J.

Colayco, J. C.

Rosales, D. R.

Concepcion, R. R.

Suarez, J. E.

Davide, H. G.

Sumulong, L. M.

Foz, V. B.

Tadeo, J. S. L.

Tan, C.

Uka, L. L.

Tingson, G. J.

Villacorta, W. B.

Treñas, E. B.

Villegas, B. M.

With 28 Members Present, The Chair Declared The Presence Of A Quorum.
The Following Members Appeared After The Roll Call:

A.M.

Abubakar, Y. R.

Monsod, C. S.

Bengzon, J. F. S.

Natividad, T. C.

Bernas, J. G.

Nolledo, J. N.

Brocka, L. O.

Ople, B. F.

Garcia, E. G.

Quesada, M. L. M.

Gascon, J. L. M. C.

De Los Reyes, R. F.

Maambong, R. E.

Sarmiento, R. V.

P.M.

Lerum, E. R.

Mr. Bacani Notified The Constitutional Commission, Through The Secretariat, Of His Absence.

Mr. Guingona, Mrs. Muñoz Palma And Mr. Regalado Were Sick.

Mrs. Nieva Was Absent.

Reading And Approval Of The Journal

On Motion Of Mr. Calderon, There Being No Objection, The Reading Of The Journal Of The Previous Session Was Dispensed With And The Said Journal Was Approved By The Body.

REFERENCE OF BUSINESS

On Motion Of Mr. Calderon, There Being No Objection, The Body Proceeded To The Reference Of Business.

REFERRAL TO COMMITTEES OF COMMUNICATIONS AND COMMITTEE REPORT

Upon Direction Of The Chair, The Secretary-General Read The Titles Of The Following Communications And Committee Report Which Were, In Turn, Referred By The Chair To The Committees Hereunder Indicated:

Communication No. 538 — Constitutional Commission Of 1986

Communication From Mr. Geronimo A. Carreon Of 263 Turingan Street, Santiago, Isabela, Proposing That Teachers Should Not Be Compelled To Perform Election Duties; Civil Service Employees Should Be On Equal Footing With The Military Personnel When It Comes To Retirement; Ceiling Age Limit Should Be Required Of Candidates For President And Vice-President, Among Others

TO THE STEERING COMMITTEE

Communication No. 539 — Constitutional Commission Of 1986

Communication From Rev. Paul B. Marx, O.S.B., Of 418 C. Street, N.E., Washington, D.C. 2002, Saying That If Abortion Is Legalized, It Becomes A Primary Means Of Birth Control; Some People Will Not Even Bother With The Use Of Contraception; Young People Will Have Increasing Irresponsible Sexual Intercourse Because They Know They Can Always Get Rid Of It, But Expressing The Hope That The New Constitution Will Contain Protection For The Unborn From The Moment Of Conception

TO THE COMMITTEE ON PREAMBLE, NATIONAL TERRITORY AND DECLARATION OF PRINCIPLES

Communication No. 540 — Constitutional Commission Of 1986

Communication From Mr. Ric C. Rubia Of Claveria, Masbate, Transmitting Resolution No. 86-55 Of The

Sangguniang Bayan Of Claveria, Requesting The Transfer From The Philippine Gamefowl Commission To The Local Executives Of The Power To Issue Cockpit License And Permit

TO THE COMMITTEE ON LOCAL GOVERNMENTS

Communication No. 541 — Constitutional Commission Of 1986

Communication From The European Chamber Of Commerce Of The Philippines, Signed By Its President, Arthur G.D. Gilmour, 3Rd Floor Electra House 115-117 Esteban St., Legaspi Village, Makati, Metro Manila, Urging The Retention Of The Current 60/40 Restrictions On Foreign Participation In The Area Of Telecommunications, And Expressing Apprehension That Further Reduction Of Foreign Equity Ceiling Might Dampen The Enthusiasm For Additional Investment And Subsequently Create An Unnecessary Gap In The Overall Development Of The Telecommunications Industry

TO THE COMMITTEE ON THE NATIONAL ECONOMY AND PATRIMONY

Communication No. 542 — Constitutional Commission Of 1986

Communication From Mr. Benjamin M. Orteza Of Butuan City, Transmitting Resolution No. 47-86 Of The Sangguniang Panlungsod Of Butuan, Seeking To Incorporate In The Constitution The Following Proposals: (1) That The State Shall Limit The Exploitation, Development And Use Of The Country's Natural Resources To Natural-Born Filipinos; (2) That Salvaging, Torture, Hamletting, Zoning, Food Blockade And Similar Acts In Any Form Shall In All Cases Be Prohibited And Shall Be Punishable By Law; (3) That The State Shall Provide Free Elementary And Secondary Education; And (4) That Youth And Student Organizations' Right And Freedom To Sympathize With The People's Struggle Shall Not Be Stifled Or Suppressed

TO THE STEERING COMMITTEE

Communication No. 543 — Constitutional Commission Of 1986

Communication From Mr. Oswaldo Bacarza Of Dipolog City And Sixty-One (61) Other Signatories Expressing Strong Support To The Following: (1) Enshrinement Of Health As A Basic Human Right; (2) Nationalization Of The Drug Industry, (3) Creation Of People's Congresses And Sectoral Consultative Committees To Enshrine People's Participation In Policy And Decision Making Processes Of The State; (4) Prioritization Of Health And Other Social Services; (5) Enactment Of Laws To Promote Better Mother-Child Health; And (6) Respect For The Right Of Privacy Between Patients And Doctors, Among Others

TO THE COMMITTEE ON SOCIAL JUSTICE

Communication No. 544 — Constitutional Commission Of 1986

Letter From Mr. Leandro I. Verceles, Suite 612/614 Manila Hilton, United Nations Avenue, Manila, Submitting, In Behalf Of The Philippine Council For Foreign Relations, Inc., Proposals With Respect To Some Provisions Of The Proposed Constitution, Specifically On Foreign Military Bases In The Philippines

TO THE COMMITTEE ON PREAMBLE, NATIONAL TERRITORY AND DECLARATION OF PRINCIPLES

Communication No. 545 — Constitutional Commission Of 1986

Letter From Mr. Elly Velez Pamatong Of Room 600, Vip Building, 1140 Roxas Blvd., Ermita, Manila Submitting His Suggestions On Declaration Of Principles For Consideration By The Constitutional Commission

TO THE COMMITTEE ON PREAMBLE, NATIONAL TERRITORY AND DECLARATION OF PRINCIPLES

Communication No. 546 — Constitutional Commission Of 1986

Resolution 67-86 Of The Sangguniang Panlungsod Of Butuan City, Signed By City Mayor-Designate Guillermo R. Sanchez And Other City Officials, Expressing Support Of The Resolution Of The Committee On Amendments And Transitory Provisions, Fixing The Term Of Office Of President Corazon C. Aquino And Vice-President Salvador H. Laurel For A Period Of Six Years Counted From February 25, 1986

TO THE COMMITTEE ON AMENDMENTS AND TRANSITORY PROVISIONS

Communication No. 547 — Constitutional Commission Of 1986

Telemessage From The Association Of Philippine Physicians In America Seeking The Amendment Of Section 7 Of Proposed Resolution No. 496 So As To Allow A Natural-Born Citizen Of The Philippines Who Has Lost His Philippine Citizenship To Be A Transferee Of Private Lands

TO THE COMMITTEE ON THE NATIONAL ECONOMY AND PATRIMONY

Communication No. 548 — Constitutional Commission Of 1986

Communication From Ms. Ruth B. Duran Of Pagadian City, Transmitting Resolution No. 106 Of The Sangguniang Panlungsod Of Pagadian City, Expressing Resentment Over The Lack Of Recognition Extended To The City Chief Executive By The Sponsors/Organizers Of The Baganian-Wide Dialogue On Human Rights Held At Pagadian City On June 26, 1986, And The Concom Public Hearing Held On July 12, 1986 Where No Mayor's Permit Was Secured For The Purpose

TO THE STEERING COMMITTEE

Communication No. 549 — Constitutional Commission Of 1986

One Hundred Eighty-Six Letters From Students Of The Infant Jesus Academy, Silang, Cavite, All Seeking To Include In The Constitution The Following Proposals: (1) A No-U.S. Military Bases Agreement; (2) An Anti-Nuclear Power Plant; (3) The Promotion Of Philippine Sovereignty Over Our Natural Resources; And (4) A No-U.S. Or Any Foreign Intervention In Philippine Affairs

TO THE COMMITTEE ON PREAMBLE, NATIONAL TERRITORY AND DECLARATION OF PRINCIPLES

Communication No. 550 — Constitutional Commission Of 1986

Communication From Mr. Adolfo V. Revilla, Jr. Of The Forestry Development Center, U.P. Los Baños, College Of Forestry, College, Laguna, Seeking For The Inclusion In The Constitution Of A Basic Statement On The Need To Conserve Our Natural Resources, And To Exempt From The Provision That Leases For Exploration Of Natural Resources Be Limited To A Maximum Of Twenty-Five Years, Renewable For Not More Than Twenty-Five Years

TO THE COMMITTEE ON THE NATIONAL ECONOMY AND PATRIMONY

Communication No. 551 Constitutional Commission Of 1986

One Hundred Three Letters With Four Thousand Eight Hundred Fifty-One Signatories With Their Respective Addresses, All Seeking To Include In The Constitution A Provision Mandating The State To Protect The Life Of The Unborn From The Moment Of Conception

TO THE COMMITTEE ON PREAMBLE, NATIONAL TERRITORY AND DECLARATION OF PRINCIPLES

COMMITTEE REPORT

Committee Report No. 38 On Proposed Resolution No. 540, Prepared By The Committee On Amendments And Transitory Provisions, Entitled:

RESOLUTION TO INCORPORATE IN THE NEW CONSTITUTION AN ARTICLE ON TRANSITORY PROVISIONS,

Recommending Its Approval In Substitution Of Proposed Resolution Nos. 111, 120, 129, 137, 149, 214, 241, 254, 262, 285, 294, 348, 67, 362, 427, 443, 458, 461, 462, 463, 464, 473, 474, 475, 476, 483, 484, 485, 487, 490, 492, 494, 503, 527 And 529.

Sponsors: Hon. Suarez, Ople, Padilla, De Castro, Foz, Maambong, De Los Reyes, Jr., Tingson, Lerum, Sarmiento And Tan

Cosponsors: Hon. Natividad, Jamir And Davide, Jr.

TO THE STEERING COMMITTEE

MOTION OF MR. RAMA

Mr. Rama Moved For The Resumption Of Consideration, On Second Reading, Of Committee Report No. 24 On Proposed Resolution No. 496 And Committee Report No. 32 On Proposed Resolution No. 533 On The Article On National Economy And Patrimony.

Mrs. Quesada, However, Objected Stating That Representatives From Business, Labor And Consumer Sectors, Among Others, Would Like To Be Heard Before Further Discussions On The Article, For Which She Suggested Deferment Of The Continuation Of Interpellations Until The Next Session And Meanwhile To Continue The Discussion On The Article On Local Government.

Mr. Villegas Objected Stating That He Had Precisely Prepared A Point-By-Point Examination Of The Proposal Of The Coalition Of Businessmen In Response To Mr. Brocka's Request And That He Had In Fact Planned To Request The Chair For A Few Minutes To Explain To The Nonspecialists In Economics And The Lay People Some Of The Details Therein.

Mrs. Quesada Argued That The Discussions On The Article On National Economy And Patrimony Are So Vital That The Sectors Mentioned Should Be Allowed To Participate. She Stated That The Issues In This Article Are As Vital As The Article On Social Justice And The Issue On The Right Of The Unborn Child.

Mr. De Los Reyes Supported Mrs. Quesada's Arguments Stating That The Committee Report On National Economy And Patrimony Was Only Accommodated Because Of The Interruption In The Consideration Of The Committee Report On Local Governments Due To Some Questions. He Stated That Since The Committee On Local Governments Was Ready With Their Reformulated Report, He Was Joining Mrs. Quesada In Her Motion.

Mr. De Castro Remarked That Since The Discussions And Debates On The Article On National Economy And Patrimony Had Already Started, The Same Should Be Finished Before Proceeding To The Article On Local Government.

Additionally, Mr. Rodrigo Pointed Out That The Committee Report On Local Governments, As Amended, Was Received By Him Only Five Minutes Earlier And, Therefore, He Would Like To Be Given Ample Time To Study The Same.

Mr. Sarmiento Expressed Agreement With Mrs. Quesada And Mr. De Los Reyes Stating That In Fairness To The People Of The Cordilleras Who Were Waiting For The Body's Decision On Local Autonomy, The Body Should

Proceed With The Discussion On Local Autonomy And Local Governments Before Finishing The Article On National Economy And Patrimony.

Ms. Tan Stated That There Is No Harm In Postponing The Discussion On The Article On National Economy And Patrimony And That More Harm Could Ensur If The Discussion Thereon Were Pushed Through Without Conferring With The Sectors Concerned.

Mr. Villegas Offered A Compromise By Suggesting That The Body Proceed For An Hour With The Discussion On The Article On National Economy And Patrimony, After Which It Could Be Postponed To Monday, August 18, 1986, To Give Way To The Discussion Of The Article On Local Government. He Stressed That Since The Issues Are Still Fresh, It Would Be Appropriate To Dispose Of The Questions Raised In The Previous Session.

In Reply To Mr. Rodrigo's Query On Whether Listening To The Proponents From The Different Sectors Referred To Would Constitute Another Public Hearing, Mrs. Quesada Adverted To The News Report In The Day's Papers About A Coalition Of Various Sectors Who Met At Club Filipino And Decided To Make Representations The Next Day To Speak Out Their Sentiments On The National Economy On The Ground That There Was No Broad Participation By Said Sectors During The Public Hearings. She Stated That The Body Could Act As A Committee Of The Whole To Hear Their Pleas And Suggestions.

Mr. Rodrigo Then Asked For Further Clarification Stating That The Motion Was To Postpone Discussion On The Article On National Economy And Patrimony But It Appeared That Another Motion Was Being Presented To Constitute The Body As A Committee Of The Whole.

SUSPENSION OF SESSION

At This Juncture, On Motion Of Mr. Rama, The Chair Suspended The Session.

It Was 10:19 A.M.

RESUMPTION OF SESSION

At 10:29 A.M., The Session Was Resumed.

Upon Resumption Of Session, Mr. Rama Informed The Chair That The Body Had Agreed To Proceed To The Period Of Interpellations And After Its Termination To Decide What Subject Matter Would Be Taken Up Next.

Thereafter, He Requested That Mr. Monsod Be Recognized For Some Clarifications.

REMARKS OF MR. MONSOD

Mr. Monsod Made Some Clarifications On Certain Matters Raised In The Previous Deliberations:

1. On The Contention That There Were No Exhaustive Hearings By The Committee, Mr. Monsod In Formed That Facts And Records Would Bear Out That The Committee Conducted Exhaustive Hearings, During Which Time All Position Papers Submitted To It Were Considered;
2. On The Suggestion That The Papers Submitted The Previous Day, Which Were Critical Of The Committee's Views, Represented The Pro-Filipino View, Mr. Monsod Branded This As Unkind; And
3. On The Suggestion That The Body Should Listen To Those Sectors Or Groups That Want To Propound Their Views, He Replied That The Public Hearings Had Been Finished. He Suggested That The Body Should Convene In A Caucus And Discuss Whether It Would Reopen Consultation Or Committee Hearings Or Whether The

Commission Should Sit As A Whole And Listen To All Views During Such Hearings. He Remarked That If The Body Did Not Feel That It Had Given Equal Opportunity To All Proponents Of Different Views To Be Heard, It Would Be Unfair To Listen Only To One View.

Thereupon, The Chair Submitted To The Body The Motion Of Mr. Rama To Proceed With The Period Of Interpellations On The Article On National Economy And Patrimony And Later On To Decide Whether To Go Into Caucus As Had Been Suggested By Mr. Garcia. There Being No Objection, The Motion Was Approved By The Body.

REMARKS OF MR. BENGZON

Mr. Bengzon Informed The Body That In View Of The Present Situation, The Revised Schedule Had To Be Modified. He Stated That Mr. Alonto Had Advised Him That Friday, August 15, 1986, Is The Most Important Muslim Holiday Throughout The World And Inasmuch As The Article On Local Government Had Been Scheduled For Discussion On That Day, Mr. Alonto Had Requested For A Deferment Until Saturday, August 16, 1986.

Thereafter, He Moved That Consideration Of The Article On National Economy And Patrimony Be Taken Up During The Day And The Next Day, And The Article On Local Government On Saturday.

In Reply Thereto, Mr. Suarez Stated That The Committee Had No Objection And, In Line With Mr. Garcia's Suggestion, The Commission Could Go Into A Caucus After The Period Of Interpellations To Determine The Procedure To Be Followed With Respect To The Article On National Economy And Patrimony.

On Mr. Bengzon's Inquiry If The Body Would Be Agreeable To The Request Of Mr. Alonto, Mr. Suarez Stated That The Revised Schedule Of Deliberations Had Set August 18 And 19 For Committee Reports Nos. 24 And 32, And There Is No Need To Terminate The Discussions Thereon.

REMARKS OF MR. ALONTO

To Underscore His Request For Deferment, Mr. Alonto Informed That Friday, August 15, 1986, Is Yaum Ul Nahr Or The Day Of Sacrifice Which Is The Most Important Religious Holiday In The Muslim World And That Muslims Could Not Attend To Other Matters Except The Celebration Of This Day.

There Being No Objection To The Motion To Defer Consideration Of The Article On Local Government From Friday To Saturday, The Same Was Approved By The Body.

UNFINISHED BUSINESS: COMMITTEE REPORT NO. 24 ON PROPOSED RESOLUTION NO. 496 AND COMMITTEE REPORT NO. 32 ON PROPOSED RESOLUTION NO. 533 ON THE ARTICLE ON NATIONAL ECONOMY AND PATRIMONY

Thereupon, On Motion Of Mr. Rama, There Being No Objection, The Body Proceeded To The Consideration, On Second Reading, Of The Following Committee Reports, As Reported Out By The Committee On National Economy And Patrimony, To Wit:

- Committee Report No. 24 On Proposed Resolution No. 496, Entitled:

Resolution To Incorporate In The New Constitution An Article On National Economy And Patrimony; And

- Committee Report No. 32 On Proposed Resolution No. 533, Entitled:

Resolution To Incorporate In The Article On National Economy And Patrimony A Provision On Ancestral Lands.

Thereafter, The Chair Recognized Mr. Villegas And The Members Of The Committee For The Continuation Of The Period Of Interpellations.

REMARKS OF MR. VILLEGAS

Mr. Villegas Stated That In Response To Requests From Members For An Explanation Of Some Of The Technical Terms Used In Specific Proposals As Well As For A More Open Presentation Of Specific Issues On Which The Body Would Vote, He Would Be Literally Delivering A Short Lecture On Economic Terms And Issues. He Added That In A Way, He Would Also Be Responding The Call Of Mr. Brocka For Complete Honesty Or Cuentas Claras On The Article.

On The Apprehension Of Some Members About The Frequent Use Of The Word "Private" As In "Private Enterprise" Or "Private Individual" In The Article, Mr. Villegas Noted That The Words "State" Or "Government" As Well As Other Terms Have Been Mentioned More Often.

On The Issue Of Whether The Body Would Want An Economy Propelled By The State Or By The Private Sector, Mr. Villegas Explained That Majority Of The Committee Members, And As It Appears The Committee Report Itself, Favor An Economy Propelled By Private Individuals Or Groups. He Added That There Is No Hidden Agenda In This Statement.

He Informed That It Was Made Clear During The Public Hearings And Committee Meetings, Although There Were Dissenting Opinions, That There Was A Categorical "No" To The Following Forms Of Economy, Which Feeling Had Been Reflected In The Committee Report:

- 1) State Capitalism Which He Defined As A Form Of Economy In Which The Government, Although Recognizing That The Means Of Production Could Still Belong To Private Individuals, Takes Over Certain Economic Activities. This, He Added, Had Been Repudiated By The Committee Report And He Stressed That The Committee Would Not Want The Government To Engage In All Types Of Economic Activities In Which It Is Not Competent;
- 2) Socialism Which Is Defined As A Form Of Economy In Which The Goods Of Production Could Only Be Owned By The State. He Noted That This Is More Condemnable Than State Capitalism; And
- 3) Communism Which He Referred To As The Most Bankrupt Form Of An Economic Organization.

He Stressed That The Main Reasons For Choosing The Private Sector As The Engine Not Only Of Economic Growth But Also Of Equitable Distribution Of Income And Generation Of Full Employment Which Are The Three Goals Of Economic Development, Are The Following:

- 1) Belief In Human Freedom; That A Private-Sector Economy Maximizes The Opportunity For Individual Freedom;
- 2) Inability Of The Government To Provide The Basic Social Services In Spite Of The Tremendous Amount Of Money Poured Into These Services; And
- 3) A Growing Belief Throughout The World That The Private Sector Should Be The Engine Of Economic Development.

He Added That In No Part Of The World Is The State Recognized As The Main Engine Of Growth.

On National Industrialization, Mr. Villegas Explained That It Involves Several Sectors:

- 1) The Primary Sector Which Consists Of 60% To 80% Of The Labor Force Involved In Providing Raw

Materials; 2) The Secondary Sector Which Refers To The Manufacturers; 3) The Tertiary Sector Which Provides Services Like Education, Banking, Health Services And Insurance; And 4) The Quaternary Sector Which Produces Services Which Have Nothing To Do With Helping Agriculture And Manufacturing, And Includes Tourism, Works Of Art And Other Intangibles.

He Stressed That Industrialization Is Just One Stage Of The Development Process And Represents The Increasing Predominance Of The Secondary Sector, The Fact Being That As Individuals Earn More And More, They Move From The Primary To Secondary, Tertiary And Finally To The Quaternary Sector. He Explained That Majority Of The Members Of The Committee Were Reluctant To Single Out Sectors In The Constitution Because Once A Sector, Manufacturing For Instance, Is Singled Out, Then 30 Or 50 Years Hence, That Sector Should Still Be Given Accent.

He Pointed Out, However, That The Services Sector Is Already Predominant In The United States, For Which Reason The Committee Had Been Very Careful In Incorporating Into The Constitution Either The Short, Medium Or Long-Term Policies. Citing The Policies Of Stalin And Mao Tse Tung Which Forced Industrialization At Any Cost Even If They Violated The Rights Of Certain Sectors, He Noted That It Would Indeed Be Difficult To Force Policies In Favor Of Certain Sectors At The Expense Of The Others.

In View Thereof, He Stated That The Committee Had Instead Come Up With The Provision That All Sectors Would Be Given The Optimum Opportunity To Develop. He Pointed Out, However, That The Committee Would Welcome Any Amendment On Industrialization Without Discriminating Against Other Sectors.

On The Role Of Foreign Investors, He Explained That In The World Of Interdependence, Control Is Always Relative In The Sense That When A Foreign Country Supplies A Product Or Extends Some Loans, Control Is Inevitable. He Stated That All The Committee Could Do Was To Delete From The Constitution Such Phrases As "Foreign Control", "Neo-Colonialism", And "Foreign Domination" Which Were Self-Flagellating.

He Noted, However, That Foreign Capital Would Not Mean Fattening The Pockets Of The Rich, But Supplementing Domestic Investments And Providing For Opportunities For The Millions Of Unemployed People. He Disclosed That With The Economic Crisis Brought About By The Past Regime, The Share Of Investment To Gross National Product Declined From 30% To 15-18%.

On Import Liberalization In Relation To Protectionism, He Stated That There Were Some Merits In Protecting Infant Or Small Local Industries Because, Otherwise, Big Foreign Industries Could Easily Beat Them. He Pointed Out, However, Some Contrary Views That Local Industries Should Be Allowed To Compete In The World Market. He Then Suggested That Debates On This Matter Be Left To Congress Because The Commission Lacked Certain Expertise And Time To Deal With The Problem.

INTERPELLATION OF MR. OPLE

In Reply To Mr. Ople's Query On Whether Import Liberalization Was Part Of The Structural Requirements Of The International Monetary Fund And The World Bank, Mr. Villegas Stated That It Does Not Have To Be Part Of Such Requirements Because It Could Be Implemented Independent Of The Imf And The World Bank. He Pointed Out That As Early As 1964, Gerardo Sicat And John Power, Both Professors Of Economics In The University Of The Philippines, Had Already Suggested Import Liberalization.

On Whether Import Liberalization Should Be Postponed Because Of The Present Slump In The Economy, Mr. Villegas Stated That He Was In Favor Of Postponing It For Two Years After Which Time The Local Industries' Competitiveness Shall Have Been Studied. Mr. Monsod Added That The Cabinet Had In Fact Approved An Economic Program Providing For A Two-Year Period During Which Import Liberalization Would Be Studied. He Maintained, However, That The 50% Unutilized Capacity Of Certain Industries Should Not Be Revived

Because They Would Not Be Competitive Since Most Of Them Were Only Suited To The Demands Of The Local Market. He Cited The Automotive Industry And Television Manufacturing Which Need New Equipment To Be Competitive.

Furthermore, He Suggested That The Financial Statements Of Such Noncompetitive Companies Should Be Investigated. He Disclosed That The Sppp Production, For Instance, Which Produces Phosphate, Had Its Most Profitable Year In 1984 Operating With 93% Capacity, But Could Not Compete With The Dumping Prices Which Were Later Found To Have Been Provided By The Foreign Affiliate Of Said Company.

He Also Underscored That Import Liberalization Was Not Dictated By The Imf Or The World Bank But Was Formulated By Filipinos To Which The Imf And The World Bank In Fact Objected, Because Part Of The Framework Would Be A Selective Repudiation Of Foreign Debt.

On Mr. Ople's Contention That The Constitution Should Also Include Precautionary Steps In Order To Set Strategic Economic Objectives And Policies, Mr. Villegas Opined That The Proposed Article Had Already Included Directives That Economy Would Be National, Independent And Self-Reliant. He Assured, However, That Amendments On Strategic Visions For Industrialization Would Be Considered Provided That They Do Not Favor Only Some Sectors While Discriminating Against The Rest.

On Mr. Ople's Query Whether The Committee's Commitment To Nationalization Would Make It Amenable To Adding A New Section Providing That The State Shall Establish Policies That Promote National Industrialization Based On A Sound Foundation Of Agricultural Development And Agrarian Reform Consisting Of Industries That Optimize The Use Of Indigenous Resources And Are Fully Competitive And The State May Aid Basic Industries But They Shall Stand On Their Own Economic Performance, Mr. Villegas Stated That The Tenor Of The Proposal Was Acceptable.

To Mr. Villegas' Query On What Mr. Ople Meant By "National Industrialization", The Latter Explained That It Is Industrialization Which Is Filipino-Oriented And One That Should Be Attained Without Any Discrimination Against Any Part Of The Country In Terms Of Location Of Physical Plants, Providing Jobs And Distribution Of Benefits Therefrom.

REMARKS OF MR. GARCIA

Responding To The Committee's Request For Him To Formulate His Idea Of An Alternative Economic Vision, Mr. Garcia Presented His Outline Of An Alternative Economic Structure Which Embodies Three Objectives, Namely, 1) Self-Reliant Development Of The Nation's Productive Forces, Geared Towards Satisfying The Needs Of The People; 2) Filipino Control Of The Economy; And 3) Economic Democracy Towards Social Equity.

On Self-Reliant Development Of Productive Forces, Mr. Garcia Explained That There Are Two Crucial Factors In The Building Of A Generally Self-Reliant Economy, To Wit: 1) Agrarian Reform And Development, And 2) Industrialization. The First Factor Calls For The Freeing Of Productive Forces Locked Up In Antiquated Patterns Of Feudal Land Ownership And Sets The Stage For Rational, Efficient And Equitable Exploitation Of The Nation's Agricultural Resources Wherein The State Extends Necessary Technical, Financial And Other Support Services To Farmers; Promotes The Shift Of Emphasis From Production For Export To The Production For Local Basic Needs; And Provides Linkage Between Agricultural And Industrial Sectors, Encouraging, Among Others, The Local Processing Of Agricultural Products.

He Further Explained That National Industrialization Would Be Built On The Surplus Generated In The Agricultural Sector And Would Provide Inputs To Further Enhance Agricultural Production And Absorb The Workforce Released From Such Production. He Stated That This Process Involves The Promotion Of Indigenous,

Scientific, Technological And Entrepreneurial Base That Would Harness The Full Productive Capacities Of The People To Be Able To Produce Basic Goods And Services For The Majority Of The Population. He Added That This Would Imply Greater Reliance On Local Resources As Inputs For Production Needs; Measures To Protect Industries From Undue Competition From Foreign Enterprises And Imported Products; Deemphasis On Export-Oriented Production Towards Prior Production For Local Consumption Needs; And The Establishment Of Capital Goods Industries That Would Further Enhance Filipino Productive Capacities.

On Filipino Control Of The Economy, Mr. Garcia Explained That The Principle Of Economic Sovereignty Must Underlie All Efforts Towards Self-Reliance And Full Development Of The Nation's Productive Forces Which Means 1) That The Entry Of Foreign Capital, Technology And Business Enterprises Into The National Economy Shall Be Effectively Regulated To Ensure The Protection Of The Filipino's Interest; 2) Resistance To Dictation Imposed By The Imf And The World Bank On Conditions Of Repayment Of The Country's External Debt To Ensure That The Terms Thereof Do Not Run Counter To The Country's Development Objectives, Including, Possibly, The Selective Repudiation Of Debts; And 3) Nationalization Of Specific Industries And The Reservation To Filipino Capital Of Certain Privileged Areas Of Investment.

On Economic Democracy Towards Social Equity, Mr. Garcia Explained That It Means The Democratization Of The Ownership Of The Means And Processes Of Production, Popular Participation In The Control And Management Of Their Use And The Equitable Distribution Of Their Fruits And Increments; Guaranteeing The Protection Of The Underprivileged And The Disadvantaged; Promotion Of Different And Preferably More Egalitarian And Democratic Forms Of Economic Organizations And Property Ownership From Corporate And Private To State, To Mixed, Then To Cooperative And Social Enterprise; And Direct Involvement Of All Sectors In The Formulation And Implementation Of National Development Programs Initiated By The Central Government.

REMARKS OF MR. BENNAGEN

Mr. Bennagen Pointed Out That During The Committee Deliberations There Was Originally The Idea Of Describing The Economy As Mixed, Recognizing The Complementary Efforts Of The Private Sector, Cause-Oriented Groups, Civic And Other Organizations.

He Added That If The Reciprocal Relationship Between The State And The Private Sector Would Not Be Underscored, The Government May Not Be Able To Provide The Adequate And Appropriate Mechanism For The Expected Heavy Response And Demands Based On The Provisions Of The Articles On Social Justice; Declaration Of Principles And State Policies; And Human Resources.

Mr. Bennagen Stressed That The Body Should Be Able To Examine The Historical Conditions Which Caused The Present Situation, Make Necessary Adjustments Based Thereon, And Determine The Changing Character Of The Social Structure And The Appropriate Partnership Between The Private Sector And The State. He Noted That Privatization, The Way It Was Described, Would Not Be Able To Adequately Respond To The Provisions Of The Various Articles In The New Constitution. He Underscored The Need To Revise The Provisions Of The Article On National Economy And Patrimony To Make It Jibe With The Other Articles That Have So Far Been Submitted.

INTERPELLATION OF MRS. QUESADA

On Mrs. Quesada's Query As To How The Article On National Economy And Patrimony Would Assure Protection Of The Filipino Interest, Mr. Villegas Pointed Out That The Provision On The Adherence To The Regalian Doctrine Protects The Use, Exploitation And Development Of The Country's Natural Resources From

Individuals Who May Misuse Them, And, As Suggested By Mr. Bennagen, The Provision Relative To Ancestral Lands Would Enable Cultural Minorities To Hold And Have Priority On Specific Uses Thereof. He Also Explained That The Article Would Protect Filipino Interest Against Foreigners Through Its Provision Limiting Their Control To Filipino Enterprises. In General, Mr. Villegas Stated That The Article Assures Every Filipino The Fullest Liberty To Undertake Economic Enterprise Without State Interference.

REMARKS OF MR. TADEO

Mr. Tadeo Stated That He Had Advocated For A Program Of National Industrialization Both In The Committee On Social Justice And In The Committee On The National Economy And Patrimony. He Manifested That He Was Adopting The Position Of Mr. Alex Padilla, Son Of The Honorable Vice-President Ambrosio Padilla, As His View Of What The Economy Should Be. He Stressed That The Sole Determinant Of The Country's Economy Must Be The Filipinos, They Being The Principal Beneficiaries. He Maintained That The Phrase "Private Entrepreneurs" In The Article Should Be Substituted With Private Filipino Entrepreneurs To Ensure The Removal Of The Country's Economy From The Hands Of Foreigners.

He Pointed Out That From 1972 To 1981, The Central Bank Of The Philippines' Records Show That The Country Sustained A Trade Deficit Amounting To \$11 Billion With An Additional \$2.48 Million Deficit In 1983. He Stressed That This Trade Imbalance Came About Because The Country Merely Exports Raw Materials And Imports Finished Products, Hence The Need For National Industrialization. He Noted That Foreigners Also Decapitalize The Country's Economy Because For Every Dollar They Invest, They Take Out Of The Country \$3.95 To \$5.66.

Mr. Tadeo Stated That The Records Of The Bank Of America Would Clearly Show That It Does Not Have Any Capital Investment In The Philippines And That The Deposits Therein Belong To Filipinos Yet 75% To 85% Of The Bank Loans Are Extended To Foreigners.

On Mr. Villegas' Statement That Milk Is Indispensable And There Is Need Of Foreign Investment Along This Line, Mr. Tadeo Pointed Out That The Price Of Copra In The World Market Had Gone Down And This Resulted In The Miserable Downfall Of The Coconut Industry. He Deplored The Deteriorating State Of The Coconut Industry Which, He Said, Has Contributed To The Alarming Increase Of Malnutrition In The Countryside. He Stated That The Country Imports 90% Of Its Milk Consumption Despite The Fact That The Nutrients Contained Therein Are Also Contained In Coconut Which Is Known To Be Protein-Rich. He Pointed Out That The Deplorable Overdependence Of The Country On Imported Finished Goods Despite The Abundance Of Raw Materials Has Been A Hindrance To Economic Development.

Mr. Tadeo Pointed Out Three Essential Elements That Would Accelerate Economic Growth, Namely, Genuine Agrarian Reform, National Industrialization And A Democratic Coalition Government. He Explained That A Democratic Coalition Government Adheres To State Capitalism In The Sense That The Government Would Have A Direct Hand In Important And Strategic Industries And The Private Sector Is Left To Engage In Industries That Would Not Affect The Public Interest. He Stated That Under This System, There Is Control Of Prices On Prime And Essential Commodities And It Would Prevent Economic Concentration Of Power In A Few Individuals.

Mr. Tadeo Stressed The Need Of Overhauling The National Economy In Which, He Believed, Lies The Fate Of The 55 Million Filipinos Presently Wallowing In Poverty. He Then Read From An Article The Definition Of Economic Underdevelopment, To Wit:

"Economic Underdevelopment Is A People's State Of Incapacity To Produce Their Means Of Production — The Machines, The Tools — That Will Enable Them To Produce Goods And To Render Services; The Toots That

Produce Needles And Scissors; The Machines That Produce Engines; The Mills That Produce Textiles; The Equipment That Produce Typewriters And Xerox Machines.

"What Essentially Distinguishes A Developed Nation From An Underdeveloped Nation Is That The Former Manufactures The Means Of Production While The Latter Does Not. And Because The Latter Does Not, Their Capacity To Generate Wealth As Well As Employment Is Severely Constricted."

INTERPELLATION OF MR. FOZ

Mr. Foz Stated That He Had A Reservation In The Previous Session To Continue His Interpellation Because He Was Expecting Certain Papers Which Are Relevant To The Discussion Of The Article On National Economy And Patrimony But He Only Received Preliminary Information Regarding The Agreement On The Economic And Technical Assistance Program Between The United States And The Philippine Government Embodied In The Quirino-Foster Memorandum Of Agreement. He Noted ,That Under Such Agreement, There Are Onerous Provisions To The Point Of Being Exploitative, Favoring The United States, Particularly The United States Agency For International Development (Usaid). In This Regard, He Inquired From The Committee Whether It Would Be Amenable To Accepting Amendments That Would Direct The Government To Review Existing Multilateral And Bilateral Economic And Technical Agreements And Programs With Foreign Governments With A View To Doing Away With Those Onerous Conditions Imposed On The Philippine Government And To Retain, On The Other Hand, Those Conditions Which Would Redound To The Benefit Of The Country. He Further Inquired Whether Such Amendments Would Fit Into The Article On National Economy And Patrimony.

Replying Thereto, Mr. Villegas Explained That The President, Through The Neda,

Has The Responsibility Of Safeguarding The Economic Interests Of The Nation.

He Stated That The Committee Would Welcome Any Amendment That Would Expand The Role Of The Neda To Include This "Watchdog Task".

Mr. Foz Stated That He Has Drafted A Proposed Amendment Which He Would Present At The Proper Time.

SUSPENSION OF SESSION

On Motion Of Mr. Rama, There Being No Objection, The Chair Suspended The Session Until Two-Thirty In The Afternoon.

It Was 11:57 A.M.

RESUMPTION OF SESSION

At 2:48 P.M., The Session Was Resumed.

The Session Was Resumed On The Period Of Interpellations On The Article On National Economy And Patrimony. There Being No Other Registered Interpellants, Mr. Rama Called On Members Who Would Still Want To Interpellate The Committee.

Thereupon, Mr. Gascon Was Recognized.

INTERPELLATION OF MR. GASCON

Adverting To Mr. Garcia's Discussion On The Central Objectives Of Economic Development, Mr. Gascon Inquired What Specific Provisions In The Article Would Assure Realization Of Filipino Control Of The Economy, To Which Mr. Villegas Replied That All Provisions On The Participation Of Foreigners, Such As The 60-40 Rule On Natural Resources And The One-Third Rule On Public Utilities, Would Ensure Filipino Control

Of The Economy. On Land Use, He Stated That Filipinos Have Priority Over Foreigners In The Use Of Agricultural Lands.

Additionally, Mr. Romulo Stated That There Are Laws Which Further Regulate Foreign Ownership Such As The One Providing For Regulation By The Board Of Investments Of Investments By Foreigners And The Retail Trade Nationalization Law Which Places The Retail Business Wholly In The Hands Of Filipinos.

On Section 9, In Reply To Mr. Gascon's Query On The Areas Of Investment In Which Foreigners May Participate, Mr. Villegas Stated That During The Public Hearings, People From The Mining And Oil Exploration Industries Manifested That Foreign Investment Therein Is Indispensable Because There Is No Risk Capital Available In The Country.

On The Matter Of Restriction That May Be Provided In Certain Areas Of The Economy To Make The Country More Self-Reliant, Mr. Gascon Read A Comment Which Shows That By Imposing Restrictions On Foreign Investment And Influx Of Foreign Technical Personnel, Brazil And India Have Produced A Core Of Qualified Local Scientists And Technicians Which Gave Rise To The Beginnings Of A Scientific Culture In These Two Countries.

Reacting Thereto, Mr. Villegas Stated That The Thrust Of Section 9 Would Answer The Concern Of Mr. Gascon And That The Matter Would Be Studied By Congress And By The Investment Board. He Affirmed That Foreign Investors Are Only Supplementary Sources Of Financing, Technical Expertise And Managerial Talents.

On Domestic Sources, Mr. Monsod Stated That There Are Five Sources Or Categories Of Investment: 1) Domestic Savings; 2) Foreign Debt; 3) Foreign Investments; 4) Multilateral Or Bilateral Grants; And 6) Government Expenditures.

On Whether It Is Possible To Tap Filipino Nationals Abroad As A Major Source Of Financing And Technical Expertise To Develop The Economy, Mr. Villegas Informed That There Is In Fact A Certain Group Which Intends To Launch A Philippine Fund Program Addressed To Filipinos In The United States As Well As Foreigners Who Nurture Sympathy For The Philippines.

Additionally, Mr. Monsod Informed That A Large Group Of Filipinos Who Have Acquired American Citizenship Made Representations For Opportunity To Invest And Own Properties In The Philippines Beyond The 1,000-Square Meter Limit. He Stated That These Are Some Ways To Attract Them And To Balance Off The Needs Of The Economy With The Restrictions Provided In The Constitution.

On Domestic Savings, Mr. Monsod Stated That This Is One Area Which Should Be Induced Since The Other Sources Are Less Desirable.

In This Connection, Mr. Sarmiento Also Volunteered The Information That The World Trade Mission Was Created Precisely To Invite Filipinos Abroad To Invest In The Philippines.

On Whether The Philippines Has A Clear-Cut Policy On Foreign Investment Specifying The Rules And Restrictions Thereon, Mr. Villegas Stated That Specific Guidelines On Foreign Investments Are Promulgated By Such Agencies As The Board Of Investments (Boi) And Embodied In The Foreign Investment Code.

On The Conditions For Foreign Investment, Mr. Romulo Stated That With Respect To Nonpioneer Investments The Investor Has To Go To The Boi If The Investment Goes Beyond 30%, In Which Case, The Foreign Investment Code Applies. On Pioneer And Nonpioneer Investments, He Stated That The Neda Issues A Yearly Ipi Making The Classification. He Explained That For A Pioneer Investment, The Foreign Investor Could Initially Own 100% Which He Starts To Direct On The Eleventh Year So That On The Twentieth Or On The Twenty-Fifth Year, At The Latest, He Becomes A Minority Shareholder In Accordance With The 60-40 Rule,

With The Same Rule Being Applied To Preferred Investments. Distinguishing Preferred From Pioneer Investments, He Stated That The Latter Gets Lesser Incentives. He Stated That 100% Foreign Ownership Is Allowed In The Export Processing Zone Authority (Epza) But The Undertaking Is Limited To The Processing Of Raw Or Semi-Raw Materials For Export. He Stated That The Rules Are So Stringent That Undesirable Investments Are Left Out.

On Whether There Are Steps Being Taken To Filipinize The Epza, Mr. Romulo Answered In The Negative Stating That The Epza Is Precisely Intended To Attract Foreign Processors To Create Jobs For Filipinos While Filipinos Are Also Allowed To Engage In Export Processing Therein. He Admitted, However, That The Program Has Not Been Successful Because Of Many Competitors From More Efficient And Attractive Foreign Processing Zones.

Mr. Villegas Added That According To The Asean Economic Statistics, Foreign Investments In The Philippines Have Grown Very Slowly Over The Last Ten Years In Contrast With Malaysia, Indonesia And Singapore.

Mr. Villegas Denied That Section 22 Gives Priority To Large Establishments In The Grant Or Utilization Of Natural Resources. He Also Stated That The Provision Does Not Suggest That Cooperatives In Aquaculture Would Not Be Given Primary Consideration. He Stressed That It Would Merely Operationalize The Preferential Option For The Underprivileged Since, Historically, The Country's Natural Resources Have Been Exploited By Capital-Extensive Groups.

On Whether Equity And Efficiency Are Divorced From Each Other, Mr. Villegas Stated That They Should Go Together As Expressed In Section 1 Of The Article.

On The Steps Towards The Achievement Of Equity In The Economy, Mr. Villegas Stated That The Guidelines Enunciated In The Article On Social Justice Are Clear Examples.

INTERPELLATION OF MR. JAMIR

In Reply To Mr. Jamir's Query On The Meaning Of "Mixed Economy", Mr. Villegas Stated That It Is One Where Economic Activities Are In The Hands Of Private Individuals, Whether They Are Single Proprietorships, Partnerships, Corporations Or Cooperatives, Without Prejudice To The State Being Engaged In Economic Enterprises Considered Vital For The Common Good.

Mr. Monsod Volunteered Two More Principles On Whether The Government Should Indulge In A Particular Activity Or Not: 1) That The Government Must Perform Efficiently The Functions Pertaining To Government Activities Such As Garbage Collection And Police Work; And 2) That The Government Should Not Go Into Activities Which The Private Sector Can Do More Efficiently, Except To Regulate Them By Means Of Its Police Power.

On The Historical Perspective Of The Economy, Mr. Bennagen Stated That Economics Grew From The Primitive-Communal Type, Developing Into The Capitalist Type, Then On To The Socialist Type. He Stated That These Are The Ideal Types Since They Are The Pure Economic Organizations, However, This Does Not Hold True To The Real World Since History Shows That The Development Of Economic Systems In The Third World Was Distorted By Historical Experiences. He Stated That A Pure Form Of Economic System Could Not Be Attained.

Mr. Bennagen Observed That There Are Various Ways Of Harnessing The Resources, Natural And Human, To Meet The Needs Of An Evolving Society. He Cited The Need To Examine The Interrelationship Of Subsistence Economies Within Philippine Society And The Interrelationship Of The Total National Economy With The Rest Of The World. He Stated That It Would Be A Mistake To Speak Of A Pure Economic System In The Philippine

Context Either In A Kind Of Tribal Society Or Even In A Case Of Advanced Capitalism Or Socialism. He Added That For This Reason, The Committee Has Described Philippine Economy As A Mixed Economy.

INTERPELLATION OF MRS. ROSARIO BRAID

On The Inquiry Of Mrs. Rosario Braid Whether The Provisions Would Allow The Development Of Procedures Or Mechanisms To Encourage Trade Between The Philippines And Third World Countries Which Could Pave The Way To The Development Of Appropriate Technology And Import Substitution Policy, Mr. Villegas Adverted To The Proposed Amendment Of Mr. Ople To Which Mrs. Rosario Braid Could Incorporate Some Of Her Ideas.

On Whether The Provisions Could Strengthen The Existing Policies On Technology Transfer Agreements, In View Of The Sad Experience Of The Third World Countries, Mr. Villegas Replied That The Committee Would Welcome An Amendment.

Mr. Monsod Added That The Committee Would Like To See Provisions To This Effect Which Should Be Harmonized With The Sentiments Of The Body Against Foreign Investments. He Stressed The Need To Balance Off Different Interests And Devote A Portion Of The Domestic Resources To Research. He Stated That This Will Entail Political And Budget Decisions As It Would Require Allocation Of Funds And Not Just Transfer Of Technology From Other Countries. With Respect To The Point Raised By Mrs. Rosario Braid On Like-Minded States Developing Common Interests For Terms Of Trade, He Cautioned Against Constitutionalizing International Cartelization.

Bearing In Mind The Presence Of Multinationals, Mrs. Rosario Braid Inquired How The Country Can Live With Their Presence And Yet Develop Survival Schemes And Forge Better Relationships. Mr. Villegas Noted That Mrs. Rosario Braid Can Introduce Some Refinements To The Last Phrase Of Mr. Ople's Amendment So As To Incorporate Her Concepts.

INTERPELLATION OF MRS. QUESADA

On Section 2, Mrs. Quesada Inquired Why The Committee Saw The Need To Add The Phrase "To Intervene When The Common Good So Demands" Which, She Stated, Would Be Redundant With The Phrase "Promote Distributive Justice".

Mr. Villegas Replied That There Are Positive Ways Of Promoting Distributive Justice Which Has Nothing To Do With Intervention. He Noted That There Are Specific Cases When Intervention Is Necessary And That It Precisely Strengthens The Powers Of The State To Come In And Help The Poor.

Upon Inquiry, Mr. Villegas Explained That The Specific Phrases Refer To The 70% Of The Filipinos Living Below Poverty Line.

Mr. Villegas Affirmed That The State Would Intervene So As To Implement Distribute Justice For The Common Good.

Mr. Monsod, On A Follow-Up, Explained That Section 2 Should Be Read Together With Section 1 Where Priority For The Welfare Of The Poor Is Stated.

In Relation To Section 2, Mr. Bennagen Stated That As Formulated, It Would Seem Highly Voluntary On The Part Of The Private Sector To Contribute To The Common Good For Which Reason The Committee Felt That The Constitution Should Mandate The State To Intervene When The Needs Of Distributive Justice Require.

Upon Inquiry Of Mrs. Quesada, Mr. Villegas Affirmed That Section 3 Of The Committee Report Covers

Provisions Of Sections 8 And 9 Of The 1973 Constitution. On The Difference Between The Phrases "Belonging To The State" And "Shall Not Be Alienated", Mr. Villegas Advised That The Committee Was Using The Corrected Draft In Which Section 3 Provides: "All Lands Of The Public Domain, Waters, Minerals, Coal, Petroleum And Other Mineral Oils, All Forces Of Potential Energy, Fisheries, Forests, Flora And Fauna And Other Natural Resources Are Owned By The State. With The Exception Of Agricultural Lands, All Other Natural Resources Shall Not Be Alienated".

To Mrs. Quesada's Observation That The Committee Report Deleted The Phrase "Limited To Citizens Of The Philippines" As Stated In The 1973 Constitution And Substituted It With The Phrase "Shall Be Under The Full Control And Supervision Of The State" And As To Whether This Signifies A Change In Concept Which Would Allow Non-Citizens To Have Access To Natural Resources, Mr. Villegas Adverted To The Following Provision, To Wit: "Such Activities May Be Directly Undertaken By The State, Or It May Enter Into Coproduction, Joint Venture, Production Sharing Agreements With Filipino Citizens" Which, In Effect, Would Limit Access To Filipino Citizens Only.

On The Observation That Section 7 Explicitly Provides That The Area May Not Exceed 1,000 Square Meters Whereas The 1973 Constitution Stipulates "As The Batasang Pambansa May Provide", Mr. Villegas Replied That It Was The Majority Opinion To Be More Restrictive. He Advised That The Committee Would Welcome An Amendment To Go Back To The 1973 Version. Mr. Villegas, On The Question Of Whether The Provision Is An Improvement Or A Retrogression, Stated That It Would Depend On One's Point Of View.

Mr. Sarmiento Affirmed That The Committee Was Divided On The Issue And It Had Received Feedbacks Urging That The Limitation Be Relaxed As There Are Many Filipinos Who Would Like To Invest In The Philippines. He Maintained That The Matter Is Best Left To Legislation And Congress Would Be In A Better Position To Determine The Exact Size Or Area.

Mrs. Quesada Observed That The First Part Of Section 3 May Come In Conflict With The Second Part Thereof And Raised The Possibility Of Foreign Investors Using Their Enormous Capital Resources To Facilitate The Exploration,

Development And Disposition Of Natural Resources To The Detriment Of Filipino Investors. She Stressed That Foreign Interest Should Be Allowed To Participate Only To The Extent Of Lending Money And Providing Technical Assistance With The Appropriate Government Permit So As To Ensure The Enjoyment By The Filipinos Of Their Own Natural Resources.

In Reply Thereto, Mr. Villegas Stated That The Second Provision Is Restrictive Inasmuch As It Does Not Permit Foreign Investors To Participate But Only To Give Technical Or Financial Assistance On Conditions Which Have To Be Defined By Law And Concurred In By The Congress. He Added That It Removes The Possibility For Service Contract Which Was An Avenue Used By The Past Regime To Circumvent The 60-40 Requirement.

On Section 10, Mrs. Quesada Queried Whether Congress Would Define The Criterion On Who Would Become Members Of The Governing Board Of The Central Monetary Authority. Affirming That Congress Would Do So, Mr. Villegas Reiterated The Need For Independence Of The Monetary Board From The Executive Branch.

To The Proposal Of Mrs. Quesada To Qualify "Private Sector" So As To Ensure Protection Of The Filipino Interest, Mr. Villegas Replied That The Committee Would Welcome This Suggestion. Mrs. Quesada Concurred With The Suggestion Of Mr. Villegas To Use A Phrase Like "Private Filipino Sector".

Mrs. Quesada Noted That Sections 12 And 13 Address The Mode Of Participation And Control By The State Of Economic Enterprises, Particularly Vital Industries, During Periods Of External Aggression And National

Emergencies. In Reply To Her Question Whether It Is Necessary To Define "Vital Industries", Mr. Villegas Replied That The Committee Felt That "Vital" Would Depend On Changing Circumstances That A Definition Of It Could Tie The Hands Of The State. He Noted That It Would Be Presumptuous Of The Commission To Define What Would Be "Vital" Inasmuch As What May Be Vital Today May Not Be Vital Tomorrow.

On Section 15, Mrs. Quesada Inquired Whether It Intends To Preclude Intervention By Foreign Vested Interest In The Actual Operation And Management Of Public Utilities And Whether This Would Constitutionalize Dummies. Mr. Villegas Answered That The Provision Limits Participation In Equity To One-Third And There Is No Mention Of Any Other Control That They Can Have. He Also Noted That There Is An Anti-Dummy Law And Other Legislations, Although It Would Be Difficult To See All The Loopholes In The Constitution.

Mr. Monsod, On His Part, Observed That It Would Be Difficult To Provide Safeguards As All The Provisions Limiting Foreign Ownership In Enterprises Are Subject To The Same Danger As Long As There Are Filipinos Willing To Be Dummies Of Foreigners. He Added That The Anti-Dummy Law Should Take Care Of Such Things Inasmuch As There Are Civil And Criminal Sanctions Against Allowing One's Self To Be A Dummy Of Foreign Interest. Moreover, He Stated That Including Such A Provision In The Constitution Would Be Going Into Detailed Legislation As There Are Different Degrees Of This Offense. He Suggested That A General Statement Such "Filipinos Who Allow Themselves To Be Dummies Of Foreign Interest Shall Be Dealt With By Law" May Be Used, To Which Suggestion Mrs. Quesada Concurred.

INTERPELLATION OF MR. TINGSON

On Section 10, Mr. Tingson Observed That A Number Of Banking Facilities Are Being Run By Non-Filipinos And The Constitution May Provide That Such Facilities Should Be Controlled Completely By Filipino Citizens. In Reply, Mr. Villegas Called Attention To Existing Central Bank Regulations Which Limit Foreign Participation In The Banking Sector.

On The Treatise Entitled "Framework Of An Economic Alternative", Mr. Tingson Inquired From Mr. Garcia As To The Meaning Of The Third Objective — "Economic Democracy Towards Social Equity".

Mr. Garcia Maintained That It Is Not Sufficient To Have The Wealth Of The Country Or The Engine Of Economic Growth In The Hands Of Private Initiative And Stressed That This Should Be For The Majority Of Filipinos. He Noted That It Should Be Socialized And Its Base Broadened In Terms Of Participation In Management And Control. He Stated That Should There Be Sectors That Would Like To Participate In Economic Enterprises, They Should Be Recognized And For This Reason He Had Advocated Recognition Of The Social Sectors.

On The Idea Of Popular Participation, He Noted That It Would Be Necessary To Ensure That Those Who Design Such Policies Which Affect The Lives Of The Great Majority Ought To Include The Social Sectors And Not Just The Private Sector. The Problem With "Private", He Observed, Is That It Becomes Confined To Just A Few.

On Whether Foreigners Who Are Willing To Share Their Technical Expertise Would Be Allowed To Practice Their Professions In The Country, Mr. Garcia Stated That The Entry Of Foreigners Should Be Regulated And They Could Be Allowed To Extend Their Assistance On The Terms Of The Filipinos And Not On Their Own Terms, In The Same Manner That The Country Should Borrow Foreign Capital On Its Own Terms And Not On The Terms Of The Lending Country.

Mr. Monsod Took Exception To Mr. Garcia's Statement That The Philippines Should Borrow Foreign Capital On Its Own Terms, Stating That The Unjust Loans Inherited From The Past Regime Should Rather Be Paid On Terms That Would Not Be Prejudicial To The Country's Economic Growth But Not Necessarily On Its Own

Terms. Mr. Tingson Added That The Country Should Not Be Slaves Of Those Who Lend It Money.

On Mr. Garcia's Suggestion That The Country Should Not Borrow, Mr. Monsod Stated That In The Absence Of Foreign Borrowings, The Government Would Have To Impose More Taxes To Raise Funds For Investments.

Furthermore, Mr. Tingson Observed That The Article On National Economy And Patrimony Contains No Provision Limiting Practice Of Profession Only To Filipino Professionals, To Which Mr. Villegas Replied That Although The Committee Intended To Include It In The General Provisions, The Same Was Not Included Therein, Such That Any Amendment On The Matter Would Be Welcome At The Proper Time. Mr. Monsod Added That The Country Had Been In Such A Poor Bargaining Situation That It Needs To Put More Limitations Than Other Countries Would Do In Their Own. Mr. Bengzon Opined That The Matter Could Be Better Left To Future Legislation.

On Whether The Philippines May Seek The Help Of Foreign Doctors In Certain Cases That Filipino Doctors Could Not Handle, Mr. Villegas Opined That The Matter Should Be Studied By Congress On A Case-To-Case Basis.

Mr. Tingson Stated That Since Filipino Doctors Like Jose Rizal Received High Praises And Accommodation In Other Countries, Foreign Doctors Should Not Feel That They Would Be Prevented From Practising Their Profession In The Philippines, In Reply To Which Mr. Bennagen Clarified That There Should Be A Distinction Between Foreign Governments And Foreign Citizens Because Foreign Intervention Refers To The Foreign Governments And Not To Their Citizens.

Mrs. Quesada Also Explained That The Professional Regulatory Act Provides Limitations On The Practice By Foreigners Of Their Professions. She Added That There Are Actually Enough Medical Experts In The Country, Some Of Whom Were Sent To Other Countries.

In Reply To Mr. Bennagen's Query On Whether Section 8, Which Provides That The President Should First Consult The Appropriate Agencies And Private Sector Before Giving Recommendations To Congress And Implementing The Integrated Approach To National Development, Would Be Related To Economic Democracy, Mr. Garcia Pointed Out That There Should Also Be Popular Participation Even In The Level Of Economic Planning.

On Whether The Proposed Amendment Of Mr. Ople On The Pool Of Professionals And Skilled Workers And The Encouragement Of Cooperatives Would Also Be Pertinent To Economic Democracy, Mr. Garcia Affirmed That The Second Proposal Would Be More Relevant In The Level Of Participation And Consultation.

INTERPELLATION OF MR. GASCON

In Reply To Mr. Gascon's Query On Section 3, Particularly On The Rationale Behind The Required Concurrence Of The Majority Of Congress, Mr. Villegas Pointed Out That Since The Country Would Need More Financial Assistance, It Would Be Easier To Get The Approval Of Congress.

On Whether Congress Should Be More Careful In Allowing Foreigners To Exploit The Already Scarce Natural Resources Of The Country, Mr. Villegas Stated That The Matter Should Be Submitted To The Body.

Thereupon, Mr. Gascon Pointed Out That Since The Constitution Would Be The Foundation Of Future Legislations, The Members Of The Commission Should Formulate A Charter That Would Ensure Progress Of The Filipino People. He Opined That Problems Of Underdevelopment Should Be Considered By Giving Greater Opportunities To The Private Sector To Participate In The Economic Program. He Also Underscored The Problems Of Poverty, The Inability To Sustain A Process Of National Capital Accumulation, And The Poor

Development Of Productive Forces. He Stated That Both Private Capitalism And State Capitalism Could Lead To Poverty Because The Producers Would Be Separated From The Productive Process Since They Could Not Determine The Goods That Should Be Produced. He Also Stated That The System Would Be Unhealthy Because It Would Make The Country Dependent On Foreign Markets, Foreign Goods, And Foreign Capital.

Additionally, He Stressed That If The Country Is Economically Dependent, There Would Be Continuing Trade Deficits Which Will Not Improve The Economy. He Also Pointed Out That All Economic Agenda Would Continue To Require The Approval Of The Country's Trading Partners Or Foreign Creditors.

He Maintained That Development Would Mean Self-Reliant Economy Whereby The Producers Would Be Given The Right To Determine And Produce The Goods That Would Respond To The Needs Of The Majority Of The People. He Opined That The Producers Should Therefore Have Access To The Means Of Production. He Added That Property Rights And Control Of Industries Should Also Be Diffused Among All Filipinos So That They Would Be Directed Towards The Needs Of Filipinos And Not Of Foreigners.

At This Juncture, Mr. Bengzon Observed That The Remarks Of Mr. Gascon Were Out Of Order Although The Committee Had Been Tolerant In Listening To Them.

INTERPELLATION OF MR. MAAMBONG

Mr. Maambong Pointed Out That Proposed Resolution No. 432 Which He Filed Together With Messrs. Ople, Natividad And De Los Reyes Was Actually Lifted From Republic Act No. 5181.

In Reply To His Query, Mr. Villegas Stated That Foreign Investments Were Not At All Concentrated In Banking Or Manufacturing. He Disclosed, However, That The Multinational Corporations Dominate The Tire Industry But Not The Manufacture Of Drugs Which Is In The Hands Of United Laboratories. He Also Stated That They Do Not Dominate Assembly And Packing, Export And Trading Of Coconut Although They Control The Processing Of Banana.

In This Connection, Mr. Bengzon Pointed Out That The 25% Concentration On Drug Purchases Was The Situation In The Past Regime Which The Present Government Is Trying To Correct In The Sense That Every Purchase Of Drug Would Now Be Open To Bidding.

At This Juncture, Mrs. Quesada Called Attention To The Fact That The Drug Manufacturing Business In The Philippines Is Controlled By Foreign Businessmen Or Multinationals Aside From Controlling The Production Of Drugs, For Which Reason, There Are Now Moves To Rationalize The Country's Drug Policies.

Mr. Villegas Maintained That If Monopoly Means That One Specific Multinational Firm Is Controlling More Than 10% Of The Market, Such A Situation Does Not Exist. He Stated, However, That If All The Sales Of The Multinationals Are Put Together, They Would Have The Biggest Share Of The Market. He Stressed That Since All These Companies Are Competing With Each Other, In Economic Parlance, There Is No Monopoly.

On Mrs. Quesada's Contention That Multinationals Are The Biggest Producers Of Very Essential Drugs, Mr. Villegas, In Reply Thereto, Agreed But Pointed Out That Certainly, There Is No Monopoly.

On Mr. Maambong's Query Whether The Statement That "40% Of The Country's Top 100 Corporations Are Either Foreign Firms Or Subsidiaries Of Foreign Corporations Or Have Sizeable Foreign Equities" Is Correct, Mr. Villegas Replied That If "Sizeable" Refers To 15% Or 20% Foreign Equity, Then The Statement May Be True. He Added That He Would Have To Look At The Data To Answer Mr. Maambong's Query Whether The Statement That "According To The Figures Released By The Securities And Exchange Commission (Sec), These Corporations Accounted For 40% Of The Sales And 70% Of The Net Profits Of The Top 100 Corporations In

1984" Is Also Correct Or Not.

On Sections 9 And 15 Relative To Control, Mr. Villegas Stated That One Of The Government's Control Or Form Of Regulation When It Comes To Foreign Investments Is The Limitation On The Percentage Of Their Equity And Their Interest; In The Financial Sector, Multinationals Could Only Borrow An Amount Equivalent To The Equity They Have Brought In Accordance With Central Bank And Board Of Investments Regulations.

Mr. Villegas Agreed With Mr. Maambong's Observation That When A Foreign Firm Invests, The Government Has Regulations Relative To The Business Organization Itself; There Are Also Regulations When It Goes Into Business Transactions; And There Are Controls When It Finally Goes Into Business Operations; And Even Its Use Of The Land Is Regulated.

On Mr. Maambong's Query Whether All These Controls Are Already Embodied In Existing Laws, Mr. Villegas Replied In The Negative. He Added That All The Filipinization Laws Such As The Anti-Dummy Law, Anti-Dumping Law, Filipino Retailers Act And The Like Are Not Affected By The Present Configuration Of The Proposed Article. He Also Pointed Out That The Terms "Monopolies", "Combinations In Restraint Of Trade" And "Unfair Competition" Used In The Article Should Be Interpreted Within The Context Of Articles 187 And 189 Of The Revised Penal Code.

On Section 7, In Reply To Mr. Maambong's Query Whether The Phrase "Natural-Born Citizen" Could Be Substituted With A Citizen Of The Philippines So That Even Naturalized Citizens Would Be Given The Same Privilege Under The Section, Mr. Villegas Stated That The Matter Would Be Taken Up In The Committee Meeting.

Mr. Monsod Requested That Members Submit Their Amendments In Writing For Consideration By The Committee.

Upon Mr. Suarez' Request For Clarification On The Situation Envisioned In The Proposed Amendment On Section 7, Mr. Maambong Explained That A Naturalized Citizen Who Loses His Filipino Citizenship Should Be Given The Same Right Accorded To A Natural-Born Filipino Citizen Who Loses The Same As Far As The Privilege Of Owning 1,000 Square Meters Residential Lot Is Concerned.

Mr. Suarez Stated That The Proposed Amendment, If Submitted At The Proper Time, Would Be Considered By The Committee.

ANNOUNCEMENT BY MR. BENGZon

At This Juncture, Mr. Bengzon Announced That The Body Could Vote, On Third Reading, On The Article On Social Justice, Considering That Clean Copies Of The Article Had Been Distributed To The Members In The Previous Session.

Interpellation Of Mr. Foz

On Mr. Foz' Query Whether The Committee Would Be Amenable To Adopting Capital As The Basis Of Foreign Equity Similar To What Is Provided In The 1935 And 1973 Constitutions Instead Of Using "Voting Stock" As Proposed In The Article, Mr. Suarez Manifested That The Particular Portion Is Still Being Reviewed By The Committee. He Pointed Out That The Committee Adopted "Voting Stock" Upon Suggestion Of The Members Of The U.P. Constitution Project To Avoid The Perpetration Of Filipino Dummies Of Multinational Corporations. He Manifested That, Personally, He Would Want To Revert To The 1935 And 1973 Provisions On The Matter.

Mr. Bengzon Also Manifested That He Shares The View Of Mr. Suarez.

On The Query Whether The 24 Hectares Which Could Be Acquired By Purchase Or Homestead Is Still Feasible In The Light Of The Country's Increasing Population, Mr. Villegas Replied That Congress Could Determine A

Smaller Limit.

On Mr. Foz' Query Whether Government-Owned Or Controlled Corporations Could Be Created Not Only By Special Law But Also By General Law, Mr. Suarez Replied That They Are To Be Created By Special Charters, Referring Back To The Terms And Conditions Set By The 1973 Constitution.

Mr. Foz Observed That Section 15 Speaks Of Equity Requirement Of Two-Thirds Of The Voting Stock Or Controlling Interest In Case Of Public Utilities. He Stated That The Report Of The Committee On General Provisions Includes A Similar Provision. He Then Asked The Committee Whether It Is An Advance Approval Of What Is Contained In The Article On General Provisions, To Which Mr. Villegas Replied That It Is.

INTERPELLATION OF MRS. QUESADA

On Mrs. Quesada's Query Whether The Committee Would Agree To A Provision Requiring Foreign Investors To Ensure The Protection Of The Natural Resources To Maintain Ecological Balance In Areas Where Their Firms Or Businesses Are Located, Mr. Villegas Stated That The Committee Would Welcome Such An Amendment.

INTERPELLATION OF MR. NATIVIDAD

On The Criticism That The Economy Was Ruined Because Of The Country's Adherence To The Economic Doctrine On Free Trade, Mr. Villegas Opined That Such A Sweeping Statement Is Not Valid If One Has To Look At The History Of Free Trade In The Country When, In The Early 1900S, There Were No Incentives Especially In Manufacturing And The Country Had To Content Itself As A Producer Of Raw Materials. He Pointed Out, However, That There Are Certain Countries Like Singapore, Taiwan, Korea And Even Hongkong, Which Benefited Immensely From The Free Trade Policy As Shown By Their Miraculous Economic Growth.

Additionally, Mr. Monsod Stated That A Study Of The Country's Economy Since It Acquired Independence Showed That It Is One Of The Most Protected Economies In The World. He Pointed Out That Those Who Presently Advocate Protectionism Are Usually Those Who Are Inefficient, Inept And, In Some Cases, Corrupt.

On The Observation That Free Trade Has No Solid Basis, Mr. Villegas Stated That There Are No Dogmas In Economics And Considering The Present Circumstances, He Opined That The Country Could Benefit From More Openness To International Competition.

On Whether The Proposed Article On National Economy And Patrimony Would Sustain This Doctrine On Free Trade, Mr. Villegas Stated That The New Charter Would Be Very Silent On This Doctrine Especially If The Body Would Approve Mr. Ople's Proposal On International Trade. He, Likewise, Stated That The New Constitution Would Also Be Silent On The Matter Of Protectionism, As Well As On The Policy On Floating Rate Which Is A Technical Decision That The Monetary Authority Should Be Given A Lot Of Leeway.

TERMINATION OF THE PERIOD OF INTERPELLATIONS AND DEBATE

Thereafter, On Motion Of Mr. Maambong, There Being No Objection, The Body Closed The Period Of Interpellations And Debate.

Adjournment Of Session

In Order To Give Time To The Members To Prepare Their Amendments, On Motion Of Mr. Maambong, There Being No Objection, The Chair Declared The Session Adjourned Until Nine-Thirty In The Morning Of The Following Day.

It Was 4:51 P.M.

I Hereby Certify To The Correctness Of The Foregoing.

(Sgd.) Flerida Ruth P. Romero

Secretary-General

Attested:

(Sgd.) Ambrosio B. Padilla

Vice-President

Approved On August 15, 1986

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