

Impacts of Special Economic Zones on indigenous peoples in the Philippines

Philippine Association for Intercultural Development (PAFID)

A Special Economic Zone (SEZ) is a geographical region where the economic policy and other related laws are more liberal and free-market-oriented than a particular country's typical or national laws. These zones are primarily established to attract investors in the hope of generating employment and income. SEZs are hailed by governments for their contribution to economic development.

A package of incentives is offered to lure investors. These incentives often include (but are not limited to): income tax holidays, duty-free importation of capital and equipment, exemption from export tax, and simplification of customs procedures.

The Philippine government enacted Republic Act No. 7916, providing the legal framework and mechanism for the creation, operation, administration and coordination of SEZs in the Philippines. For this purpose, the same law also created the Philippine Economic Zone Authority (PEZA).



Data from the PEZA show that as of March 2011, there are 243 operating economic zones and 94 proclaimed economic zones in the Philippines.

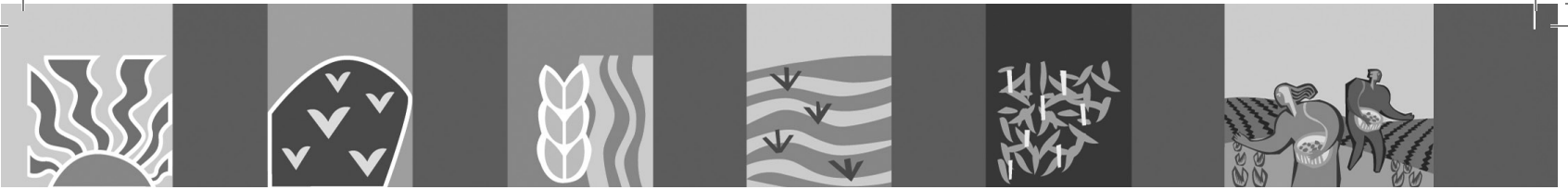
While arguably these zones bring in much needed investments and capital to generate local employment and boost the local economy, at least in the Philippine experience, their adverse effects on other parts of society, especially on indigenous peoples and their ancestral domains, are less studied. It is thus important to look at these social impacts and how indigenous peoples are coping with these economic changes.

Case Study Sites

This paper looks into the cases of the indigenous peoples inhabiting better-known economic zones such as the Subic Bay Freeport Zone and the Clark Special Economic Zone. Owing to the greater controversy surrounding its creation, this document devotes more discussion to the case of the recently created Aurora Pacific Economic Zone and Freeport (APECO).

The Subic Bay Freeport Zone

The Subic Bay Freeport Zone (SBFZ) covers about 67,000 ha of the former US Naval facility in Subic Bay in Olongapo City, Zambales. In anticipation of the pullout of the US Naval base facilities, the Philippine government enacted Republic Act 7227 (Bases Conversion and Development Act of 1992) on 13 March 1992. This act created the Subic Bay Metropolitan Authority (SBMA) to operate and



develop the naval facility into the Subic Special Economic Zone.

Government reports indicate that the zone has been a consistently growing Freeport. Cumulative investments since 1992 reached \$2.3 billion. Exports generated stand at an average of \$1.0 billion. Jobs generated reached 60,000 or twice the highest number of jobs available when it was still a US Naval Base. From 2006 to 2009, the SBMA managed to attract 314 foreign direct investment projects worth \$2.5 billion.

The Clark Special Economic Zone

The Clark Special Economic Zone (CSEZ) in Angeles City, Pampanga is a re-development of the former Clark Air Base of the United States Air Force, covering 32,000 ha. Following the departure of the American forces in 1991, the Philippine government decided to convert the base into “an airport-driven urban center targeting high-end IT-enabled industries, aviation and logistics related enterprises, tourism and other sectors.” The base eventually became the site of the Clark Freeport Zone.

The transformation of the former Clark Air Base into a Freeport zone was completed on 20 March 2007 with the enactment of Republic Act (RA)

No. 9400, which amended portions of RA 7227 (Bases Conversion and Development Act of 1992). It is administered by the Clark Development Corporation (CDC).

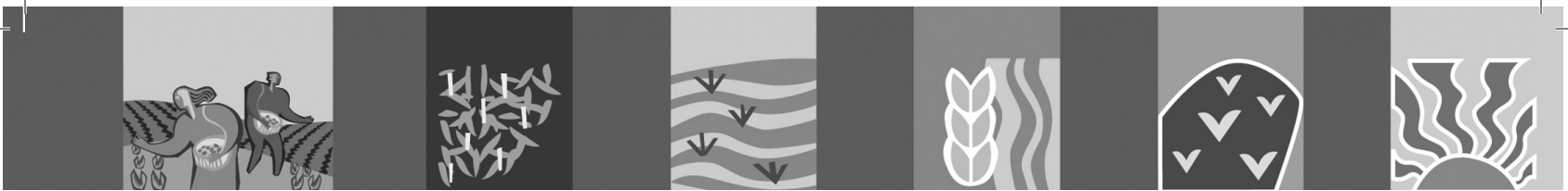
The Aurora Pacific Economic Zone and Freeport

The Aurora Pacific Economic Zone and Freeport (APECO) was created through Republic Act No. 9490 on 27 June 2007, and amended by Republic Act No. 10083 which lapsed into law on 22 April 2010. Just like Subic and Clark, APECO was to be managed and operated as a decentralized, self-reliant, and self-sustaining center for optimized development in industrial, commercial trading, agro-industrial, tourist, banking, business outsourcing, financial and investment industries. It covers about 13,000 ha of land mainly located in the municipality of Casiguran in the province of Aurora. It is managed by the Aurora Special Economic Zone Authority (ASEZA).

Issues Against the Economic Zones

The three SEZs encroach on the ancestral domains of at least 23 Aeta and Agta communities in Central and Northeastern Luzon. The Clark Special Economic Zone alone covers 14 Aeta communities. The Subic Bay Freeport covers two Aeta communities. The recently created APECO affects five Aeta communities. At least 15,000 individuals are affected by these economic zones. It should be noted that half of the area of the Subic Bay Freeport Zone is actually indigenous land.

The affected indigenous peoples’ communities complain that there was absolutely no free, prior, and informed consent for the establishment of these economic zones. For instance, in the case of Subic and Clark, when the Americans decided to establish their military facilities, the colonizers forcibly took the lands of indigenous peoples. When the bases were



converted into SEZs, the Philippine government and its instrumentalities (SBMA and CDC), followed the American lead and disregarded the claims of the indigenous peoples to their lands. The situation is similar in the recently created APECO zone.

Consequently, the indigenous peoples do not have formal representation in the corresponding governing bodies (SBMA, CDC, and ASEZA) established by law to manage these zones. These bodies have representatives from the civil society, the business and industry sector, and from the local government units (LGU) concerned. The indigenous peoples absolutely do not have participation in the formulation of any or all of the development plans for the SEZs.

These economic zones are also a threat to the environment and biodiversity. The SBFZ and APECO cover environmentally critical and key biodiversity areas for their extensive forest cover. In SBFZ, the economic zone includes the Subic Bay Forest Reserve, which is a protected area owing to its high biodiversity of flora and fauna. It is among the very few tropical lowland *Dipterocarp* forests left in the country, while mangrove forests extending from the beaches to the mountaintops make for one of the rarest sights in the country.

The APECO in Aurora encroaches on the ancestral domains of the Agta in Casiguran. The mentioned territory is contiguous to the southern section of the Northern Sierra Madre Nature Park, the last remaining close canopy forest system in Luzon.

The relationship of the people with these economic zones has been a tortured history of conflict and hostility. In the case of Subic and Clark, the Aetas suffered the first instance of displacement from their traditional territories when the Americans decided to establish their military facilities there. The conversion of these military facilities into economic

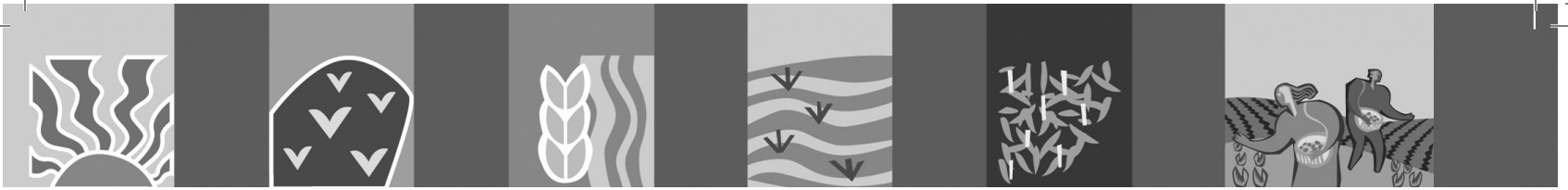
zones following the departure of the Americans continued this policy of displacement.

The Clark Development Corporation (CDC) opposes the ancestral domain claims filed by the indigenous peoples. While the authority had full knowledge of the claim's existence, the CDC continues to build unilaterally new structures inside the area. The Aeta communities have long protested the heavy-handed treatment they often get from the armed security guards of the CDC.

Despite the Aeta community's legal tenure over 4,374 ha of land within the former US Naval Base in Subic, the SBMA continues to issue its own land use certificates as incentives for investors inside the ancestral domain. The Aetas endure the humiliation of having to cross fences erected by investors who built factories in their ancestral domain. Their movement has been restricted because many of these areas were designated off-limits.

The laws that created these economic zones do not at all mention indigenous peoples' rights. Not a single provision that recognizes ancestral domains





and traditional territories is embedded in all the laws that created these SEZs.

In economic zones the management authority can choose areas and compel people to be relocated. The government can impose eminent domain, which effectively forces relocation by virtue of invoking territorial ownership by virtue of an issuance by the management authority that the area is of import. Occupants have no recourse but to vacate.

Most damagingly, communities of indigenous peoples are torn by emerging, conflicting loyalties and divisions within, due to the appearance of new authority. This is particularly true in Casiguran, Aurora where the lead claimant was employed by the APECO and now no longer wants to pursue the ancestral domain claim to the detriment of the whole community.

The Aurora Pacific Economic Zone (APECO)

The APECO project is located in the municipality of Casiguran in the province of Aurora, on the northeastern part of Luzon, which is about 350 kilometers northeast of Manila. Rice, corn, fishery and coconut production comprise the bulk of the local economy in Casiguran.

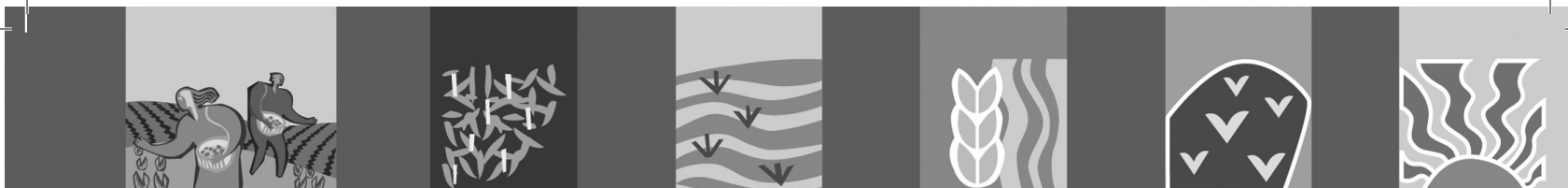
It is estimated that around 250 Agta/Dumagat families and more than a thousand non-Agta families in five barangays (villages) in the municipality of Casiguran in Aurora Province are currently affected as a result of the implementation of the billion-peso industrial project – the APECO.

The APECO aims to convert around 12,500 ha of rice farms, coconut plantations, forests, mangroves and coastal areas, and human settlements in these barangays, including the whole ancestral domain of the Agta people of the San Ildefonso Peninsula. The APECO is seen to uproot and cause systematic displacement of the Agta/Dumagat and numerous farmers and fisherfolks and would bring deleterious effect on their livelihood sources.

There are five Agta/Dumagat settlements in the five villages within APECO's coverage. In addition to those staying in these settlements, around 70 Agta/Dumagat families live in other minute settlements dispersed within and adjacent to these areas.

Aside from the Agta/Dumagat, about a thousand non-Agta families live in the areas that APECO covers. According to a research conducted by Tom Headland, an American anthropologist who made an extensive study on Casiguran Agtas from the 1960s to the 1980s, the influx of these settlers is the indirect but primary factor that greatly contributed to the decline of the Agta/Dumagat population. With no legal tenure over their various lands possessions, these non-Agta families face the higher risk of getting displaced. They are expected, however, to simply move and resettle into the remaining portion of the ancestral domain and further displace the Agta.

About 70% of the San Ildefonso Peninsula is covered by forest dominated by broad-leaf species. Mangrove patches are also found along the low-lying areas of Culat and Coso. The existing vegetation makes the peninsula environmentally significant,



although some sections have been recently logged by the Industrial Development Corporation (IDC), a logging company which operated in Casiguran until the establishment of APECO. Apparently, APECO had already purchased the logging rights of IDC for PHP 120 million and paid PHP50 million in advance to have the logging concession converted into an Industrial Forest Management Agreement (IFMA).

In the San Ildefonso Peninsula, the narrow, flat coastal sections already occupied by settlers are planted to agricultural crops dominated by rice fields and coconut farms. A significant number of swidden farms are found in the low-lying hills, while the hilly and mountainous interior is densely canopied by various forest species. The peninsula has a pristine character and its scenic coast on the Pacific Ocean makes it highly coveted by developers.

APECO started its operation on 01 August 2008 with the appointment of Ambassador Joseph D. Bernardo as the first chairman of the economic zone. An office was opened in Makati City on 18 November 2008.

Groundbreaking ceremonies to start the various development projects of APECO have been simultaneously launched in the first quarter of 2011. These include a housing project for those who will be displaced, an airport, a ferry port and ongoing construction of the APECO Administration Building.

A contract between APECO and the Department of Energy (DOE) has also been signed to construct a PHP220-million solar power plant to light up 1,000 households. The Department of Agriculture (DA) plans to install 32 fish cages at the proposed mariculture park, which will be supported by a three-ton-capacity mini-ice plant and a refrigerated truck, also to be provided by the DA.

Issues Raised Against APECO

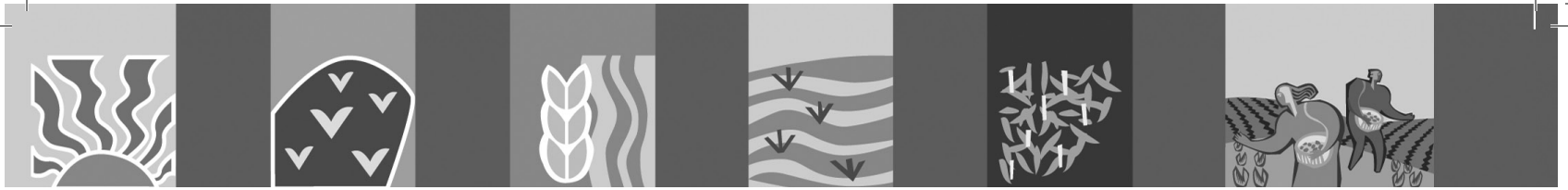
The APECO proponents see it as the solution to the underdevelopment and lack of progress in the province of Aurora. On the other hand, its critics and opposition groups argue otherwise. They present the following:

- The law that created APECO violates at least four (4) other national legislations. These are Republic Act 7160 (Local Government Code of 1991), RA 8371 (Indigenous Peoples Rights Act of 1997), RA 8435 (Agriculture and Fisheries Modernization Act of 1997) and RA 9700 (Comprehensive Agrarian Reform Program Extension and Reforms Act of 2010).

APECO was created without proper consultation with the affected communities. This is a clear violation of the Local Government Code. There was no approval from the affected local government units affected as required RA 7160. A number of farmers displaced by the construction of the airport and APECO office have not been relocated to appropriate relocation sites.

The law that created APECO effectively abolishes local government units in a manner inconsistent with the prescribed procedure for such under the





Local Government Code of 1991. The affected local government units would practically be diminished or effectively abolished with the establishment of the economic zones.

The creation of APECO also runs counter to the Indigenous Peoples' Rights Act of 1997. The ancestral domain of the Agta/Dumagat in the San Ildefonso Peninsula was marked off for inclusion into the SEZ without the required consultation to obtain the free, prior, informed consent (FPIC) of the affected indigenous peoples.

The APECO also covers prime agricultural lands, which are protected areas under the Agriculture and Fisheries Modernization Act (RA 8435). The alteration or destruction of these areas is prohibited under this law.

The law that created APECO contradicts public policy on distinguishing between private and public lands, non-consolidation of ownership, food security, preferential use by small fishers of marine resources, and confiscation of private properties without due process.

- The law was railroaded. The stakeholders were not invited to the public hearings. The Senate and

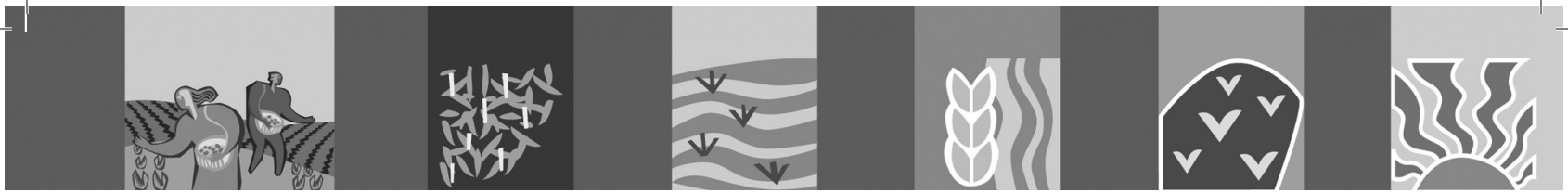
the House of Representatives did not conduct committee hearings to discuss extensively the pros and cons of the project.

- The area covered by the economic zone is excessive for its current need. There are no records or evidence to support the need to expand right away the area from 500 to 13,852 ha, given fundamental questions on the previous law and the pending proof of its feasibility and economic potential from APECO.
- Harassment and misinformation on the ground. According to local residents, a massive disinformation campaign by APECO proponents is ongoing to confuse the small farmers and indigenous peoples and drive them away from their lands using the new law.

In addition to the aforementioned issues, those opposing APECO believe that ultimately only the rich and powerful will benefit from it, while the poor and marginalized groups will be systematically displaced, foremost of them the Agta people. Media sources disclosed that majority of the board which shall oversee APECO are members of the ruling political elite, the Angaras. Some sources also reveal that the Angara political clan owns and continues to buy various landholdings, the value of which is expected to rise once the APECO goes full blast.

The establishment of the APECO has already sowed disorganization and division among the ranks of the Agta people, which are already on the road to extinction caused by the heavy depletion of their traditional food base. With their inadequate skills and education, only a few will be hired, with the rest eventually forced out by an expected surge of outsiders who will be lured in by APECO.

To counteract mounting opposition, the APECO management has employed as consultant the most



influential Agta leader, and pays her PHP25,000 a month (from personal interview with this Agta personality). Her job is to convince the Agta to consent to relocation and abandon their claim on their ancestral domain.

With the APECO, the application of the Agta for an ancestral domain title, submitted way back in 1995, and which now remains pending at the National Commission on Indigenous Peoples (NCIP), is doomed. The long delays in the approval of their CADT application already constitute an injustice to the Agta people. The delay is not their fault, considering the difficult and slow process and lack of political will on the part of NCIP to attend to their concerns. The APECO proponents had taken advantage of this state of helplessness and uncertainty to include the Agta domain into their schemes.

Conclusion and Recommendation

The benefits that APECO will bring are inconclusive. A place as remote as Casiguran, lying across the path of devastating typhoons, does not paint a haven of sure returns for investors. Even when paved, the road to Casiguran is very fragile. A strong typhoon can render many sections of the road impassable for days and even weeks. A dozen sections are too steep and aggravated by hairpin bends inaccessible to huge trailer trucks. The regularity of electrical power cannot also be guaranteed, especially during typhoon season. More infrastructure damage is expected as a result of climate change. Besides, Subic and Clark are ready alternatives for investors. These more famous SEZs have superior location and infrastructure than APECO could ever have.

The people of Aurora would indeed find employment opportunities, but there are no guarantees. It would be of great relief if indeed companies would be built to support the coconut industry, coastal fishing, and

even wood processing. But building them does not require an economic zone of this scale.

Tourism meanwhile could be promoted even without an economic zone.

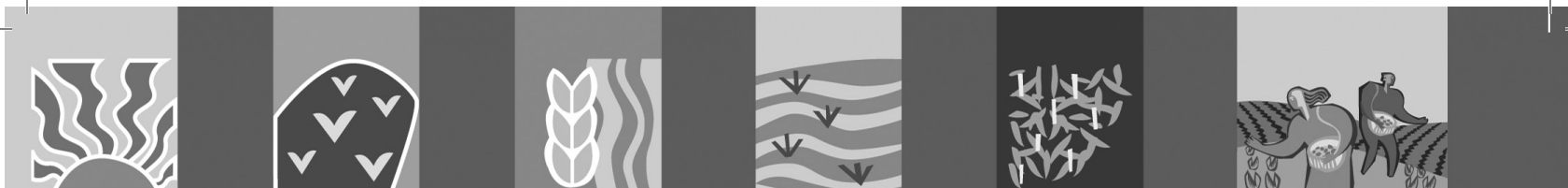
Some people happily attribute infrastructure improvements to APECO. The road networks in the province have been seeing repair. But building good roads and bridges are primary tasks of the government, with or without an economic zone.

There is no assurance that APECO would be able to maintain the pristine environment in the area. The influx of multitudes of people would certainly bring more pressure to the environment, and disturb traditional cultures and heritage of the indigenous peoples.

It is therefore recommended that civil society groups take a two-pronged approach. Direct assistance should be provided to the affected families, both Agta and non-Agta, to help them in their struggles, particularly in the processing of their application for the obtention of security of tenure over their lands and resources. On the advocacy level, the support groups should work more closely with the affected people to persuade government authorities to suspend all APECO activities – particularly those within the ancestral domain and the agrarian reform areas – until such time all the pertinent issues are resolved.

In more specific terms the following courses of action should be undertaken:

- Build the capacities of communities to engage the government
- Demand the mandatory appointment of IP representatives to all governing bodies of economic zones.



- Demand transparency on the financial status of the SBMA and CDC to enable the Aeta to compute for the proper royalty payment due to the community.
- Enhance community organizing for the consolidation of the ancestral domain claim to build and strengthen the communal values of the Agta.
- Facilitate further information dissemination on the impacts of economic zones to enable the indigenous peoples to learn from the experiences of other communities faced with similar problems.
- Review international instruments, treaties, and policies that could favor the cause of affected IPs.

10. Fe Oliva, NCIP Provincial Office, Baler, Aurora
11. Mr. Silvino P. Lania, AT/Provincial Corn Coordinator, Department of Agriculture, Baler, Aurora.
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PAFID is an institution with over 140 members engaged in the development of indigenous social organizations, ancestral domain management, community-based natural resources management planning, community mapping, agroforestry, technical services and policy advocacy.

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5. Fr. Eusebio Molde, Parish of San Antonio De Padua, Casiguran, Aurora
6. Regina Enerhia/Marvin Enerhia, Tribal Center for Development, Casiguran, Aurora
7. Ramcy Astoveza, Executive Director, TCD, Infanta, Quezon
8. Conchita Descarga, APECO Tribal Consultant, Casiguran, Aurora
9. Mark Basilio, NCIP Service Center, Calabgan, Casiguran, Aurora