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SEVENTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Third Regular Session )

RECEIVED 

**SENATE**  
**P.S. Res. No. 991**

Introduced by Senator Grace Poe

**RESOLUTION**

**DIRECTING THE SENATE COMMITTEES ON NATIONAL DEFENSE AND SECURITY, AND PUBLIC SERVICES, TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE REPORTED POSSIBILITY OF CHINESE TAKEOVER OF THE HANJIN PHILIPPINES COMMERCIAL SHIPYARD IN SUBIC, WITH THE END GOAL OF DETERMINING THE ADEQUACY OF EXISTING LEGAL FRAMEWORKS REGARDING THE OWNERSHIP, CONTROL, AND MANAGEMENT BY FOREIGN CORPORATIONS AND ENTITIES OF STRATEGIC INDUSTRIES THAT COULD BE VITAL TO NATIONAL SECURITY DEVELOPMENT AND ECONOMY**

1 WHEREAS, the 1987 Philippine Constitution, Article II, Section 7 mandates that  
2 "(t)he State shall pursue independent foreign policy. In its relations with other states,  
3 the paramount considerations shall be national sovereignty, territorial integrity, national  
4 interest, and the right to self-determination";

5 WHEREAS, Article XII, Section 1 provides that "private enterprises, including  
6 corporations, cooperatives, and similar collective organizations, shall be encouraged to  
7 broaden the base of their ownership";

8 WHEREAS, Article XII, Section 10 mandates the that the "State shall regulate  
9 and exercise of authority over foreign investments within its national jurisdiction and in  
10 accordance with its national goals and priorities";

11 WHEREAS, Subic Bay is a natural deep-water harbor that is protected from  
12 typhoons, and its sheltered port and strategic location make it one of the most  
13 important maritime facilities in the Philippines;

1           WHEREAS, Hanjin Heavy Industries and Construction Philippines (Hanjin  
2 Philippines) is the biggest foreign investor in the Subic Bay Freeport Zone<sup>1</sup> and employs  
3 around 3,000 Filipinos;<sup>2</sup>

4           WHEREAS, Hanjin Philippines filed a petition before the Regional Trial Court in  
5 Olongapo City to initiate voluntary rehabilitation and to protect its assets from creditors  
6 due to ballooning financial obligations to Filipino and South Korean lenders;<sup>3</sup>

7           WHEREAS, Hanjin Philippines reportedly needs to pay around \$400 million worth  
8 of outstanding loans from Philippine banks on top of another \$900 million in debts owed  
9 to creditors back in South Korea;<sup>4</sup>

10          WHEREAS, following Hanjin's default, two (2) major Chinese ship-building firms –  
11 one of which is state-owned – reportedly expressed interests to take over the  
12 operations of the embattled shipbuilder operating the Subic shipyard;<sup>5</sup>

13          WHEREAS, the National Security Strategy for 2018-2022 identified shipbuilding  
14 as a strategic industry that are vital for national security and economic development;<sup>6</sup>

15          WHEREAS, in addition, Subic Bay is located only about 260 kilometers from Bajo  
16 de Masinloc (Scarborough Shoal)<sup>7</sup>, a rock that is indisputably part of Philippine territory,  
17 but sovereignty to which is being contested by the People's Republic of China;

18          WHEREAS, Subic Bay shelters Philippine Navy ships and serves as a port of re-  
19 supply during routine calls of United States Navy ships;

20          WHEREAS, the security and control over Subic Bay are paramount to the security  
21 of the West Philippine Sea, the sovereign rights and jurisdiction of Philippines over it is  
22 acknowledged and confirmed in the 2016 Award on the South China Sea Arbitration;<sup>8</sup>

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<sup>1</sup> <https://businessmirror.com.ph/a-giant-stumbles-in-subic-too-big-to-fail/>

<sup>2</sup> <http://cnnphilippines.com/news/2019/01/11/SBMA-Hanjin-corporate-rehabilitation-layoffs.html>

<sup>3</sup> <http://www.manilastandard.net/index.php/business/corporate/285107/govt-steps-in-to-rescue-hanjin-woos-investors.html>

<sup>4</sup> <https://www.gmanetwork.com/news/money/companies/680971/korean-shipbuilder-s-hanjin-philippines-files-for-rehab-amid-debt-burden/story/>

<sup>5</sup> <https://business.inquirer.net/263442/2-chinese-firms-eye-hanjin>

<sup>6</sup> Page 67 under Annex B List of Strategic Industries for National Security of the National Security Strategy

<sup>7</sup> <https://business.inquirer.net/263484/ex-navy-chief-sounds-alarm-on-possible-chinese-takeover-of-subic-shipyard>



1           WHEREAS, there is a need to determine the adequacy of the statutory,  
2 regulatory, and other legal frameworks for the ownership, control, and management by  
3 foreign corporations and entities of strategic industries that are vital for national  
4 security, development, and economy such as shipyard facilities;

5           WHEREAS, it is necessary to determine whether the State must enact  
6 appropriate measures concerning the ownership of a critical and strategic national asset  
7 by a party to the West Philippine Sea dispute, which was identified in the National  
8 Security Policy as the foremost security challenge to Philippines' sovereignty and  
9 territorial integrity;

10           NOW THEREFORE BE IT RESOLVED, as it hereby resolved by the Senate of the  
11 Philippines, directing the Senate Committees on National Defense and Security, and  
12 Public Services, to conduct an inquiry, in aid of legislation, into the reported possibility  
13 of Chinese takeover of the Hanjin Philippines commercial shipyard in Subic, with the  
14 end goal of determining the adequacy of existing legal frameworks regarding the  
15 ownership, control, and management by foreign corporations and entities of strategic  
16 industries that could be vital to national security development and economy.

17           Adopted,  
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**GRACE POE**

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<sup>8</sup> <https://globalnation.inquirer.net/140947/key-points-arbitral-tribunal-decision-verdict-award-philippines-china-maritime-dispute-unclos-arbitration-spratly-islands-scarborough>