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Cebu, 17 May 2006

Senator Ralph Recto
Chairman-Ways and Means Committee
Philippine Senate
PICC Complex, Pasay City
Metro Manila

Dear Senator Recto:

Greetings from the exporters of Cebu!

The Confederation of Philippine Exporters (Cebu) or Philexport Cebu as it is known is the umbrella organization of all the export industry sectors of the province of Cebu. We represent around 700 small, medium and large local and foreign companies which directly employ about 500,000 workers in the Visayas and Mindanao region, not counting the 1,000,000 beneficiaries in the supply chain and sub-contracting business.

It has come to our attention that your Committee on Ways and Means is conducting public hearings on the proposed "Anti-smuggling Bill." Although we fully support your thrust and campaign against rampant smuggling in the customs bonded warehouse operations, we found that there are provisions in the draft of the consolidated bill that we find very detrimental to exporters who import their raw materials via the Customs Bonded Warehouses (CBWs), whether or not they are owners, users or just plain operators of these CBWs.

We, the exporters of Cebu, feel that it is high time to have an effective but fair law against smuggling. Let us put all these scalawags in jail. However, we feel that the legitimate exporters and businessmen should have the full protection of our laws and not be burdened by it instead. Exporters' interests have always been duly protected under Republic Act 7844 of 1994, otherwise known as "The Export Development Act." Under this act, the development of export has become a national effort, aimed at transforming the Philippines into an exporting nation. Senate Bills Nos. 1969, 1976 and 2154 and approved House Bill No. 4069 would be contrary to the "spirit" of R.A. 7844 for the following draft provisions stated hereunder:

1. **Warehousing of finished articles without exemption shall be considered smuggling. (SB No. 1969, Sec. 5, subsection C1)**

    - **Concerns:** The term "finished article" is relative. Many goods can be both considered as a "finished article" and a "raw material" depending on purpose of the importer of such goods.

Our Prayer: There should be a proper definition of finished goods, Intermediate Products and Accessories.

2. **Importation of goods in excess of volume or quantity allowed under the licensed Customs bonded warehouse shall be considered smuggling. (SB No. 1969, Sec. 5, subsection C2)**

    - **Concerns:** The cycle of importation of goods is very variable. It is dependent on the availability of supply, the location of supplier and the time of shipment of the goods in relation to production cycle and delivery. It is also contrary to the trade liberalization policy of the World Trade Organization.

      Our Prayer: To opt for stricter monitoring but still under the existing code.

3. **Failure to liquidate imported goods under bond within thirty (30) days from withdrawal from bonded warehouse to be considered smuggling. (SB No. 1969, Sec. 5, subsection F)**

    - **Concerns:** The proposal covering "thirty (30) days re-exportation after withdrawal" is not realistic and does not reflect the actual entrepreneur/industry experience, considering that the manufacturing cycle estimated previously under CMO 39-91 was 9 months extendable by another 3 months.

      Our Prayer: To maintain the status quo, i.e., 9 months extendable by another 3 months.

4. **Requiring importers to issue an Irrevocable Bank Guarantee, Letter of Credit or Cash Bond in lieu of Surety Bond and/or Performance Bond. (SB No. 2154 Sec. 18)**

    - **Concerns:** Micro, small and medium exporters have very limited capitalization. This provision could unnecessarily put a strain on their cash flow as it will tie up capital and deprive them of critical financial resources during production period.

      Our Prayer: To retain the use of Surety Bond as collateral for duties and taxes for importations, but improve the accreditation and regulation of insurance companies.

5. **Outright payment of duties and taxes and other charges via an irrevocable domestic letter of credit, guarantee or bond equivalent to the amount of such duties (Sec. 1904 of the Tariff and Customs Code of the Philippines (TCCP))**
    - **Concerns:** The small- and medium-size exporters will suffer considering that most of them do not have access to banking credits and have limited resources.

Our Prayer: To maintain the existing payment of duties and other charges via warehousing bonds.

Sir, as earlier mentioned, we wish to reiterate that we fully support the objectives of the Philippine Senate to curve the rampant smuggling in the country and to increase the revenue collection of the government.

However, more often than not, the cause of rampant smuggling is not the lack of laws or good Customs policies but the lack of an efficient monitoring system to control and discourage would-be perpetrators. We laud the government's efforts to automate customs procedures (*Asycuda World or E-Customs Project*) and its planned purchase of cargo x-ray equipment.

The Philippine exporters are reeling hard from the effects of the strong Peso, the very high cost of doing business (Customs Broker Act, Fumigation Issue, Abaca Ban, etc.) on their businesses. We are the biggest sector, OCW and Tourism sectors included which earn foreign exchange for the country and employ millions of workers.

We therefore appeal to the Senate to carefully consider our prayers on the proposed amendments to the TCCP and look to these prayers sympathy by fully appreciating the pressured state of the Philippine export industry.

Thank you very much.

Very truly yours,

APOLINAR G. SUAREZ, JR.
President