

Joint Foreign Chambers of the Philippines

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

September 21, 2015

Business Groups Press for Customs Modernization and Tariff Act

The Joint Foreign Chambers (JFC) have reiterated their recommendation to Senate and House leaders to pass the Customs Modernization and Tariff Act (CMTA).

The Senate bill is under deliberation in the Ways and Means Committee while the House bill is pending second reading in plenary.

This bill deserves urgent consideration by Congress in view of the need to create a Bureau of Customs that will be respected by all for its honesty and efficiency.

During the 14th Congress, February 1, 2010 the Philippine Senate ratified the Revised Kyoto Convention (RKC) of the World Customs Organization, under which the Philippines committed to bring its customs procedures in line with the 78 other member countries that have ratified the RKC. A five year period was targeted to bring Philippine domestic law into conformity with the RKC.

In the 15th Congress the House approved the CMTA, the enabling law of the RKC. Unfortunately, the Senate was unable to pass the measure. We are hopeful that the Congress will approve the CMTA this 16th Congress to continue the reform momentum since the 14th Congress.

In today's fast-changing global economy, the Philippines must modernize its customs administration to keep up with changing international standards, to make customs valuation and inspection procedures more transparent and predictable, and to implement automated procedures. The costs of the entire logistics chain which connects Philippine agriculture and industry to foreign markets must be made as competitive as possible to support existing businesses in the Philippines as well as to attract new ones.

Many of the individual reforms in the bill when implemented will reduce logistic chain costs and enhance the country's competitiveness. The ASEAN Economic Community (AEC) will come into effect at the end of 2015. To be able to take full advantage of new opportunities for the Philippines economy that will be created by the AEC, it is essential for the CMTA to be enacted and implemented.

One small example of a reform that CMTA would bring about is removal of the current de minimis of Php. 10, under Republic Act 1937 which has not been changed since 1957. At this absurdly low amount, the Philippine de minimis is the smallest in ASEAN, which averages almost US \$200 or some 90 times the Philippine amount. Other ASEAN jurisdictions set this amount administratively – as the CMTA would allow - rather than by law.



**AMCHAM
PHILIPPINES**

AMERICAN



AUSTRALIAN-NEW ZEALAND



CANADIAN



EUROPEAN



JAPANESE



KOREAN



PAMURI

Aside from the improvement of the current Tariff and Customs Code of the Philippines to make it more adaptable to the demands of international trading through modernization, accessibility, and transparency, the passage of the bill is expected to contribute to the ongoing structural reforms at the Bureau of Customs, which the JFC fully supports. Successful implementation of the reforms will go a long way to address the perennial problem of smuggling, which contributes to major revenue losses for the Philippine government and deters the proliferation of legitimate businesses. As the Philippines moves into the AEC and in the future expands its trade and investment treaties with the Asia-Pacific and European economies with the Trans-Pacific Partnership or an EU-Philippine FTA, the corrupt and inefficient Bureau of Customs of the past will become unacceptable to the country's regional as well as global trading partners.

The JFC is a coalition of the American, Australian- New Zealand, Canadian, European, Japanese, Korean chambers and PAMURI. We represent over 3,000 member companies engaged in over \$230 billion worth of trade and some \$30 billion worth of investments in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.