



Senate of the Philippines

SUBJECT : **SPOT REPORT ON THE 25 OCTOBER 2004 10:00 A.M. JOINT PUBLIC HEARING OF THE COMMITTEES ON TRADE AND COMMERCE/ ECONOMIC AFFAIRS AT THE PECSON ROOM TO DISCUSS P.S. RES. NO.68- INQUIRY INTO THE UNABATED SMUGGLING**

DATE : **27 OCTOBER 2004**

PRELIMINARY

SENATORS PRESENT : ROXAS, ENRILE & GORDON

RESOURCE PERSON : EMMANUEL BONOAN, UNDERSECRETARY, DEPARTMENT OF FINANCE (DOF); GEORGE JEREOS, COMMISSIONER, BUREAU OF CUSTOMS; JULITA LOPEZ, CHAIRPERSON, CTTE ON CUSTOMS, PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRIES (PCCI); JAKE PAGUNTALAN, CHIEF, INTELLIGENCE DIVISION, BUREAU OF CUSTOMS; REYNALDO WYCOCO, DIRECTOR, NATIONAL BUREAU OF INVESTIGATION (NBI), CARLOS HOLGANZA, CHIEF, ANTI-SMUGGLING INTELLIGENCE AND INFORMATION CENTER (ASIIC); WIGBERTO TAÑADA, LEAD CONVENOR, FAIR TRADE ALLIANCE, ERNESTO ORDONEZ, NATIONAL COORDINATOR, ALYANSA AGRIKULTURA; JESUS ARRANZA, PRESIDENT, FEDERATION OF PHILIPPINE INDUSTRIES, CESAR DRILON, USEC, DEPARTMENT OF AGRICULTURE (DA)

DISCUSSION

BOC Comm. George Jereos submitted a listing of the cases filed against companies engaged in smuggling. BOC Intelligence Division Chief Jake Paguntalan reported that unlike in the past BOC is now examining all refrigerated containers in the wake of widespread smuggling.

Senator Enrile suggested that the BOC focus on their structural problems that hamper their operations instead on reporting their "*dilis*" type accomplishments.

Senator Enrile felt that Subic and Clark have been transformed into enclaves for smuggling.

NBI Director Reynaldo Wycoco & Mr. Arranza pushed for the automatic deputization of other agencies to help combat the crime of smuggling. Anti-Smuggling Intelligence and Information Center (ASIIC) Chief Col. Carlos Holganza revealed that the most nefarious smugglers are not ordinary criminals but are instead scheming lawyers and shrewd businessmen. They utilize dummies and designate addresses which are fictitious.

DOF Usec. Emmanuel Bonoan told the Committee that the three issues hounding the BOC include the matter of the custom bond warehouses, special economic zones and unliquidated bonds. On the advances emanating from warehouses, Usec. Bonoan confessed that there is no standard means of liquidating transshipments.

Senator Roxas opined that the system of monitoring was designed to fail. He added that the process of cleansing at the BOC has not moved forward at all.

The Senators present instructed the DOF/BOC executives to furnish the Committee with a listing of the top smugglers of drugs, cellphones, cars, cigarettes, vegetables, *ukay ukay* (used clothing) liquor and fuel from Subic and Clark for the past ten years. Senator Gordon ordered the Secretariat to prepare the *subpoena duces tecum* to obtain these documents from BOC.

Senator Gordon lambasted the DOF officials for failing to do their homework. He felt that BOC's inability to draw up a list of the top 200 smugglers is a classic case of neglect of duty. Senator Gordon commented that the DOF personnel lacked passion and appeared stoic in their quest to resolve smuggling in the country.

Commissioner Jereos explained that their failure to do so was attributable to the sudden resignation of a subordinate at the Intelligence Division. No proper turnover of documents was effected. Senator Gordon directed the Secretariat to also issue a *subpoena duces tecum*, to BOC to submit import, export and sales documents of liquor, vehicles, cellphones, cigarettes, used clothing and fuel from Subic and Clark for FY 1992-2003. The Senators present warned that failure to comply with the abovesited *subpoena duces tecum* may make the DOF/BOC officials liable for contempt.

Federation of Philippine Industries President Jesus Arranza blamed the smuggling mess on the arbitrary mode of valuation. PCCI Chairperson Julita Lopez contended that computerization would leave no room for discretion. She added that the exercise of discretion on the part of BOC employees on the matter of assessing/examining of commodities is the root of corruption.

Senator Gordon informed the Body that 120,000 second hand cars were released from Subic without the payment of appropriate taxes. BOC officials boasted that their office had quite a number of apprehensions particularly optical media gadgets, prohibited drugs (69 kilos) and frozen chicken. On the query of Senator Gordon as to the course of action of BOC on seized chicken, Com. Jereos replied that the confiscated chickens are burned.

Senator Roxas maintained that the BOC's efforts are not enough. He said that BOC is just "nibbling at the edges." Senator Gordon lamented the lack of urgency of the BOC executives. Commissioner Jereos confessed that not a single big time smuggler has been sent to jail. Senator Gordon recalled that even Lino Bocalan, a notorious smuggler was elected Governor of Cavite!

Fair Trade Alliance Lead Convenor Wigberto Tañada proposed to classify smuggling as a heinous crime since it is a form of economic sabotage. However, Mr. Tañada suggested that the penalty be downgraded to life imprisonment. Mr. Tañada sought a review of the charters of the Special Economic Zones.

Alyansa Agrikultura National Coordinator Ernesto Ordonez claimed that \$10 billion was lost in government tax revenues due to unabated smuggling. Mr. Ordonez announced that more than 99 container vans full of imported onions and garlic vanished from the Subic Customs warehouses a couple of weeks ago! Mr. Paguntalan brushed aside Mr. Ordonez's remarks and stressed that the onions/garlic importations were covered by import permits. Mr. Ordonez argued that the import permits were granted by BPI AFTER the arrival of the onions/garlics in the country. Mr. Ordonez said that the scheme is a modus operandi for smuggling. PCCI representative Lopez pinned the blame on the DA for the issuance of a late importation permit.

DA Usec. Cesar Drilon clarified to the Committee that the BPI does not release import permits but only Phyto Sanitary Permits (PSP). Usec. Drilon emphasized that the shipments were legal.

Usec. Drilon recalled that former BPI head, Mr. Golez signed 74 importation permits for the controversial onion/garlic shipments. Shortly thereafter Mr. Golez resigned due to sickness. Senator Gordon asked if Mr. Golez resigned because the latter was sick and tired of his job or because he became onion skinned after the flak he received due to the premature release of the 74 container vans of onions.

Senator Enrile stated that the stupidity commenced when Congress enacted a law declaring Subic both as a free port as well as establishing it as within the jurisdiction of the Bureau of Customs. He believed that the eerie silence of the BOC on this apparently contradictory provisions of the laws betrays either sheer ignorance or blatant collusion between BOC employees and the smugglers. Senator Enrile likewise questioned the authority of the CDC executives to issue import permits. He vowed to the DOF staff that unless the custom duties and the tax leakages are plugged no tax measures pending in the Senate shall be enacted.

Respectfully submitted:

ARTURO I. MOJICA JR.