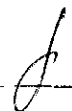


SENATE
P. S. R. No. 859



Introduced by Senator Miriam Defensor Santiago

RESOLUTION
DIRECTING THE PROPER SENATE COMMITTEE, TO CONDUCT AN INQUIRY IN AID
OF LEGISLATION, ON THE REPORTED SURGE IN GOLD SMUGGLING ACTIVITIES IN
THE COUNTRY

WHEREAS, Republic Act No. 7076, or the People's Small-scale Mining Act of 1991, Section 17 states that "All gold produced by small-scale miners in any mineral area shall be sold to the Central Bank, or its duly authorized representatives, which shall buy it at prices competitive with those prevailing in the world market regardless of volume or weight."

WHEREAS, news agency Reuters reported last 23 August 2012 that according to the estimates of government officials and local traders, up to 90 percent of small-scale Philippine gold production is being smuggled out of the country;

WHEREAS, the country is presently the world's 18th largest gold miner, producing over 1 million troy ounces of gold in 2011, which is worth \$1.6 billion at current prices;

WHEREAS, 56 percent of the gold produced in the country are from small-scale miners, according to data from the Bureau of Mines as cited in the report;

WHEREAS, according to gold traders interviewed for the Reuters news item, almost all the production of small-scale mines goes to the black market because there is no tax in the black market;

WHEREAS, according to government data cited in the Reuter's report, the amount of gold sold by small-scale miners and traders to the Central Bank in the second quarter of this year plunged 98 percent from last year;

WHEREAS, despite the reported small-scale mining output of \$10.4 billion early this year, Reuters reported that gold purchases by the Central Bank dropped an annual 4 percent, 4 percent, 76 percent, and 88 percent in the second, third, and fourth quarters of 2011, respectively, and 92 percent in the first quarter of 2012;

WHEREAS, the Reuters article reports that Philippine government agencies like the Mines and Geosciences Bureau and the Bureau of Customs (BoC) are aware that gold from small-scale mines either passes through traders in the black market or is sold directly from mines to foreigners coming in on a tourist visa;

WHEREAS, according to data from the report, the Philippines is Hong Kong's top source of gold imports from 2005 to 2010 was the Philippines, with gold shipments of 81,471 kilograms in 2010, and 81,192 kilos in 2011, compared to just 11 kilos in 2001;

WHEREAS, Reuters mentioned that official statistics in the Philippines on legal exports, representing shipments by big mining firms with supply contracts because exports of gold from

small-scale mines are banned, show gold exports to Hong Kong in 2010 and 2011 at just around 3 percent of the total volume recorded by Hong Kong authorities;

WHEREAS, Reuters reported that Hong Kong customs regulations require all trade- or business-related gold shipments be registered with authorities but do not put restrictions on gold carried by passengers, and, as interviewed BoC officials pointed out, "hand-carried smuggling" accounts for much of the outflow of gold from the Philippines;

WHEREAS, it was also reported that the BoC only has forty offices to cover all airports and ports in the archipelago, and has encountered difficulties such as a recent case in which nine cargo vessels shipped 75,000 metric tons of smuggled chromite to China from a private port in Zambales province, 50 miles from the nearest Customs office;

WHEREAS, aside from the inadequacies in the policing capabilities and efforts of the BoC, the Reuters report said that traders and officials identified the two percent excise tax and a five percent withholding tax imposed on gold sales to the Central Bank as the biggest factor behind the spike in the gold smuggling trend, as it is the reason why small-scale gold miners would rather sell gold in the black market rather than the Central Bank;

WHEREAS, Congress should find remedies for this alarming trend of gold smuggling in the country by prioritizing the need to strengthen laws, guidelines of the government concerning the gold trade and mining industry, as well as need to step up the efforts of concerned government agencies in enforcing these existing laws and guidelines;

WHEREAS, Congress should also look into the effects of the imposition of excise and withholding taxes on the small-scale gold mining industry and trade, and formulate applicable laws or amendments to existing laws to solve the gold smuggling problem;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate committee, to conduct an inquiry in aid of legislation, on the reported surge in gold smuggling activities in the country.

Adopted,


MIRIAM DEFENSOR SANTIAGO

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