

UNITED STATES OF AMERICA

THOMAS J. DONOHUE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

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August 11, 2006

H.E. Gloria Macapagal Arroyo
President
Republic of the Philippines
Malacañang Palace
JP Laurel Street, San Miguel
Manila NCR 1005

Dear Madam President:

I recall with fondness our encounters over the last several years, and the U.S. Chamber has been watching with great interest the recent developments in your country. We appreciate all of the support you have given to the business community during your time in office.

It has been brought to my attention that a recent regulatory decision by an agency of your government would have unintended negative consequences for investors' confidence in the predictability of business law in the Philippines. In particular, we are concerned about the effects this decision will have on the pharmaceutical industry.

In early July 2006, the Philippines Department of Health promulgated revised Implementing Rules and Regulations (IRR) affecting the marketing of infant formula. The IRR goes beyond provisions in the relevant Philippines law, EO 51 (the Milk Code), in several important respects that are of concern to a number of U.S. companies, including some with operations in the Philippines. I understand that the intent of IRRs in the Philippines administrative system is to implement and interpret the provisions of law, not to extend its reach.

U.S. Chamber member companies have alerted me to two main problems with the revised IRR. First, the IRR prohibits all marketing of infant formula to children up to three years of age. This goes beyond both Philippines law EO 51 and the

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relevant International Standard (the World Health Organization International Code of Marketing of Breastmilk Substitutes). The IRR also treats infant formula as a potential health hazard by requiring warning labels without any scientific justification, a step which would needlessly alarm potential consumers and is not required either by Philippines law or international norms.

The level of concern with the revised IRR is such that the Pharmaceutical and Healthcare Association of the Philippines (PHAP), an industry group of local and international companies investing in this vital field, has taken action in the Philippines Supreme Court seeking to have it overturned.

Our concern with the step taken by the Department of Health is broader. If government agencies can extend the reach of regulation beyond the intent of the law, without due process or appropriate consultation, businesses will be uncertain of their rights when investing in the Philippines. If regulations are susceptible to amendment without due process, a country's reputation as a stable and viable destination for investment is at risk.

We know you would want to avoid such a situation occurring. The U.S. Chamber of Commerce values highly the mutually beneficial trade relationship between our two countries, a relationship that has prospered under your leadership. U.S. Chamber member companies that are involved in this issue are most willing to work with your government to fashion a robust regulation to support consumers' educational and health needs consistent with Philippines law and international standards. We would therefore be very grateful if you could re-examine this regulatory decision in light of these concerns.

Sincerely,



Thomas J. Donohue