

CALABARZON workers and the imminent danger posed by JPEPA

by the Public Information Department

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(PAMANTIK-KMU)*

24 October 2007

Foreword

On September 10, 2006, the governments of Japan and the Philippines signed the Japan-Philippine Economic Partnership Agreement (JPEPA) in the Asia-Europe Meeting in Helsinki, Finland. JPEPA, the Philippines' first full-fledged bilateral free trade agreement (FTA), was signed despite protests from the Filipino people even at its proposal stage in 2002.

On October 2, 2007, the Department of Trade and Industry (DTI) announced a prospective P365 billion boost in Japanese investments from this year till 2010 with the enforcement of the agreement.¹

DTI managing head Elmer C. Hernandez urged the immediate ratification of JPEPA so as to provide Japanese investors a "higher level of comfort". He calculated JPEPA investments to generate 211,000 jobs for Filipinos. First among the priorities of Japanese investors is the infrastructure and utilities, particularly in the energy sector. Mining and mineral processing ranks second in generating 50,000 jobs. Third, transport equipments such as automotive parts and components promise P22 billion in investments and 44,000 jobs. Fourth, with electronics and telecommunications equipment, the country expects P20 billion investments and employment of 10,000.

JPEPA purportedly aims to increase trade and investment opportunities between two economies.² However, Japan and the Philippines do not stand in the "level playing field" under JPEPA. No substantial economic development is foreseen in a backward agriculture-based Philippines compared with the industrial might of Japan. Even a Senate policy report on JPEPA admits that,

"While free trade enhances competition, uncompetitive industries languish and eventually close shop unless it can make a turn around and face competition. While free trade benefits consumers in general, it is disadvantageous to sectors that cannot cope up with the competition."³

The imperialist lackey administration of Gloria Macapagal-Arroyo drives the country towards further deterioration and devastation as domestic economic safety nets such as import tariffs will be removed in the next 10 years while concessions are provided to Japanese direct investments.

¹ Irma Isip. Up 60% from earlier estimates, JPEPA seen to bring P365B investments. *Malaya Business Online*. Retrieved October 11, 2007.

² Senate Economic Planning Office, Republic of the Philippines. Japan-Philippines Economic Partnership Agreement (JPEPA): An Assessment. *Policy Brief*, September 2007, PB-07-01, p.1.

³ *Ibid.* p. 8.

Despite the numerous promises the Philippine government announces with the signing of JPEPA, specifically with the bolster of the country's investments and trade, the majority of the people remains dubious.

Being directly or indirectly hit by its provisions, peasants and workers stepped up protest actions against JPEPA. These protests pushed some lawmakers to rethink and review the agreement. The senate temporarily suspends the ratification of JPEPA.

This paper intends to review some provisions of the agreement pertaining to labor, specifically, in view of the experiences of the labor movement under Japanese direct investments in Southern Tagalog, and the possible implications of the agreement to the workers in the region. The paper does not intend to scrutinize nor capture the whole trade and investment provisions packaged in the agreement.

Japanese investments in CALABARZON

Philippine President Corazon C. Aquino furnished in 1989 the blueprint of CALABARZON (the acronym of five Southern Tagalog mainland provinces, namely, Cavite, Laguna, Batangas, Rizal and Quezon). This development project boasted of transforming the vast agricultural land area into a first class regional industrial center, a first of its kind in the Philippines.

No matter how grand it is, Project CALABARZON did not get popular support from marginalized sectors in the region as it entailed excessive damage to lives and properties. CALABARZON brought widespread land-use conversions (LUCs) of agricultural areas and the displacement of hundreds of thousands of peasants in rapid successive waves. Eventually, economic zones, export processing zones, and industrial parks and enclaves mushroomed in the CALABARZON area, coupled with the government's mantra of massive employment generation.

The official development assistance (ODA), of which Japan is the biggest donor, is one of the major funding agencies for CALABARZON. Japan is second trading and investment partner of the Philippines, next to US. With its interests in the region, it is not surprising that the Japanese government and investors played a major role in the formation of CALABARZON.

An unnamed NGO once described Japan's support for Project CALABARZON as the Second Japanese Occupation of the Philippines.⁴

CALABARZON, according to the investment design of the government, continues to be an investment haven since 1990s. The National Statistical Coordination Board (NSCB) in March 2003 reported,

Region IV-A (CALABARZON) is composed of the Southern Luzon provinces of Cavite, Laguna, Batangas, Rizal, and Quezon. Through the years, these provinces

⁴ *Op. cit.* Philippine Ports Authority. *Batangas Port Development Project*, p. 150.

were dynamically developed from being solely agricultural-based, they have bloomed to be home to several world-class manufacturing and information technology industries. As of the end of the year 2002, the region plays host to almost half (42%) of all approved/proclaimed ecozones in the country.

The CALABARZON area continues to be one of the preferred investment locations in the country. Its rich, bountiful natural resources, highly motivated labor force, accessible support services, and strategic location give its provinces a competitive edge in attracting new investors local and foreign alike.⁵

On September 2004, the government reported a P 21.62 billion (or 22.5%) export increase from ecozones and industrial parks, covering the period from January to August of that year. Top performers include Laguna Technopark Inc., with \$5.38 billion; followed by Gateway Business Park, \$2.99 billion; Amkor Technology Special Ecozone, \$1.53 billion; and Lima Technology Center, \$520.28 million.⁶ Except for Amkor Technology Special Ecozone, all are from the CALABARZON area.

According to the NSCB, economic growth in CALABARZON improved by 4.6% in 2006 from its 2.6% rate the previous year. The industry sector, with 41.1% of the regional economy, contributed to this growth.⁷

Of the 984 Japanese investors in the country, 171 (or 17.38%) are located in the CALABARZON as of June this year.⁸ Most are investing on automobile and parts manufacturing like Toyota, Mitsubishi, Isuzu, Honda, and others. Japanese capital also dominates the electronics sector in most industrial enclaves. Some of these known companies are Fujitsu, Matsushita, Toshiba, and TDK.

In these industrial enclaves, the Philippine government assures Japanese investors huge profits at the expense of labor.

Kaizen system, labor flexibilization, and intellectual property rights

Created after World War II, kaizen philosophy means “continuous improvement”. Japanese word “Kai” means school and “Zen” means wisdom.

Kaizen became a distinct corporate philosophy after car manufacturer Toyota introduced it to the Japanese business world through its Toyota Production System. Kaizen includes quality circles, automation, suggestion systems, just-in-time delivery, Kanban and 5S (Seiri, Seiton, Seiso, Seiketsu, Shitsuke).

⁵ National Statistical Coordination Board, Regional Unit IV. *Factsheet* (March, No. 003, Series of 2003), p.1.

⁶ Republic of the Philippines. Eco-zones, industrial parks exports up 22.5% in Jan-Aug. *News* (September 26, 2004).

⁷ National Statistical Coordination Board, Regional Unit IV. *Economic growth of CALABARZON continues to improve by 4.6 percent in 2006* (July 2007).

⁸ *Japanese Affiliates in the Philippines*. (http://www2.winsphil.co.jp/japcom_list.cgi?A&O).

Kaizen system pertains to a set of order and system within the workplace. Many Japanese investors believe they owe most components of corporate success to the strict practice of the system. In Kaizen, everyone in the company from the top management to the maintenance or janitorial staff must adhere to production efficiency and improvements. Suggestions from even the rank-and-file workers on how to reduce company wastes are encouraged. This is, of course, in line with getting the most of profits with the minimal cost of production.

Five S (also translated in English as Sorting, Setting in Order, Shining, Standardizing, and Sustaining) inculcates the values of tending to one's designated work area, before, during and after work hours. As the workers observe this standard work philosophy, the company minimizes expenses for maintenance and janitorial services. With 5S, workers fall into labor flexibilization such as multi-tasking other than the prescribed job description. They are not compensated for these additional chores that need to be accomplished for the company's standard order.

Being in direct hand of production processes, Filipino workers, whether they are regular or contractual, have contributed a lot to the much celebrated success of Japanese businesses within the bounds of Kaizen.

Daiho, a Japanese electronics and car parts supplier, would have stopped production for a week while importing the services of technicians (costing approximately P600,000) from its mother company in Japan to repair a major machine in its Philippine plant. Thanks to its Filipino minimum wage-earner who single-handedly repaired the machine in 2 days, Daiho management spent not a single centavo and, worse, never paid the Filipino worker for his excellent work.

In New Honda Circle (NHC) in Honda Cars, workers do brainstorming sessions for some potential problem analysis. A good suggestion a worker provides will be awarded an incentive of P20. Meanwhile, a good suggestion in a Toyota quality circle would cost a P10 award. Some companies don't give awards at all by taking advantage of the Filipino values "utang na loob" or simply because it is expected that it is part of the workers' contribution to the progress of the company. So much exploitation of the cheap labor in the Philippines!

Later on, these suggestions will be developed and enhanced without due credit or compensation to the intellectual property rights (IPR) of that worker.

Kaizen breeds competition among workers. Companies favor workers who can devise means to reduce manpower and improve the volume of production. It would be enticing for companies to see a machine operated by 5 workers streamlined to a single operator.

Eventually, due to the Kaizen system, those workers no longer needed in the production fall under redundant status and get retrenched.

In JPEPA, intellectual property rights (IPR) include copyrights, patent rights, rights relating to trademarks, industrial designs, layout designs of integrated circuits, new varieties of plants,

trade names, indications of source or geographical indications and undisclosed information.⁹ While the agreement seemingly ensures protection and compensation for IPR, enclave workers are caught between demanding for IPR and preserving their employment.

On equal terms in JPEPA, Filipino workers cannot demand for IPR. Aside from having their labor paid cheap, Filipino workers are hijacked and stolen of their ingenuity, talents and skills.

Complementing Japanese investors' interest

Aside from the deceitful Kaizen system and harsh company regulations inside Japanese companies, the Philippine Export Zone Authority (PEZA), for its part, provides a "conductive business climate" for the investors. The PEZA enforces the unwritten "no union, no strike" policy in all industrial zones and enclaves.

In practice, municipal or city governments have no hand over the governing policies existent in these enclaves. PEZA and these enclaves apparently have vested functions and powers in themselves as separate local government units (LGUs). Thus, it is no doubt the local government and other government agencies provide slack or no action at all to labor issues, no matter how legitimate and legal these issues may be. Most often, these LGUs, including their police, are given monetary compensation and other concessions by Japanese investors for their services in countering any workers action.

Enclave policies and laws prevail against the provisions of the Philippine Constitution. Enclave workers asserting and defending their right to employment security, right to form union, right to collectively bargain, freedom of assembly, and the right to strike suffer the most vicious forms of oppression from Japanese capitalists.

Two hundred thirty-three (233) illegally terminated workers from Toyota Motors in Laguna have experienced how the management snubbed a Supreme Court decision favoring the workers. Worse, the company uses the Laguna Industrial Park Police Assistance Group (LIPPAG) stationed in front of the company to harass and intimidate the workers.

Fully-armed elements of the Special Warfare Actions Group of the Philippine National Police (SWAG-PNP) guard women workers in the production line in Sun Ever Lights, an electronics company in Laguna Technopark. During a picket protest in November 30, 2004, these women workers were sexually harassed and hauled like animals in nets by company guards and the SWAG.

Three (3) assassination plots, one of which slain a union officer in cold blood in front of the company gates, were desperately used in an attempt to silence the workers in Yazaki-EMI in Cavite.

Rampant cases of contractualization, dismissals, union busting, harassments and/or dispersals were experienced by workers in Soutech, Aichi Forging, Masuda, Honda Cars, Enkei, Laguna

⁹ *The Japan-Philippine Economic Partnership Agreement*. Article 88, p. 75.

Metts, Nikko Materials, Toshiba, TS Tech, Ebara-Benguet, Nagano, Nippon Paints, Daiwa-Seiko, FCC, Keihin, Uniden, National Panasonic (Matsushita), Yutaka, Fujitsu Ten, Imasen, Isuzu, Chiyoda, Gunma Gohkin, Yazaki-Torres, and others. All attest to the oppression suffered under Japanese capital.

JPEPA: “Adding insult to injury”

Should JPEPA be implemented in full swing, CALABARZON workers expect much worse scenario in the hands of Japanese capitalists. JPEPA entails massive liberalization far beyond than the World Trade Organization (WTO).

Under Article 139 or the Improvement of Business Environment of JPEPA, both parties will form a sub-committee to supervise and facilitate the favorable environment necessary for business and investment activities, in as much as refining the provision and cooperation mechanisms.¹⁰ In the case of the Philippines, the Department of Trade and Industry (DTI) and/or PEZA might possibly assume this function as they are already the government bodies responsible in protecting investment interests in all industrial enclaves. In any case, this sub-committee will be under the higher Committee on the Improvement of Business Environment. Whether it is DTI, PEZA or another sub-committee formed, chances are all of its performances are partial to the interests of Japanese investors as it will be accountable to the discretion of the higher committee.

The Philippine government is hell-bent on attracting foreign investments by providing a strike-free and investment-conducive environment in the country. On October 4, 2004, Malacañang, the Employers Confederation of the Philippines (ECoP), and yellow trade unions signed an agreement to implement a strike moratorium, neatly dubbed as the Social Accord for Industrial Peace and Stability.

With JPEPA, the Philippine government, PEZA or the sub-committee on the Improvement of Business Environment is expected to further intensify its attacks against the workers' fundamental rights to strike and assembly so as not to disappoint Japanese investors.

JPEPA also talks of Dispute Avoidance and Settlement.¹¹ In Article 151, any party may formally call the attention of good offices, conciliation or mediation should disputes arise.¹²

In 2004, then labor undersecretary Manuel Imson reported:

“The DOLE is pleased to note that industrial peace and stability continues to govern Japanese companies operating in the country. I suppose nobody is immune to occasional labor irritants. But based on records, Japanese companies also have had their share, although small, of strike notices in the country. Since 2000, Japanese companies have the least number of notices of strike/lockout filed. As of October 15

¹⁰ *Ibid.* Chapter 13, Article 139, p.106.

¹¹ *Ibid.* Chapter 15, Article 149-159, p.110-119.

¹² *Ibid.*, p. 112.

this year, a total of 457 notices of strike/lockout have been filed. Only 5% or 25 involved Japanese companies.”¹³

“Labor irritants”, in Imson’s derogatory words, were meted out with “pro-active” measures such as preventive mediation and voluntary arbitration. Notoriously, the Department of Labor and Employment (DOLE) bragged much of these measures. Of course, his report did not include how his office deputized the Philippine National Police and the Armed Forces of the Philippines to quell workers’ attempts to form unions, conduct concerted protest actions and strikes.

In the experience in CALABARZON, “pro-active” measures by DOLE mean catering to investment interests to the detriment of workers’ security of employment and rights.

For some specifics, 459 labor cases from Southern Tagalog alone are still pending in the National Labor Relations Commission (NLRC) as of June this year. Of these cases, 25 were resolved with 19 favoring the employers. It still remains a question whether the six (6) decisions favoring the workers will be implemented by their respective employers.¹⁴

It is like passing the eye of a needle for workers who assert their right to unionize. Once known to be forming a union, workers experience intimidations and harassments such as being falsely charged of criminal offenses by company managements. DOLE and its attached agencies are found to be ever-ready to give their partiality to the interest of business and investment that they add more weight to the burden these workers have to endure.

“Pro-active” measures have been set-up to restrict workers’ and union activities at the plant level, conciliation with DoLE agencies, LGUs, and within the JPEPA framework itself.

These provisions on investment interests (as it is in the whole of JPEPA) pour much weight than and invalidate the seemingly rhetorical provisions on labor in Article 103.¹⁵

Invading home-grown industries

The JPEPA assures maximum advantage for Japanese investments in the Philippines. More than an FTA, JPEPA aims to comprehensively penetrate and remove the remaining constraints in the entry and operation of Japanese investments in the Philippines.

One of the plans for thorough penetration of Japanese investment includes the facilitation and liberalization of small and medium enterprises (SMEs) in the country.¹⁶ In JPEPA, a provision states that the DTI co-chairs the working group on SMEs.¹⁷

¹³ DoLE Undersecretary Manuel G. Imson presented in powerpoint the Current Labor Issues Among Japanese Companies before the Japanese Chamber of Commerce and Industry of the Philippines (JCCIP) held at Dusit Hotel Nikko, Makati City, 08 November 2004.

¹⁴ Data provided by Organized Labor Association in Line Industries and Agriculture (OLALIA-KMU).

¹⁵ *Ibid*, Chapter 8, Article 103, p.86.

¹⁶ *Ibid*, Chapter 14, Article 144, p. 107.

In 2000, Etsuko Sugiyama headed a Japanese research team to study the SMEs in selected areas in Laguna.¹⁸ Their fieldwork study covered small-scale industries such as embroideries, food processing, woodcrafts and papier-mache, jeepney manufacturing, plants and gardening goods, ornaments, and other handicrafts. For whatever purpose this study (and some other unmonitored research studies, as well) has been conducted, it somehow gave a picture of investment feasibilities in SMEs.

The SMEs which are mostly community-based industries comprise the micro-economic activity, defining to a certain degree the backward and agriculture-based Philippines. In the light of foreign direct investments policies, the government lately recognizes their advantages. DTI recently accounts that SMEs generated 69.1% employment, higher than other Asian countries such as Thailand (55%) and Malaysia (40.4%).¹⁹

While the government recognizes the SMEs' potentials, it has provided very little support to develop this sector in the past. Laws and policies such as the Magna Carta for Small Enterprises (1997), SME Development Plan for 2004-2010, and the Barangay Micro Business Enterprises (BMBEs) Act of 2002 are all enacted to complement the government's foreign direct investment programs and not directed to exploring and developing the SMEs full potential as a vital sector to the country's economy.

Worse, with JPEPA, the government is opening up this potential for further exploitation in the hands of Japanese investments with no bounds and limits.

Unfortunately, JPEPA provides no safety guarantees or protection for workers in the SMEs. Article 148 of the agreement maintains that the operation and implementation of any plan for SMEs is not in any way covered by the dispute avoidance and settlement provisions.²⁰

Also, one of the major incentives provided for by the BMBEs Act of 2002 is the exemption from the Minimum Wage Law. If SMEs generated 69.1% employment, how much worse can be expected after integrating this Act to JPEPA?

Conclusions

The workers and the labor movement in Southern Tagalog, particularly in CALABARZON, faced and struggled against the exploits of Japanese capital, despite the life-and-death situations these workers have to bear.

¹⁷ *Implementing Agreement between the Government of Japan and the Government of the Republic of the Philippines Pursuant to Article 12 of the Agreement Between Japan and the Republic of the Philippines for an Economic Partnership*. Chapter 11, Article 47, p. 26.

¹⁸ Etsuko Sugiyama. *Situation Analysis of Small and Medium Enterprises in Laguna*, 2000.

¹⁹ DTI Undersecretary Elmer C. Hernandez presented his powerpoint presentation *Determinants, Measures and Policies Supporting FDI by SMEs in the Philippines* in the ASEAN-Japan Seminar on FDI: Sharing Japanese SMEs' Dynamism in ASEAN Integration held in Tokyo, Japan on May 28-29, 2007.

²⁰ *Ibid*, Chapter 14, Article 148, p. 109.

Given the experiences under Japanese capital and the imminent danger posed by JPEPA, workers see a bleak horizon ahead. The above-mentioned provisions in relation to the issue of labor seem to appear as mere ornaments as the Philippine government has made sure its trade and investment mechanisms suit the intent of foreign direct investments, even before JPEPA was signed.

All FTAs, even in the language of GATT-WTO, include provisions on the respect for workers rights to make it appear humane to most Third World countries involved in such agreements. That goes the same with JPEPA. The Philippine government's anti-labor mechanisms attuned to its foreign investment policies are enough proof that such provisions are worthless in practice.

The real and biggest gainers in JPEPA are the Japanese capitalists and the Philippine government who work in tandem in further exploiting the already sorry state of the Filipino workers. Sure, the Philippine government will get a chunk out of the concessions entered with Japanese investors, but it goes directly to their coffers and to the pockets of corrupt officials. At the other end, workers, peasants, and impoverished sectors get to be the sacrificial lambs.

With workers' interests diametrically opposed to the interests of capital, it is expected that PEZA, DTI, DoLE, LGUs, and other government agencies will double their systematic efforts in maintaining low wages to accommodate the interests of Japanese investments.

JPEPA will exploit the cheapest of labor these Japanese investors can get in the Philippines. Unionized and non-unionized enclave workers, especially those employed in Japanese companies, will experience drastic restrictive measures to the total curtailment of their rights. Exploitation will further intensify in the new bastion of cheap labor in the SMEs which employ mostly un-unionized workers.

JPEPA served as a gateway for further investment and trade bilateral ventures which made it harder for economies to materialize within multilateral talks in the GATT-WTO. Should it be ratified, JPEPA will be a precedent for the Philippine government to enter into countless bilateral FTAs. With this, the wholesale of Philippine patrimony and dignity commences.

If we are to critically understand JPEPA and its implications to the Filipino working class, we have to thoroughly understand the monster from which it came from - imperialism. The intensifying exploitation of cheap and docile Filipino labor within the bounds of JPEPA is part of Japanese imperialist hegemony in Asia. Japan's and US's dominant role in Asia is characteristic of imperialism's continuous division of the world among superpowers.

Since the formation of the CALABARZON, the workers in Southern Tagalog have seen the face and wrath of foreign monopoly capitalists much more ferocious than the local bourgeoisie, their previous boss in the 70s and 80s. CALABARZON workers and the whole Philippine labor movement are left with no option but to take the challenge and raise to a higher plane the militant struggle against the intensifying onslaught of Japanese imperialism and the puppet Philippine government as JPEPA takes effect. ###