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The Social Development Impact of TNCs in the Philippines

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Transnational corporations (TNCs) dominate the oil, pharmaceuticals, food and manufacturing sector. Central to the discussion is the question of whether TNCs have been beneficial to the Filipinos through the employment they have generated. Also discussed are the operation of export processing zones and the special economic zones as well as the general characteristics of foreign investments in the Philippines. Beneficial effects of TNC operations, in general, have been dampened by the recent job restructuring brought about by the application of new technologies, subcontracting and other cost-cutting measures.

Introduction

To some sectors, nuances in meanings exist for the use of terminologies like multinational corporations, transnational enterprises or transnational corporations. For brevity of discussion, the terms transnational corporations (TNCs) and multinational corporations (MNCs) will be used interchangeably. According to the United Nations Conference on Trade and Development (UNCTAD), TNCs are "enterprises comprising of a parent firm which controls assets of other entities in countries other than its own" (*Ibon* 1997f: 4). In a similar fashion, Müller defines a multinational corporation as:

> a company with its parent headquarters located in one country and subsidiary operations in a number of other countries. The central characteristic of a multinational corporation is that it seeks to maximize the profits not of its individual subsidiaries, but rather of the center parent company (Müller 1979: 15).

Most TNCs are generally incorporated in and based in North America, Japan and Europe. Top management and major decisionmaking policies are also executed in these headquarters (Karl 1983: 25). Data on the performance of TNC operations based in the different host countries are collated by and reviewed at the headquarters by top management; strategic decisions on expansion or reduction of operations in the different host countries are likewise

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executed at this level by the TNC's chief executive officer (CEO) and top corporate management composed mainly by home country nationals (Samuel 1993).

The overall performance of the TNCs depends on the conglomerated reports of the subsidiaries. Hence, it is possible that a certain subsidiary officially reports losses because this can be offset by their operations in other countries. Oftentimes, profits are repatriated to their countries of origin thereby negating the assertion that TNCs are global enteprises that have no nationality. The sheer magnitude of their operations and resources enables them to shift their operations to places where investment is most profitable.[1]

The presence of TNCs cannot be ignored. They account for 67 percent of global trade and 75 percent of the total world investment (Tujan 1996 as cited in *Ibon* 1996c: 4).

This article takes a look at the behavior of TNCs in general, the Philippine laws on foreign investment, operations of TNCs in the Philippines and the labor dimension of the operations of TNCs. Thus, it will address such questions as: (1) How does employment in TNCs affect the conditions of those employed by its subsidiaries in the host country? and (2) How do operations of TNCs in general affect social development of the host country? In particular, the plight of workers in TNCs especially those in the export-led industries will be discussed. The conditions of workers in Export Processing Zones (EPZs) where TNCs abound will also be looked into.

Need for a Realistic View Towards TNCs

As Augusto Espiritu (1978: 77-81) cautioned, there is a need for an increased awareness and understanding of what MNCs are and what they can bring to a nation—realistically and not based on any romantic ideas about them. He further says that to optimize whatever benefits from MNCs, there are guidelines to follow: Foremost is that, multinational corporations are not panaceas for development; they are at best, development facilitators and at worst, instruments for domination of the economies of host countries. They are huge institutions that can juggle money, resources and people from one continent to another. Secondly, such increased awareness should be highlighted by the recognition that when we talk about multinationals we are talking essentially about power—economic, and perhaps, political and cultural—and its uses. Thirdly, governments of developing countries should wake up from the naive idea that foreign investments and multinationals are there to help underdeveloped countries in their quest for economic growth. But that they are there, as a matter of corporate policy, in quest of greater profits. Fourthly, they are not known to have reduced inequalities within their host countries nor have

they alleviated poverty. Fifthly, the highly limited participation of local management, technologists, engineers and skilled workers in contributing whatever increase in gross domestic product is, in reality, offset by their alienation from the broader society of their host nations as their lifestyles and civic consciousness are being conditioned by their loyalty to their 'multinational company'. Lastly, it should be recognized that multinationals vary considerably: while most of them are powerful, a few are not; while some make impositions on their host governments, some do not; while some have records of undesirable business practices, others do not; while some may be giants, others may not be. Thus, TNCs must be dealt with on a case-to-case basis. Dealing with Kentucky Fried Chicken chains might be quite different from dealing with Mitsubishi, United Brands or Shell, whose sales generally exceed the Philippine government's GNP (Espiritu 1978: 78-81). According to Ibon's (15 June 1997) estimate, it will take 78 years for the Philippines to match Royal Dutch Shell's profit of $6.9 trillion in 1995, the highest profit generated by a TNC for the year (*Fortune,* 5 August 1996).

In a globai scale, transnational corporations earn more than a sizeable number of countries. For instance, the American retail company WalMart generates more revenues than 161 countries; Indonesia lags behind the income of Mitsubishi, the world's largest transnational conglomerate (*Ibon* 1997f: 2). Moreover, the combined revenue of 182 countries is lower than the $7.1 trillion aggregate income of the world's 200 biggest TNCs.

As Table 1 indicates, four of the five largest corporations are Japanese. Indeed, Japanese investment in Southeast Asia has been quite massive. In 1994, Japanese firms employed approximately 800,000 people in the Association of Southeast Asian Nations (ASEAN) countries. The ASEAN automotive market, for instance, is controlled by Japanese manufacturers, which account for 90 percent of total production in the region. To illustrate its enormous presence in the region, Malaysia's Gross Domestic Product (GDP) only constitutes between four to five percent of Matsushita Electrical Co., Ltd.'s income (Johnstone and Yamakoshi 1997: 3).

TNCs neither operate for meritorious nor for benevolent reasons. The United Nations Center for Transnational Corporations admitted that it is profitability that is the main factor for deciding whether they will enter a country or not. The country's needs or foreign investments law, no matter how liberal, hardly come into the picture as far as decisionmaking regarding investing in a particular country or not is concerned (*Ibon* 1988: 3). A total of 73 million people or 3.1 percent of the world's labor force are directly employed by the transnationals. Those indirectly working for TNCs through contractual arrangements are not yet included in this total (*Ibon* 1997f: 3).

Table 1. Revenue of the Five Largest Corporations (In Terms of Revenue) and GDP of Selected Countries

Transnational Corporation	*Revenues* ($ millions)*	*Assets (millions)*
1. Mitsubishi (Japan)	184,365	91,920.6
2. Mitsui (Japan)	181,518	68,770.9
3. Itochu (Japan)	169,164	65,708.9
4. General Motors (US)	168,828	217,123.4
5. Sumitomo (Japan)	167,530	50,268.9
Selected Countries		
1. Rwanda	1,359	
2. Bangladesh	23,977	
3. Philippines	54,068	
4. Venezuela	59,995	
5. Singapore	55,153	

*Country Revenues as measured by GDP
Sources: *1996 Fortune Global 500* and *World Development Report* (1995). As printed in *Ibon* (1997f: 3).

At the bottomline, we cannot stop the operations of TNCs. They are already here and it would be too abrupt an economic policy to stop their operations which would cause serious economic dislocations to the country. Joseph Lim (1991: 53) debunks the myth that:

> since the Philippines is a victim of imperialism, it must cut all its economic ties with the developed world. Specifically, this means an end to much of foreign trading with developed countries, an end to all foreign investments in the country, an end to all foreign aid and loans from the developed world.

He says that the right policy is to pursue long, medium and short-term plans in order to "change the *composition* of exports and their *interlinkages* with the other industries of the economy" (Lim 1991: 54; italics in original).

TNCs dominate the food and agricultural sector, fishing, food processing industry, garment factories, manufacture of chemical products from agrochemicals, pharmaceuticals to plastic, oil industry, motor vehicles and electronics. According to the Securities and Exchange Commission (SEC), the top five food manufacturing TNCs in the Philippines in 1995 are Nestle Philippines (Swiss), Dole Philippines, Inc. (American), Del Monte Philippines (Panamanian), Coca-Cola Export Corp. (American) and California Manufacturing Co. Inc. (American) (*Ibon* 1997g: 5). In the same year (1995), the SEC also reported that the top ten TNCs in the garment sector include:

Triumph International (Philippines) Inc. (Swiss); Levi Strauss (Philippines) Inc. II (American); Gelmart Industries Philippines, Inc. (American); Capital Garments Corp. (British/Mauritius); Aris (Philippines) Inc. (American); Novelty Philippines, Inc. (American); GTI Sportswear Corp. (American); Norgate Apparel Manufacturing, Inc. (Japanese); and All Asia Garment Industries, Inc. (Taiwanese) (*Ibon* 1997e: 7).

Some claim that local companies are also emerging as TNCs, making their presence felt in several countries in the region, particularly referring to the country's top beer manufacturer San Miguel Corporation (SMC). Starting 1989, the SMC has expanded its transnational operations. To date, it maintains five breweries in Hong Kong, China, Indonesia and Vietnam; it manufactures plastic crates and pallets in China and Indonesia; it has a crown line plant in China; and it manufactures ice cream in Taiwan. While this phenomenon may offer some glimpse of hope for the national economy as a whole, this has also caused workers to fear that jobs might be exported to other developing neighbor countries that offer cheaper labor.

In the process of data collection for this study, an observation worth mentioning is the apparent lack of the Philippine government's capability to monitor the actual presence of TNCs and foreign investments in the domestic economy. This institutional capability is a necessary precondition for the government to gain an upper hand in regulating their growing presence and in curbing their excesses, whenever necessary. Tracing the magnitude of TNCs' presence in the country is cumbersome, aggravated by the inconsistency of data among the agencies of government supposed to keep track of their presence—the Securities and Exchange Commission (SEC), Board of Investments (BOI) and the *Bangko Sentral ng Pilipinas* (BSP). A lot remains to be derived in promoting the efficiency and interagency networking among these three agencies in terms of data collection and management.

Investment Policies and the Industrialization Strategy

Related government policy measures in the Philippines which affected foreign investment include the following:

The **Laurel-Langley Agreement (of 1954)** gave Filipinos the parity right to penetrate and exploit the U.S. market and extended the parity rights of Americans to all spheres of economic activities in the country. This enabled the US "to protect existing interests in the Philippines and ensure an adequate supply of its raw materials" (IDOC 1973: 11). On the whole, this legislation also seemed to veer the Philippine economy away from too much reliance on U.S. imports, "while keeping open the advantages of the U.S. as a market for as long as possible" (IDOC 1973: 11).

R.A. 1937 (1957) or the **Tariff and Customs Code of the Philippines** which superseded the Philippine Tariff Act of 1909 was intended primarily to raise revenues for the government.

R.A. 5186 or the **Investments Incentives Act (1967)** extended various incentives and guarantees to domestic and foreign enterprises engaging in preferred areas of investment.

R.A. 5455 or the **Foreign Business Regulations Act (1968)** regulated foreign investment whose equity participation exceeded 30 percent in enterprises that were not registered under R.A. 5186 or the Investment Incentives Act of 1967. For enterprises whose foreign equity exceeded 30 percent, prior approval of BOI must be obtained. If not, registration with BOI is enough.

R.A. 6135 or the Exports Incentives Act which was passed by Congress in 1970 included among its salient provisions the granting of additional incentives to export producers such as tax credits, reduction of income tax for the first five years after registration, tax exemption on imported machinery, equipment and spare parts for five years after their registration, and exemptions from the export tax. This legislation signalled the onset of the export-oriented industrialization strategy of the country.

Attraction of foreign investments was the primary aim of several other legislations during the Marcos years. **P.D. 1789 (Omnibus Investments Code of 1978)** and **B.P. 391 (Investment Incentive Policy Act of 1983)** amended P.D. 1789 by modifying the system on the grant of investment incentives or the establishment of export processing zones such as **P.D. 66 (Creating the Export Processing Zone Authority)** signed in 1972 and its subsequent amendments.

EO 226 or the **Omnibus Investments Code of 1987** regulated the entry of foreign investment in enterprises not registered under Book 1 of the Code whenever their equity participation exceeded 40 percent (formerly 30 percent).

R.A. 7042 or the **Foreign Investment Act (1991)** liberalized the existing regulations by allowing foreign equity participation up to 100 percent in all areas not specified in the Foreign Investment Negative List. With the enactment of this law coupled with the impact of EO 226, the Philippines has been considered at par with its ASEAN neighbors in terms of policies pertaining to the TNCs (Mercado-Aldaba 1994: 11).

R.A. 7718 amended certain sections of R.A. 6957 on the financing, construction, operation and maintenance of infrastructure projects of the private sector. It gave financial incentives to the private sector and provided a

climate of "minimum government regulations and procedures and specific government undertakings in support of the private sector" through the build-operate-transfer scheme and its variants.

R.A. 7844 or the **Export Development Act of 1994** mandated export development as a national concern aimed at supporting the private sector-led export industry for a sustainable agri-industrial development to enable the Philippines to attain the NIC (newly industrializing country) status by the year 2000. It also required the Department of Trade and Industry to prepare a rolling three-year Philippine Export Development Plan (PEDP) which shall form part of the Medium-Term Philippine Development Plan.

R.A. 7916 otherwise known as the **Special Economic Zone Act of 1995** provided for the legal framework and mechanism for the creation, operation, administration and coordination of special economic zones in the Philippines and created the Philippine Economic Zone Authority (PEZA). It designated certain parts of the country as special economic zones, industrial estates/parks, export processing zones, and other economic zones. This paved the way for the creation of the Laguna Technopark, the Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) growth area, Brunei Darussalam, Indonesia, Malaysia and Philippines – East ASEAN Growth Area (BIMP-EAGA), and the Northwestern Luzon Growth Quadrangle (also known as the North QUAD).

In a nutshell, there are three types of industrialization pursued by the government: (1) agri-based industrialization which is associated with the prewar free-trade policy imposed by the United States on its former colony; (2) import-substituting industrialization (ISI) strategy undertaken by the nascent industrializing elite in the 1950s and the 1960s; and (3) an export-oriented industrial (EOI) development based on labor-intensive manufacturing. EOI has been staunchly promoted by government technocrats beginning in the 1970s.

Agriculture-based industrialization fluorished during the American occupation under which the cash crop economy was most prominent. Raw materials like bananas and pineapples were exported mainly to the US market.

The ISI strategy started in 1949 when the government imposed import and foreign exchange controls to check on the balance-of-payments crisis. Thus, throughout the 1950s, an overvalued currency was propped up by protective tariffs and quantitative import restrictions (Mercado-Aldaba 1994: 5).

Export promotion officially started with the promulgation of the Export Incentives Act of 1970. This strategy aimed to encourage the growth of non-traditional exports. Nontraditional exports were envisioned to be the main engine of the country's industrial development. However, growth of only a few commodities was actualized. Such growth has been limited to the garments and

semi-conductor devices. These sectors have also been very dependent on imported raw material inputs (Mercado-Aldaba 1994: 9). The Aquino and Ramos administrations have not veered away from the export-oriented policies started during the 1970s by then President Marcos.

The export-oriented policy of the government has also encouraged subcontracting. International subcontracting refers to:

> a subcontracting arrangement where the principal or contractor is based in one country and the subcontractors, in another country. Oftentimes, the subcontractor chosen by a contractor abroad still engages in further subcontracting by fanning out jobs to smaller firms and the smaller firms, in turn, distribute the work to other small firms or households where the jobs are done by domestic outworkers. Hence, subcontracting may take place at several levels (Ofreneo 1983: 33).

The process of subcontracting has in effect encouraged foreign investors to no longer bring into the country fresh capital but to rely on local subcontractors (Ofreneo and Habana 1987: 134). Subcontracting is most dominant in the garment and semi-conductors industries. This encourages flexible labor, a practice whereby employers reduce their production cost by further cheapening the cost of labor. Hardest list by this phenomenon are the women workers, majority of whom are employed in the services sector and burdened by meager salaries and job insecurity.

TNC Operations in the Philippines

How They Operate

TNCs may operate in a variety of ways: (1) they may set up a subsidiary which they may own either wholly or partly, (2) they may enter into joint venture with Filipino capital, or (3) they may invest in domestic corporations through the so-called minority shareholdings.

The first type of operation is exemplified by such companies as Coca-Cola, Procter and Gamble, Toyota, Motorola, Dole Philippines, Del Monte Philippines and similar companies which carry their international brand names with them when they establish their subsidiaries in the country. To be cited here is the Del Monte Philippines (DMPI).

Established in 1926, DMPI is wholly a subsidiary of Del Monte Tropical Fruits Company of Coral Gables, Florida. DMPI is important to the Del Monte group because sales from the Philippine operations constitute 50 percent of the group's annual world sales. The net worth of Del Monte Corporation is estimated at $1.05 billion in 1988 (Ravanera 1990: 2). DMPI's plantation site in Bukidnon started operations in 1928 as an alternative site for the production of

tropical fruits due to the bug infestation in their plantation in Hawaii. Other plantations are located in Thailand, Kenya, and Costa Rica. Bukidnon was chosen as the site of the plantation for a number of good reasons, namely, fertile soil, rainfall pattern that is conducive to agricultural production, location outside the typhoon belt and good ports and shipping facilities.

Canned and fresh pineapples account for 85 percent of the total volume of its fruits and vegetables production. DMPI also operates a can-making plant, a vinegar plant, a catsup plant, juice concentrate plant, and fresh tomato processing plant. In 1989, it entered into the banana industry through a growers and management contract with eleven big companies. In the same year, it also ventured into catching tuna fish from Sulu and Mindanao seas in collaboration with the Philippine government and the U.S. Agency for International Development. Said tuna are either shipped to Manila for domestic consumption or sent to its sister company in Mayaguez, Puerto Rico. On top of this, DMPI also manages one of the biggest cattle farms, where cattles feed largely on wastes derived from the processing of pineapples (Ravanera 1990: 2-3).

The company started with an initial investment of less than $1 million, including its can-making plant. Its exports started to grow in 1934 and by 1937, its exports amounted to $1.67 million, half a million more than its original investment. DMPI experienced rapid growth for the years 1974-1984 when it landed in the SEC's list of top 1000 corporations. In 1987, DMPI was 27th among the top 1000 corporations in the Philippines. Its sales amounted to ₱2.23 billion with a net income after tax deduction amounting to ₱414.3 million. For the same year, DMPI paid the Bureau of Internal Revenue ₱420 million and an additional ₱1.5 million for business tax. It paid ₱537 million in salaries and wages. Its estimated value was placed at over $100 million (Ravanera 1990: 4).

DMPI's net sales soared from 1974 to 1984 due to the transfer of the major bulk of Del Monte's operations from Hawaii to the Philippines. This shift in operation was triggered by the large difference in wages. While Del Monte has to pay the Hawaiian plantation worker $2.54/hour, it only has to pay the Filipino worker $15 cents/hour. Cannery workers in Hawaii are paid $2.69/hour but their Filipino counterparts are paid a measly $20 cents/hour (Ravanera 1990: 4).

To illustrate how TNCs operate in the Philippines according to the second mode of operation, the case of Adriste Philippines is presented below. Adriste Philippines, among the first companies to operate in the Baguio EPZA in 1980, started with only 14 workers. Adriste is an example of a joint-venture between Italian and Filipino capital. Officially a part of Portolano products in Italy, Adriste Philippines serves as a factory while finance is handled by Adriste Hong Kong.

Aside from fashionable leather gloves, Adriste also produces knitted gloves, berets, fashion hats, shawls and scarves. It produces about 300,000 pairs of leathers and knitted gloves yearly. Raw materials like leather and suede are brought in from Italy, Japan and Taiwan. Only Filipino labor is being utilized. "But Adriste Philippines [has proven] that Filipino craftmanship is really world class," attests Adoracion Sta. Maria, general manager of Adriste Philippines at the Baguio EPZ located in Loakan Road (Climatu and Villamil 1995).

Adriste Philippines is the only company at the Baguio EPZ which hires workers who did not finish high school. As long as they know how to write and read, they can be hired by the company. Most of its 300 workers (about 240 women) come from Baguio and nearby areas.

But one should not look for Adriste brands on their finished products because their items carry such brand names as Portolano, Cashmere, Agneau, Saks Avenue, Moshino, Neiman Marcus, Ginza, Nordstrom, Anne Tyler, Ralph Lauren and Yves St. Laurent. From this example, it is evident that the local content contribution of Adriste Philippines is limited to the labor input.

The third type of operation is exemplified by Mitsubishi of Japan which has opted to invest in minority shareholding in eight local firms. Another example is General Motors of the US, which has invested in four domestic firms. However, minority shareholdings should not be underestimated because they can already influence the operations of domestic firms (*Ibon* 1988: 2).

There are of course other examples of TNC operations. In the electronics industry, companies like Matsushita, Sharp, Clarion Manufacturing Corp., Muramoto Audio-Visual Instruments, and Fujitsu count among the more prominent ones. Most of these firms merely produce parts or assemble devices. There is therefore very low local content of these electronic exports. In most instances, the only local content is cheap, unskilled labor (*Manila Bulletin*, 2 December 1994).

Pricing of Products

Research and development (R & D) costs form parts of pricing products of TNCs. For instance, in the drug industry, high import costs of finished and semi-finished supply of inputs are compounded by their huge R & D expenditures and promotion and marketing costs. Thus:

> The huge marketing and R & D expenditures incurred by the transnational companies worldwide are borne by all consumers, including the poor ones in the developing countries, although such expenditures contribute little to the real health needs of the vast majority of the developing world (Torres 1978: 190).

According to a study conducted by the LALL-UNCTAD, marketing expenditures of big drug firms range from three to four times R & D expenditures and account for up to one-third of the value of sales. In concrete terms, the Bristol Laboratories for instance, had a total net sales of ₱30,680,000 in 1975, the total cost of promotions and marketing alone amounted to ₱10,147,766, which is about one-third of the value of sales (Torres 1978: 190).

Another problem found in the drug industry is that 95 percent of raw materials being used for manufacturing drugs is imported. Basic chemical manufacturing is almost absent in the Philippines (Federation of Filipino Drug Industry 1995: 34). The local drug industry is largely confined to formulating, compounding and packaging (Varela with Pedroso 1997: 46).

In the oil industry, transfer pricing is a central issue. Transfer pricing refers to the "practice of transnational oil firms to peg different prices of their products in the countries they operate to gain more profit and instigate cutthroat competition" (Arao 1997: 12). Thus, a barrel of oil usually costs higher in the Philippines than in the US, with the average price difference from 1990 to 1997 computed at ₱180.38 per barrel (Arao 1997: 12).

Wages in Foreign Firms

Despite claims that wages in the Philippines are quite low, there is enough data to warrant that foreign-owned enterprises in the Philippines usually pay their workers higher wages than their locally-owned counterparts. In a study conducted by Edmundo Bulatao of the Institute of Economic Development and Research of the U.P. School of Economics on some 838 firms of the 1000 largest corporations in the Philippines in 1970, foreign-owned firms in practically all sectors pay higher wages than their Filipino counterparts (Torres 1978: 168).

Elias Ramos (1975: 83) also observes that the Filipino unionists maintain a somewhat ambivalent attitude on multinationals because they are perceived as good providers of higher wages and other workers' benefits. Unionism in the Philippines has remained "rice and fish unionism," meaning its primary concern is to bargain for higher wages and better terms and conditions of employment (Ramos 1976: 33).

The International Labor Organization (ILO) explains why foreign firms can afford to pay higher wages: (1) Their ability to pay is generally higher than those of the local employers; (2) Foreign owned firms with expatriate personnel have to pay them at least as much as they would earn in their own country; and (3) High wage policy may be adopted for creating a good image (Torres 1978: 170-172).

As Mr. Whiting raised in an open forum on the failure of EPZs in the Philippines, MNCs are not violating the minimum wage law unlike the small operators and manufacturers (Cariño 1989: 155). But because subcontracting has paved the way for the contractualization of labor, workers have to contend with lesser wages and benefits. As of January 1997, the average daily cost of living for Filipino families with six members is ₱309.30 and the daily poverty threshold is ₱146.05 amid a minimum wage of ₱143.66 (DOLE in *Ibon* 1997b: 3). Thus, a Filipino worker with a family of six subsists barely above the poverty threshold level. In an open forum with the Department of Labor and Employment (DOLE), the government representative aired that the Department is tolerating this because doing otherwise would mean eliminating jobs; it is better to have jobs that are paying below the minimum wage than have no jobs at all (Cariño 1989: 155).

In 1994, the DOLE's regular survey showed that one out of four firms were violating the minimum wage law. Parenthetically, only the unionized workers (thirteen percent of the employed) were paid the minimum wage. The situation slightly improved in 1995, with almost 20 percent of the companies—one out of five firms paying their workers below the legislated minimum (*Ibon* 1996a: 7).

Unfair Labor Practices

Driven by the desire to maximize the company's profits, unfair labor practices of TNCs have been documented. A case in point is that of Wyeth-Suaco, a TNC firm owned by the American Home Products which specializes in the production of drugs and infant formula like S26, Bona, Nursoy and Promil. These unfair labor practices include the withdrawal of some benefits, oppressive Company Work Rules (CWR) or Company Rules and Regulations (CRR), illegal suspension and dismissal of employees, most of whom were members of the workers' union. The CWR was implemented on 7 March 1995. The plight of the workers worsened with the implementation of "6/2", a system of recording the employee's work on a weekly basis stipulating that workers are required to render six days of continuous work and have two days rest, in effect extending the week to eight days. Even if the legality of this issuance was still pending at the Supreme Court, the company started implementing it. The management promised the employees that they would earn more without diminishing their benefits, thus prompting the National Labor Relations Commission (NLRC) to decide in favor of implementing it. When the 6/2 arrangement was actually implemented, however, the company reneged on its earlier promise and claimed that the interpretation of the Wyeth-Suaco Laboratories Progressive Workers' Union (WSLPWU) differed considerably from that of the management's (Ibon 1997c: 10).

Before 6/2, the union's grievance committee claimed that workers were given 100 percent and 50 percent premium pay whenever they were asked to work on Saturdays and Sundays. Employees who do not report for work on the sixth day have no obligation to file any leave of absence, they are simply not entitled to the additional pay had they gone to work on the sixth day. Under the 6/2, workers are still entitled to premium pay during Saturdays and Sundays but the sixth day is not considered a premium day (*Ibon* 1997c: 10).

Unfair labor practices are also rampant in the export processing zones. Forced overtime, mass dismissals of unionized workers, and termination of employees once they get married continuously faze EPZ workers.

Work Hazards

In electronics industries, workers have to see through microscopes while attaching minute wires to silicon chips. Prolonged exposure to this activity can cause deterioration of eyesight until such time that they could no longer work and find themselves jobless. There are also workers who must dip chips into toxic acids or coat them with silicon. This exposes them to a fatal lung disease.

Textiles, on the other hand, expose workers to fiber dust that can also cause lung disease. Agricultural plantations in Mindanao likewise subject their workers to the hazards of pesticides and toxic chemicals (Karl 1983: 29-31).

Women workers which abound in the electronics, textile and agribusiness industries are further exposed to sexual harassment and exploitation. Oftentimes, male supervisors demand sexual favors from women in exchange for hiring them, keeping them on, promotion or raises, or simply because they are in positions of auhority over them and have the power to intimidate them (Karl 1983: 29).

On the Operation of Export Processing Zones and the Special Economic Zones

There are four national Export Processing Zones (EPZs) in the Philippines and they are found in Mactan which began operations in 1971, Bataan established in 1972, Baguio City set up in 1981, and Cavite. In addition, there are industrial areas which have been designated as special economic zones such as the Laguna Technopark and those located in Batangas, Leyte, and Zambales, and Mindanao.

EPZs have contributed 4.6 percent of the country's total exports in 1984; in 1995, this grew to 24.7 percent. As of June 1996, EPZs employ a total of

134,726 people (Takahashi 1995: 88). EPZs are administered by PEZA. Firms located in the EPZs pay the national government for the use of land. In the special economic zones, the private firms are the ones managing their affairs.

A free trade zone is an enclave within a country that is partially or totally exempt from customs and tax levies and other laws and decrees of the country. The creation of export processing zones in the 1970s is within the export-oriented industrialization (EOI) scheme of the government which started in the 1960s. This replaced the earlier import-substitution industrialization (ISI) strategy. While ISI encourages local industries to produce for domestic consumption, EOI promotes an industrialization strategy of producing goods and crops for export. The latter strategy is good for the short-run objective of raising dollars for the cash-strapped domestic economy in order to sustain the payment of its imports and foreign debt obligations.

Diokno (1989: 158-159) says that she does not understand why the government is pursuing the concept of EPZs when it is very clear from the then proposed Omnibus Investment Code that they are not expecting the zones to be financially viable and yet allocates ₱2 billion in cash for their operation.

Job creation caused by the operation of EPZs in developing countries have been estimated to be less than one million people or 2.6 percent of the labor force in manufacturing industries. Employment has also been generally characterized as based on low skills and low wages. It has also been observed that in cases where wages in host countries increase, foreign corporations are more likely to move in other areas of low-cost operations rather than upgrade their production processes. In effect, technologies employed in EPZs are limited to simple ones where training and skills upgrading of the local labor force is almost nil (Diokno 1989: 142).

Tiukinhoy (1990) conducted a survey in Mactan EPZ. This survey was participated in by 217 female respondents (85%) and 38 male respondents (15%). In consonance with the usual notion, the jobs available at EPZs are mostly monotonous as in assembly and packaging in electronics, plastics, garments and leather industries, the positions in the sample were: operators and other production employees - 75.7 percent; technicians - 4.7 percent; controllers and inspectors - 6.2 percent; production aides and clerks - 5.5 percent; maintenance and utility workers - 3.1 percent; and group leaders and supervisors - 4.7 percent (Tiukinhoy 1990: 21).

As to training programs, seven out of nine participating firms in the same study reported having training programs (Tiukinhoy 1990: 30). Shiftwork is also common in the Mactan EPZ as indicated by 98.4 percent of the respondents. Shift rotation was practiced according to 49.0 percent of the respondents while another 45.9 percent said they did not have shift rotation.

There were 121 or 84.6 percent who stated that they were not allowed to choose their shift. More than half (54.5%) of those doing shift work reported working on two shifts and a small percentage (11.1%) worked on three successive shifts (Tiukinhoy 1990: 38). Women workers who were asked to work between 10 p.m. and 6 a.m. account for 47.9 percent of the respondents. Less than 30 percent reported not having been asked to work on night shift while the rest did not have night or graveyard shifts (Tiukinhoy 1990: 70).

Other benefits accorded to employees include incentive programs, employee services, savings and loan funds, and other leaves of absence. Incentive programs include converting into cash unused sick and vacation leaves, and production bonus in the form of groceries. Employee services include insurance programs, health-related benefits, free uniforms, subsidized meals, educational assistance, Christmas give-aways, recreational facilities, canteen facilities and discount on company products. Other leaves of absence include bereavement leaves, study leave, emergency and paternity leaves (Tiukinhoy 1990: 61).

Women workers in the EPZ in Mactan also enjoy facilities like toilets (87%), dressing rooms (20.7%), lockers (12%), and shower rooms (3.7%). Large companies[2] (those which employ 200 or more workers) also offer other amenities like tissue paper, liquid soap, drinking fountain and drier (Tiukinhoy 1990: 70). Other benefits accorded to women include maternity leave benefits. All except one female respondent reported having received maternity leave benefits (Tiukinhoy 1990: 73).

As regards occupational health and safety, Tiukinhoy (1990: 77-88) surveyed three areas, namely, working environment, provision of health and safety devices, and medical facilities. Working conditions related to lighting, heat, exposure to chemicals, offensive odor, smoke and dust, work space and cleanliness were considered as adequate or acceptable to 94 percent of the respondents. Those who complained of inadequate ventilation (14.1%) and high noise level (8.6%) composed a minority of the respondents (Tiukinhoy 1990: 77). Protection devices were provided free by their companies according to 85 percent of the respondents. Such devices include gloves, finger cots, safety masks/eyeglasses, goggles, eye lope, glass lens, eye wash, ear mufflers, head caps, face shields, arm guard, ground straps, apron and uniform. In certain instances, machine guards, vacuum, spray booths and dust collectors were also provided (Tiukinhoy 1990: 82-83). Regarding the provision of medical facilities, 85 percent (four companies) also reported having clinics in their workplaces while 15 percent (five companies) did not have company clinics. This meant that the larger companies had company clinics. The most frequent complaints pertained to inadequate facilities, limited medicines and poor services. Poor services referred to unavailability of nurses and lack of proper attention. The frequent nonavailability of doctors and dentists also constituted majority of the complaints (Tiukinhoy 1990: 88).

In 1994, none of the 58 firms operating in the Mactan EPZ had organized workers' unions. Meanwhile, 16 out of 35 firms were unionized in the Bataan EPZ in 1993 (Takahashi 1995: 90). Although there has been no official prohibition neither on the part of the government nor of the firms operating in the EPZs, there exists an informal "no union policy" in the EPZs. Because of the high unemployment rate, company rules and regulations matter more to the workers than the labor laws. Takahashi (1995: 106) says that: "There are indications that Filipino managers and officials, not the investors themselves, are the ones who encourage the informal policy."

As the Trade Union Congress of the Philippines (in Takahashi 1995: 91) states in its manifesto, union-busting is prevalent in the EPZs which is done through intimidation of workers, threats of dismissal and factory closures. Moreover, trade union leaders and organizers are dismissed, discriminated, and blacklisted by other companies. Meanwhile, DOLE seems unwilling and unable to enforce the labor laws in the zones. In the Mactan EPZ, local government officials and EPZ administrators obstruct group meetings, stop union organizers and monitor workers entering the zone. In Cavite free trade zone, mass dismissals of unionized workers, forced overtime and bad working conditions are stark realities. In addition, workers are forced to sign a contract upon employment that they can be dismissed once they get married (Takahashi 1995: 91).

Granting that the establishment of EPZs was the most convenient and sound economic arrangement we could work out with the foreign investors during the 1970s,[3] the implementation of the EPZ schemes could have been improved a lot by instituting the following mechanisms: consultation with the people and the local government unit that would be directly affected; application of Philippine labor policies in designated EPZs; expansion of industrial activities to more substantive stages of production going beyond mere packaging or assembly so as to also help the country's labor force truly advance their current level of technical skills. Short of these minimum requirements, the EPZs should not be allowed to operate. The factors of production like land, labor and other government incentives and protection could perhaps achieve better returns-on-investment if channelled into other industrial activities.

Some parts of the country have also been declared as growth corridors. The BIMP-EAGA in the southern part of the country "enables Mindanao to emerge as the country's gateway to the untapped markets of East Asia" (*DevMagazine* 1997: 12). The BIMP-EAGA was informally established in 1992 when then President Ramos proposed to the governments of Brunei, Indonesia and Malaysia the said potential of the area. In March 1994, the other governments pledged their support in a meeting in Davao City, thus marking its formal creation. BIMP-EAGA hopes to promote "trade, investment and tourism with the participating areas through crossborder cooperation"

(*DevMagazine* 1997: 13). To date, fruits and processed foods have been the top exports of Mindanao.

In northern Philippines, another growth center has been designated. Comprising the coastal provinces of Ilocos Norte, Ilocos Sur, La Union, Pangasinan and Southern Benguet, the Northwestern Luzon Growth Quadrangle better known as the QUAD or the North QUAD complements the BIMP-EAGA in the South. The North QUAD was established through Executive Order 175 which created the "Northwestern Luzon Growth Quadrangle Commission" on 30 April 1994, amended by EO 223 on 7 February 1995, EO 259 on 11 July 1995 that created the Executive Committee. The North QUAD also strengthens socioeconomic relations with Asia's tiger economies such as Hongkong, Taiwan, Korea and Japan. This growth center encourages investment in food products, both primary and processed; industries such as dye making, fabricated metal products, electronic parts, leatherware, rubber and plastic products; backward linkage industries such as machine parts, electronics and car parts; small scale specialized production of gift items, house furnishings and decors; tourism which includes package tours and ecotourism; and export of services including data encoding, architectural engineering design and assembly operations (Aguilar 1997: 25).

Foreign Capital in the Philippines

Foreign investors in the Philippines are not only found in the EPZs. Long before the existence of EPZs, TNCs were already doing business in the country taking advantage of our rich resources and penetrating the domestic market. Lately, they have been invading the service sector in such areas as advertising, fast food chains, banks and insurance companies (Diokno 1989: 143-144).

As Mr. Whiting opined (in Cariño 1989: 155), it is up to the Philippine government to control the inflow of capital and how it is used within the country. He goes on to say that:

> (i)f the officials are intelligent and honest, they ought to be able to fulfill that function. They are not and should not be at the 'mercy' of foreign elements. This is a sovereign nation. You make the rules and decide whether the rules you want to make are those that will bring in the capital that you want, if you want it (Cariño 1989: 155).

In terms of foreign direct investment, the Philippines compares considerably well when compared to other Asian countries, except during the twilight years of the Marcos dictatorship when the unprecedented economic crisis gripped the country primarily as a result of massive capital flight, worsened by the inefficient, nonresponsive and graft-ridden bureaucracy towards the mid-eighties. Table 2 shows that in 1969-1971, the Philippines ranked second (US $28.0 million), the lowest was Thailand (US $12.7 million). For the

Table 2. Foreign Direct Investment in Selected Asian Countries, 1969-1982 (annual averages in million of US dollars)

Country	*1969-71*	*1972-76*	*1977-80*	*1981-82*	*1984*[a]
Malaysia	25.2	90.1	95.6	256.2	912
Indonesia	71.4	530.5	62.5	1556.6	927
Philippines	28.0	96.3	178.4	118.7	-6
Thailand	12.7	23.9	84.4	173.3	409
Hong Kong	26.8	115.1	275.3	807.7	...
Korea, Rep.	17.0	108.3	...	184.1	75
Taiwan Province	18.8	21.2	68.8	88.8	...
China	...	...	...	...	1124

[a]Net direct private investment; taken from *World Development Report* (1986: Table 14).

Source: All figures except those for 1984 are calculated from Ariff and Hill (1985: Table 2.7) reproduced from O'Connor (1989: 98).

period 1972-1976 its share increased to US $96.3 million and ranked fourth, next to Hong Kong with US $115.1 million (third), and Republic of Korea with US $108.3 million (second), and Indonesia with $530.5 million (first). In 1984, however, the share of the Philippines dipped to US$ -6 million. This was the time when massive capital flight characterized the Philippine economy during the turbulent years following the assassination of Ninoy Aquino and before the EDSA revolution in 1986. It is surprising to note that China which previously did not figure in has attracted massive foreign direct investment amounting to US$1124 million in 1984.

As a trading partner, the U.S. has been the country's primary source of private direct invesment. American investors have already invested about $80 million in the Philippines as early as 1929. As the IDOC (1973: 11) document shows:

> ... As of 1970, 415 of the 900 largest corporations in the Philippines had equity investments by foreign nationals, according to a survey conducted by the Philippine government Inter-Agency Working Group on Foreign Investment. This survey found that paid-in capital, including capitalized surplus plus retained earnings, belonging to foreign nationals amounted to ₱3.8 billion and was 39.7 per cent of the total equity capital of the 900 firms. Of this foreign investment, 80 percent is owned by Americans. **Based on these statistics, Americans own approximately one-third of all the total equity capital of the 900 largest corporations in the Philippines.**
>
> U.S. investors's share of foreign investment is also significant relative to the sizes of investments by nationals of other countries. As of 1970, Americans had invested ₱2,996 million in the Philippines. The next largest investments came from the Nationalist Chinese, with ₱166 million, the Spanish ₱153 million, British ₱101 million, Dutch

> ₱97 million, Canadian ₱51 million, Japanese, ₱40 million, Swiss ₱20 million, Swedish ₱17 million, and German ₱6 million (IDOC 1973: 11; emphasis supplied).

For the first eight months of 1995, BOI managing director Melito Salazar reveals that $8.1 billion or approximately ₱210.6 billion was registered with BOI (Cahiles 1995: B-1).

Table 3 shows the type of ownership of respondent-corporations to a survey conducted by the Bureau of Labor and Employment Statistics.[4] The highest proportion of respondent corporations (61.1% or 203) were Filipino-owned while 129 or 38.9 percent claimed having foreign ownership in varying proportions.

Table 3. Number of Responding Corporations by Type of Ownership and Major Industry Group, Philippines 1993

Major Industry Group	*Total*	*With Foreign Capital*	*Wholly Filipino*
ALL INDUSTRIES	332	129	203
Agriculture, Fishery and Forestry	6	-	6
Mining and Quarrying	3	3	-
Manufacturing	167	93	74
Electricity, Gas and Water	4	1	3
Construction	12	3	9
Wholesale and Retail Trade	74	8	66
Transportation, Storage and Communication	10	4	6
Financing, Insurance, Real Estate and Business Services	43	17	26
Community, Social and Personal Services	13	-	13

Source: BLES (1995: 5).

Of the 167 firms in the manufacturing sector as of 1993, 93 firms are with foreign capital while 74 are owned wholly by Filipinos. Filipinos dominate the wholesale and retail trade. Out of the 74 firms found in this industry, eight are with foreign capital ownership while 66 are firms wholly owned by Filipinos. In the pharmaceutical industry, however, the TNCs still dominate the wholesale market and leave the drug retail industry to Filipino-owned distributors and drugstores. The production stage is highly concentrated in the hands of giant drug manufacturing foreign companies. Local drug manufacturers are very much dependent on imported inputs, thus stunting the growth of the local drug manufacturing industry.

Statistics from the Board of Investments show that local capital accounts for the bulk of equity investments. Most of these investments though are in export production while production for the domestic market is increasingly dominated by the foreign investors (*Ibon* 1997a: 4). In 1994, the total number of approved equity investments (536 projects) was ₱87.90 billion, of which ₱54.62 billion was local and ₱33.28 billion was foreign. In 1995, 285 projects worth ₱57.53 billion were approved, ₱23.65 billion of said amount was local and ₱33.88 billion was foreign. In 1996, 463 projects were approved worth ₱116.38 billion, of which ₱91.00 billion was local and ₱25.38 billion was foreign capital.

Table 4 indicates the list of foreign equity investments registered with the BSP. For the year 1996, the figures indicate that the top five investors in the country are Japan, British Virgin Islands, United States, United Kingdom and Hongkong. Netherlands also contributed significant amount of investments in 1994, although this capital share declined considerably in 1995 and 1996.

Table 4. BSP-Registered Foreign Equity Investments January to June (in $ million)

Country	*1994*	*1995*	*1996*
Japan	69.79	244.49	285.46
British Virgin Islands	—	—	102.44
United States	75.98	55.82	77.41
United Kingdom	34.40	52.69	58.46
Hongkong	48.73	235.65	49.07
Taiwan	2.35	7.39	36.79
Netherlands	547.77	29.77	34.13
Malaysia	0.03	27.18	15.86
South Korea	6.15	8.16	9.35
Switzerland	0.68	0.38	6.88
Singapore	60.22	75.48	6.58
France	2.79	6.27	5.27
Australia	5.00	19.30	2.04
Others	28.02	52.42	47.51
Total	881.89	815.00	737.25

Note: Figures may not add up due to rounding
Source: Bangko Sentral ng Pilipinas as appeared in *Ibon* (1997a: 5).

The total foreign equity investments has been gradually declining since 1994. This means that new capital infusion into the country is becoming lesser through these past three years. Further aggravating this is the fact that speculative investments—portfolio investments or "hot money"—stay "only as long as the returns are high and risks are manageable." Portfolio investment has accounted for 85 percent of total inflows in 1996 (*Ibon* 1997a: 6).

Impact of TNCs on Labor and Social Development

Labor is the country's main resource. Of late, surplus labor has been absorbed by the informal sector and overseas employment. In fact, overseas workers have become one of the country's major dollar earner in recent years. They are now even heralded as the modern-day Filipino heroes. However, the negative impact of their long separation from their spouses and children as a consequence of working abroad deserves closer scrutiny.

According to the National Statistics Office (NSO), the country's unemployment rate rose to 11.9 percent (3.476 million) as of April 1995 compared to 11.1 percent (3.176 million) during the same period last year. The fact that unemployment continues to be high despite the presence of TNCs in the country indicates the failure of TNCs to absorb the country's surplus labor. As of October 1998, the unemployment rate was pegged at 9.6 percent; this was only 8.4 percent as of January 1998 out of the 31.2 million of the labor force population at that time.

The statistics reflected in Table 5 indicate a growing rate of unemployment in the recent years. The aggregate unemployment rate rose from 10.9 percent in 1996 to 13.3 percent in 1998 despite the growing presence of TNCs in the country.

Table 5. Household Population 15 Years Old and Over by Employment Status, 1996-1998 (in thousands/percentages)

Period	*Labor Force Participation*	*Employment*	*Unemployment*	*Underemployment*
April 1996	30,713 / 69.1	27,358 / 89.1	3,355 / 10.9	13,470 / 22.2
April 1997	31,368 / 68.8	28,195 / 89.6	3,263 / 10.4	14,253 / 23.4
April 1998	32,113 / 68.6	27,835 / 86.7	4,278 / 13.3	14,699 / 21.0

Source: NSO which appeared in Ofreneo and Macaraya (1998: 2).

In a survey in Sta. Fe,[5] one of the barangays in Libona, Northern Bukidnon where Del Monte Philippines is located, three major sectors were identified: the agricultural workers comprising 68 percent of the respondents, the farming sector, 22 percent, and a 'third' sector, ten percent. Third sector refers to those not formally connected with DMPI nor engaged in farming (Ravanera 1990: 8).

The survey shows that the agricultural workers employed by the DMPI are relatively better off than the subsistence farmers and the third sector. The

DMPI workers averaged a yearly gross income of ₱36,921 which is much higher than that of the third sector's ₱24,000 and the farmers' ₱10,105. When computed in per capita terms, the workers averaged an income of ₱5,195 which is significantly higher than the average income of the third sector computed at ₱4,499 and that of the farmers' income at ₱2,088. All sectors had an average of ₱30,315. This is still way below the national poverty threshold of ₱39,728/year in 1988 as computed by the NSO (Ravanera 1990· 8-9). Thus, both the agricultural workers and the subsistence farmers continue to languish in poverty.

According to DMPI, it was able to contribute $75 million to the country's foreign exchange and another ₱420 million was paid in the form of taxes in 1988. During the same year, it had an outlay of ₱537 million in salaries and wages. In addition, DMPI also registered ₱50 million expenditures for community assistance projects, of which ₱5.7 million was allotted for scholarship and community education support. Employment generated by DMPI operations reach 10,600, of which 6,000 are deployed to the plantation area. Moreover, DMPI boasts that at least 250,000 Filipinos directly or indirectly benefitted from its cperations in the country (Ravanera 1990: 9). Ravanera challenges this pronouncement of the DMPI management by comparing its overall profit with what it contributes to the national economy. Thus:

> This financial contribution, however, should not be taken at face value but must be viewed as a percentage of the corporate's profit. To illustrate, consider the company's return to equity. The average return to equity for a seven-year period (from 1957 to 1963) was 199 percent. This means that on its equity of ₱1.75 million (value for 1962), it was remitting to the mother company twice that amount for a cumulative income of more than $24 million. In a country where a good return on the money capital ranges from 12 to 20 percent, a 199 percent/year return on its capital is more than just good business. Thus, **the company's contribution to the economy is minimal compared with the profit it makes** (Ravanera 1990: 9; emphasis supplied).

Regarding the impact of TNCs on local industry, one Filipino head of a very successful medium size business complains that TNCs, particularly those in joint ventures which are going into areas formerly supplied by local small and medium business, are pushing small and medium business to become small subcontractors. As Stauffer (1979: 17) said, "TNCs are forcing them to use TNC marketing channels, drying up earlier independent outlets."

Impact on Labor of Structural Changes in Manufacturing / Operations

Labor-saving devices and equipment/machinery have made the work of a significant number of production workers redundant or irrelevant/incompatible

with the new technologies. In food processing industry, those engaged in materials handling and packaging have been displaced. Most of these jobs have been subcontracted in favor of former and retired employees. An example is San Miguel Corporation, which is now subcontracting the distribution of its products.

Automation of certain industries has made formerly labor-intensive production processes more capital-intensive. For instance, in the garments industries, highly sophisticated sewing machines have eliminated the services of sewers.

Increasing automation is likewise noticeable among multinational banks (MNBs). MNBs have passed the phase of growth of employment in the 1980s, and have now "entered a period of consolidation." MNBs have passed the labor-intensive phase and have metamorphosed to a phase of maturity and have now adopted new technologies which are more capital intensive (ILO 1991: 142). As a result, job contents have also changed. These have, in turn, implications on the organizational and occupational structure in these institutions (ILO 1991: 141).

Workers' Involvement in Strikes

Statistics show that the incidence of strikes has declined in the last decade. In 1986, work stoppages have peaked at 581; these decreased to 94 in 1995. Man-days lost due to strikes reached 3.6 million in 1986; this lowered to 0.584 million in 1995 (*Philippine Yearbook of Labor Statistics* as cited by Aldaba 1996: 5). As of 1994, the unionized workers represented thirteen percent of the employed (*Ibon* 1996a: 7).

At the surface, this decline of strike activity may signal the attainment of industrial peace, that is, contentment on the part of the workers. A closer scrutiny however depicts the following reasons: (1) growing concern of trade unions towards survival issues—as a result of intense competition among business firms, workers face grave threats of unemployment and retrenchment when their companies fold up; (2) the high costs of staging strikes, not only in monetary terms but also in human lives; (3) new forms of industrial organizations (e.g. subcontractors, decentralized setups), which have made it more difficult for workers to organize themselves into unions; (4) increased government intervention in settlement of labor-management disputes through alternative means like preventive mediation, voluntary/compulsory arbitration; and (5) fragmentation of the big labor unions like the *Kilusang Mayo Uno*, affiliates of the World Federation of Trade Unions and the *Lakas Manggagawa* Labor Center (Aldaba 1996: 5-7). Incidentally, the Philippine Airlines Employees' Association's (PALEA) strong position against the management

caused tremendous job losses to employees. This warrants another painful lesson for workers' unions. As party-list representative Renato Magtubo (1998: 4) expressed in his speech at the Philippine Congress, labor unions have been judicious in exercising their right to strike as a last resort. Indeed DOLE statistics show that the strikes have lessened considerably in the past decade. Whether this is something to be happy about is the big question.

Disadvantages of TNCs to Less Developed Countries (LDCs)

Oftentimes, TNCs bring more disadvantages to the less developed host countries. There are a number of reasons why transnational corporations are most of the time disadvantageous to the less developed nations. These are:

(1) a lack of adequately trained civil servants to examine and investigate whether or not commercial and business laws are being complied with by MNCs or locally owned companies;

(2) antiquated laws that are usually out of touch with the current realities of the operations of MNCs; and

(3) the weakness or virtual absence of organized labor to serve as a countervailing force or check upon the MNCs (Müller 1979: 152-153).

In advanced countries, organized labor is normally recognized as a countervailing force or check upon the power of the corporation. This is not true in most LDCs where organized labor is either weak or absent.

The "bargaining power" of the MNC to maximize profits is far greater in the LDCs than in rich countries because the institutional mechanisms to control the behavior of subsidiaries are either weak or absent. These institutional mechanisms refer to government and organized labor. As regards domestic business competition, local enterprises are usually too small to pose effective competition with MNCs (Müller 1979: 153).

Conclusion

On the whole, it is really the government which has to control the behavior of TNCs. Rather than merely encouraging foreign investors, the government must also protect the labor sector by strictly enforcing the minimum wage law. The EPZ concept must be modified, rather than giving these firms tax holidays and other privileges, they must be subject to taxation like the usual companies. Monitoring of their behavior must also be enforced. Data collection of the three

agencies monitoring their behavior like the SEC, the BOI and the BSP must be synchronized.

Our laws must also be overhauled. We have been too lenient with foreign corporations. Foreign corporations which are able to pay their employees wages above the minimum wage and which give their employees incentives and other benefits to better perform their duties are welcome to stay. But those operating in the EPZs and in the electronics industry which only give meager salaries to unskilled labor must be subject to review. A law regulating the subcontracting phenomenon must likewise be worked out.

The export-oriented strategy adopted by the government since the 1970s discriminates against labor. In order to attract investors, the cheap labor policy is maintained by the government. To do this, the government has to restrict labor's rights to organize and engage in concerted activities. Thus, instead of nurturing the growth of labor unions, the government in effect restricts their activities. Labor unions which should serve as a countervailing force against TNCs therefore remain emasculated and weak vis-a-vis the powerful TNCs. In this situation, government must come in and assert its role as a defender of the otherwise powerless workers. After all, any government that claims to be democratic must adhere to its *raison d'être*: of the people, for the people, by the people.

Social development gives primacy to indicators other than the usual economic indicators of development like income. When viewed in these terms, TNCs contribute little to the social development of Filipinos. Agri-based TNCs have deprived the farmers living in Bukidnon of fertile soil thus leaving them with soil of marginal utility. The hazards posed by the workplaces to the health of the workers should also be considered. Unemployment continues to rise, thus indicating the failure of TNCs to absorb the country's surplus labor. Automation in previously labor-intensive industries have further cut down on the benefits derived from TNCs, i.e. employment generation. Subcontracting is another phenomenon detrimental to the workers, thus decreasing their net pay and other benefits that normally accrue to regular workers.

Endnotes

[1]"No effective international rules or regulations govern multinationals. Many of them have greater power and wealth than some of the countries where they operate. The decisions of a multinational may effect (sic) the economy, the foreign policy and the political and social life of a country as well as the daily lives of workers and consumers. Their power makes it possible for them to avoid labor unrest or improvement in wages and working conditions. A multinational can close down a plant and move its operations to a country where workers can be paid less and where governments will ensure a more docile labor force. Because multinationals have factories in many different countries, they can allocate production processes in such a way that a strike or the closing of one factory will not harm their operations" (Karl 1983: 25).

[2]According to NEDA classification standards, a firm is considered large if it employs 200 or more workers. It is medium-sized if it employs 100 to 199 workers. It is small if it employs 10 to 99 workers.

[3]"EPZs are a relatively easily implementable device to reap some gains from trade. Especially for countries at relatively low levels of per capita income with a small and inefficient industrial sector, export production in enclave zones is the only way to stimulate exports of product groups in which domestic industries in these countries have not yet reached a sufficient level of international competitiveness or in which the barriers to enter world markets are insurmountable" (Dijck 1984: 36).

[4]In an attempt to generate information on the current labor relations situation and practices of top 1000 corporations in the country registered in 1991, three survey rounds were conducted separately from 1991 to 1994. Six hundred corporations were already surveyed in 1991 to 1993. The last remaining 400 corporations were surveyed by the Bureau of Labor and Employment Statistics (BLES) in coordination with the National Conciliation and Mediation Board (NCMB). Of the 400 corporations surveyed, 332 or 83.0 percent responded.

[5]All lands in Barangay Sta. Fe are on lease contract with the National Development Corporation, which in turn, leased a huge proportion of the territory to the Del Monte Philippines (DMPI). Under the farm management contract, DMPI rents the land owned by homesteaders and subsistence farmers at ₱1,500/year with two years advance payment. This arrangement enables Del Monte Philippines to effectively control the use of the land. About 11,000 hectares of land is occupied by DMPI through this arrangement. Through the crop producer and grower's agreement, DMPI effectively controls 1,822 hectares or 85 percent of the total agricultural land in Sta. Fe (Ravanera 1990: 5).

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