

**2014 Annual Report on Korean Multinational Corporations'
Human Rights Practice**

Field Investigation Report: the Philippines

(August 11 - 21, 2014)

Korean Transnational Corporations Watch (KTNC Watch)

[Advocates for Public Interest Law / GongGam Human Rights Law Foundation / Hope and Law / Korean House for International Solidarity / Lawyers for Democratic Society / International Labor Team / Korean Confederation of Trade Unions / Good Corporations Center]

This report was sponsored by the 'Scenarios of Change Project' of the Beautiful Foundation

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Date of Publication: December 2014

Publisher: APIL (Head Office of KTNC Watch)

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Preface

In 2013, South Korea's Foreign Direct Investment (FDI) reached 33 billion USD, a 14% increase from the previous year that made Korea the 13th largest source of FDI in the world. With the rapid international expansion of Korean corporations, their human rights practice in overseas operations are also receiving attention. 72% of cases filed to the Korean NCP for breaching the OECD Multinational Corporation Guideline are complaints against Korean corporations' human rights violations abroad, while most of these cases involve labor union dissolution, nonpayment of wages, physical abuse, and layoffs. Thus, domestic human rights violations of laborers during the rapid growth phase of the 1970s and 80s in Korea are today repeating themselves abroad.

As such, we saw a need for the government and civil society to take action against Korean corporations' human rights abuses abroad, which, in turn, required a field investigation to better understand on the current situation.

In particular, during the first few months of 2014, there were many instances of abuse in Southeast Asia in which Korean corporations are suspected to have been complicit: Korean corporations and the Korean Consulate are likely to have been implicated in the violent repression of Cambodian textile workers' strike; a female employee of a subsidiary of Youngone Holdings Co., Ltd. was killed during a labor protest in Bangladesh; many workers were injured by private securities at a construction site for a new Samsung Electronics factory in Vietnam.

In response, the Advocates for Public Interest Law (APIL), the head office of KTNC Watch, applied for support from the 'Scenarios of Change Project' of the Beautiful Foundation to conduct a field investigation of Korean corporations' human rights conditions in the countries mentioned above.

During the planning stage of the investigation, Cambodia was excluded since the Korean House for International Solidarity and the Korean Confederation of Labor Unions, both members of KTNC Watch, had already visited the country twice in 2014 and published reports. Instead, we decided to visit Philippines, where human rights and environmental issues surrounding dam construction were being raised.

The ten investigators were selected amongst employees of organizations under KTNC Watch, and the reports have been compiled for each country visited. The kind and degree of human rights violations in which Korean corporations were involved were different in each country, but a common grievance involved the minimum wage. The minimum wage in the countries mentioned above were not enough to satisfy the basic living needs of the worker and his/her families, but many Korean corporations continued to pay the minimum amount.

Besides releasing the findings of the field investigation in this report, KTNC Watch will use the information obtained to deal with these issues in various ways, and will take further action against Korean corporations' human rights violations in other countries as well.

December 25, 2014
APIL, Head Office for KTNC Watch

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Field Investigation Report: the Philippines

I. Introduction

1. Country Overview¹

A. General

- . 📍 Location : Island country in the South China Sea
- . 📍 Surface Area : 300,000 km² (1.3 times the area of the Korean peninsula)
- . 📍 Climate : Subtropical; High temperature and humidity
- . 📍 Population : 116 million ('13)
- . 📍 Capital : Manila (Population: 11.4 million)
- . 📍 Ethnicities : Malay, Negrito, and Indonesian
- . 📍 Languages : Tagalog, English (Official)
- . 📍 Religion : Catholic (82.9%), Islam (5%)

B. Politics

- . 📍 Date of Independence : 1946. 7. 4. (from the United States of America)
- . 📍 Form of Government : Unitary presidential constitutional republic
- . 📍 Head of State : Benigno Simeon Cojuangco Aquino III, President
- . 📍 Congress : Bicameral (24 seats in the Senate, 287 seats in the House of Representatives)
- . 📍 Major Political Parties: Liberal Party, Lakas-Kampi-CMD, Nationalist People's Coalition
- . 📍 Membership to International Bodies : United Nations, IMF, WTO, APEC, IBRD, ADB, ASEAN (amongst others)

C. Economy

- . 📍 Currency : Peso (P)
- . 📍 Fiscal Year : 1. 1. ~ 12. 31.
- . 📍 Major Industries: Services (57.0%), manufacturing (31.1%), agriculture (11.9%) [2012]
- . 📍 Main Exports: Semiconductors and electronic appliances, transport equipment, apparel, copperware (2012)
- . 📍 Main Imports: Electronic appliances, fuel, machinery and transport equipment, steel (2012)
- . 📍 Natural Resources : Copper, gold, nickel, petroleum, lumber (2012)
- . 📍 Economic Advantages : Abundant natural resources, cheap labor
- . 📍 Economic Disadvantages : Severe regional/class-based wealth disparity, weak infrastructure for manufacturing

¹ *Country Report: the Philippines*. Foreign Economies Research Center, Export-Import Bank of Korea. 2013.

D. Major Social/Developmental Indicators

- . ☒ Average Life Expectancy: 69 years (2011)
- . ☒ Percentage Living in Absolute Poverty: 26.5%(2009)
- . ☒ Subscribers to Mobile Communication (for every 100 persons): 99 (2011)
- . ☒ Internet Users (for every 100 persons): 29 (2011)
- . ☒ GNI per capita: 2,210 USD (2011)
- . ☒ CO2 Emission per capita: 748kg (2009)
- . ☒ Percentage of Roads Paved: 10% (2003)
- . ☒ Energy Consumption per capita (kilogram of oil equivalent): 434kg (2010)

E. Major Economic Indexes²

<Table 1. Major Economic Indexes>

Index	Unit	2011	2012	2013	2014 (f)
Economic Growth Rate	%	3.7	6.6	7.2	6.6
GDP per capita	USD	2,364	2,593	2,771	2,938
Nominal GDP	USD	224.1 billion	250.2 billion	272.1 billion	292.1 billion
Governmental Debt per GDP	%	51.0	51.5	49.2	48.9
Inflation Rate	%	4.6	3.2	2.9	4.33
Increase Rate of Private Consumption	%	5.7	6.6	5.7	5.5
Unemployment Rate	%	7.0	7.0	7.1	7.0
Exports (FOB)	USD	38.3 billion	46.4 billion	44.7 billion	56.2 billion
Imports (FOB)	USD	55.2 billion	65.3 billion	63.3 billion	76.2 billion
Balance of Trade	USD	-20.4 billion	-18.9 billion	-18.5 billion	-19.9 billion
Incoming Foreign Direct Investment	USD	2 billion	3.2 billion	3.9 billion	2.6 billion
Total Foreign Debt	USD	76 billion	74.9 billion	58.5 billion	58.3 billion
Foreign Exchange Reserves	USD	75.3 billion	83.8 billion	83.2 billion	88.4 billion
Monetary Rate of Interest	%	1.3	1.5	0.3	1.4
Currency Conversion	Peso	43.31	42.23	42.45	43.79

² Database, Country Economic Indexes: Philippines, KOTRA. 2014.

Rate (1 USD =)					
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*Column (f) is predicted rates and numbers

*Based on most recent data available at time of writing (August 2014)

[Sources] EIU, IMF, BSP

F. Current Economic Situation³

In 2012, despite the global economic recession, the Filipino government achieved a growth rate of 6.8%, exceeding the target it had set at 6.0%. Along with China, the Philippines had the highest rate of growth in Asia, achieving an impressive 7.8% during the first quarter of 2013, and 7.5% in the second quarter. In the first quarter of 2014, the GDP growth rate was slightly lower at 5.7%, but the Filipino economy is still growing fast compared to the rest of Asia. The IMF speculates that the Filipino economy will grow at more than 6% annually until 2019.⁴

Major economic institutions, including the Asian Development Bank, have suggested that in order to maintain the stable growth rate, the Philippines not only needs to implement appropriate financial and fiscal policies, but also increase the incentives for entrepreneurial activity and resolve the high-expenditure structure of the economy through anti-corruption and anti-bureaucratism measures. To strengthen exports, the driving force of growth, the government is in the process of executing the 2011-2013 Philippine Export Development Plan; the goal is 10% annual increase in exports.

While the emphasis has been put on manufacturing in an attempt to increase exports, the Philippines has a particularly weak industrial structure for manufacturing. The underdevelopment of manufacturing is regarded as a fundamental problem in the Filipino economy, since it translates into problems like the rise in unemployment rate and distortions in the industrial structure.

Currently, foreign investors in electronics (semiconductors) dominate the domestic manufacturing industry. Besides the obvious hurdles to long-term development that are caused by heavy reliance on foreign investment in particular areas, it should also be considered that manufacturing exports are vulnerable to the rise and fall of the international semiconductor industry, since the area is extremely sensitive to global trends.

The Filipino economy would likely maintain a consumption economy structure that depends on remittances from overseas workers that exceed 20 billion USD each year. Mining, at the forefront of natural resources development, will be amongst the driving forces of future growth, along with Business Process Outsourcing industries, including call centers that have been the world's strongest since 2011. Furthermore, many of the public-private partnership projects that

³ Edited from "The Current State and Prospects for the Filipino Economy," KOTRA Overseas Business Information Portal. 2014. http://www.globalwindow.org/quasar_jsp/inc/gw_downloadpdf.html?fileName=/gw_files/NationPDF/101080/101080_202_5062317.pdf

⁴ "Philippines 'in no trouble,' despite failure to reach expected growth rate," *Asian Economy*. 29 Nov 2014.

"Capital leaving Chinese and Japanese Markets in the First Half Headed to Southeast Asia," *Asian Economy*. 30 Jun 2014.

the Aquino government is advancing in order to expand investments in infrastructure (roads, rail, airports, etc.) will take off, further contributing to economic growth.⁵

G. Political Situation and International Relations

Security concerns exist over potential military conflict between the government and armed Islam Extremists and Communists around the Mindanao Islands. There are also frequent accidents and terrorist attacks caused in part by the circulation of unregistered firearms.

The Philippines maintains a close relationship with Japan and the United States, the two most important trade and investment partners. Japan, in particular, contributes the most to public development and foreign aid (accounting for over 50% of foreign assistance to the Philippines). The United States poured in more than 5 billion USD over the last 40 years in foreign assistance, while also strengthening national security relations with the Philippines by providing military support.

H. Relationship to South Korea

- Establishment of Diplomatic Ties: March 3, 1949 (July 12, 2000 with North Korea)
- Major Bilateral Treaties Signed : Treaty on Civil Aviation (1969), Cultural Exchange Agreement (1973), Trade Agreement (1978), Economic and Technological Cooperation Agreement (1985), Scientific and Technological Cooperation Agreement (1986), Double Taxation Agreement (1986), Extradition Treaty (1996), Investment Promotion and Protection Agreement (1996), Agreement on the Grant of Loans to Economic Development Cooperation Fund (2003)

I. Trade Relations with South Korea⁶

In 2013, the total trade amount between the two countries increased 8.6% from the previous year to 12.5 billion USD, reflecting a rising trend since reaching 11 billion USD for the first time in 2012. Exports totaled 8.783 billion USD (7%), and imports totaled 3.706 billion dollars (12.8%), translating into 78 million USD in net exports. One trend of the bilateral trade is that Korea's exports have persistently risen in significant amounts, while imports rose only minimally.

Major exports from Korea to the Philippines are mostly intermediary goods and industrial materials, including petroleum products, semiconductors, and automobiles (in order). Semiconductors produced by Filipino multinational companies constituted the biggest import item from the Philippines to Korea, followed by primary products represented by crude oil and grains.

2. Operations of Korean Multinational Corporations in the Philippines

⁵ Edited from "The Current State and Prospects for the Filipino Economy," KOTRA Overseas Business Information Portal. 2014. There may be some differences in authors' presentation from the KOTRA report.

⁶ Edited from "Current State and Characteristics of Trade and Exchange with South Korea," KOTRA Overseas Business Information Portal.2014.

A. Korean MNCs' Foreign Direct Investment in the Philippines⁷

Korean corporations' investment in the Philippines totaled approximately 38 million USD during the first quarter of 2014 (102 registered cases; in actual amount invested). During the second quarter, 23 firms were newly incorporated and the investment reached 38.33 million USD, putting the Philippines at the 11th most popular destination of Korean FDI in terms of incorporation and 34th most popular in terms of invested amount. This shows that the relative importance of Philippines as a destination of Korean FDI is on the decline.

Korean FDI in the Philippines saw a substantial rise in 2012 before halving in 2013. Korean FDI outflow to the Philippines is largely affected by the rise and fall of certain 기 진출한 Korean conglomerates' capital investment, which experienced a slump in 2014.

<Table 2. Korean FDI Outflows to the Philippines >

Year	Number of Registered Cases	Number of Newly Incorporated Firms	Actual Amount Invested
Total (1968-2013)	3,583	1,445	3,096
2005	144	53	43
2006	224	112	61
2007	311	139	114
2008	378	115	202
2009	260	69	122
2010	224	75	228
2011	280	85	207
2012	234	67	934
2013	249	53	456
2014	102	23	38.33

*Data includes full corporations and branches

[Source] Korean Exports-Imports Bank (based on most recent available data; August 2014)

As for major areas of investment, manufacturing accounted for almost half of the investment amount (48.6%, or 18.65 million USD), followed by construction (21.4%, 8.2 million USD), wholesale and retail (8.68%, 3.3 million USD), publishing and broadcasting (4.46%, 1.7 million USD), and real estate and leasing (4.1%, 1.57 million dollars). Within manufacturing, medical/precision/optical instruments and watch equipment occupied the largest proportion (26.8%, 3 million USD), followed by leather and shoe-making (24.84%, 4.63 million USD) and clothing/fashion accessories/fur products (24.5%, 4.57 million USD).

<Table 3. Korean FDI in the Philippines by Industry>

Rank	Industry Type	2012	2013	2014 (2Q)
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⁷ Edited from the "Korean Corporations' Foreign Investment Trends," KOTRA Overseas Business Information Portal. 2014. http://www.globalwindow.org/quasar_jsp/inc/gw_downloadpdf.html?fileName=/gw_files/NationPDF/101080/101080_404_5058359.pdf15

		Amount invested (1,000 USD)	Proportion of total investment (%)	Amount invested (1,000 USD)	Proportion of total investment (%)	Amount invested (1,000 USD)	Proportion of total investment (%)
		934,213	100	455,812	100	38,330	100
1	Manufacturing	892,223	95.5	415,133	90.6	18,646	55.2
2	Construction	3,528	0.4	3,651	0.8	8,206	13.7
3	Wholesale and retail	10,104	1.1	18,423	4.0	3,327	10.9
4	Publishing and broadcasting	2,719	0.3	1,222	0.3	1,710	6.0
5	Real estate and leasing	7,341	0.8	8,304	1.8	1,567	3.8
6	Lodging and food services	1,889	0.2	2,469	0.5	1,153	3.4
7	Finance and insurance	2,076	0.2	799	0.2	1,055	2.2
8	Arts, sports, and leisure services	1,508	0.2	1,180	0.3	853	0.5
9	Professional, scientific and technological services	8,216	0.9	5,373	1.2	623	0.48

*Data includes full corporations and branches

[Source] Korean Exports-Imports Bank (based on most recent available data; August 2014)

B. Current State of Korean Corporations' Operations⁸

Most of the biggest Korean firms, including Hanjin Heavy Industries and Construction, Hyundai Motors, Samsung Electro-mechanics, LG Electronics, Hanhwa, have operations in the Philippines. Hanjin operates in the Bonifacio region, Samsung Electro-mechanics production facilities are in the Laguna region, and Hanhwa has offices in the Makati area.

With those in manufacturing leading the way, Korean firms have been consistently expanding their reach into the Philippines. Software research and development (e.g. mobile phones, security equipment), BPO, construction, and mineral resource development (made possible by legislative changes governing the mining industry) are amongst other upcoming industries receiving investors' attention.

<Table 4. Major Korean Investors in the Philippines>

⁸ Edited from "Korean Corporations' Overseas Expansion," KOTRA Overseas Business Information Portal. 2014.

Name of company	Parent company	Industry type	Product	Type of venture	Number of employees (approximate)	Year of entry
Daeduk Philippines	Daeduk GDS	Manufacturing	Electronic devices	외투법인	1,000	1996
Samsung Electronics	Samsung Electronics	Distribution	Home appliances		200	1996
Samsung Electro-mechanics	Samsung Electro-mechanics	Manufacturing	Electronic devices		3,000	1997
Sunjin Philippines	Sunjin	Manufacturing	Animal feed		70	1997
Daelim Philippines	Daelim	Construction	Construction		200	2008
Posco	Posteel	Manufacturing	Steel products		200	2008
Korea Exchange Bank	Korea Exchange Bank	Finance	Financial products		20	1981
Korea Electric Power Corporation	Korea Electric Power Corporation	Power generation	Power		300	1995
Hanjin Heavy Industries and Construction	Hanjin Heavy Industries and Construction	Shipbuilding	Shipbuilding		20,000	2006
Hanhwa Manila	Hanhwa	Trade	Trade		10	1983
CJ GLS	CJ GLS	Distribution and logistics	Logistics		100	2006
Daesang Rico	Daesang	Manufacturing	Food	Joint corporation	50	2013
Pagoda	PSD SCC	Education	Telephone English	Joint Corporation	100	2014

[Source] Information from the Trade Center (Korean Corporations' Overseas Expansion, KOTRA, 2014)

In December 2013, the rankings for the top 1,000 firms in the Philippines were released (from 2012 data). Five Korean firms were amongst the top 100, including Hanjin Heavy Industries and Construction (33rd; shipbuilding; 36.404 billion pesos, or 801 million USD), Samsung Electronics (56th; sales; 26.53 billion pesos, or 590 million USD), Samsung Electro-mechanics (69th; manufacturing; 22.32 billion pesos, or 490 million USD), and Pepsi-Cola Products Philippines (acquired by Lotte Chilsung Beverage Co.; manufacturing; 430 million USD).

<Table 5. Top 10 Firms in the Philippines, and Korean-Invested or Owned Firms amongst the Top 1000 Companies in the Philippines (by Sales), 2013>

Rank	Name of firm	Sales (in USD?)	Percentage change (from 2012?)	Net profit (in USD?)	Percentage change (from 2012?)
1	Manila Electric Co. (electric power)	290,055	13.5	20,088	62.4
2	Petron Corp. (energy)	283,205	3.1	1,623	-79.6
3	Shell Petroleum Corp. (energy)	194,501	2.2	4,762	1.4
4	TI Inc. Philippines (information and technology, semiconductors)	155,072	-8.8	17,516	37.6
5	Social Security System (state-owned)	130,853	12.6	36,201	41.7
6	Nestle Philippines Inc. (food and beverage)	104,648	3.6	12,601	8.2
7	Toshiba Information Equipment (information and technology)	101,288	0.5	321	-64.0
8	Mercury Drug Corp. (retail/pharmacy)	90,739	5.8	2,007	2.8
9	Smart Communications, Inc. (communication)	90,420	2.6	28,531	28.5
10	San Miguel Foods, Inc. (food and beverage)	85,248	11.9	1,080	-26.3
33	HHIC-Phil., Inc. (shipbuilding)	36,444	-18.4	303	-55.0
37	Samsung Electronics Philippines Manufacturing (electronics, manufacturing)	33,838	-29.5	1,296	-31.6

56	Samsung Electronics Philippines Corp. (electronics, sales)	26,527	25.2	348	160.5
69	Samsung Electro-Mechanics Philippines Corp. (electro-mechanics, manufacturing)	22,320	2.6	489	-26.9
85	Pepsi-Cola Products Philippines Inc. (food and beverage; Lotte Chilsung-invested)	19,565	14.0	844	192.0
105	Hyundai Asia Resources, Inc. (automobile)	16,219	7.6	559	30.8
222	Daelim Philippines, Inc. (construction)	8,458	757	8.56	177.0
273	KEPCO SPC Power Corp. (power generation)	6,740	52.1	946	145.4
300	LG Electronics Philippines, Inc. (electronics, manufacturing)	6,149	-2.4	15	108.0
328	KEPCO Ilijan Corp. (power generation)	5,535	-2.5	3,135	27.0
596	Daeduck Philippines, Inc. (electronics)	2,806	2.1	27	106.9
676	CJ Philippines, Inc. (animal feed)	2,348	8.8	175	5.9
975	Hanjin Heavy Industries/Construction Co. (construction)	1,514	-27.6	-221	20.4

[Source] List of Top 1000 Firms in the Philippines, (Korean Corporations' Overseas Expansion, KOTRA, 2014)

C. EDCF⁹ Aid to the Philippines

Philippines is classified as a Group III country, or a Major Aid Recipient, according to the 'Guidelines Governing the EDCF Recipient Requirements.' It is the third largest recipient of the EDCF, preceded only by Vietnam and Bangladesh (by approved final amount). 14 cases have been approved by the EDCF by 2014, totaling 153.446 billion Korean won (approx. 140 million USD).

<Table 6. Total EDCF Aid Received, by Country (Top 10 Recipients)>

⁹ Economic Development Cooperation Fund. Established in 1987 by the Korean government, the Fund aims to support developing countries' industrial development and economic stability, and to strengthen Korea's economic ties with recipient countries. It is a form of loan, whereby the Korean government takes both the principal amount and interest back after a set period.

Country	Amount approved (in 1 million Korean won)	Number of grants	Amount approved (in 1 million USD)	Proportion to total (%)	Amount executed/given	Number of grants	Proportion to total (%)
Total	10,579,049	316	9,660.29	100.00	4,891,982	263	100.00
Vietnam	2,136,698	49	1,912.30	20.54	961,529	42	19.9
Bangladesh	762,589	18	681.28	7.21	394,275	16	8.10
Philippines	757,552	19	709.33	7.16	153,446	14	3.10
Indonesia	605,619	19	569.48	5.72	273,390	17	5.60
Sri Lanka	596,524	25	554.68	5.64	411,181	22	8.40
Cambodia	581,235	16	521.88	5.49	287,983	12	5.90
Tanzania	404,128	10	363.98	3.82	159,709	9	3.30
Mozambique	379,513	9	341.24	3.59	135,779	6	2.80
Uzbekistan	275,871	8	249.2	2.61	108,040	5	2.20

*Includes overseas government investment cases to Indonesia and Philippines (1 each)

[Source] Korea Export-Import Bank <http://www.koreaexim.go.kr/kr/work/check/edcf/nation.jsp>

On May 1, 1990, official EDCF assistance to the Philippines began with the primary expansion of the telephone network. Amongst the EDCF cases, the primary and secondary South-North Railway Primary Construction projects (December 2009) received inspection from Korean human rights/public interest law groups that investigated human rights violations and environmental damages with the help of the Korean National Human Rights Commission. KTNC Watch completed two field investigations on the Jalaur River Multi-Purpose Project (secondary; 2012), the largest EDCF project in the Philippines thus far, in 2013 and 2014.

<Table 7. EDCF Given to the Philippines, by Year>

Project Name	Approval date	Amount approved (in 1 million USD)
Bacolod-Silay International Airport Access Road Construction	Dec. 2008	14.0
GSO Road Construction (secondary)	Dec. 2008	30.3
Puerto Princesa Airport Improvement	Dec. 2009	71.9
South-North Railway Primary Construction (additional loans)	Dec. 2009	15.4

South-North Railway Secondary Construction	Dec. 2009	96.4
Laguindingan Airport Navigation Support Facilities	Sept. 2010	13.4
Samar Coastal Road Construction	Dec. 2011	37.9
Jalaur River Multi- Purpose Project (secondary)	Jun. 2012	208.7
Baler – Casiguran Road Improvement	Dec. 2012	31.2
Pampanga Area Disaster- Risk Management and Climate Change Adaptation Project	May 2013	96.4
Total¹⁰		615.6

[Source] EDCF Statistical Report. (<http://www.edcfkorea.go.kr/edcf/info/statis/report.jsp>)

3. Explaining the Selection for Report

A. Background for Selection¹¹

There are several reasons behind selecting the Philippines for investigating Korean firms' human rights abuses abroad. First, Korean firms' direct investment in the Philippines has been on a consistent rise. Since the 1960s when the first investments were made, both the number and scale of investment have increased continuously, while investment areas have also expanded from electronics, electro-mechanics, textile, manufacturing to national infrastructure, energy, and more. In the 1990s, when Korean FDI started to really take off, large conglomerates like Korean Electric Power Corporation (1995), Samsung Electro-Mechanics (1997), Samsung Electronics (2001) joined other investors; since Hanjin Heavy Industries and Construction established a shipyard in Subic Bay by direct investment in 2006, the scale of investment has been rising a substantial 200~300 million dollars USD per year. From 1962 to 2010, Korean firms' investment in the Philippines measured up to 1,245 firms, 2,863 cases (registered), and 2.6 billion USD. The Philippines is now the 8th biggest destination for overseas investment, indicating strong economic ties between the two countries.

Second, a diverse array of Korean firms - manufacturing, construction, shipbuilding, energy, service, and more – operates in the Philippines. Manufacturing, energy, real estate, tourism, mineral resources, and agriculture form the core industries, while electro-mechanics/electronics, shipbuilding, and clothing comprise the majority of the manufacturing industry.

Many Korean firms entered the Filipino clothing/needlework industry in the 80s and 90s, being as numerous as 200 at one point. According to a report published by the Manila Trade Office of

¹⁰ Includes grants made before 2008 (a total of 19 grants, amounting to 615.6 million USD)

¹¹ '2011 KOTRA Country Information: the Philippines,' 'Major Issues between the Philippines and Korea.' KOTRA Overseas Business Information Portal. 2011. 2013.

KOTRA ('Korean Firms in the Cavite Economic Zone Operated Directly by the Philippines Economic Zone Authority'), out of 149 Korean firms operating in the Philippines, 37 are in the clothing/needlework industry (as of 2013).

Besides the manufacturing industry which has received consistent interest from investors since the early investment period, construction industry is also a popular destination of FDI; in 2014, Korea was the sixth biggest undertaker of construction projects amongst all foreign countries (in terms of dollar amount). Hyundai Engineering, for instance, obtained a 500 million-USD contract to build a coal-fired thermal power plant factory on June 2, 2014; Kumho Construction, along with GS Construction, secured an expansion project for the Puerto Princesa International Airport, worth 82.9 million USD.

Moreover, power and energy industries are also popular amongst investors, reflecting the challenges of energy scarcity in the Philippines. KEPCO, for instance, operates a 1200MW power plant in the Batangas area, as well as a 200MW power plant in Cebu; KEPCO is responsible for 17% of total power generation in the Philippines.

Thirdly, the relative importance of Korean firms in the overall economy and industry of the Philippines is significant. The data released by the Filipino Board of Investment (BOI) and the Filipino Central Bank shows that Japan accounts for 29.8%, or 58.3 billion pesos, of total foreign investment, followed by the Netherlands, Korea, and Switzerland (2010). Considering that most of the Dutch investment was focused on Shell, the second largest oil company in the Philippines, Korea is de facto the second largest investor in the Philippines. This rank fell to the sixth in 2013, but Korea still remains one of the biggest sources of FDI.

Lastly, the Philippines is classified as a Major Aid Recipient of the EDCF, signaling an active continuation of development projects in the form of credit assistance. Since Korea plans to expand its overseas development assistance (ODA) to 0.25% of GNI by the year 2015, the amount of EDCF is also expected to rise. Currently, the Philippines receives the third largest EDCF aid, expected to benefit from a total of 153.446 billion Korean won by the end of 2014, with future aid on the rise as well. In particular, the EDCF to the Jalaur River Multi-purpose Dam Project, approved in 2012, was a significantly high amount even amongst all the overseas EDCF loans Korea has given so far.

In terms of ODA, Japan International Cooperation Agency was the biggest donor, accounting for 37% (3.26 billion USD) of total aid to the Philippines; other donors were also significant, including the World Bank (WB) contributing 21% (1.84 billion USD), Asian Development Bank (ADB) 16% (1.37 billion USD), France 13% (1.18 billion USD), China 4% (380 million USD), while Korea and Australia followed in suite at 9% combined (780 million USD).

B. Purpose and Direction of Investigation

KTNC Watch - a coalition of human rights, labor, environmental, and public interest law groups in Korea, which takes action against problems caused by foreign-investing Korean firms - had collected data on 'human rights violations and effects on the society/environment' of Korean corporations (including state-owned enterprises) through a 10-day investigation trip to the Philippines in August 2013. In spring 2014, several local labor organizations and laborers at

Korean corporations that had interviewed with KTNC Watch during this trip asked for emergency support, citing new incidents. Since a detailed inquiry and swift action were required on the unfolding incidents, KTNC Watch decided to conduct another field investigation. Besides the emergency matters, the team also planned to focus on updating the information on and devising follow-up measures for the research conducted last year.

The research team put special effort into studying different industries, areas, and types of abuse, including sites that were difficult to visit given the schedule. For instance, the Rapu-rapu Mine, in which private Korean firms and state-owned enterprises are implicated, required a plane ride and two boat trips to reach; we made the trip nonetheless, as the restoration project for the abandoned mine was an emergent matter requiring immediate attention. Furthermore, field investigations thus far have mostly focused on human rights violations by private Korean firms. However, since the Korean government's ODA to the Philippines has been expanding rapidly, which in turn creates multiple cases of grievance amongst locals who are affected by development projects funded by the ODA, there was a need for an evaluation of human rights implications of government-funded development projects. Unlike the past, when many environmental and social costs of large development projects were deemed unavoidable, a consensus on the necessity of precaution and proactive relief measures is becoming widespread. Accordingly, the civil society in the Philippines has been more assertive in taking action against cases of abuse and damage.

4. Method of Investigation

A. Investigation Period

August 11 – 21, 2014

B. Investigators

Eun-Ji Kang (Activist, Korean House for International Solidarity); Soo-Yeon Park (Activist, Korean House for International Solidarity); Mee-Kyung Choi (Director, Korean House for International Solidarity)

C. Areas Visited

Manila, Iloilo, Rapu-rapu, Cavite, Laguna, Bulakan, Quezon City

D. Areas Investigated and Detailed Schedule of Investigation

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Picture 2. Map showing areas visited

D. Areas Investigated and Detailed Schedule of Investigation

Date	Area visited	Main itinerary
Aug. 11 (Mon)	Manila	<ul style="list-style-type: none"> - Depart Seoul/Incheon Airport - Arrive at Manila International Airport
Aug. 12 (Tues)	Iloilo	<ul style="list-style-type: none"> - Visit the project site for the Jalaur River Multi-Purpose Dam Project - Interview the Tumandok, the Indigenous people living in the project site, and activists from environmental NGO - Visit areas of damage caused by the Dam Project
Aug. 13 (Wed)	Iloilo	<ul style="list-style-type: none"> - Interview representative from the National Commission of Indigenous Peoples (NCIP) - Interview representative from Iloilo Baptist parish - Interview lawyer representing the Jalaur River Multi-Purpose Dam Kalikasan case
Aug. 14 (Thurs)	Legazpi	<ul style="list-style-type: none"> - Interview provost for Legazpi parish
Aug. 15 (Fri)	Rapurapu	<ul style="list-style-type: none"> - Inspect Rapu-rapu Mine - Interview village representative of Binosawan (one of the damaged villages) and local environmental activists - Inspect village and visit bridge and school built by construction company

Aug. 16 (Sat)	Cavite	<ul style="list-style-type: none"> - Interview apprentices at a trade school
Aug. 17 (Sun)	Cavite	<ul style="list-style-type: none"> - Interview laborers in the Cavite Special Economic Zone (SEZ)
Aug. 18 (Mon)	Cavite	<ul style="list-style-type: none"> - Interview governor of Rosario, a district in the SEZ - Visit SEZ sites - Interview laborers in the SEZ - Interview representative from Workers Assistance Center (WAC) in the SEZ
Aug. 19 (Tues)	Laguna	<ul style="list-style-type: none"> - Interview activist from National Coalition for the Protection of Workers' Rights (NCPWR) in the Laguna SEZ
	Quezon City	<ul style="list-style-type: none"> - Interview laborers in Laguna SEZ - Interview activist from Integrated Development Program for Indigenous People in ST (IDPIP-SP) on the Laiban Dam matter - Interview activists from environmental/Indigenous Peoples/scientific groups
Aug. 20 (Wed)	Bulakan, Manila	<ul style="list-style-type: none"> - Interview residents at risk of expulsion because of Angat Dam Hydroelectric Power Plant and activists involved - Visit Angat Dam cross-strait expulsion sites and immigration facilities - Interview representatives from Center for Trade Union and Human Rights (CTUHR) - Interview ex-congress member who filed lawsuit against Jalaur River Multi-Purpose Dam Project

Aug. 21 (Thurs)	Incheon	- Return to Korea
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II. Related Statutes

1. Philippines' Adherence to International Human Rights Standards

The Philippines has ratified all major international human rights treaties with the exception of the Convention on Enforced Disappearance, including the International Covenant on Economic, Social and Cultural Rights (ICESCR), International Covenant on Civil and Political Rights (ICCPR) and the Optional Protocol, Convention on the elimination of all forms of discrimination against Women (CEDAW) and the Optional Protocol, Convention on the Rights of Child (CRC) and the Optional Protocol, Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and the Optional protocol, and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

Furthermore, the Philippines established a Commission on Human Rights in 1987, currently consisting of five commissioners. The government has also ratified the eight fundamental conventions of the International Labor Organization.

2. Statutes Related to Labor: Labor Code of the Philippines¹²

The Constitution of the Philippines regards labor as the main social and economic force of the country, specifying that laborers' rights be protected and their welfare advanced.¹³ Based on the Constitution, the Labor Code of the Philippines was established for the first time in 1974 by a presidential decree by then-president Ferdinand Marco, and was later revised. Because of American influence, the Code is relatively detailed in its specifications for employers' responsibilities and the protection of individual labor rights.

The Labor Code – comprised of the main articles relating to labor, the Omnibus Rules on Implementing the Labor Code, and the Annexes - addresses labor standards and labor-management relations. Main contents are the following:¹⁴

- The minimum wage differs by region and industry. The National Wages and Productivity Commission and regional commissions under the Department of Labor determines and publishes the minimum wage every year.
- A '13th-month payment' exists, whereby every employer must pay 1/12 of the annual salary as an annual bonus before the 24th of December of every year to every employee, notwithstanding the employee's current employment status. This bonus applies to every employee who worked for more than a month during the year at the same workplace.

¹² "Research on the State of Human Rights Violations by Korean Firms Operating Overseas and Improvement Measures for Legal Policies," National Human Rights Commission of Korea. Pages 127-130. 2013.

¹³ s18 of the Constitution: The State affirms labor as a primary social and economic force. It shall protect the rights of workers and promote their welfare.

¹⁴ "Foreign Occupational Safety and Health Systems for Korean Corporations Abroad: the Philippines." Korea Occupational Safety and Health Agency. 2012.

- Save for some exceptions (e.g. employees over the age of 60), all employees must be part of the Social Security System (SSS), the benefits of which must immediately be available from the time of employment. Employers may be obliged to pay up to 80% of the employee's wages.
- 'Working hours' refer to the total time the employee spends being present at the workplace as well as carrying out work duties; a short break during work must be considered a part of working hours. Working hours may not exceed 8 hours per day, 48 hours per week; if an employee works more than 6 days in a row, an employer is obliged to provide a holiday of 24 hours or more.
- In general, all employees are guaranteed at least 60 minutes of meal break per day.
- The three types of employment contract are 'permanent,' 'non-permanent,' and 'probationary employment.' However, if an employee has carried out duties that are generally required by the hiring company, the employee is considered 'permanent,' notwithstanding records in writing, oral communication, or a labor contract. 'Non-permanent' employees shall also be considered 'permanent' if they work for more than a year at the same workplace, continuously or discontinuously. If an employer wishes to have a testing period to verify the qualifications of the employee, he/she may hire the prospective as an 'apprentice.' However, unless specified by contract, an apprenticeship may not exceed 6 months, and the prospective is automatically considered a 'permanent' if he/she is hired after the apprenticeship.
- Employees of every business established under the Company Law have the right to form a union and the right to collective bargaining against the employer. Furthermore, union activities and collective bargaining are encouraged by special provisions for strikes, protests, and closures of operation. Employees are guaranteed the right to collective action for collective bargaining, mutual benefits, and protecting the interests of laborers. A legal trade union may engage in strikes and protests as long as it does not harm national interests.

The Department of Labor executes the provisions related to occupational safety and health, as specified in the 1978 Occupational Safety and Health Standards (OSHS) in accordance with Article 162 of the Labor Code. Thus, every employer must respect the workers' right to health and protect them from occupational accidents causing injury, disease, or death. Employers are also obliged to provide gender-specific amenities; safety equipment such as protective gear, gas mask, safety helmet and apparel; emergency medical supplies; and medical services appropriate to the nature of the work. All employees must further report their adherence to these standards to the Department of Labor, and every workplace must receive an inspection at least once a year.

Employers also have the responsibility to provide occupational safety education to all employees, and to inform workers of the work environment, occupational hazards to which they are exposed, and emergency protocols. Alongside other efforts to promote occupational safety and health, the Filipino government gives out National Safety Awards twice a year to commendable firms. Furthermore, the government has established an Occupational Safety Health Center under the Department of Labor, which is responsible for research and investigation related to occupational safety and health, employee training and education, evaluation of work environment, and inspection of protective equipment for workers and safety facilities.

3. Other Statutes Related to Human Rights and the Environment

A. Indigenous People's Rights Act¹⁵

Over 100 Indigenous Peoples make up over 3% of the Filipino Population. The central government established a National Commission on Indigenous Peoples and Indigenous People's Rights Act in 1997, protecting the rights of Indigenous Peoples in accordance with the Declaration of Indigenous Peoples' Rights.

B. Writ of Kalikasan

Writ of Kalikasan (meaning 'nature') was first established in 2010 as a remedial procedure for the 'right to healthy environment' protected by law in the Philippines. On the basis of the Writ, lawsuits can be filed against predicted environmental damage; depending on the results of the suit, temporary (primary) or permanent (secondary) environmental protection order may be issued. After a temporary protection order is declared, the project may recommence if it provides and implements reasonable countermeasures to concerns raised by the court.

run the Rapu-rapu Mine

Cavite Special Economic Zone

Human rights violations

WRIT OF KALIKAS

III. Major Areas of Investigation

1. Development Projects

A. Jalaur River Multi-purpose Project

1) Background

On August 9th, 2012, the Korea Export-Import Bank signed an EDCF loan contract with the Philippines to support the Jalaur River Multi-purpose Project. The 200 million-USD project is set to build multi-purpose dams, irrigation facilities, and waterways in the Province of Iloilo in Panai Islands in the Bisayas, in the West of Philippines.¹⁶ The project began reconstructing irrigation facilities back in 1977 with the help of the World Bank and on the basis of a federal law in 1960,

¹⁵ "Research on the State of Human Rights Violations by Korean Firms Operating Overseas and Improvement Measures for Legal Policies," National Human Rights Commission of Korea. Page 27. 2013.

¹⁶ ① Construction of three dams, each 106m, 40m, 24.3m tall; ② Constructon of a 81km-long Waterway (canal) ③ Expansion of Irrigation facilities by 31840ha

before being stopped in 1983 after receiving a “very low and unacceptable” evaluation from the Economic Internal Rate of Return review.¹⁷

However, in 2009, the National Irrigation Administration (NIA) of the Philippines conducted a feasibility study of the project (second stage), before devising a development plan including potential applications of dams, irrigation facilities, hydroelectric power generation, waterworks, and aquaculture. In May 2012, the NIA applied for loans from Korea, recommencing the project. The Filipino government predicts a rise in agricultural productivity through an expansion in irrigation facilities and a boost to the local economy in tourism and aquaculture industries. In 2013, a lawsuit based on Writ of Kalikasan was filed to stop the project citing environmental concerns, but the plaintiffs lost as of December 2014.¹⁸

2) Major Findings from Interviews and Issues

We visited the project site with and interviewed representatives from the Jalaur River for the People Movement, a local NGO opposed to the development project in the Jalaur River.

- ① Interviewed Indigenous residents in Agacalaga, one of the barangays¹⁹ inhabited by Indigenous Peoples ; observed access-way and waterway construction sites
- ② Visited the National Commission on Indigenous Peoples and interviewed commissioners
- ③ Interviewed ex-congress member and lawyers involved in the Writ of Kalikasan lawsuit
- ④ Interviewed activists from environmental NGOs, Indigenous Peoples groups, and scientists’ association

▷ Destruction of Indigenous People’s community by floods

When the dam is completed, it is likely that three barangays - Agacalaga, Masaroy, Garangan – will be completely flooded, while nine barangays upstream will also receive damage, affecting approximately 17,000 residents. All of the abovementioned barangays are inhabited by Indigenous Peoples, who contend that their distinct cultural heritage and lifestyle would be lost if the barangays are flooded. Since land is their only inheritance, Indigenous Peoples are firmly opposed to leaving the barangays.

The will of Indigenous Peoples is protected by the United Nations Declaration on the Rights of Indigenous Peoples and the provisions on ‘Free, Prior and Informed Consent (FPIC)’ of the 1997 Indigenous Peoples’ Rights Act of the Philippines. According to the Act, before starting a large-scale development project that affects the lives of Indigenous Peoples, related parties must complete a FPIC procedure that seeks the consent from Indigenous Peoples. However, local activists and residents argued that the FPIC procedure for the project was a fraud, since the National Irrigation Administration (NIA), in charge of the project, filed a feasibility report to the

¹⁷ Republic Act No. 2651, an “act providing the construction of the Jalaur Multipurpose Project (JRMP) in the Province of Iloilo and governing its operation after its completion.”

¹⁸ The High Court of the Philippines rejected the request for a temporary prevention order on December 3, 2014, on the basis of nonsufficient proof of damages suggested by the plaintiffs.

<http://www.philstar.com/nation/2014/12/03/1398324/ca-rejects-plea-stop-iloilo-river-project>

¹⁹ Barangays are resident communities comparable to districts.

Korea Export-Import Bank in November 2011 first, before conducting a FPIC procedure *for the feasibility study* in 2012.

“The FPIC is divided into two parts, the first seeking agreement on conducting a feasibility test and the second asking for consent on actually starting the project. Since there were concerns that the FPIC in 2012 may be misinterpreted as the latter, the National Commission on Indigenous Peoples (administrating body for the FPIC procedure) issued a Certificate of Precondition that proves that the FPIC was for the former (seeking agreement on feasibility test).

- Commissioner, National Commission on Indigenous Peoples

Furthermore, some proposed that the FPIC did not reflect the consensus of the whole community. For the primary FPIC, an elder of the Indigenous People’s community is supposed to decide “on behalf of” others. However, for the Tumandok Indigenous People who live in the Jalaur River basin, an arbitrary representative agreed to the study, since the Tumandok traditionally do not have a representative system like an elders’ council. An Indigenous person who testified for the lawsuit against the project contended that the Tumandok community opposes the construction of the multi-purpose dam, and the primary FPIC did not reflect the opinion of the community at all.

▷Deprivation of habitat and the bases of livelihood; inadequate relief measures

Indigenous residents argued that if the dam is built, they will lose not only their habitat but also their bases of livelihood, including farming land and resources (sugar canes, coffee, bananas, corn, coconut, fruit trees, etc.). As of August 29, 2014, many houses were already demolished without proper compensation during the construction of waterway and access road, and some farming lands and orchards were expropriated.

“I was compensated 1,800 pesos in 2013 because my land was expropriated for building the access road. But the compensation is not for the land, it’s for my crops on the land. But the NIA turned in a fraud agreement document to the court saying that I was compensated 180,000 pesos, even forging my signature.”

- Indigenous resident in Agacalaga

“I lost 33,600 pesos in damages from not being able to grow rice because of the waterway construction. The NIA promised they will compensate with market price but nothing has been given yet. The other 380 households are in the same situation.”

- Indigenous resident in Garangan

Moreover, there was no proper compensation for the land in the ‘ancestral domain.’ Since ‘ancestral domain’ is collectively-owned land, a list of owners exists, but no individual has the right to land ownership. Therefore, in the case of expropriation, the government only compensated for the crops and houses, and not the land itself. Residents testified that the government has yet to provide a specific, long-term plan for mass migration, while failing to provide promised lifetime-employment, schools, and educational subsidies.



Pictures 3,4. (left) Project sites of the Jalaur River Multi-purpose Project – Land dug up for waterway construction. (right) Land dug up and roads closed for access road construction.

▷ Heightened risk of natural disasters, including earthquakes and floods

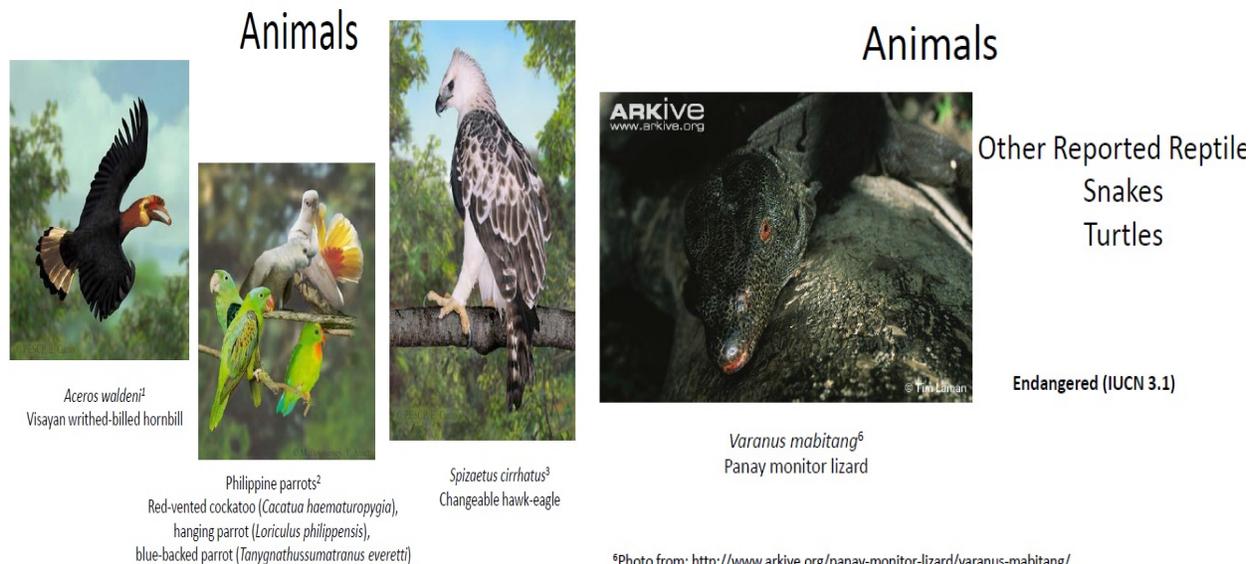
Iloilo Province is where the massive, 8.0-magnitude earthquake took place in 1948; the planned construction site for the multi-purpose dam is where the two active earthquake zones intersect. Augusto “Bobby” Syjuco, an ex-Congress member who filed the suit against the Jalaur River project, asserted that local experts and scholars are extremely worried that the government is building a mega-dam on top of an earthquake zone, arguing that the damages would be comparable to those of the Hiroshima atomic bombs. Further, Syjuco was concerned that the lower region of the river would be at a serious risk of flooding.



Pictures 5, 6. (left) Augusto “Bobby” Syjuco, an ex-Congress member, explains the significant risks of earthquake. (right) Article published in local newspaper regarding the Jalaur River dam

▷ Destruction of the ecosystem

The ecosystem in the upper region of the Jalaur River may be destroyed, thus affecting 85 different species of animals living in the region. Local activists explained that visayan writhed-billed hornbills, visayan warty pigs, and red-vented cockatoos are amongst the critically endangered species.



Picture 7. Endangered species in the Jalaur River area

3) Response measures from KTNC Watch

On August 29, 2014, KTNC Watch submitted a questionnaire on the Jalaur River project to the Korea Export-Import Bank, and received an official response to the questionnaire on September 18.²⁰ On October 29 and 31, through e-mail and international mail, KTNC Watch submitted to the Supreme Court of the Philippines a petition from the Korean civil society urging the suspension of the project as well as a translation of the official response from the Korea Export-Import Bank. On November 6, KTNC Watch further filed a request form demanding the ‘safety policies’ that the Korea Export-Import Bank purported to follow in its operations, and a report on the project that addresses such policies.

B. Angat Dam Hydroelectric Power Plant

1) Background

Angat Dam is located in the Province of Bulacan, in the Island of Luzon. It is a massive multi-purpose dam that provides 97% of the water for living in the Manila area, produces over 400 GWh of electricity annually, has a storage capacity of 850 million m³, and has a reservoir 23km² in size. On April 28, 2010, the Korea Water Resources Corporation (KWRC) won the public tender

²⁰ The Korea Export-Import Bank stated that it “has put continuous efforts into successful execution of [its] projects, and will continue following the EDCF Safeguard Policies in the future.”

for the Angat dam hydroelectric power plant as the highest bidder, but could not take over the power plant immediately because of local civil groups opposed to privatization who filed a nullity suit in May 2010. When the Supreme Court of the Philippines ruled against the plaintiffs in April 2012, the KWRC recommenced the take-over process, finalizing it in November 2011 with 439 million USD. At the time of KWRC's bid, the Korean media was pessimistic about the takeover, citing low profitability. During parliamentary inspections in 2010 and 2011, concerns about the dam's age, risk of collapse, and recovery costs were raised, as well as skepticism towards its possibility to generate electricity.²¹

2) Major Findings from Interviews and Issues

- ① Interviewed activist from the Center for Environmental and Development Services, involved in the anti-privatization movement of the Angat Dam
- ② Visited areas scheduled for compulsory eviction, interviewed residents
- ③ Visited large-scale migration facilities.
- ④ Visited Agacalaga and interviewed Indigenous residents; observed access road and waterway construction sites

▷Involuntary migration

When the team visited the Angat Dam area, several households near the river were already preparing to move out; residents explained that the local government told them to leave, citing the dam's risk of collapse. On the day the team visited (August 20), residents testified that "there will be a second, large-scale forced eviction on September 15, 2014."

Most of the residents in Norzagaray, a barangay located in the upstream of Angat Dam, were opposed to migration since they have lived in the region for most of their lives and their workplace was nearby. However, our team was told that a public hearing regarding the large-scale migration happened only once (in July 2014), and there was no separate procedure collecting residents' opinions. The first large-scale migration had already taken place in October 2013 to an area 30-45 minutes away on the jeepney (a jeep-turned-bus commonly found in the Philippines), and 1,800 households in six barangays would be subjected to the second mass eviction, including 300~500 Indigenous households. Residents argued that the compulsory eviction order was related to efforts to reorganize the surroundings of the Angat Dam to advance the eco-tourism project the Filipino government is planning with Korean corporations in the lower region of the river.

"I've lived in this region for 10 years, and I never encountered danger like flooding. But the government suddenly comes and says, it's dangerous, so you have to leave. I don't want to leave this place that I call home. One time, a civil servant came and demanded that I leave,

²¹ During the parliamentary inspection in 2010, Huh Chun, a Saenuri Party member of the National Assembly (Land, Transport, and Maritime Affairs Committee), pointed out that "six out of seven generators in the Angat Dam are archaic facilities more than 40 years old [...] investing 55 billion dollars into an old dam, particularly at a time when the KWRC is already expecting significant financial burden from other major projects like the four-river project is already expected, is a rather rash decision."

giving me 1,000 pesos. So I asked him if he would agree if I said I'll give him 1,000 pesos and demolish his house. I said I'll give him 1,000 pesos instead to keep my house.

- A resident subjected to compulsory evacuation in Norzagaray

▷Lack of compensatory measures for eviction

Residents testified that there are no provisions for land compensation and eviction costs. It is difficult for residents in this area to claim ownership rights to the land, since most are migrants who settled in state-owned land in the 1970s, escaping from natural disasters. One resident showed us 500 pesos she received as compensation from the government that day; the considering that the minimum daily wage in the Cavite Industrial Complex is 350 pesos, this shows that there is practically no compensation for eviction.

Not only is it difficult for residents to receive compensations for their current housing, they also need to pay rent for resettlement facilities. For the first four years, they are obliged to pay 200 pesos every month; 500 pesos for the next four years; and 1,500 pesos until the 30th year. Locals explained that there is also a provision that nullifies the total amount of rent paid if the rent is overdue for more than three times.



Pictures 8, 9, 10 (top left) Child carrying belongings for move-out. (top right) Belongings of residents. (bottom) Woman showing 500 pesos she received for compensation on the day

▷Inadequate resettlement facilities

Mass resettlement facilities were set up about 40 minutes away by car from the original place of residence. These facilities were collective housing areas in the middle of plain wilderness, with no amenities nearby. Access to public transportation was also limited, causing concerns about getting to work. As for schools, students in grades one to three were all put into one classroom in the elementary school; there were only three classrooms in total, and students in upper grades (fourth grade and above) had to travel to a school in another village more than 30 minutes away on the car.

Individual houses were in poor condition as well. The house was made up of one room of about 30 square feet meters; since each household was given the same house irrespective of the number of family members, many were forced into a much smaller space than their original housing. A toilet and a sink were ready on one corner of the room, but no drainage facilities were in place yet.



Pictures 11, 12. (left)Interior of mass resettlement facilities. (right)Exterior of mass resettlement facilities.

3) Response measures from KTNC Watch

KTNC Watch submitted a questionnaire regarding the takeover and administration of the Angat Dam Hydroelectric Power Plant and to the KWRC through the office of a Member of the National Assembly in the Land, Infrastructure, and Transport Committee. On August 29, an official questionnaire was filed to the KWRC in the form of e-mail. On September 18, KTNC Watch interviewed the official in charge of foreign operations of the KWRC, and received an official reply. The team was told that on September 22, there was a meeting between the local government and the residents subjected to compulsory eviction. It is unclear whether compulsory eviction plans have been suspended completely, but the eviction that had been scheduled for September 15, 2014 is indefinitely suspended as of now.

C. Rapu-rapu Mine

1) Background

Around 30,000 (13,000 according to the media) residents live in the Rapu-rapu Island of the Albay Province, one of the poorest areas in the Philippines. The Rapu-rapu Mine located in the East of the Island is a nonferrous metal mine about 150ha in size, producing copper, zinc, and gold. Lafayette NL Australia obtained the right to mine development in 2001, but the Filipino government suspended the mine operation in 2005 after cyanide and other wastes from the mine entered the sea and destroyed the ecosystem; Lafayette filed for bankruptcy in 2007. LG Trading Company, a Korean firm that had 15.6% of the shares of the mine at the time, along with Daehan Korea Resources Corporation, expanded their shares to take control of the mine. LG recommenced the mine operation from April 2008. During this time, there were local environmental NGOs protesting the reactivation of the mine in front of the Korean embassy. Rapu-rapu Mine was abandoned again in September 2013, and the Korea Mine Reclamation Corporation is now engaged in consulting for the restoration of the mine.

2) Major Findings from Interviews and Issues

- ① Interviewed the chief representative of Binosawan, a barangay, with the help of a local civil group, environmental NGO, and a priest in local parish
- ② Visited the bridge and school facilities that LG Trading Company had built for the barangay as part of their Corporate Social Responsibility work. We were unable to reach the closed mine directly; instead, we circled the island on a boat and observed the mine from a distance.

▷Health issues

Although it is currently closed, Rapu-rapu Mine is considered the most significant case of environmental damage caused by mines in the Philippines. While many problems persist, including environmental destruction and human rights violations, locals were quick to identify health as the most serious issue. Most of the residents reported suffering from coughing caused by microdust, a problem that did not exist before the mine was developed. Furthermore, many complained of skin disease, particularly amongst children. Residents testified that Lafayette had at least provided hospital fees, but LG Trading Company failed to take any responsibility for the problems that the mine caused.



Pictures 13, 14. Rapu-rapu mine facilities and transportation facilities for the mineral resources, from a distance.

▷Destruction of the ecosystem, including death en masse of fish

During the time when Lafayette was operating the mine, serious environmental damages occurred when cyanide and acid water used to smelt the copper and gold were leaked into the ocean. The island ecosystem suffered dramatic changes, including death en masse of fish, making it impossible for local residents to continue depending on fishing for their livelihood. According to the 'Save Rapu-rapu Alliance,' a local environmental NGO, Rapu-rapu Island has a geologically weak foundation; therefore, mines and healthy residential life cannot coexist, sustainable mine development is virtually impossible, and environmental accidents are bound to happen because of the natural characteristics of the island.

“I haven’t been able to fish for 3 years now. What good are corporate social responsibility projects? Environmental damages are a much more serious problem, and we desperately need to restore the natural environment.”

- An elder in the Barangay of Binosawan

▷Tax evasion and destruction of local community

According to the Philippines Mining Act of 1995, all corporations engaged in mining must pay various kinds of taxes.²² Amongst these, there is a loyalty that must be paid to residents living in areas near the mine (a direct cost applicable to domestic firms); village residents asserted that the LG Trading Company, instead of paying this tax directly, resorted to building a school and a bridge with the amount that would have been paid. LG claimed that they provide scholarships for students as well, but public schools are compulsory, so the firm is not covering the tuition in fact. Furthermore, residents testified that the livestock provided by LG soon died because they were not suitable for the environment and needs of the village. We inspected the dilapidated bridge and school LG had constructed; the school was no more than a single classroom with very poor facilities.



Pictures 15, 16. Bridge and ‘school’ LG Trading Company constructed for the village

Residents also testified that the local community has been disintegrating since LG Trading Company entered the village. Since LG had promised that it would actively support the sustainable development of the village, many residents had toned down their environmental activism and had been less enthusiastic to outside environmental groups carrying out field investigations. However, residents complained that it is clear now that not only has the village been destroyed rather than improved, the community has also deteriorated to the point where it is difficult to take collective action against the damages.

▷Allegations of illegal exploration and subsequent restoration

²² The Philippines Mining Act of 1995: An act instituting a new system of mineral resources exploration, development, utilization & conservation-Republic Act No. 7942

Residents alleged that the operations ceased and the mine closed down because the LG Trading Company came into conflict with the Filipino government for carrying out explorations in other areas without a legal permit. Residents further contended that due to the sudden closure, there was inadequate preparation for restoration, and the restoration funds initially allocated also decreased significantly from 6 billion to 1.5 billion USD.

2. Special Economic Zones

A. Investigation of Special Economic Zones: Cavite Economic Zone

1) Background

In the 1990s, Korean firms that had built factories in the Bataan Export Processing Zone in the 1980s in search of cheap labor started moving into the Cavite Economic Zone. Located in the Rosario General Trias districts 30~35km south of Manila, Cavite Economic Zone is one of the state-owned industrial complexes managed directly by the Philippines Economic Zone Authority (PEZA), an investment promotion agency; Cavite is the biggest industrial area in the Philippines.

Korean, Japanese and American firms are particularly numerous in the Cavite Economic Zone; out of 380 firms in total, 149 are Korean (as of 2013). The major industries are electronics/electro-mechanics such as radio and television (38); clothing/textile (37); manufacturing such as rubber and plastic (18); and metal processing (17; excluding machines and equipment). Foreign-invested enterprises have formed a Cavite Exporting Zone Investors Association to promote their interests, and a Korean is included amongst the nine members of the Board of Directors.²³



Pictures 17, 18. Cavite Economic Zone.

2) Major Findings from Interviews and Issues

²³ “Operation of Korean Firms in the Cavite Economic Zone Operated Directly by the Philippine Economic Zone Authority,” KOTRA Manila Trade Office, 2013.

We investigated the Cavite Economic Zone with the Workers' Assistance Center located in the zone. The Workers' Assistance Center, established in 1995, provides education on labor rights, legal advice, and support for labor union formation amongst other services. It was awarded a Justice and Peace Award (given by the TJI Haksoon Justice and Peace Foundation in Korea to individuals or organizations "who, at great personal risk, stand up to oppression, in pursuit of justice, peace and respect for human rights.") in 2008 for its efforts.

- ① Interviewed groups of workers at 5 Korean firms (1 producing automobile components, 2 producing electronic components, 2 producing clothing/textile).
- ② Met temporary-contract workers aged 13 to 18 at a temporary hiring agency run by Koreans and conducted a group-interview.
- ③ Visited the Cavite Economic Zone (but could not enter inside the factories).
- ④ Interviewed the Governor of Rosario (Jose M. Rcafronte) about Korean corporations operating in the area.

▷Wage grievances

As previously mentioned, the minimum wage in the Philippines differs by region and industry. In Cavite, the daily minimum wage in 2014 was 350 pesos (approx. 7.8 USD), and most of the workers received no more than the minimum wage. One worker we met, who had been employed at the same firm for 9 years, was earning 351 pesos. There were temporary workers and apprentices who only received 236 pesos per day. Many workers were not properly compensated for overtime work; the law stipulates that overtime work cannot exceed two hours a day, so some factories fabricated the records to fake adherence even if their employees completed more than two hours of overtime work. Some others were not provided meals during overtime work. Several workers explained that it is difficult to refuse working overtime because of threats of dismissal.

"Sometimes, they would only pay me for 49 hours after I'd worked for 59 hours in a row. It happens pretty often but there's little I can do to protest. Buyers are very strict about restrictions on overtime work, so the company documents only two hours of overtime work on the records. In turn, we get paid less than what we worked for."

- Worker at firm S, who has worked for nine years at the firm

▷Inadequate and dangerous working conditions

Firms need to protect the workers' right to health in accordance with Article 162 of the Labor Code of the Philippines, but many were failing to fulfill this responsibility because of the cost. Even when the job involved exposure to toxic chemicals, workers were wholly exposed to toxic substances s safety equipment like gas masks and air conditioning were often not provided. For instance, one firm that used thinner and toluene only provided rudimentary masks and hair nets, leading many laborers to suffer from lung disease. To deceive buyers who demand that firms meet occupational safety and health standards, some firms were providing safety equipment or air conditioning only during inspection periods.

“A colleague who had a job requiring him to spend most of the time looking into a microscope got facial paralysis. He did have it treated, but with his own money. He changed his assignment afterwards.” (in 2009)

- Worker at firm H

“I’ve been working at Firm K for 20 years now. I suffered from pneumonia back in 1998, and the doctor told me it was because I was so exposed to chemical substances. I was on medication for six months before returning to work and moving to another department. But every time I smell toluene, I find it hard to breathe, so I have to keep taking meds. It seems like my lungs turned chronically ill ever since I had pneumonia.”

- Worker at firm K, suffering from lung problems



Pictures 19, 20, 21. Interview with workers at a Korean firm in the Cavite Economic Zone. Picture 21. Worker showing interviewers the ‘safety equipment (mask)’ provided for working with toxic chemical substances.

▷Unfair treatment of workers, wrongful dismissal

Most of the interviewees pointed out the inhumane treatment of workers at Korean-owned factories. Workers reported shouting, swearing, throwing objects, spitting, threats of dismissal, and sexual assault by Korean managers.

“My production manager has sexually harassed me since 2006. He would touch my butt or embrace me, or poke at my breasts and say it’s just for fun. I consistently protested, and raised the issue again with the company lawyer after we formed a trade union, so the manager was eventually sent back to Korea.”

- Female worker at Firm K

Some workers complained of inhumane internal rules at these firms. Interviewees reported that internal regulations were often established without consulting workers, causing some workers to be unaware of which regulations exist, even making them unsure what bases upon which they were suspended or fired.

“We get a 15-day suspension if we break the needle of a sewing machine. If you forget to turn off the machine before leaving work, you’re instantly fired; but the problem is, anyone could arbitrarily turn on the machine (and blame the worker). There was an employee who refused

the assignment change, and he got a suspension for 15 days – in fact, that could’ve gotten him fired, because the internal regulations say that you can get fired for disobeying orders from superiors. We get a 3-day suspension for being absent, too – and on the 4th day, you have to come to work and report (to the manager). There was one guy who didn’t do that and got fired. I’ve worked in ten sewing factories so far, and usually, people don’t get fired for stuff like that at other factories, they just get a warning.”

- Worker at Firm H

“I used to work sitting, but now I have to stand. The managers say it’s better for my health. I don’t know if it’s good for their health, but we want to work sitting. I heard that the manger of our factory visited another Korean firm, S, and saw that people there stand while working. (The manager) apparently heard that it’s more productive to work like that, so told us to work standing, too.”

- Worker at Firm K

Wrongful dismissal cases included dismissal for failure to meet production quota, blaming the worker for a manager’s mistake, and urging workers to leave when orders declined.

“They said they need to lay off people because the orders declined, and asked us to leave voluntarily. If we signed (an agreement to leave voluntarily), they said, they would give us retirement allowance, but only to a few people they select. So most of us didn’t sign. But despite saying that orders declined, they’re still hiring new contract workers, and people continue working overtime.”

- Worker at Firm H

▷ Failure to meet responsibilities for social security

The Philippines has a Social Security System (SSS) and a National Health Insurance Program (NHIP) that provide for cases of retirement, disease, death, birth, etc. Employers must contribute to both when they hire workers, but interviewees told us that several Korean firms are months, even years in arrears with SSS and NHIP contributions. Firms can be punished for the failure to pay SSS contributions if they are sued. In the 1990s, one Korean corporation received criminal penalty for not meeting the SSS contributions. However, since the Department of Labor does not interfere unless workers take the issue to court, making the problem difficult to eliminate.

“The company contributes half, and the worker pays the other half of the SSS contributions. We get 200 pesos deducted every month for the SSS. Nowadays we pay 400 pesos twice every month... the company explained that the SSS policy is like this, but I don’t know. In 2014, the company paid into the SSS only until March.”

- Worker at Firm S

“Firm H had a similar problem so we filed a charge against them to the PEZA in the past, and H did end up paying its part. But it’s really difficult to get results like this. If we want to sue them, we have to travel a distance 4-6 hours back and forth. How can we brave that when we work every day and work overtime? So most of us just give up.”

- Activist at Workers’ Assistance Center

“We get a physical checkup every year, and the checkup fees for workers with medical insurance are covered by the insurance. But the company made it optional for workers to get insurance instead of making it mandatory. Isn't this like the management trying to evade the responsibility it has for all workers?”

- Worker at Firm K

▷Oppression of labor unions

Interviewees asserted that Korean firms are particularly repressive of labor unions. The oppression happened in the form of hindering the establishment of independent labor unions with threats and coercion.

“On June 24, 2014, we submitted a Petition for Certification Election (PCE) to the Department of Labor to set up an independent labor union. 95 out of 258 workers had initially signed the PCE, but 35 of them withdrew their signatures after the company said they will move out if the union is formed. The company also coerced people to sign an agreement saying they would not join the labor union, promising financial aid for typhoon damage.”

- Worker at Firm D

“The managers always interfere whenever we try to set up a labor union, coercing workers with incentives, extra pay, and promotion. We've already tried to establish a trade union three times, but failed each time. The first time we tried, they promised us cash advances. The second time we tried was in 2011, and I think they started providing extra pay for long-term workers since then.”

- Worker at Firm S

There were even cases of company-managed labor unions fabricating a collective negotiation and submitting to the Department of Labor a 'motion to dismiss' in order to prevent the formation of an independent union. As of December 2014, an objection has been filed, the outcome for which has not been determined yet.

“We got the certification (permit) for the trade union in July 2011 after registering with the Department of Labor. But the company submitted an application for a cancellation of registration (of the union), saying that the certification election was fraudulent. The Department of Labor rejected the application in August of this year, but somehow, our union registration was also revoked – in other words, there were two conflicting decisions from the Department. The assistant regional director can make the decision only if the director is absent, but it was the assistant who revoked the union registration, so we're speculating that it might have something to do with the management. Even in the Philippines, it's rare that a labor union registration is revoked, so it's likely that our objection would be accepted, but right now, there's the problem of not being able to do collective bargaining.”

- Worker at firm H

As a way of oppressing labor unions, some Korean firms resorted to decreasing the workload and wages, thereby creating financial difficulties for the workers. Companies decreased the workload by transferring moving machines and equipment to other subcontracted firms, deceiving buyer

brands by bringing them back and using them for normal operation during inspection visits. In one case, workers raised the issue to the PEZA and the company admitted its faults, but the company had yet to make substantive changes.

“The company threatened that they’ll close the factory if we make a trade union. They coerced us by giving out promotions and treating us to meals outside. But after the union was established, the company really turned hostile and started cutting down our work assignments. The volume of orders from buyers is the same, but they cut down the production lines from six to two, and eliminated overtime work. Since November 2013, they have been transferring some work to subcontractors; this way, they can avoid giving out retirement allowance in the future if we go on strike, citing the absence of expensive machines. They also started giving the work of unionized employees to temporary workers.”

- Worker at Firm K

“They are currently giving out work to seven subcontracted firms, but whenever buyer brands come for inspection, they bring the machines back from the firms to our factory. And when inspection comes around, (managers) ask workers who are not part of our factory to pretend that they work here, giving them our factory’s ID cards. The company met with PEZA and acknowledged its faults only when we threatened to tell the buyer brands if these issues aren’t resolved; but they have yet to come up with remedial measures. So we’re campaigning and taking action on social networking services to gain the attention of buyer brands.”

- Worker at Firm K

B. Investigation of Special Economic Zones: Laguna

1) Background

In Laguna, there is a Laguna International Industrial Park that Samsung established in 1991. In this area, large Korean conglomerates, including Samsung and CJ, have investments.

2) Major Findings from Interviews and Issues

With the help of the National Coalition for the Protection of Workers Rights, a support center for workers based in Laguna, we interviewed workers in manufacturing and textile industries in Laguna.

▷Phony closures and oppression of labor unions

Phony closure was one of the most significant issues brought up in the Laguna interviews; all the workers we interviewed were wrongfully dismissed on the basis of fake closures. Phony closure was interrelated to the oppression of labor unions. Citing no change in the volume of orders and profits, workers contended that phony closures serve primarily to oppress the formation of labor unions.

For instance, on July 31, 2013 SH, a Korean firm, informed workers that the business is closing down, citing a decrease in orders received. The 992 workers all submitted resignation letters since the firm told workers that only those who submit one would receive the severance pay.

Five days later, the company recommenced its operations, hiring back only 100 employees. According to regulations, a company must notify the workers of factory closure at least a month in advance so that employees may find a new job as soon as possible (both orally and in written), and also report to the Department of Labor. SH filed the closure report to the Department of Labor – while failing to notify workers - and applied for recommencement shortly afterwards, making hundreds of individuals suddenly unemployed.

“I filed an objection to the wrongful dismissal in 2013, which is currently in proceedings. They say the factory closed down because orders decreased, but the supplies never went down. There’s no annual raises, so it’s not like they fired us to save money by hiring someone they can pay less for – they closed it down essentially to suppress the labor union. They’ve blocked unions before, too, by firing 15 union board members back in 2010 and forcing people to sign saying they will drop out of the union.

- Worker at Firm SH, who worked at the firm for over 10 years



Pictures 22, 23. (left) Worker at a Korean firm in Laguna explains the rationale behind phony closures. (right) Luz Viminda Fortuna, the wife of the previous leader of the Nestle Labor Union.

SW, another Korean company in Laguna, also had a phony closure. After labor negotiations between the labor union and the company on July 4, 2004, SW suddenly closed down the business a week later on July 11. The company explained that it was because of serious financial losses, but the workers argued that SW is still running operations under a different name. These workers have yet to receive severance pay, and are awaiting court decisions after filing an objection.

IV. Summary, Recommendations and Analysis

Since the late 1960s when Korean firms’ overseas investment first began, there has been robust Korean investment in the Philippines centered on clothing/textile and electronics/electro-mechanics industries. Large Korean conglomerates joined the boom in the late 1990s as well, while the areas of investment also expanded recently to energy, social overhead capital, and others, enlarging the proportion and relative importance of Korean corporations in the Filipino economy and industry. Considering the long history of Korean investment and the consistently

rising trend of investor interests in the Philippines, we judged it an appropriate country for a field investigation of human rights practice of overseas Korean corporations. Thus, this report was compiled after a 10-day trip to the Philippines in Mid-August of 2014.

For the last 20 years, the civil society in Korea dealing with corporate human rights issues has mostly focused on and reacted to practices of private businesses. However, during the investigation, we found many development projects funded by the Korean government and state-owned enterprises as well. Witnessing public enterprises and capital – which are funded by taxpayers in Korea – at work abroad, under the names of foreign investment or aid, was particularly meaningful. For instance, the Jalaur River Multi-purpose Dam Project is discussed on the front page of local newspapers in the Philippines, but is almost completely unnoticed in the Korean media.

Since the Korean government has stated it will expand its ODA, and public enterprises in Korea are increasingly paying attention to foreign investment, it is predicted that investment and development projects like the ones in the Philippines will continue to increase. For instance, massive development projects like the Baler – Casiguran Road Improvement (2012) and Pampanga Area Disaster-Risk Management and Climate Change Adaptation (2013) continued, even after 200 million USD was spent on the Jalaur River project in 2012.

However, despite negative human rights, social, and environmental effects of these development projects, there were little prevention, watchdog, or remedial measures from related institutions. Although the EDCF has set up ‘safety policies’ in 2012 to decrease the negative spillovers of ODA, these policies are not applied in every project. Korean investors’ understanding of human rights issues also seemed limited; the state-owned enterprise that took over the Angat Dam was not fully aware of the involuntary mass migration of residents near the dam.

Since the expanding development projects are funded by taxpayers’ money (e.g. ODA), there is an urgent need for an institutionalized system to evaluate in advance the risks of human rights violations and environmental damages. Furthermore, there needs to be a process in place to provide thorough information to and obtain the full agreement in advance of local residents. The attitude of shifting all responsibility to the Filipino government, despite knowing that the country’s democracy is not in a mature stage, should particularly be avoided when investing in development projects.

Development projects that do not prioritize the protection of human rights and local residents are bound to face opposition in the destination and cause human rights violations. The Korean government needs to review its statutes governing overseas development projects, and public enterprises should discuss preparing relevant statutes and institutions.

According to workers hired at Korean firms in Special Economic Zones, many Korean firms paid the minimum wage with no consideration for work experience and position. These firms tended to blatantly hinder or suppress the formation of labor unions; workers were oppressed by wrongful dismissal of union members, lessened workload, coercion, and other measures. There were even cases of phony closures citing a decrease in orders. Since the structure was such that no sanctions could be imposed without the workers proactively raising the issue, the problems seemed difficult to solve.

Local activists and regional governors testified that Korean firms in particular are notorious for inhumane treatment of workers. A Korean attitude that overly prioritizes growth and a military-fashioned corporate management system seem to be rampant even in overseas operations, prompting opposition from workers and residents in the Philippines. The corporate culture of overseas Korean corporations reminded us that an evaluation and reflection on the results of the process of economic development in Korea and its growth without distribution.

NGOs, activists, and workers in the Philippines had many challenges in dealing with human rights violations. For instance, when we were discussing whether the KTNC Watch should pay another visit to the Angat Dam area when forced evictions were scheduled, Filipino activists seriously advised us to come prepared with bulletproof vests. For many years, hundreds of human rights/labor/environmental/fair trade activists have been killed by extrajudicial killing. In March 2014, the President of the Fair Trade Producers' Union (known in Korea for its muscovado sugar), who was involved in the activism against the Jalaur River Dam, was killed by an unidentified gunman at a market. An Indigenous resident who appeared as a witness in court to stop the dam project also reported that people armed with guns have been frequently appearing near his house recently. Furthermore, 13 labor rights activists were killed in the Bulakan area, where Angat Dam is located, by one man, nicknamed 'the butcher' for his murders.

We accidentally had a chance to meet the wife of the previous leader of the Filipino Nestle Labor Union. Her husband had taken over the role after the initial leader of the union died mysteriously, only to later die himself by from a mysterious shooting as well. She said she joined labor activism after her husband's death.

In this context, fighting against forced evictions of a home of tens, hundreds of years and engaging in labor activism mean risking their lives for activists in the Philippines. Responding to and correcting problems of corporate human rights abuse through local efforts and the law would require continuous international solidarity not only on Korean corporate issues, but also the general democracy and human rights situation in the Philippines.