

Ministry of Commerce, Industry and Energy

Reply to the Complaints on the violation of the OECD Guidelines for Multinational Enterprises

1. This is a reply to the complaints against Phils Jeon and Chong Won Fashion (currently Chong Woo Trading) related to the OECD Guidelines for Multinational Enterprises.

2. The OECD Guidelines for Multinational Enterprises is not only grounds for resolving issues raised in relation to multinational enterprises by inducing agreements between parties by OECD member state governments, but also standards to appraise behaviors of multinational enterprises.

3. With regard to Phils Jeon case, since now the arguments of the company and the complaining parties contradict each other as shown in the attachment, we presume that additional verification of facts is needed and at the same to time, there is a need for the promotion of mutual understanding between both parties. Therefore, regarding this case, the National Contract Point (NCP) of the OECD Guidelines for Multinational Enterprises is planning to investigate and try to arbitrate in the future, and so we request both parties with respect to actively cooperate with the NCP.

4. With regard to Chong Won Fashion case, because of the close down of both the Philippine branch and the head office in Korea, not only it can be difficult to verify facts related to the violation of the Guidelines, but also arbitration or recommendation, etc. can be meaningless. As a result, for this case it is difficult to proceed with arbitration or investigation procedures. Besides, we inform you that the related bureau of the government, the Ministry of Justice, has been notified of the alleged illegal activities such as the use of violence concerned with this case.

Attachment: Both parties' positions concerning Phils Jeon case

Both parties' positions concerning Phils Jeon case

1. Chapter 1 (Concepts and Principles) Article 7: observance of local laws

(1) Position of the Workers' Side

* The company disregarded the Philippine laws by not responding to the collective bargaining recommended by the Department of Labor and Employment (DOLE) and the courts of the Philippines and by assaulting the labor union who demonstrated legally.

(2) Position of the Employer's Side

* The strike on 25 September 2006 is definitely an illegal strike in violation of the Philippine labor laws. All the related cases are being represented by Philippine lawyers making arguments in full respect of the Philippine labor and other laws.

* The expression "the employer assaulting the labor union" is very unpleasant and it is not true.

2. Chapter 2 (General Policies) Article 2: respect for human rights

(1) Position of the Workers' Side

* To bring the strike to an end, the company hired suspicious men to threaten to kill women workers and assaulted them.

(2) Position of the Employers' Side

* First of all, it is a matter of sincere regret that such incident happened in front of the company's main gate.

* Illegal management activities are not allowed for foreign corporations inside the Cavite Export Processing Zone (CEPZ), and the Philippine Economic Zone Authority (PEZA) also does not tolerate that.

* The company knows nothing about the incident.

3. Chapter 4 (Employment and Industrial Relations) Article 1: respect for the right of employees to be represented by trade unions and other bona fide representatives of employees

(1) Position of the Workers' Side

* Although the DOLE of the Philippines recognized the qualification of the labor union, the company declined to be involved in collective bargaining.

(2) Position of the Employers' Side

* Now the qualification of the labor union is still legally in dispute and so it is difficult for the company to get involved in collective bargaining.

* The company has notified the labor union a number of times that the bargaining will be proceeded amicably in accordance with the court's final decision.

4. Chapter 4 Article 7: prohibition of threatening to transfer an operating unit

(1) Position of the Workers' Side

* The company restricted the workers right to organize by threatening to close the factory.

(2) Position of the Employers' Side

* There was no mentioning whatsoever about the factory closure, and the company expressed its concern over the difficulty to carry on its management activities in case of order reduction and cumulative deficits.

5. Chapter 6 (Combating Bribery)

(1) Position of the Workers' Side

* The labor union is requesting investigation on the alleged bribery of the company to the government officials.

(2) Position of the Employers' Side

* The company finds no need to further respond to the allegation of the company's bribery because it is not true and the company has never heard of such a thing.

6. Others

(1) Request of the Workers' Side

- The NCP was asked to conduct a thorough investigation into how Chong Won Fashion and Phils Jeon are related to the violent incidents occurred on 10~12 June 2007 and 6 August 2007 respectively.

- These cases are drawing wide attention of international labor and human rights organizations in relation to the political killings recently at issue in the Philippines.

(2) Protest of the Employers' Side

* What the labor union is inquiring and arguing is absolutely not true.

- It is frustrating to see that Phils Jeon is pictured as an enterprise disregarding laws and oppressing workers' rights.

* The labor union has threatened non-members of the union several times.

* From its establishment, Phils Jeon has been operated in observance of the Philippine laws and is providing some additional welfare benefits to workers by putting them in the company's regulations.

- The company has been arguing the issues that have been brought up, by fair means through legal representatives, and will do its best to settle the issues peacefully following the decisions of the Philippine laws.