

## Chapter 6: Forum on Environmental Measures Implemented by Japanese Companies in the Philippines

Environmental policy is a crucial issue that cannot be avoided by Japanese companies starting business in a developing country. Though Japanese companies may intend to implement the same level of environmental protection measures as are taken in Japan, this may be difficult owing to conditions in the target country or differences in national temperament. A discussion was held between several environmental officers from Japanese companies operating in the Philippines so as to promote open discussion of the issues and special circumstances faced in promoting environmental anti-pollution measures in the Philippines as well as the kinds of trouble that have been experienced and efforts that have been made. The contents of the discussion have been organized as follows, under the responsibility of the survey team. The participants were:

- An environmental officer from an electrical products manufacturer
- Two environmental officers from automobile makers
- An environmental officer from a precision parts manufacturer
- An official from the secretariat of a Japanese organization



## 1. Environmental Issues Facing Japanese Companies in the Philippines

The following problems have been encountered by the companies participating in the forum in their efforts to implement environmental measures. The two major common issues have been waste water processing and industrial waste processing.

- The company has two plants, one in Metropolitan Manila and one in the suburbs of Manila, where they manufacture electrical products, mainly household appliances. The main measures taken against environmental pollution are water quality pollution measures, industrial waste measures, and air pollution measures. One plant has a coating process, so the company must perform waste water treatment of coatings and water used for washing parts. Waste water treatment is extremely expensive, and the necessary facilities should be installed at the same time as plant construction. This issue must inevitably be addressed since the Philippines has regulations for industrial waste water.
- The company has been operating a plant in an urban area within Metropolitan Manila for more than 10 years. However, this plant, which was formerly used by a US-European auto maker, was acquired without any improvements being made, so the facilities were obsolete. Although the plant used to be on the outskirts of Manila, housing development has progressed since the company started doing business there. As a result, the area is now completely urbanized. Furthermore, the plant is situated in a residential and school district with neighboring schools and hospitals. For this reason, there have been many problems with offensive paint odors. Difficulties have also occurred since the company has no choice but to use comparatively low-level waste water treatment facilities for the plant waste water. There have also been traffic obstacles that interfere with the shipping and receiving of parts and finished products. For this reason, the company recently built a new plant in a province neighboring Metropolitan Manila.  
Based on the experience at the old plant, care was taken at the new plant to avoid annoying neighboring residents. Facilities were installed that can completely process plant waste water, including sewer water. In the past, landfilling of industrial wastes such as waste oil and sludge was entrusted to contractors, but the company has experienced a number of problems caused by irresponsible contractors. A modern incinerator was installed in the new plant in order to reduce the amount of wastes generated by incineration. The incinerator residue is now being stored inside the plant for the present, until a reliable system of disposal can be established.
- The philosophy of the company's founder was to, "take in no pollution and put out no pollution." Starting in the 1970s, the company began to build plating waste water treatment facilities at its overseas plants. Water quality pollution prevention was the mainstay of the company's environmental policy in the Philippines as well, and waste water treatment facilities were installed at great cost. However, there have been problems with the sludge generated along with waste water treatment. At present, this is being hauled away by a contractor, but the company doubts whether this is a satisfactory solution.  
Another aspect is that the company expanded overseas along with many small- and medium-scale affiliated companies. Instead of promoting environmental measures at each company on a small scale, they decided to address these issues as an affiliated (*keiretsu*) group, and the company has been forming activity groups for various environmental measures.
- Surface processing is an indispensable factor in the quality of the manufactured goods.

The hexavalent chromium produced during surface processing must be turned into harmless trivalent chromium. The guideline from the Japanese parent company has been that processing should be done at the same level as in Japan. For this reason, even though the Philippines is somewhat more lenient than Japan since there is no regulation on the overall amount in the Philippines, from the start considerable investment has been made in installing waste water treatment facilities.

The company has also worked to smoothly implement environmental measures that suit the local area. They hired OB of DENR as an environmental consultant to take charge of environmental issues. The company has tackled environmental issues seriously with the goal of anticipating problems, instead of dealing with them after they occur. Another company in the same area told the company, "We were told by the government to pay a fine of 1,000 pesos a day because the amount of trivalent chromium we are discharging is too large, yet they won't clarify the proper measurement method." The company introduced the other company to an environmental consultant and is helping to find some kind of solution.

## **2. Clarification of Applicability of Environmental Regulations**

The environmental measures taken by these companies center on waste water processing and industrial waste measures. But problems arise in the execution of environmental measures because the environmental regulations of the Bureau are unclear. The details of this situation and the companies' response to it are as follows.

- In an examination of plant waste water processing, it was suddenly pointed out that the value for hexavalent chromium was too high. Up until that time, the waste water had cleared the standard, but the company was notified, "Measured items have been added that were not used up until now. Since you are over the standard, you must pay a fine." The company then sampled the water every hour and entrusted the samples to an outside laboratory for analysis.
- Exactly the same kind of situation occurred at a collaborating maker within the group. The authorities concerned informed them, "The BOD is too high from the coating process waste water. You must pay a fine, but we will not inform you of the measurement method." The company's environmental affairs staff sought advice, and the problem was solved. The company now has a firm review the waste emission standards that have been stipulated by law and is implementing a complete program of measures to deal with them. The company is taking its own measurements, and can answer any questions that may be asked by the authorities. In dealing with the offices that enforce environmental regulations, such as DENR and LLDA, the company still feels uncertain about some points since the measurement methods, for example, are not made public.
- Japanese companies have encountered many problems in the region surrounding Laguna Lake, for example, a company's own measurement results may not be accepted; the measurements must be taken by a government agency. The company's measurements are taken for the purpose of monitoring conditions.
- In past cases, the fine for violating water emissions standards was 1,000 pesos a day, which for a company is not a large expense. But it is certainly not inexpensive when compared to local personnel expenses, in that 10 people can be employed for a total of 1,000 pesos/day (30,000 pesos/month). The amount paid to environmental consultants is 3,000 pesos per month per person.

### **3. Problems of Industrial Waste Disposal**

Along with waste water processing, the other major problem is industrial waste disposal. The following opinions were stated regarding this problem. The general consensus is that it may be best to store wastes inside plants until processing facilities are constructed. According to the participants in the forum, the key problems are that there are no appropriate firms even if waste disposal contract firms are selected using strict criteria, and there are no processing facilities. They are waiting for a Japanese waste processing firm with the proper capabilities to start operations in the Philippines or until the Japanese government provides aid to the Philippine government for construction of such processing facilities.

- Sludge processing was contracted to a waste disposal contractor, but the processing was unsatisfactory. This resulted in complaints from the residents surrounding the landfill site. The company finally changed waste disposal firms, but this experience made the company decide to process wastes in-house.
- Even though a waste disposal firm was contracted to undertake proper processing of the wastes, the firm evaded responsibility when problems occurred at the disposal site. The contractor shifted responsibility to the Japanese company by saying, "The wastes were brought in from such-and-such a company." Although a follow-up (tracing) survey should have been done, circumstances made this difficult. The company had to bear the responsibility for the problem even though it had paid money to the contractor.

### **4. Employee Education**

The following opinions were stated about employee education. The participants pointed out that training of local people is important in every possible respect. The participants were unanimously of the opinion that this will be the fastest way to raise the level of environmental measures in the Philippines.

- Representatives of local employees are sent to Japan for training, since the anti-pollution equipment is made in Japan. These employees are supposed to teach the other employees after returning from Japan, but it was found that education had to start with the reasons why waste water treatment is necessary.
- The reality is that educational problems take a considerable amount of time. It is necessary to educate operators on the manufacturing side that produces the waste, not just the maintenance personnel. There have been cases where poor maintenance of waste water processing facilities led to the standards being exceeded. The causes were insufficient instruction when installing the equipment and improper maintenance. Education must begin with campaigns to teach people to stop littering. Seminars are being held for training in-house auditors, since it was decided to obtain ISO 14001 certificate during FY1997 at the direction of the Japanese parent company. One aspect of education is to convey the philosophy behind the ISO 14000 series to all employees.
- A considerable number of people with knowledge of environmental measures have been trained, since the company has been in operation for about 6 years. However, as concern about environmental problems rises, many people have been hired away by other companies. At first this was viewed positively, as something that would be good for the Philippines, but this has become a problem since it has happened repeatedly.
- Employee education on the environment is conducted starting with the local managers.

When it targets the employees as a whole, English instructions on difficult topics may not be understood by all employees. Efforts have been made to use Tagalog.

## **5. Need for Environmental Efforts to Involve Outside Suppliers**

The participants in these discussions are affiliated with so-called big corporations. However, the Japanese companies now entering the Philippines are nearly all small- and medium-scale enterprises (SMEs). Many such companies employ only several dozen employees with one or two Japanese among them. In many cases, these companies are outside suppliers of large corporations. The participants thus indicated that the environmental efforts of large corporations should include outside suppliers.

- At this point in time, the company is making no demands of outside suppliers regarding environmental measures. However, in the future, after the main company obtains ISO 14001 certificate, the company may want to tell the outside suppliers to "follow our example in handling environmental issues, starting with the things you can do now." With worker safety measures, for example, outside suppliers are told, "Install safety equipment to prevent accidents in parts processing. You can't do the job if you haven't installed the safety equipment." In the future, there are plans to have the same kind of requirements regarding the environment.
- One company has an organization of cooperating companies, which at the current time has subcommittees for productivity improvement and safety and hygiene. In the near future, when specialists in environmental issues have been trained at each company, an environmental subcommittee will be established and attempts will be made for all cooperating companies to tackle environmental issues together.
- Another company has few affiliated makers, and the company has received no inquiries about the environment from its customers. However, the company itself must become a model company in the future.
- A third company has an organization of 15 affiliated companies. In this organization, information is exchanged about environmental problems on the same level as for worker hygiene and safety issues. Instructions on the level of "regulate these things" are given to several dozen suppliers, centering on companies in the Philippines. Further appeals have been made, however, and recently there has been considerable improvement. This has also led to improvements in the quality of delivered parts.
- A final company has a full-scale employee education campaign underway at the present time, partly in relation to ISO 14000. It will be difficult to provide support for environmental measures at cooperating companies, however.

## **6. Company Suggestions regarding Environmental Administration in the Philippines**

The companies made the following points regarding improvements that could be made in environmental administration in the Philippines for the future implementation of environmental measures.

- Most of the companies will not object if regulations are strengthened. The Philippines is evidently adopting the strictest aspects of regulations in Japan and the US, but the companies will be able to address environmental issues despite this. However, improvements should be made regarding problematic aspects of enforcement of the laws, such as the failure to clarify measurement methods and the sudden

imposition of fines. They would like environmental regulations to be applied fairly, regardless of which country a company is from.

- Fines are instantly levied if a plant exceeds the standards by even a little. However, people find it impossible to walk through the streets without putting handkerchiefs over their mouths, since there is such heavy air pollution. There is a very large gap between industrial standards and other standards. The companies wish that environmental regulation of industry would be enforced in stages, using gradual measures, so that if a problem occurs the company will be told, "You must improve this by such-and-such a time. You will then be fined if you don't." Unless this is done, there will be an imbalance with environmental policy in general.
- The cities need to become cleaner. Until they are, employees will not understand the point even if they are told to keep plants clean. It is necessary to make the cities cleaner in order to raise the environmental awareness of the country's people as a whole.
- There is insufficient control of mobile sources of air pollution. Environmental problems can only be solved by improving attitudes throughout the country, instead of just placing demands on companies to obey regulations.
- Unless pollution measures are enforced against old jeepneys and buses, which now have no air pollution regulations, the air will become extremely dirty. A person's nose becomes blackened after only a short walk, and many people have reportedly developed asthma. Such regulations are a must, instead of just imposing regulations on newly-manufactured vehicles. Furthermore, a framework for fines is needed that will lead to a real solution of the problems.

## **7. Company Suggestions for the Japanese Government**

The following suggestions were given regarding measures that could be taken by the Japanese government and parent companies in Japan.

- The parent company in Japan has instructed one company to obtain ISO 14001 certificate. Since the parent company itself is in the midst of efforts to obtain certification at the same time, the parent company is unable to provide the company in the Philippines with instructions on obtaining certification. The company in the Philippines is under pressure and would like to be provided with the latest environmental information, such as by holding seminars with experts from Japan.
- Demands for ODA have reached a bottleneck. Why doesn't the Japanese side make counter-proposals regarding ODA, for which expenditures are limited to the environment? This could lead to inter-administrative negotiations if it were pursued to a significant extent, but how much progress will be made in constructing a basis for environmental measures in this country without it?
- The Philippines has limited funds. Aid may be needed for flue gas desulfurization equipment, which costs hundreds of millions of yen, for example, but we wish more consideration would be given to ways of providing aid so that it would be used more honestly and more efficiently on environmental measures. To raise environmental awareness within the Philippines, aid is also needed to promote environmental education.

## **8. Promotion of Environmental Measures by Japanese Companies**

The discussion produced the following advice to Japanese companies (particularly small- and medium-scale enterprises) that intend to start doing business in the Philippines.

One point that was made by all was, "Basically, it is best to have the intention of using Japanese environmental standards. The regulations in this country will gradually become stricter. The regulations in the Philippines are definitely not lenient." Another commonly-made point was, "The critical thing is to share information and for Japanese companies to unite in solving problems. That is the fastest route to a fair method of solving troubles regarding the environment."

- When constructing a plant, it is important to hold thorough negotiations ahead of time with the regulatory ministries and regulatory companies for electricity, telephones and the like regarding infrastructure matters, not just environmental matters. If you don't you will find it hard to obtain permits, and construction will not proceed.
- Companies should not go into business in the Philippines just to export unpleasant, dirty jobs. If you have the attitude, "This kind of work is hated in Japan, so send it to the Philippines," you won't last. You will just have to move on to another country.
- Environmental awareness is rising in the Philippines today, as has been pointed out by President Ramos himself. Up until now, the Philippines has been regarded as one of the "emerging tigers" of Asia, but now there is talk of becoming a "green tiger." This means that the Philippines should become a country that achieves growth while considering the environment. Even government offices seem to be affected by this trend somewhat, and are slowly moving in that direction.
- Japanese small- and medium-scale enterprises tend to try to solve problems within the company, and put the greatest effort into how things are worded. These companies have a climate in which attempts are made to hide any problems that occur. For example, they would never tell anyone outside the company that they had to pay a fine of 1,000 pesos. However, such information needs to be shared in order to resolve problems in a fair manner. The European and American companies are open about even the smallest details, and they solve problems by pooling information and discussing it together. But in many cases Japanese managers just pay up, thinking that, "As long as nothing happens during my three or five years here, that's all that matters. Having to pay small amounts of money can't be helped."
- A framework for finding solutions through cooperative approaches by Japanese companies is being set up by the Japanese Chamber of Commerce and Industry, so be sure to make use of it.

(Reference)

Officials at LLDA shared their personal opinions in order to provide the following evaluation of the environmental policies of Japanese companies.

Large-scale companies are generally evaluated as forward-looking in their approach to the environment, and as having incorporated environmental management concepts from the standpoint of environmental protection.

However, there is another side to Japanese companies when it comes to small- and medium-scale enterprises and companies that have been in the Philippines for a long time. This is the kind of company that comes to the Philippines with the idea of finding cheap labor or new markets, or with the idea that pollution-related regulations are more lenient than those in Japan. This may have been the situation some 5 or 10 years ago, but today the Philippine government is moving in the direction of tightening regulations to the same level as those in Europe, North America or Japan. It will become more and more



difficult for companies that want to make large profits with a low investment to follow pollution-related standards.

There was a case in 1996, for example, in which a small Japanese company thought it could satisfy the pollution standards with only basic processing of waste water. The company did not buy new waste water treatment equipment from Japan, because they did not have enough money. In the end, though, the company could not meet the standards and was ordered to halt operations twice. The company therefore brought in a new consultant from Japan, and implemented a number of measures including installation of new processing facilities. This was ultimately more expensive than it would have been to implement the same measures from the outset.

There are two levels of Japanese companies in comparison to those from the US, Europe, Korean and Taiwan. On the one level there are the large-scale corporations and on the other there are small- and medium-sized enterprises.

The large corporations are as advanced or even more advanced than US and European companies, and have an extremely high level of environmental awareness. They evidently feel obligated to introduce the latest equipment and to execute the same level of environmental measures in the Philippines as in Japan.

In contrast, it seems that some of the smaller companies tend to hold back on the investments that are needed to lessen the load on the environment, as do some Taiwanese and Korean companies. After all, the very reason these smaller companies entered the Philippines in the first place was to cut costs as much as possible in the midst of international competition. In a certain sense, then, this is inevitable.

Regarding Japanese companies, we hope that only the companies that treat environmental protection with a progressive attitude will survive. We believe that this will be the natural result anyway. Other companies will perish through natural selection. In the future, the world will globalize even more and companies will have no choice but to compete outside of their own countries. At the same time, the same pollution-related regulations may come into force throughout the world.

We have a positive outlook on the environmental policies of Japanese companies. We expect that they will be able to succeed while pursuing both economic development and environmental protection.

