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**When Human Capital Becomes a Commodity:
Philippines in Global Economic Changes and
the Implications for the Development of
Non-State Institutions**

by

Angelo Augustus Salting Goode
Ustinov College

**A thesis submitted in partial fulfilment of the
requirements of Durham University, England
for the degree of Master of Philosophy in Politics**

July 2012

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Angelo Augustus Salting Goode

2 July 2012

Abstract

The human cost of globalisation has been widely discussed, but the specific process by which human beings are exported as commodities is a lesser known aspect. Studying this phenomenon is not only ethically important, but illustrative of the unique ways globalisation plays out in developing countries. The human cost of globalisation is not simply a result of a developed country exploiting developing countries but rather can be the conscious policy of the developing country itself. This thesis will explain how human exports are a major element in the Philippine economy due to recent government policy. By means of case study of migrant Filipino nurses, it shows how exporting citizens, although to some extent beneficial is ultimately costly both to the individuals and to Filipino society. An extended study of ASEAN, an East Asian economic bloc, shows that regional blocs cannot ultimately protect transmigrant workers. In a final case study, the thesis also shows that a multinational corporation (MNC) like Western Union fills in an economic vacuum and though appearing to help the plight of transmigrant labourers, ultimately exploits them. The thesis has chosen as its method the International Political Economy (IPE) approach because it has the advantage of making it easier to chart the interplay between a variety of economic, political and social elements. One of the contributions of the thesis is to make a compelling case for a new category of product within the IPE configuration, namely 'non-product-based IPE'. The need for this new category poignantly underscores the dehumanisation of individuals for the sake of economic gain.

Table of Contents

<i>Declaration on Plagiarism and Word Count</i>	ii
<i>Abstract</i>	iii
<i>Table of Contents</i>	iv
<i>List of Tables</i>	vii
<i>List of Figures</i>	viii
<i>Dedication</i>	ix
<i>Acknowledgements</i>	x
<i>List of Abbreviations</i>	xi
Introduction and Methodology	1
Need for the Study.....	1
Advancing Economies of Countries in Transition: The BRIC Powers.....	1
An Unconventional Emerging Market: The Philippine Contribution.....	3
Formation of Research Topic.....	5
First-Hand Experience as a Native Filipino.....	5
Insights from Working at the United Nations Headquarters.....	8
Inability of the Philippines to Care for OFWs Creates Vacuum for Western Union.....	12
The International Political Economy Approach: A Very Useful Alternative.....	15
Research Questions.....	18
Hypotheses and Case Study Methods in IPE.....	20
Fieldwork and Presentation of Data.....	26
Secondary Analysis.....	26
Data Collection.....	27
Interviews.....	28
Plan of the Thesis.....	29
Chapter I. Literature Review and Analytical Framework	32
1.1 Introduction.....	32
1.2 What is Globalisation?.....	33
1.2.1a Hyperglobalist Thesis.....	33
1.2.1b Sceptical Thesis.....	34
1.2.1c Transformationalist Thesis.....	35
1.2.1d Sources of Contention in the Globalisation Debate.....	37
1.2.1e Rethinking Globalisation.....	39
1.2.2 Measuring Globalisation.....	43
1.2.3 Governance in a Partially Globalised World.....	45
1.2.4 Globalisation in East Asia.....	46
1.3 Rise of Regionalism.....	48
1.3.1 East Asia: An Emerging Region within the Global System.....	49
1.3.2 Regionalism and Globalisation.....	51
1.3.3 Constructing a Community.....	51
1.3.4 Regional Leadership in East Asia.....	54
1.4 Transnationalism in Question.....	55
1.4.1 Transnational Optic.....	57
1.4.2 Transnational Space, Migration Studies and Non-State Institutional Development.....	59

1.5 Framework of Analysis.....	60
1.5.1 Globalisation Permeates National Economies: Situational Change of Nation-States.....	64
1.5.2 Promoting Regional Interaction.....	65
1.5.3 Transnational Non-Product-Based Commodification.....	66
1.5.4 Philippine Development Strategies.....	68
1.6 In the End.....	72
Chapter II. Political Economy of the Philippines.....	74
2.1 Introduction.....	74
2.2 Marcos Regime (1965 to 1986): Making Human Capital a Commodity and the Decline of the Philippine Economy.....	78
2.3 Corazon Aquino Government (1986 to 1992): Democracy Restored.....	81
2.4 Ramos Administration (1992 to 1998): Economic Reforms and Outcomes of “Philippines 2000”.....	85
2.5 Under Estrada (1998 to 2001): Corruption Charges and Impeachment.....	87
2.6 Macapagal-Arroyo Presidency (2001 to 2010): Furthering the Marcos Legacy....	88
2.7 Various Specific Domestic Factors that Fostered the Growth of the Overseas Worker Industry.....	90
2.7.1 High Fertility Rate, Very Large Population, and High Unemployment Level.....	91
2.7.2 Government Encouragement/Protection and the Supply Side.....	92
2.7.3 Business Outsourcing.....	94
2.8 Conclusion.....	94
Chapter III. Regional Political Economy with ASEAN.....	96
3.1 Introduction.....	96
3.2 Characteristics of ASEAN: An Economic and Socio-Cultural Community.....	97
3.3 Philippines as the 2007 ASEAN Chair: Inter- and Intra- Regional Trade with the Philippines and ASEAN.....	101
3.4 FDI Flows and Human Resource Competitiveness.....	104
3.4.1 Policy Issues: Labour Cost and Productivity.....	107
3.5 Contemporary Asian Migration.....	109
3.5.1 Growth of Labour Migration in the Region.....	110
3.5.2 Narrowing Income Gaps.....	113
3.6 ASEAN’s Framework for Migrant Labour.....	115
3.7 Conclusion.....	121
Chapter IV. Non-Product-Based IPE Commodities: Case of Filipino Nurse Migration.....	122
4.1 Introduction.....	122
4.2 Political Economy of Human Labour.....	123
4.3 Channelling Economic Growth via Human Capital Cultivation.....	125
4.4 Implications of Filipino Nurse Migration: Fight or Flight?.....	128
4.4.1 Nursing Education: ‘Enrol Now, Work Abroad’.....	134
4.4.2 Politics of Advancing Filipino Human Capital.....	139
4.4.3 At Second Glance: <i>Balikbayan</i> or <i>Balik Bayan</i>	142
4.4.4 Migration and Brain Drain.....	143
4.5 Future Prospects.....	146
4.6 Conclusion.....	148

Chapter V. Function of Non-State Intermediaries: Case of Western Union.....	150
5.1 Introduction.....	150
5.2 Economic Liberalisation: International Financial Market Players and Perception.....	151
5.3 Rethinking Paradigms: The Relationship between Nations, States and International Migration.....	154
5.3.1 Non-State Institutions: MNCs in a Globalised Economy.....	155
5.4 Western Union: Sending so Much More than Money.....	157
5.4.1 Flexible Market Strategies: Servicing the Global Economy.....	159
5.5 Migrant Money: Remittances in the Philippine Economy.....	165
5.6 Conclusion.....	174
Chapter VI. Policy Recommendations.....	176
6.1 Introduction.....	176
6.2 Philippine Labour Migration, Remittances and Development.....	176
6.3 Current Philippine Policies on Labour Migration.....	179
6.4 Prescriptions for Progressive Change.....	182
6.4.1 Migration Policies.....	182
6.4.2 Remittance Policies.....	183
6.4.3 Policies to Reduce Remittance Costs.....	184
6.5 Conclusion.....	185
Conclusion: IPE Ideas Revisited.....	187
Theoretical and Empirical Assessment of the Research.....	188
Situational Change of Nation-States: Transnational Human Capital and Remittances.....	189
Promotion of East Asian Regionalism.....	190
Philippine Development Strategies: Transnational Non-Product-Based Commoditisation.....	191
In Summation.....	193
List of Interviews.....	201
Philippine Government Officials.....	201
Resource Persons.....	201
Overseas Filipino Workers.....	202
Western Union Management and Clients.....	202
Bibliography.....	203
English Books.....	203
Journal Articles.....	214
Government Sources.....	217
Original Sources from the Philippines.....	218
Newspaper and Magazine Articles.....	221
Papers, Dissertations and Films.....	222
Websites.....	224
Appendix.....	227
United Nations Headquarters Internship Programme Offer Letter.....	227
United Nations Headquarters Identification Card.....	229
Western Union Management Electronic Interview Transcription.....	230

List of Tables

Table 1	Conceptualising Globalisation: Three Tendencies.....	37
Table 2	2006 World Merchandise Exports by Product.....	70
Table 3	Comparative Analysis of Government Policies since Marcos (1965 to 2010).....	76
Table 4	Top 10 Skills of Deployed OFWs in 2007.....	128
Table 5	Processed Contracts for Filipino Nurses in the Top Three Destination Countries.....	131
Table 6	Number of Registered Filipino Migrants by Selected Occupation (Professional Nurse) Prior to Migration to the United States.....	133
Table 7	Number of Enrolees in Nursing per Region per Academic Year.....	135
Table 8	Number of Nursing Graduates in the Philippines by Region per Academic Year.....	136
Table 9	Percentage of Nursing Board Exam Passers.....	137
Table 10	Number of Colleges, Universities and Schools with a Nursing Course by Region.....	138
Table 11	Top 10 Countries with the Highest Total Remittances Received in 2008.....	167

List of Figures

Figure 1	Formula with Propositions and Assumptions.....	21
Figure 2	Testable Comparison.....	24
Figure 3	Resource Flows to Developing Countries (in billions of US\$).....	105
Figure 4	OFW Remittances from 2000 to 2007.....	168
Figure 5	Various State Agencies in the Labour Export Industry during the Marcos Regime.....	170

Dedication

To my beloved mother Maria Theresa Salting Menken, a strong woman of good character and humble beginnings, who has been fighting the ills of our world from birth.

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List of Abbreviations

ABCDE	Annual Bank Conference on Development Economics
ADB	Asian Development Bank
AEC	Association of Southeast Asian Nations Economic Community
AFAS	Association of Southeast Asian Nations Framework Agreement on Services
AFP	Armed Forces of the Philippines
AFTA	Association of Southeast Asian Nations Free Trade Area
AIA	Association of Southeast Asian Nations Investment Area
AMC	Asian Migrant Centre
APT	Association of Southeast Asian Nations Plus Three
ARF	Association of Southeast Asian Nations Regional Forum
ARMM	Autonomous Region of Muslim Mindanao
ASC	Association of Southeast Asian Nations Security Community
ASCC	Association of Southeast Asian Nations Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASG	Abu Sayyaf Group
ATRC-MRA	Association of Southeast Asian Nations Telecommunications Regulators Council Sectoral Mutual Recognition Arrangement
AU	African Union
AUN	Association of Southeast Asian Nations University Network
BCIT	British Columbia Institute of Technology
BOI	Board of Investments
BOP	Balance of Payment
BPI	Bank of the Philippine Islands
BRIC	Brazil, Russia, India and China
BSP	<i>Bangko Sentral ng Pilipinas</i> (Central Bank of the Philippines)
CAB	Current Account Balance
CAR	Cordillera Autonomous Region

CCP	Communist Party of the Philippines
CFO	Commission on Filipinos Overseas
CHAPS	Clearing House Automated Payment System
CHED	Commission on Higher Education, Philippines
CIA	Central Intelligence Agency, United States
CLMC	Cambodia, Laos, Myanmar and Vietnam
CMA	Center for Migrant Advocacy
CPR	Communication Policy Research
DESG	Development Economics Study Group
DFA	Department of Foreign Affairs, Philippines
DOLE	Department of Labor and Employment, Philippines
DPA	Department of Political Affairs, United Nations
DSM	Dispute Settlement Mechanism
DSWD	Department of Social Welfare Development, Philippines
DTI	Department of Trade and Industry, Philippines
eBiz	eBusiness Services Incorporated
EDSA	Epifanio de los Santos Avenue
EIU	<i>Economist Intelligence Unit</i>
EO	Executive Order
ESC	Environmentally Sustainable Cities
EU	European Union
FDI	Foreign Direct Investment
FTUB	Federation of Trade Unions Burma
GDP	Gross Domestic Product
GIR	Gross International Reserves
GMS	Greater Mekong Sub-region
GNI	Gross National Income
GNP	Gross National Product
GPE	Global Political Economy

G6	Group of Six (France, Germany, Italy, Japan, the United Kingdom and the United States)
GSM	Global System for Mobile Communications
HB	House Bill
HFHP	Habitat for Humanity Foundation Philippines
IAI	Initiative for Association of Southeast Asian Nations Integration
IBRD	International Bank for Reconstruction and Development
ID	Identification
IDA	International Development Association
IDP	Internally Displaced Person
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IGO	Intergovernmental Organisation
IHEID	<i>Institut de Hautes Études Internationales et du Développement</i> (Graduate Institute of International and Development Studies)
ILO	International Labour Organization
IMF	International Monetary Fund
IPE	International Political Economy
IRIN	Integrated Regional Information Networks
IR	International Relations
IT	Information Technology
IUSSP	International Union for the Scientific Study in Population
KBL	<i>Kilusang Bagong Lipunan</i> (New Society Movement)
KCF	Kanlungan Center Foundation
KKK	<i>Kilusang Kabuhayan at Kaunlaran</i> (Movement for Livelihood and Progress)
LDC	Less Developed Country
LGU	Local Government Unit
MDG	Millennium Development Goal
MILF	Moro Islamic Liberation Front, Philippines
MIM	Mindanao Independence Movement

MIS	Migration Information Source
MMN	Mekong Migration Network
MNC	Multinational Corporation
MNE	Multinational Enterprise
MTO	Money Transfer Operator
NAIA	Ninoy Aquino International Airport
NCLEX	National Council Licensure Examination, United States
NCR	National Capital Region
NEAT	Network for East Asian Think-tanks
NEDA	National Economic and Development Authority, Philippines
NGO	Nongovernmental Organisation
NHS	National Health Service, United Kingdom
NIC	Newly Industrialised Country
NIE	Newly Industrialised Economy
NMYC	National Manpower and Youth Council, Philippines
No.	Number
NPA	New People's Army
NSO	National Statistics Office, Philippines
OCHA	Office for the Coordination of Humanitarian Affairs, United Nations
OCW	Overseas Contract Worker
OECD	Organisation for Economic Co-operation and Development
OFI	Overseas Filipino Investor
OFW	Overseas Filipino Worker
OSH	Occupational Safety and Health
OWWA	Overseas Workers Welfare Association, Philippines
PD	Presidential Decree
PhD	<i>Philosophiae Doctor</i> (Doctor of Philosophy)
PhP	Philippine Peso
POCB	Philippine Overseas Construction Board

POEA	Philippine Overseas Employment Administration
PPP	Purchasing Power Parity
PRC	Professional Regulation Commission, Philippines
RAM	Reform Armed Forces Movement
RA	Republic Act
RN	Registered Nurse
ROK	Republic of Korea
RP	Republic of the Philippines
SARS	Severe Acute Respiratory Syndrome
SEPO	Senate Economic Planning Office, Philippines
SEPR	Senate Economic Planning Report, Philippines
SSS	Social Security System
TAC	Treaty of Amity and Cooperation in Southeast Asia
TESDA	Technical Education and Skills Development Authority, Philippines
TFG	Transitional Federal Government, Somalia
TNC	Transnational Corporation
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UP	University of the Philippines
USNCSBN	United States National Council of State Boards of Nursing
US	United States of America
USSR	Union of Soviet Socialist Republics
V	Variable
VAP	Vientiane Action Programme
WFP	World Food Programme
WTO	World Trade Organization
WU	Western Union

Introduction and Methodology

Need for the Study

Conventional wisdom holds that the structure of the global political economy is shaped predominantly by developed countries (O'Brien and Williams, 2010). Yet it is becoming increasingly recognised that developing countries can have a significant impact. This has been seen already with respect to a set of countries in transition towards development known as the 'BRIC' powers. This study extends these findings by showing how an additional developing country in Southeast Asia, the Republic of the Philippines (RP or Philippines) is critical to understanding the political economy both at large and within East Asia. Like developed countries and the 'BRICs', the Philippines influences contemporary international relations, diplomacy and world affairs.

Advancing Economies of Countries in Transition: The BRIC Powers

To place our study of the Philippines in context, it is important to provide some background on the BRIC Powers. In a 2001 paper entitled, 'The World Needs Better Economic BRICs', Jim O'Neill of the global investment and securities firm Goldman Sachs was the first to coin the term BRIC—an acronym to refer to the growing economies of Brazil, Russia, India and China (O'Neill and Stupnytska, 2009). The economies of the BRICs, according to O'Neill, have such a huge potential that they are expected to become among the most dominant economies in the world by 2050. Comprehensive studies such as those of Goldman Sachs have predicted that the countries of the BRIC coalition will eventually comprise over 40% of the world's population and will surpass the combined gross domestic product (GDP) of the Group of Six (G6—France, Germany, Italy, Japan, the United Kingdom and the United States) by over 60% (Wilson and Purushothaman, 2003). It is predicted that Brazil and Russia will become dominant countries in the supply of basic commodities and natural resources with Brazil specialising in agriculture and minerals and Russia specialising in oil. China and India, meanwhile, dominate the field of manufacturing and services.

The BRIC nations encompass over 25% of the world's land coverage, 40% of the world's population and hold a combined GDP (at PPP—purchasing power parity)

of 15.435 trillion dollars, and are among the biggest and fastest growing emerging markets (BRIC Consulting, 2010). The BRICs will also be leaders in infrastructure development and urbanisation and will be among the strongest drivers for global consumption. The rapid growth in income needed to sustain the BRICs will lead to major infrastructure and urbanisation demands to address energy, transport and housing. With income per capita among BRIC countries rising to 40% of the world's population, the demand for consumer-based products will rise in turn. This resulting increased consumption is one way BRIC countries can have positive effects on the global economy (*Financial Times*, 2006). Goldman Sachs also reported that the strength of BRIC in its rapid economic growth also stems from the initiative of the individual countries to reorganise their economic and political structure systems to embrace global capitalism and become competitive in the world economy. The BRIC nations have encouraged education, foreign investment, domestic consumption and domestic entrepreneurship.

Even if the BRICs are not yet a collective economic bloc or a formal trading association, such as what the European Union (EU) has accomplished, there are some signs that the BRICs have been seeking to form a political alliance of sorts. In June 2009, leaders of the BRIC countries held a summit in Yekaterinburg, Russia, to declare a multipolar world order, recognising their collective political and economic strengths 'to advance the reform of international financial institutions so as to reflect changes in the world economy' (Halpin, 2009). Without any subtlety, the BRIC summit insisted that it would seek to break the dominance of the United States (US) dollar as the world's leading reserve currency, thus toppling the United States as the sole global superpower. The idea is not necessarily to damage the United States or the US economy, but rather to introduce a 'more diversified international monetary system' where other currencies should be given considerable and fair importance as reserve currencies, considering the weak performance of the current reserve currencies, including the US dollar (Halpin, 2009).

China, which is considered the main muscle of the BRIC, for example, already ranks first in the world in terms of population, labour force, exports, foreign exchange reserves and, most notably, in current account balance (CAB), which is pegged at around US\$292.6 billion (International Monetary Fund, 2008). Meanwhile, at the end of 2010, US gross federal debt totalled \$13.5 trillion (Congressional Budget Office, 2011). Certainly, with this kind of political will and economic strength, the BRIC

nations will be shaping the future of this world in a huge way. Future BRIC reforms, whether achieved by political clout, financial muscle or sheer numbers, will set the standards for globalisation and international trade and will influence the political and economic developments of other countries.

An Unconventional Emerging Market: The Philippine Contribution

The BRIC nations are not the only countries in transition towards development shaping the international political and economic system. One must also consider the Philippines. Whilst not enjoying the vast land area of the BRICs or their vast resources, the Philippines does possess a valuable world-changing commodity in human capital. Human labour is in fact the largest export commodity of the Philippines. Termed ‘overseas Filipino workers’ (OFWs), these migrant labourers include domestic helpers in Singapore, Malaysia and Hong Kong, nurses and caregivers in the United States and United Kingdom, entertainers in Guam and Japan, and construction workers and service personnel in Dubai, Brunei and Saudi Arabia.

Like the BRICs, the Philippines is an ‘emerging regional and global power which is straining to make its voice heard in international fora and global meetings’ (O’Brien and Williams, 2010: 427). With its products and resources, BRIC represents a global standard but this standard is loosely defined. I submit that the Philippines be thought of as a major player in the same way as the BRIC nations, with the difference that it supplies a different kind of resource—human labour. As both similar and dissimilar to BRIC, the Philippines is worthy of study by helping us better understand the dynamics of both the global political economy and East Asian political and economic development.

Notably, the Philippines’ OFW phenomenon challenges conventional wisdom about material-based commodities because the transnational development of human capital generates a kind of non-product-based commoditisation. This export of commoditised human capital raises a host of issues, each reflecting the daunting tasks developing countries confront in their endeavour to operate smoothly within the existing structure of the international system. For example, since commoditised human resources are such an unconventional form of trade, the question then arises as to how international organisations like the World Trade Organization (WTO) would address this situation. There are also a large number of pressing issues that the

Philippines faces as a developing country that has a major impact upon the global economy.

The health care industry, particularly the nursing and care-giving professions, has boomed in the Philippines in response to the great demand in developed countries such as the United States, the United Kingdom (UK), Australia and Canada. The immediate attraction for the Filipino nurse or care-giver (and most OFWs) to work abroad is the opportunity to receive a dollar pay check and a salary several times greater than what could be earned in the Philippines. Larger pay checks also result in increased savings that could be used to support a relative's retail business, send siblings and children to school, build a home in a better neighbourhood, and provide the earner with a reputation of modest success notches above the very thick Philippine poverty line.

Philippine colleges and universities also took notice and began adding nursing and care-giving to their curriculum. In the last decade, the growth of nursing and care-giving programmes in colleges and universities has grown significantly from a handful of medical educational institutions to hundreds all over the country. In fact, at one point, other professionals like lawyers, engineers, doctors and accountants returned to school to study nursing because of the better employment opportunities offered abroad. According to the US National Council of State Boards of Nursing (USNCSBN), 9,181 Filipino nurses took the National Council Licensure Examination (NCLEX) in 2005 (Inquirer.net, 2009). In 2007, the figure increased to nearly 22,000 (Inquirer.net, 2009). These statistics are especially significant because they illustrate how the training for nurses has grown like wildfire.

The Philippine government under the recent Gloria Macapagal-Arroyo administration acknowledged the importance of the OFWs, noting how the earnings and remittances in US dollars bolstered the fledgling Philippine economy. In 2003, the Philippine peso (PhP) was at a record low at PhP57.30 to \$1, but in 2009, the Philippine peso recovered to an average of PhP45 to \$1, influenced by a combination of strong OFW dollar earnings and remittances and the weakening US dollar. In 2009, the Central Bank of the Philippines (*Bangko Sentral ng Pilipinas*—BSP) reported that remittances sent to the Philippines by OFWs reached over \$17 billion, enough to save the Philippine economy from going into recession (Kelly, 2010). This figure rose some 5.6 % from the \$16.4 billion raised from the previous year (Kelly, 2010).

The remittances sent by OFWs to the Philippines are a closely watched economic indicator as these remittances largely fuel household consumption, which in turn serves as a key driver of the domestic economy. These remittances also bolster the country's gross international reserves (GIR), which of course, strengthens the ability of the Philippines to engage in commercial transactions with the rest of the world. By the end of 2009, Philippine GIR stood at a historic high of \$45 billion (Kelly, 2010).

The emergence of the Philippines and the BRICs as a significant group indicates that further examination of the global political economy is in order. It signifies 'a dilution of US and European power, perhaps foreshadowing the emergence of a more multipolar global political economy' (O'Brien and Williams, 2010: 427). Findings like these prompted me to research how human capital as a commodity can affect global economic change. With a primary focus upon the Philippines OFW phenomenon and accompanying developments such as the emergence of non-state financial intermediary agents, this thesis does just that.

Formation of Research Topic

My research proposal initially employed a Marxist approach to the study of Filipino workers, with an examination of notions of identity, class, gender, religion, ethnicity, citizenship and the attempts made by states to address potential conflict between these issues. My topic and research questions have since evolved in response to both the development of my thinking and the evidence revealed by research. The following narrative charts my intellectual journey through a description of my experiences growing up in the Philippines and working for the United Nations Headquarters. I have drawn particular attention to what have I learned and experienced to show how I arrived at an alternative approach: that of the International Political Economy (IPE) perspective as a means of understanding the unique role of the Philippines in contemporary global affairs.

First-Hand Experience as a Native Filipino

As I grew up in the Philippines, I became curious about the country's political and economic state. It was something that could not be ignored. I had the privilege of living during an exciting and critical point in Philippine history. I witnessed not one but two People Power revolutions, a new Philippine Constitution, a serious coup

d'état attempt, the Mount Pinatubo volcanic disaster and other natural disasters, to name just some of my experiences. The political atmosphere in the Philippines is very dynamic and, in a sense, almost unpredictable, even volatile. As I experienced these events I began to wonder about how the Philippine economy and politics were structured and what were the key influences in Philippine politics and economy that shaped them to their present form.

I recall how in 1989 there was a serious coup d'état attempt against the government of then President Corazon Aquino. The attempt was staged on the 1st of December by members of the Reform Armed Forces Movement (RAM) and soldiers loyal to former President Ferdinand Marcos. These soldiers managed to gain control of key military outposts, such as Villamor Airbase, Fort Bonifacio, Sangley Airbase and Mactan Airbase in Cebu. The rebels effectively shut down the Ninoy Aquino International Airport (NAIA). From Sangley Airbase, RAM soldiers launched planes and helicopters to bombard and strafe military strongholds like Camp Crame, Camp Aguinaldo, and even Malacañang Palace—the seat of power of the Philippine President.

Pushed into a corner, President Corazon Aquino sought military assistance from the United States. Through US intervention the Aquino administration was able to flex its muscle and preserve its commanding position. Heavy fighting occurred in various parts of Metro Manila. At one point, rebel forces occupied 22 high-rise buildings along the business area in Makati City. The coup d'état attempt was said to be finally over on the 9th of December after the last of the rebels surrendered from their posts. Ninety-nine people were killed, including fifty civilians, and nearly five hundred and seventy were wounded.

I recall how once during my childhood we were not allowed to leave our homes because there were several military personnel ready to engage the suspected members of the militant group (or groups) responsible for the many bombings in shopping malls around the national capital region of Metro Manila. Snipers were camped out in buildings just across from residential neighbourhoods. Police check points were frequent, and one could not even enter a shopping mall without undergoing a stringent security check of one's belongings.

Although these security measures were put in place to assure the safety of Filipinos, they were also a cause for unease. People were frightened. Yet many had no choice but to live their lives as normally as they could. Students had to study and

work had to be attended to. Food had to be put on the table and bills had to be paid. The Philippine government, as unstable as it was, could not really give much welfare to those in need, and many citizens took it upon themselves to rise above the shortcomings of government support in order to maintain their basic necessities.

The Philippines has a very unclear social structure. With multifaceted levels of destitution, it is difficult to determine the poverty line. Whilst there are many people who are employed through working class jobs, the salaries they earn are not enough to keep up with the costs of living. Thus, it is not hard to imagine that many would seek opportunities in other countries, where they could earn more to support their families.

I was fortunate enough to live in a protected suburban neighbourhood and attend a very reputable private high school with top-notch facilities. Most of the Philippine student population had to endure with much less. All over Metro Manila and in the rural provinces, several schools (from the primary level to the collegiate level) do not have adequate classroom space or school materials such as text books and computers to match student demands. For those who managed to graduate from college, not enough employment opportunities to absorb the sheer number of graduates existed. White collar jobs were scarce.

More recently, there are developments going on around the country with commercial centres, residential condominiums and roads constantly being built and improved. Clearly, this is a sign that there are investments being made, that there is money to spend and that the economy is on the rise. And yet, this progress sits side by side with the contradictions of prevailing poverty with shanties crowding many parts of the country, and with out-of-school youth begging for spare change or selling just about anything from candy to cell phone chargers in busy thoroughfares. It made me wonder what the Philippine government is doing to address these situations.

Of course, I was well aware that the issue of poverty is prevalent around the world, most especially in developing countries. Even the BRIC nations endure the same problems despite their advancing economies. India, for example, is no stranger to poverty. Poverty in India is so widespread that it was estimated they have a third of the world's poor. A 2005 World Bank estimate showed that 42% of the population of India falls below the international poverty line of \$1.25 a day (Ravallion and Chen, 2010). This estimate may be worse now, considering the dramatic changes in the rise of food and fuel prices. Nevertheless, India has done its part in addressing the

inequalities in opportunities that impede the poor from participating in the growth process of their high GDP growth.

I also knew that the Philippine government has created programmes through the Department of Social Welfare Development (DSWD) and the Social Security System (SSS) to provide a means of livelihood for impoverished families. But these programmes rely upon the available budget the Philippine government allocates for their projects.¹ The national budget is dependent on the effective collection of the government through taxes and fees, but is more reliant on the Philippine economic performance on the international level. With an economy on the upswing, the national budget can be stretched to accommodate more programmes for Philippine development, especially pursuant to eradicating poverty.

I needed to determine how the Philippines could maintain an economy sufficiently stable to stimulate development within the country. I wanted to find the key ingredient to how the Philippines could turn things around like India or China. With this aim in mind, I became interested in the impact of middle powers for international and political development (Ping, 2005). But this was not enough.

Insights from Working at the United Nations Headquarters

Among the big international organisations, it has been argued that the United Nations (UN) has the highest degree of success in administering development aid to the developing world. It occurred to me that a work placement at the UN Headquarters could provide valuable hands-on experience that would enhance my study. Indeed, my experience interning at the UN Secretariat was an important step in my search for answers.

In September 2005, I was one of six postgraduate students from the United Kingdom accepted onto the UN Headquarters Internship Programme in New York City. I suspended my postgraduate studies for six months to work at the Secretariat Building for the Department of Political Affairs (DPA). DPA is the arm of the United Nations that provides advice and support on all political matters to the Secretary-General in the exercise of his global responsibilities under the Charter, relating to the maintenance and restoration of peace and security. During the 60th General

¹ Joey Sarte Salceda, *Interview*, Republic of the Philippines Governor of Bicol, Legazpi City, Albay Province (Polangui, Philippines: Personal Communication, 18 December 2003, 4 January 2004 and 9 January 2004).

Assembly, I was assigned to the policy planning unit to cover the speeches of the heads of state from an international trade, health and development perspective. My written report contributed to the 2005 World Summit Political Analysis. I was also assigned to the public information and external relations unit, where my responsibilities consisted of writing press releases and newspaper articles, liaising with UN offices in Africa, attending interdepartmental communication meetings, and working on the DPA website and brochure content and design. Copies of my UN Headquarters Internship Programme offer letter and identification card are in the Appendix on pages 227 to 229.

My experience at the United Nations helped me become profoundly aware of the how institutions can be extremely ineffective. For example, I saw that the United Nations had problems when dealing with support to developing countries in Africa. Whilst the United Nations may facilitate fund-raising for humanitarian aid to underdeveloped regions of Africa, it did not create or suggest any supporting institutional policies to help maintain the development. Instead, the problem was left to the government to determine independently how to handle the situation. Indeed, as William R. Easterly (2002) has pointed out, institutional aid does not truly help developing countries. The United Nations may have eloquently laid out its responsibility to protect populations from war crimes and crimes against humanity, but it has drawn criticism in its apprehension to intervene and provide humanitarian aid in places like Somalia where armed conflict has been going on for several years.

The United Nations may provide a general resolution among its member nations, but it falls victim to the ‘liberal trap’—struggling to implement and act on the resolutions needed for specific situations. During my time at the United Nations, I actively studied the issues and programmes that focused on the region of North Africa, especially those in Egypt, Somalia and Sudan. Somalia, for instance, has been in civil war for over a decade, causing hundreds of thousands of Somali to be displaced from their homes. Since 1991, the increasing violence has led the country to a state of anomie. Refugee camps are full of occupants suffering from malnutrition due to water and food shortages and cannot receive proper medical help. In the first year of the Somali Civil War, it was estimated that 300,000 people died of starvation (Muravchik, 2005).

When the civil war began in 1991, the United Nations formed UN Security Council Resolution 733, Resolution 746 and Resolution 794 (Internal Displacement

Monitoring Centre, 2010). In general, these UN resolutions were passed for the effective launch of a crucial peacekeeping campaign to restore order in Somalia and to protect at all costs the relief workers who were distributing valuable humanitarian aid to over a million internally displaced persons (IDPs) living in refugee camps all over Somalia. However, UN peacekeeping efforts withdrew in March 1995, following the exit of US troops the previous year (Internal Displacement Monitoring Centre, 2010). The conflict escalated and several casualties were suffered by UN peacekeepers, and the much-needed order to be restored could not be put in place as there was no form of government that could claim to be able to control the state.

Instead, in 1996, the United Nations set up an office in neighbouring Kenya to monitor the situation in Somalia. Without any US or UN intervention, many places in Somalia began self-declaring themselves as autonomous states. Clan conflicts stemming from ancient animosities that were exacerbated by colonialism were rekindled as clans sought to seek resources for survival in a war-plagued country. Warlords of different parties, representing varied political ideologies, continued to battle for control of the country. The Transitional Federal Government (TFG) in Somalia, which is a pro-UN government that is somehow recognised by the United Nations, lost its stronghold on the capital of Mogadishu. The capital was besieged by rebels, who took over key buildings such as hospitals and medical centres, causing more suffering for Somali IDPs.

Recent news on Somalia as reported last September 2010 by the Integrated Regional Information Networks (IRIN) is grim. IRIN is an editorially independent, non-profit project of the UN Office for the Coordination of Humanitarian Affairs (OCHA) that provides awarding winning humanitarian news service. IRIN indicates that in the 26-hectare Hawa Abdi compound, there are nearly 50,000 IDPs whose lives are threatened with malnutrition due to food and water shortages, receiving 'no medical help and almost non-existent shelter' (Integrated Regional Information Networks, 2010). And there is nothing the United Nations can do. The TFG does not have enough soldiers and military resources, even with the assistance of African Union (AU) neighbours. So far, the United Nations can only study the security protocols and go through a lengthy bureaucratic process before finally signing off on resolutions that will turn the wheels for humanitarian and peacekeeping action in Somalia.

Even if the United Nations had resources for other worthy developmental projects and programmes for other underdeveloped countries, they are not prepared to handle the kind of anarchy and chaos of Somalia. In paper the United Nations can lay out plans and policies and provide news and numbers to promote awareness, but they lack the support to provide a concrete plan of action to provide emergency assistance to stabilise the situation. More importantly, they do not have the long-term goal of the necessary step B for development and for maintaining the peace.

Situations like these, which I learned about during my experience working in the United Nations, prompted me to question the efficacy of institutions to respond to major situations. Somalia needed to be given prompt and immediate attention, yet the United Nations does not treat it with enough priority. Many other UN programmes lack the nerve or *chutzpah* (Yiddish term for ‘nerve’) to produce effective and ideal results.

The same could probably hold true for the Philippines, which suffers a situation similar to Somalia with an estimated 20,000 families displaced in Mindanao, where there is rampant armed conflict between the Armed Forces of the Philippines (AFP) against militant groups like the Muslim rebels of the Mindanao Independence Movement (MIM, formerly the Moro Islamic Liberation Front—MILF) and the Abu Sayyaf Group (ASG) (Internal Displacement Monitoring Centre, 2010). The conflict has apparently persisted over five centuries, since the time the Mindanao Muslims were able to subdue efforts by Spain to convert them to Catholicism or gain sovereign control of their land (Schiavo-Campo and Judd, 2005). The situation in Mindanao calmed after the end of the Philippine-American War, but hostility and conflict remained. The war escalated in the 1960s and continued on ever since. Today, the ASG and the Communist Party of the Philippines’ New People’s Army (CPP/NPA) have been designated by the US State Department as global terrorist organisations (Anti-Defamation League, 2010). This shows the seriousness with which the Philippines and its international allies have dealt with these subversions.

The United States, for example, has provided military assistance to the anti-terrorist efforts in Mindanao, camouflaged in press releases as a joint US-Philippine military training exercise. Humanitarian aid from the World Food Programme (WFP) has been consistent but not sufficient to reach all who need it. The Mindanao conflict may be isolated in the southernmost region of the Philippines, but despite its safe distance from Metro Manila, it has provided disastrous consequences for the

Philippine government in terms of economic costs and, most especially, human and social costs.

From 1970 to 2001, the direct economic cost was an estimated \$2 to \$3 billion direct output loss for the Philippine government due to this conflict. The human toll was an 'estimated 120,000 deaths, and uncounted numbers of wounded and disabled' (Schiavo-Campo and Judd, 2005). The displacement of more than two million people from Mindanao led to increased poverty, unemployment, and illegal settling incidents in various parts of the country. Lastly, foreign investment deflection due to the conflict and unstable economic situation has taken place.

An indirect result of the Mindanao conflict is that many of those who were displaced sought employment opportunities in other countries, thus making up a significant percentage of the Philippine overseas foreign workers' labour force. According to results from a 2007 survey conducted by the National Statistics Office (NSO) of the Philippines (2010), 19.8% of OFWs worked in Saudi Arabia while 12.1% worked in the United Arab Emirates (UAE). With Islam being the predominant religion in these countries, it is possible that most Filipinos who work there are from Muslim families displaced from Mindanao, although there has been no evidence in the statistics to confirm this.

What is certain is that the prevailing instability in the Mindanao region has done much damage to the Philippine economy and national governance. Effects include the severity of unemployment and underemployment in the country, which in turn serve to bolster the growing trend to seek overseas employment. To be sure, this OFW phenomenon has ultimately led to huge dollar remittances to help boost the Philippine economy, but the workers themselves do not receive the care they need.

Inability of the Philippines to Care for OFWs Creates Vacuum for Western Union

The Philippine government lacks the support and resources to protect the rights of OFWs when they travel to other countries. While there may be a Philippine embassy or consulate taking space in countries like Saudi Arabia and the United Arab Emirates, their main purpose there is 'to provide assistance to Filipinos living, working, residing or visiting these places in their transactions with various government offices and agencies back in the Philippines in regard to passports and other official documentation' (Republic of the Philippines, 2010a). In effect, the Philippine embassies around the world act as intermediary agents with regard to the

bureaucratic process of travel documentation and visa requirements. If an OFW gets fired by their employer, there is no support from the Philippine Embassy in that country to provide legal or social welfare assistance. Certainly, the embassies could not even coordinate financial trade or import/export commerce for that country. The first place to look to determine if OFWs are being cared for by the government is to examine the extent to which they are protected when harmed. I saw that I would need to look into the ways the OFWs could be protected.

There have been many instances in which OFW candidates have been swindled by bogus recruitment agencies or in which OFWs were coerced into a different employment venture rather than what they applied for. There have also been reports of civil and human rights violations to a point of severe maltreatment and even murder.

International/intergovernmental organisations (IGOs) and state institutions lack the capability to protect human capital. One might think an enormous institution with a vast network of resources like the United Nations would be able to offer protection to all citizens travelling and working in other countries, especially if they are national citizens of UN member countries. However, as I had experienced during my internship there, the United Nations is preoccupied with other important international situations.

The global community needs more international standards to deal with the complexities of immigrants, OFWs and their rights. The welfare of the OFW depends on the host country they work in, which is sometimes not good enough. A difference in cultural practices, for example, has led several OFWs to suffer criminal liabilities and mete out harsher sentences that would not have warranted as severe a punishment as they would in their country of origin.

The protection of global citizens, such as OFWs, is a priority. An important part of my research, therefore, was to find an organisation that may be a useful alternative to the state or other banks in representing and protecting OFWs. Upon investigating the OFW remittance process and its implications, I noticed that the multinational corporation (MNC) of The Western Union Company was instrumental in the development of my thesis. Western Union (WU) is one of the more prominent MNCs in the Financial Data Services industry. It carries the slogan 'Connecting Families Worldwide' and provides person-to-person money transfer, money orders and commercial services (Western Union, 2010).

There are over 7,300 WU local agents scattered all over the Philippines and over 380,000 local agents worldwide (Western Union, 2010). Filipino OFWs rely heavily on Western Union to securely transfer their money to their families in the Philippines. The government-implemented commercial taxes from such transactions are components that boost the profit for the Philippine government in terms of dollar remittance. There is also the profit earned from the foreign currency exchange. The WU service fee may be quite expensive compared to a bank, but that expense is mitigated by the convenience, accessibility and certainty of service. WU customers send money with the confidence that it will get to whomever they are sending it to.

But in addition to safe and sure money transfers, Western Union, through the Western Union Foundation, also provides vast opportunities for individuals and communities around the world with projects on scholarships, job training, entrepreneurship, as well as economic and infrastructure development. Western Union boasts of ‘granting more than \$40 million to more than 1,500 nongovernmental organisations [(NGOs)] in 70 countries around the world to support humanitarian projects’ (Western Union, 2010). They have also supported ‘more than 50 disaster-relief operations and have also funded education and human services programs’ (Western Union, 2010).

In relation to Filipino OFWs, Western Union launched a Western Union Foundation Family Scholarship Program for Filipino communities in the Los Angeles area. They also provided 110,000 copies of their Pinoy Care Handbook to be distributed to migrants within the Philippine-UAE corridor, providing OFWs and their families with information on the resources available to them in that country. As a humanitarian partner, Western Union worked with the Habitat for Humanity Foundation Philippines (HFHP) to help build and furnish two schools at a resettlement area for displaced and homeless families in the Philippine province of Southern Leyte after a series of landslides and flash floods brought by severe typhoons that devastated the area.

Whilst the activities of Western Union may not be much in the larger scheme of what the Philippines still needs in nation-building, Western Union certainly has made a significant contribution to the Philippines and to OFWs. It is clear that the Company recognises the big profits derived from the hundreds of thousands of Filipino OFWs who work and do business with them on a regular basis, and as such, they know how to take care of those who take care of them. This compassion is more

than what any Filipino OFW gets from his government. Interestingly, it is a non-state actor that is able to play a key role in establishing the multibillion dollar business relationship vital to protect the finances of this human capital, thus saving the Philippine economy despite the struggles of Philippine trade and commerce, without relying on an unstable Philippine government.

The International Political Economy Approach: A Very Useful Alternative

The Philippines possesses severe social and economic problems that are not being addressed. Throughout the years, I have thought about what kind of concrete contribution I can give to alleviate the poverty problem of the Philippines. One thing that occurred to me was to study the international political economy in depth. IPE scholars study international production, international trade, institutionalism, development and culture with a core focus on their associated theoretical concepts and realisations. For my questions in particular, this approach is most useful because I would get the kind of results other methods would not produce. By furthering my studies in IPE, perhaps I could come across a solution, or at least an example, within the IPE framework that would be a very useful alternative to address the Philippine poverty issues.

In the 1960s, Marshall McLuhan predicted that the rapid development brought about by innovations in technology and communication would create a global village, linking people in ways never before possible (McLuhan and Powers, 1992). Undeniably, the Internet has brought people together, making the exchange of information faster and easier. On the political and economic front, non-state entities like good governance organisations have contributed importantly to a less rigid definition of the nation-state. These include the United Nations, and institutional regimes like the International Monetary Fund (IMF), and the redefined World Bank in which the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) work together. With MNCs—also referred to as transnational corporations (TNCs) and multinational enterprises (MNEs)—operating in various parts of the world, state boundaries are constantly being questioned. Changes in the international system, for instance the collapse of communism, have paved the way for China and Russia to become major international players. In the midst of all these transformations, an academic discipline within the social sciences known as the international political economy approach has arisen to

study the political and economic conditions by which these global changes can be understood.

IPE analyses international relations (IR) in combination with political economy. As an interdisciplinary field, the study of IPE draws on many distinct academic schools, most notably political science and economics but also sociology, history and cultural studies. The academic boundaries of IPE are flexible. Along with acceptable epistemologies, the discourse is the subject of robust debate, which is framed by the discipline's status as a new and multidisciplinary field of study. Despite these disagreements, most scholars concur that IPE is concerned with the ways in which political forces (states, institutions, individual actors, etc.) shape the systems through which economic interactions are expressed. Conversely, IPE also considers the effects that economic interactions have upon political structures and outcomes. This includes the power of collective markets and individuals acting both within and without them.

This diverse and engaging field of study can be traced to Adam Smith's (1776) seminal work, An Inquiry into the Nature and Causes of the Wealth of Nations, which provides insight into how institutions and rules govern social and economic development. In his intellectual history, Benjamin J. Cohen (2008) narrates the rise of IPE, explaining that economic relations between states became more influential and important after the post-World War II global economy recovered. Cohen points out,

What we understand about international political economy tells us a great deal about why it's so difficult for policymakers to manage a crisis—such as our current economic situation—when it occurs, both domestically and internationally...International political economy provides insight into the political and institutional constraints on decision-making.

In other words, IPE investigates the consequences of the interaction between the state (politics) and the market (economics) at both international and domestic levels as they tend to be intrinsically linked. Unlike conventional IR, power in this subfield is understood to be both political and economic, two aspects that are seen as interrelated in complex ways. By examining trade and financial relations among nations, it is possible to perceive how countries have created and maintained institutions that regulate the flow of international economic and financial transactions through political cooperation. Given the prominence of international production and

trade, institutionalism, development and culture in contemporary discourse regarding globalisation, IPE scholars are at the centre of the debate and research in both popular and academic spheres.

This international political economy perspective lends a compelling and engaging framework that necessarily adds a human face to the development analysis. Compared to other similarly paced methodologies of global value chain and economic geography analysis, it can be argued that the IPE perspective provides a very useful alternative to represent the way in which developing countries attempt to cope with the global economic changes brought on by the international capitalist system.

It is true that the subject of human capital becoming a commodity, such as the case of Filipino nurse migration, could be approached from another perspective. This possibly would be by means of the contours of a global political economy (GPE) of care with a view to elucidate the transnational dimensions of care restructuring. The extensive internationalisation of domestic services and its significance for the social relations of production and the division of labour could accordingly be explained within that chain. To date, however, social policy analyses of care have focused upon the social reorganisation of care within nation-states, which are largely treated as entities that are 'sealed'. Consequently, these analyses fail to examine the impact of transnational processes on the socio-organisational shifts observed on the global stage.

OFWs do not lend themselves to a social policy analysis because they are not sealed entities. They are global citizens with transnational elements, a kind of diaspora community with fluid geographical boundaries. They play an important role in the global political economy. Their needs should be represented but instead are neglected in many ways by both the national Philippine government, who rely on OFW remittances like an economic crutch, and the more influential members of the international community.

Despite a neoliberal and neoclassical favouritism, IPE's multi-disciplinarity lends itself more neatly to the study of the Philippines, necessarily bringing out the more emotive and emphatic qualities of the international development agenda. In some aspects, it offers a more insightful analysis into the coping strategies of developing countries with some strides towards theoretically synthesising brute fact with social fact. The international political economy approach also provides a very useful alternative to deal with the development of non-state financial intermediary

agents within the realm of transnational social space and its implications for the 21st century global political economy.

Research Questions

This chapter opened with a discussion of why this study is needed. It posed a key question: how does the Philippines fit into the global political economy? In this study of how human beings are the country's biggest export commodity, there are four supporting research questions that centre on this overarching reality.

The first supporting research question is: can human capital become a commodity? It was Ferdinand Marcos who laid down the fundamental institutions for Filipino labour migration. He 'conducted a deliberate, resolute, and systematic effort to promote overseas employment' (Brillo, 2008: 40). In 1974, Marcos issued Presidential Decree 442 or the 'Labor Code', which served as the basis for the overseas employment programme (Brillo, 2008: 37). Its primary goal was to promote overseas contract work and reap whatever economic benefits could be gained from the outflow, especially in terms of foreign exchange and employment (Gonzalez, 1998). The Philippines did not define human capital outright as a commodity, but they did consider the fact that human capital could become a source of potential profit. The aspect of human capital as a commodity became strengthened in its position and definition when the OFW phenomenon took off in the Philippines because of its enormous effects, especially with regard to the huge profit margins generated by the OFW industry.

The second supporting research question is: when human capital becomes a commodity, what happens or what derives from it? The nature of human capital in the Philippines is that of a commodity that generates profit. Once an economic activity creates profit, it becomes dynamic and keeps growing.

On a global scale, human capital has never been considered a legitimate commodity. The World Trade Organization itself only lists commodities on the basis of non-human products. For this reason, therefore, international policies relating to human capital as a commodity were not as well formed as those in the Philippines. For in the Philippines, human capital was seen directly as a commodity in terms of how it could help the development of the national economy, just like any other commodity across the world market. Commodities are profit centres for any national

economy and as such can be used as leverage to drive trade for other resources and goods.

Examples of Filipino human capital treated as a commodity for export include nurses and other types of care-givers in the United States and the United Kingdom, entertainers in Japan, construction workers in Saudi Arabia, and domestic helpers in Singapore, Malaysia and Hong Kong. This makes the Philippines a significant contributor of migrant workers to the global labour force. Without migrant remittances, the Philippine economy would instantly collapse (Mahr, 2007: 43).

The third supporting research question is: what are the implications of the success of human capital as a commodity on the political economy of the Philippines? Once profit is involved, things happen in a big way. Although the numbers for OFW dollar remittances clearly drive the development of the political economy of the Philippines, other factors play a role. MNCs and private businesses in the Philippines who engage in the remittance transfer and overseas employment industry also experience sizable profits. Educational programmes that cater to overseas employment skills and professions also are supporting actors. All their profits help sustain a portion of the Philippine economy and give them a considerable voice in the politics of their industry.

In turning human capital into a commodity, the Philippines faces certain challenges. These include managing global economic changes and numerous cross-border activities and transnational relations. The country also faces delays in attempts to pass national legislation due to excessive discussion and the communication breakdown. As a result, non-state actors have taken the initiative to provide services and businesses to serve the overseas employment industry. Their actions also have led Philippine policy-makers to restructure their banking laws to accommodate the needs of their overseas Filipino customers. This influence is now under consideration in a regional perspective with the Philippines being the initiator in ASEAN.

The fourth supporting research question is: does the role of non-state actors, as exemplified in the Philippine setting, translate to a relationship with the global political economy? MNCs based in the Philippines, like Western Union, owe their success for the profits derived from the remittance transfer industry as a result of the growth in overseas employment. Because of its success with the Philippine Diaspora, Western Union has sped up its global expansion to other regions and continents.

Western Union's global presence supplies the company with a direct link to the trade and exchange of billions of dollars yearly from various parts of the world. As an intermediary business agent, Western Union also possesses direct market research from the daily business experiences with different people around the world. With such a unique perspective on its industry, Western Union has been able to set the market trend globally within the national financial policies of all the countries that host them.

Western Union is but one example. Other non-state institutions also co-evolve with the economic success influenced by the export of human capital commodities. A rise in migrant population, for example, can lead directly to real estate developments and consumption growth for the local area where migrants reside. Businesses also can thrive because of the service and skilled work performed by these migrants for their employers. Apart from the profit made from dollars remitted to the homeland, there are also profits made from dollars spent in the country in which they work. This beneficial symbiosis increases economic stability for nations who participate in the interaction, whether they are importers or exporters of human capital commodity.

In addition, the unique case of the Philippines using human exports points to a limitation of current IPE theory. Traditional theory envisions commodities as something tangible and material. These are known as product-based commodities, such as foreign direct investment (FDI), MNCs and trade. For this reason, the export of human beings as a trade commodity instead of raw materials challenges conventional IPE wisdom. Human resources in the Philippines are not just integral to the production process. Their value has also been commoditised into what is argued herein to be a kind of non-product-based or service-based IPE commodity.

Hypotheses and Case Study Methods in IPE

The thesis demonstrates that a close examination of how the Philippines renders its citizens into human exports both reveals the unique way the country has responded to global economic changes and presents a strong case for expanding IPE theory to include human capital. Supporting and accounting for the main thesis (i.e. the broader hypothesis) are four sub-hypotheses, which together show the interconnections between international production, trade and human capital development in a globalising world economy.

The social science propositions and assumptions being tested in this work are reflected in Figure 1, which illustrates a formula that specifies the four variables (V) behind the hypotheses, namely:

- V₁ = Human Capital
- V₂ = Commodity
- V₃ = Philippines in Global Economic Changes
- V₄ = Development of Non-State Institutions

Figure 1. Formula with Propositions and Assumptions

$$V_1 \rightarrow V_2 : V_3 + V_4$$

Notes: V₁ and V₂ are relational variables. They are not independent from each other. The colon in this formula means the implications alongside human capital becoming a commodity.

When human capital (V₁) becomes a commodity (V₂), seen in the case of Filipino nurse migration (empirical case study), what are the bigger environmental influences or new implications created that relate to the Philippines' role in global economic changes (V₃)? The development of non-state financial intermediary agents (V₄) like Western Union (empirical case study) alongside the Philippines as an exporter of human resources is a good example. It suggests developing countries contribute to the way in which the international system is being shaped. This is useful in discussions about IPE. Furthermore, recipient countries of human capital may also be able to increase their productivities.

The first sub-hypothesis tests the variables of human capital and commodity, which are relational (V₁ → V₂). To explain my hypotheses on human capital as an international commodity, my study aimed to offer a preliminary illustration of an IPE idea. There is a global understanding of commodities as tangible products that are heavily traded between two or more parties to ensure a beneficial profit or surplus. Human capital has that same defining trait, although the human element makes it very unique and controversial. Human capital comes with a different set of instructions, and is protected by constitutional, legal, civil and human rights. Nevertheless, there are case studies that show human capital as a commodity can provide enough profit to save a country's economy, such as the case in the Philippines. This highlights the

uniqueness of how to distinguish between human capital and other material-based products.

My first sub-hypothesis was tested by studying the case of the Philippines, and how human capital had become a substantial source of income for the Philippine economy. I executed a 'disciplined interpretive case study' to research on the theory of commodities as applicable to the concept of human capital as a commodity (Odell, 2001: 163). I examined the social, political and economic history of the Philippines. I reviewed the international and national policies that govern this industry. The variables $V_1 \rightarrow V_2$ are tested in Chapter II with succeeding chapters presenting the Philippines' regional political economy with the Association of Southeast Asian Nations (ASEAN) in Chapter III and a case study on Filipino nurse migration in Chapter IV. Chapter II provides useful background information on the Philippine political economy. Discussing the various domestic factors that fostered the growth of the country's overseas worker industry, it illustrates the way in which labour migration policy in the Philippines has become institutionalised.

The second sub-hypothesis tests V_3 from a regional perspective. It hypothesises that when human capital becomes a commodity, the Philippines requires more interaction with the Southeast Asia region. This hypothesis postulates that ASEAN is a conduit of sources of ideas on transnational activities, as well as a region generating real and physical demand for Philippine human capital, e.g. Singapore requiring maids. In Chapter III, a more international/regional perspective on the subject matter especially considers ASEAN factors. Empirical evidence from the research in Chapter III suggests the organisation can be more helpfully understood as a confederal assembly within which its nation-state members interact, in this sense making it an interstate mechanism for regional level diplomacy.

As an example, the ASEAN Economic Community (AEC) has come up with programmes and policies to eliminate import duties on most products from the ASEAN region, except for those phased in from the Sensitive and Highly Sensitive Lists. The AEC hopes to achieve this, and then reduce the tariffs on the products in the Sensitive List to 0-5% (Association of Southeast Asian Nations, 2008: 7). Through this, ASEAN has achieved significant progress in tariff liberalisation. The

simple, harmonised and standardised trade and customs, processes, procedures and related information flows are expected to reduce transaction costs in ASEAN which will enhance export competitiveness and facilitate the integration of ASEAN into a

single market for goods, services and investments and a single production base' (Association of Southeast Asian Nations, 2008: 8).

When studying the Philippines in ASEAN, the research focused mainly on migrant labour policies between ASEAN nations. By means of the method of differentiation, the regional role of the Philippines with its ASEAN neighbours was thoroughly reviewed, paying close attention to trade policies and agreements on migration issues and the employment of Filipinos as OFWs in ASEAN countries. An important discovery was that during its 2007 chairmanship, the Philippines spearheaded the ASEAN framework on migrant labour. The Philippines brought light to the plight of migrant workers and resulted in greater cooperation in the area of addressing the rights accorded to these migrants even if ASEAN possessed little autonomous power or a capacity for independent action.

The third sub-hypothesis also tests V_3 . Chapter IV uses Filipino nurses as a case study of human capital to hypothesise that the relationship between human capital, migration and economic growth has resulted in a kind of non-product-based IPE commodity in which human capital is still a product, but may be less tangible. It also shows the relevance of Filipino nurses as a profitable commodity within the systems of Philippine economic stability. The translation of numbers and their relationships are evidences that the profitability and quality of human capital are indeed likened to that of material product-based IPE commodities.

This hypothesis postulates that IPE commodities do not have to be product or material-based like FDI, production and trade. They are not always tangible like crops, fuels/minerals or manufactured products and do not necessarily have to be a localised resource, natural or otherwise. Since overseas worker remittances are the crutch of the Philippine economy, the example of Filipino nurse migration in Chapter IV is a germane case study to use in testing the relationship between human capital mobility and economic growth under globalisation, which defines the influence of the Philippines on the global political economy.

The case study examines the profession of the nursing and health service industry in the Philippines (McKeown, 1999: 161-190). Nurses are in demand throughout the world with some countries crucially lacking this human resource. The Philippines has an overflow of nurses with hundreds of schools providing thousands of fresh resources year after year. I analysed the socio-economic influences that led

to the growth of the nursing industry in the Philippines, which includes the dramatic increase in migration statistics, nursing educational programmes, and the lucrative economics of the profession in a national framework.

As highlighted above, Chapter III on ASEAN also supports the third sub-hypothesis but on a more regional scale.

The fourth sub-hypothesis tests V_4 by investigating the interaction between the world economy and the non-state actor. It hypothesises that when human capital becomes a commodity, non-state actors will play an important role. Following, Figure 2 illustrates the testable comparison of this hypothesis which is based on empirical data in Chapter V.

Figure 2. Testable Comparison

<p>↑ A (human capital becomes a commodity)</p>	<p>↑↓ B (tests if the importance of intermediaries for the political economy of the Philippines goes up or down)</p>
<p>Profit/Surplus (case study of Filipino nurses)</p>	<p>Roles (case study of Western Union)</p>

Note: If there is more of A, is there more or less of B? The hypothesis tests that the increase in A will cause an increase in B.

Relatively recent changes in global economic regimes have perhaps contributed to the growth of non-state financial intermediary agents like Western Union, which exists in the presence of commoditised human capital exported by the Philippines. Because the creation of commodity values that generate profit is dynamic and will continue to grow (A), this hypothesis postulates that the importance of non-state financial intermediary agents for the political economy of the Philippines (B) goes up. An empirical case study of Western Union in Chapter V presents this MNC's roles of intermediary dynamics and linkages with transnational actors such as nurses, domestic helpers, and other OFWs.

The case study was an assessment of Western Union as a corporation and the service that they provide within the Philippines and in other nations where there is a

sizable Filipino community (Eckstein, 1975: 94-137). It also examined the global role of Western Union beyond their corporate profile and list of achievements. The great success of this MNC in the remittance transfer industry has also made a significant social impact that could spark changes in international banking and financial policies.

Chapter V highlights the value of remittances when channelled as a catalyst for development by countries highly dependent on remittances. Research evidence from this chapter supports the fourth sub-hypothesis and reveals that as the economic transaction of transferring remittances takes on distinct and powerful emotive qualities for migrants and their families, Western Union has come to rely on a business strategy intrinsically linked to human preferences. Its person-to-person money transfer is as comparatively easy as handing over the cash face to face and is convenient compared with other remittance methods, such as bank transfers, or on-line transfers. An intermediary agent like Western Union simplifies the process with its vast network of local agents around the world, outnumbering by far the branches of Philippine banks even in the Philippines.

Western Union does not require much operating capital and can make use of small spaces to conduct its business, thus allowing them to easily franchise and branch out in even remote areas of the Philippines, unlike Philippine banks who have to maintain a much larger overhead for their office space. Also, Philippine banks, to avoid misconceptions of off-shore money laundering, still must undergo the watchdog supervision of an internationally reputable financial institution. In contrast, with Western Union, one can simply wire money from any local agent around the world and text the confirmation number and the recipient at another WU outlet will get the money almost immediately after supplying the confirmation number and identification. It may demand a higher service cost than the fees of a bank, but the money moves in real time as though it was handed straight from person to person, the only delay being a quick verification and signature.

The thesis' case study compared the Western Union process to banking systems by interviewing actual customers, agents and officials of Western Union. This research supports the hypothesis that the success of Western Union is also due to the growth of human capital as a commodity.

Fieldwork and Presentation of Data

This phenomenological study is ‘an in-depth study of a single unit (a relatively bounded phenomenon) where the scholar’s aim is to elucidate features of a large class of similar phenomena’ (Gerring, 2007: 341). It deconstructs how the Philippine government adapted to enforce the export of Filipino nurses, how they take advantage of the labour demand for this type of worker, and how in the midst of this, Western Union has been a key financial service provider. All of these developments are a result of relatively new changes in global economic regimes (Neoliberalism). The thesis uses an example of the Philippines as a developing country, and, by investigating the Philippines’ interaction with its immediate Southeast Asian region, the wider global economy and non-state actors, it has two aims: (1) to challenge current theories in IPE by shifting the discussion from product-based IPE to transnational-based IPE and (2) to call attention to the plight of developing countries; both aims are achieved.

Secondary Analysis

Following a systematic review of the literature, documents and information from government sources and websites of international organisations, universities, think-tanks, and civil society organisations were collected. The data is presented in the main text as well as in tables and figures throughout the thesis. A list of tables is on page vii and a list of figures is on page viii. It was also necessary to consider a secondary analysis of other related material to provide further interpretations of the subject matter (Hakim, 1982: 1). This included, reading for example, literature on the roots and effects of the Mindanao conflict, discussions on the issues of Philippine poverty and unemployment, articles on Philippine banking and trading policies among other things to help crystallise the study’s theoretical aims and substantive issues rather than rely solely upon the practical and methodological problems of collecting new data (Hakim, 1982: 16).

‘Systematic reviews’ also were conducted to further an understanding of the socio-political and socio-economic implications of other non-state institutions indirectly involved in the overseas employment industry, such as foreign recruitment and manpower agencies and foreign educational systems and businesses that provide specialised training (Petticrew and Roberts, 2005). These systematic reviews resulted

in a deeper insight into the subject of overseas employment demand and the diverse global markets that provide and obtain human resources to meet that demand.

In addition, Philippine literature on migration, the role of remittances, and the political economy of the Philippines from Marcos to Macapagal-Arroyo, were gleaned from the works of Nimfa B. Ogena (2004: 296-309) and Bing Baltazar C. Brillo (2008: 24-61) among others. Brillo was essential because his was one of the more comprehensive works that dealt with Philippine migration and the socio-political conditions that spurred the growth of the overseas foreign worker industry.

Jason DeParle (2007a; 2007b) provided materials related to Western Union, such as valuable statistical information regarding the corporation, its profile and its socio-economic approach to the remittance transfer industry. Likewise, Western Union's website offered information relevant to their newfound place as a non-state actor in a globalised society.

Data Collection

The study also surveyed and reviewed documents pertaining to migration and its related phenomena, which include FDI and remittance flows. The pertinent documents for the study's research included government and privately produced official statistics, such as the national census, as well as various reports detailing demographic, social, economic, business and political information.

International economic trends and statistics were taken from journal articles and websites, which include the Center for Migrant Advocacy (CMA) (2009), ASEAN (2009), World Bank (2008), Asian Migrant Centre (AMC) (2009), Mekong Migration Network (MMN) (2009), International Labour Organization (ILO) (2009), Migration Information Source (MIS) (Armstrong, Batalova and Terrazas, 2009), and Network for East Asian Think-tanks (NEAT) (2006). The data collected provides a global perspective on labour migration and international trade. Valuable research material came from ASEAN with regard to the role of the Philippines in developing labour migration programmes within the region. Reviews of material from the Asian Migrant Centre, Mekong Migration Network and Migration Information Source were essential in the study of the OFW phenomenon and in the case study on the migration of Filipino nurses.

In order to provide information about the trends and practices relating to the Philippine context, the study employs statistics from the Philippine Overseas

Employment Administration (POEA) (2010), Overseas Workers Welfare Association (OWWA) (2010), Kanlungan Center Foundation (KCF) (2009), Commission on Filipinos Overseas (CFO) (2009), Commission on Higher Education (CHED) (2009), Professional Regulation Commission (PRC) (2009), National Statistics Office (NSO) (2009), Senate Economic Planning Office (SEPO) (2005), and Central Bank of the Philippines (2009). The statistics from the POEA, CFO and NSO were most helpful in understanding the socio-economic framework of the OFW industry. The POEA provided a good overall insight on the workings and procedures of the OFW industry and its relevance in its contribution to the development of the Philippine economy.

Interviews

Twenty-one interviews with selected respondents were also conducted to acquire essential primary data. The respondents chosen for the study represented one or more social and cultural categories and provided a valuable source of information that allowed the research to draw a thorough interpretation through a qualitative method (Gunter, 2000). Interviews with selected government officials, private business heads, OFWs, and Western Union employees and customers were also conducted to provide a subjective counterpoint to the empirical aspect of the research.

The WU management interview was the only interview conducted electronically. The questions emailed to Western Union and the responses they replied with are included in the Appendix on page 230.

Had resources been more abundant, further in-depth interviews might have been sought in more locations throughout the world. This would have made it possible to include views from the wider Filipino Diaspora. It also could have cultivated a stronger sense of methodological rigour for the primary research.

However, despite the limited resources and personal circumstances, it was possible to gain access to valuable research through interviews with family members, extended social relations and through my own experiences. The interviews are an essential component of my primary research because they bring out the more emotive qualities and emphatic conclusions of the thesis' key discoveries.

All interviewees agreed to reveal their names and affiliation at the time of the interview. A list of interviews is on page 201 and sketches of interviewees are in the Appendix on page 238.

Plan of the Dissertation

The thesis is broken down into components or units of analysis, structured in the following way. Chapter I carefully reviews three of IPE's core theoretical concepts by surveying academic literature on the theories of globalisation, regionalism and transnationalism in an effort to draw out the links between international trade, production and human capital development in a globalising world economy. It begins with defining globalisation, followed by a discussion of regionalism, which corresponds to this thesis' argument on the demand for human capital from the Philippines. Finally, the usefulness of a transnational optic offers some insight into the mobility of people and money. The review of the literature helps build the present work's analytical framework, providing a roadmap for the structure of the chapters ahead in connection with four aspects relating to the study's empirical contents and its contribution: Philippine state political economy, regional roles with ASEAN, Filipino nurse migration, and Western Union.

With its emphasis upon local institutional responses to international policy shifts, this study's IPE framework seeks to better understand the social and political consequences of contemporary economic affairs by addressing more inclusively the role of local agents and institutions. The conventional core of IPE focuses revolve around the theoretical concepts and realisations of globalisation, international production, international trade, institutionalism, development and culture. This thesis' new and original application of IPE to selected empirical studies on the Philippines looks to the way in which: (1) globalisation permeates national economies, resulting in a situational change for the nation-state; (2) the Philippine political economy initiates, facilitates and promotes human capital as an export commodity; (3) a non-product-based commodification is generated by the transnational development of human resources alongside tangible material-based economic commodities; and (4) non-product-based commoditisation has become a successful development strategy for the Philippines. The study's analytical framework highlights the links between international production, trade and human capital development in a globalising world economy through the theoretical lenses of globalisation, regionalism and transnationalism. Such an effort submits new implications for the development of non-state institutions.

Chapter II provides an historical background of the political economy of the Philippines, which is the project's focal country. It examines the economic strategies

outlined and implemented by Filipino presidents, from Marcos to Macapagal-Arroyo, with particular attention to the role Marcos played. This chapter compares, contrasts and evaluates the different political and socio-economic impacts generated from the economic strategies employed in the Philippines from 1965 to 2010. Various specific domestic factors that have contributed to the growth of the overseas worker industry are also discussed. In doing so, Chapter II illustrates the manner in which labour migration policy in this developing East Asian nation has become institutionalised.

Chapter III situates the Philippines within the 21st century global economy through a discussion of ASEAN and its implications on the political and economic conditions of the country. This makes it possible to contextualise both the movement of global capital and the role played by interstate mechanisms such as ASEAN in the political economy of the area. ASEAN nations have made steps to become interdependent in their goal of unifying their strengths. ASEAN has done this through their transnational agreements to eliminate and reduce tariffs on the trade of their products, showing a transparency with regard to their financial trade practices among other things. A main focus for Chapter III is the observation that ASEAN through regional interaction is a significant mechanism for leading migrant workers towards transnational labour citizenship.

Chapter IV provides a major theoretical contribution. Using the example of transnational non-product-based commoditisation, it shows clearly how the OFW phenomenon is a form of social capital investment. Chapter IV presents its main findings in two major parts, combining a variety of theoretical literatures with insights gained from conducting fieldwork and available empirical data. The first focuses on the relationship between human capital, migration and economic growth. The second is a case study of Filipino nurses. This case study demonstrates how education, research and development are crucial contributors to human capital investment. The role of development in shaping economic and political changes in the world is also emphasised.

Chapter V significantly presents the case of Western Union. This MNC is an international financial intermediary agent with intrinsic human links. For countries highly dependent on remittances, this chapter highlights the value of remittances when channelled as a catalyst for development. The chapter also suggests that the economic transaction of transferring remittances takes on distinct and powerful emotive qualities for migrants and their families.

Human labour as an exported commodity inherently challenges conventional IPE wisdom, opening the door to examine what this thesis terms non-product-based IPE. Drawing upon empirical data concerning Philippine labour migration, remittances and development, Chapter VI offers policy-oriented suggestions geared towards migration, remittances, and the reduction of remittance costs. In doing so, this concise chapter offers lessons applicable towards how improved development could result from the harnessing of remittances.

The concluding chapter revisits ideas in IPE derived from the analytical framework established in Chapter I. Recapping the main points of the thesis, it provides a theoretical and empirical assessment of the research.

In the end, the thesis aims to alleviate human suffering wrought by current conditions of international politics and economy. It shows the world can be made a better place if we recognise and utilise the human element as a viable factor in any emerging market for any developing nation. Somehow, we have endured the study of international politics and economy to focus on vested interest, profit and surplus—blinded to the fact that the most important resource to maintain the political and economic stability in the world is its people. We have to treat ourselves as a commodity to enact a world-wide change that may see the fulfilment of our ideals, and at the very least, correct us for our misgivings.

Chapter I. Literature Review and Analytical Framework

1.1 Introduction

In examining the effects of global economic changes in the Philippines and their implications for the development of non-state institutions, this thesis must necessarily expand ‘beyond the disciplinary focus of economics to include many other fields, especially international relations, political science, history, business, geography and sociology’ (Dent, 2008: 3). The IPE approach with its emphasis on multi-disciplinarity is able to embrace these different fields and offer valuable holistic perspectives on the study of the Philippines and its role in contemporary diplomacy and world affairs.

The thesis accordingly reassesses IPE theories and provides empirical studies through the theoretical lenses of globalisation, regionalism and transnationalism. As a result, it concludes that: (1) globalisation permeates national economies, (2) the Philippine political economy facilitates the institutionalisation of human capital for export overseas, (3) a non-product-based commodification is generated in the presence of the transnational development of human resources alongside more tangible material economic resources, and (4) non-product-based commoditisation has become a successful development strategy of the Philippines.

In order to best sketch out the interconnections between international production, trade and human capital development in a globalising world economy, Chapter I sets up the thesis’ analytical framework. Firstly, it reviews the academic literature on the theories of globalisation by defining the process through a survey of the hyperglobalist, sceptical and transformationalist schools of thought. Sources of contention in the globalisation debate, ways in which globalisation has been thought, ways in which globalisation has been measured, the means by which governance is carried out in a partially globalised world, and the form in which globalisation in East Asia has manifested are accordingly emphasised. Secondly, theories of regionalism are surveyed with special focus given to East Asia as an emerging region within the global system. Regionalism is explored with respect to globalisation, in terms of how communities are constructed, and in connection with the larger regional leadership in East Asia. Thirdly, to demonstrate the relevance of migration studies in understanding

the development of non-state institutions within transnational social space, theories of transnationalism are discussed.

Lastly, to indicate the clear connections between the theories reviewed and the methods employed in the study, the analytical framework in its entirety is presented. In doing so, it is shown how the thesis addresses all of the primary research questions outlined in the Introduction and Methodology chapter. A major focus in the thesis is the process by which human capital becomes as an export commodity. Accordingly, IPE is used to interpret the thesis' four key empirical studies of: (1) the Philippine state political economy, (2) regional roles with ASEAN, (3) Filipino nurse migration (case study), and (4) Western Union (case study). Altogether, the literature review and framework of analysis uses IPE to interpret the mobility of human capital under globalisation and provides new insights for understanding the development of non-state institutions.

1.2 What is Globalisation?

Globalisation represents the awareness that the world is rapidly being moulded into a shared social space by economic and technological forces, with major consequences for lives of individuals or communities worldwide. There is a burgeoning academic debate as to whether globalisation, as an analytical construct, delivers any added value in the search for a coherent understanding of the historical forces which have been shaping the socio-political realities of everyday life since the dawn of the new millennium. There are three broad schools of thought, which David Held, Anthony McGrew, David Goldbatt and Jonathan Perraton (1999: 1-28) refer to as the 'hyperglobalisers, the sceptics, and the transformationalists'. In essence, each of these schools maybe said to represent a distinctive attempt to comprehend this social phenomenon.

1.2.1a Hyperglobalist Thesis

For the hyperglobalisers, such as Kenichi Ohmae (1990; 1995), contemporary globalisation defines a new era in which peoples everywhere are increasingly subject to the disciplines of the global marketplace. By contrast the sceptics, such as Paul Hirst and Grahame Thompson (1996a; 1996b), argue that globalisation is essentially a myth which conceals the reality of an international economy increasingly segmented into three major regional blocks in which national governments remain very powerful.

Finally, for the transformationalists, chief among them being James N. Rosenau (1997) and Anthony Giddens (1990; 1996), contemporary patterns of globalisation are conceived as historically unprecedented: states and societies across the globe are experiencing a process of profound change as they try to adapt to a world that is increasingly interconnected yet highly uncertain.

The hyperglobalist thesis defines globalisation as a new epoch of human history in which 'traditional nation-states have become unnatural, even impossible business units in a global economy' (Ohmae, 1995: 5; Wriston, 1992; Guéhenno, 1995). Hyperglobalisers argue that economic globalisation is bringing about a 'denationalisation' of economies through the establishment of transnational networks of production, trade and finance. Within this framework there is considerable normative divergence between, on the one hand, the neoliberals who welcome the triumph of individual autonomy and the market principle over state power, and the radicals or neo-Marxists for whom contemporary globalisation represents the triumph of an oppressive global capitalism (Ohmae, 1995; Greider 1997). But despite divergent ideological convictions, there exists a shared set of beliefs among all hyperglobalists that globalisation is primarily an economic phenomenon. They accordingly hold that an increasingly integrated global economy exists today. They also agree that the needs of global capital impose a neoliberal economic discipline on all governments such that politics is no longer the 'art of the possible' but rather the practice of 'sound economic management' (Held, McGrew, Goldbatt and Perraton, 1999: 4). Economic and political power, in this hyperglobalist view, are becoming effectively denationalised and diffused such that nation-states, whatever the claims of national politicians, are increasingly becoming 'a national mode of organisation for managing economic affairs' (Ohmae, 1995: 149). Whether issuing from a liberal or radical/socialist perspective, the hyperglobalist thesis represents globalisation as embodying nothing less than the fundamental reconfiguration of the 'framework of human action' (Albrow, 1996: 85).

1.2.1b Sceptical Thesis

By comparison the sceptics, drawing on statistical evidence of world trade flow and investment and labour from the 19th century, maintain that contemporary levels of economic interdependence are by no means historically unprecedented. Rather than globalisation, which to the sceptics necessarily implies a perfectly

integrated world economy in which the 'law of one price' prevails, the historical evidence at best only shows heightened levels of internationalisation, that is, interactions between predominantly national economies (Hirst and Thompson, 1996b). In arguing that globalisation is a myth, sceptics rely on a wholly economic conception of globalisation, equating it primarily with a perfectly integrated global market. By contending that levels of economic integration fall short of this 'ideal type' and that such integration as there is remains much less significant than in the late 19th century (the era of the classical Gold Standard), the sceptics are free to conclude that the extent of contemporary globalisation is wholly exaggerated (Hirst, 1997). In this respect, the sceptics consider the hyperglobalist thesis as fundamentally flawed. They see it also as politically naïve because it underestimates the enduring power of national governments to regulate international economic activity. Rather than being out of control, the forces of internationalisation themselves depend on the regulatory power of national governments to ensure continuing economic liberalisation.

For most sceptics, if the current evidence demonstrates anything it is that economic activity is undergoing a signification 'regionalisation' as the world economy evolves in the direction of three major financial and trading blocs, that is, Europe, Asia-Pacific and North America (Ruigrok and Tulder, 1995; Boyer and Drache, 1996; Hirst and Thompson, 1996b). They maintain that governments are not the passive victims of internationalisation but, on the contrary, its primary architects. The sceptical thesis is generally dismissive of the notion that internationalisation is bringing about a profound or even significant restructuring of global economic relations. The notion of cultural homogenisation and global culture are further myths which fall victim to the sceptical argument. In general the sceptics take issue with all of the primary claims of the hyperglobalisers pointing to the comparatively greater levels of economic interdependence and the more extensive geographical reach of the world economy at the beginning of the 20th century.

1.2.1c Transformationalist Thesis

At the heart of the transformationalist thesis is a conviction that, since the dawn of a the new millennium, globalisation has been a central driving force behind the rapid social, political and economic changes that are reshaping modern societies and the world order (Giddens, 1990; Scholte, 1993; Castells; 1996). According to the

proponents of this view, contemporary processes of globalisation are historically unprecedented such that governments and societies across the globe have to adjust to a world in which there is no longer a clear distinction between international and domestic affairs (Rosenau, 1990; Camilleri and Falk, 1992; Ruggie, 1993; Linklater and MacMillan, 1995; Sassen; 1996). In comparison with the sceptical and hyperglobalist accounts, transformationalists make no claims about the future trajectory of globalisation. Nor do they seek to evaluate the present in relation to some single, fixed ideal-type, globalised world, whether a global market or a global civilisation. Rather, the transformationalist position conceives of globalisation as a long-term historical process that is both inscribed with contradictions and significantly shaped by conjunctural factors.

Table 1, on the next page, summarises globalisation's three tendencies of the hyperglobalist, sceptical and transformationalist schools reviewed above. These will be revisited in Section 1.5's framework of analysis, which further elaborates on how conceptualising globalisation applies to the case of the Philippines.

Table 1. Conceptualising Globalisation: Three Tendencies

	Hyperglobalists	Sceptics	Transformationalists
What's new?	A global age	Trading blocks, weaker geogovernance than in earlier periods	Historically unprecedented levels of global interconnectedness
Dominant features	Global capitalism. Global governance, global civil society	World less interdependent than in 1890s	'Thick' (intensive and extensive) globalisation
Power of national governments	Declining or eroding	Reinforced or enhanced	Reconstituted, restructured
Driving forces of globalisation	Capitalism and technology	States and markets	Combined forces of modernity
Pattern of stratification	Erosion of old hierarchies	Increased marginalisation of South	New architecture of world order
Dominant motif	McDonalds, Madonna, etc.	National interest	Transformation of political community
Conceptualisation of globalisation	As a reordering of the framework of human action	As internationalisation and regionalisation	As the reordering of interregional relations and action at a distance
Historical trajectory	Global civilisation	Regional blocs/clash of civilisations	Inderterminate: global integration and fragmentation
Summary argument	End of the nation-state	Internationalisation depends on state acquiescence and support	Globalisation transforming state power and world politics

Source: Held, McGrew, Goldblatt and Perraton (1999: 10).

1.2.1d Sources of Contention in the Globalisation Debate

Both the sceptics and hyperglobalisers conceptualise globalisation as prefiguring a singular condition or end-state, namely a fully integrated global market with price and interest rate equalisation. However, because there is no a priori reason to assume global markets need to be 'perfectly competitive' any more than national

markets have ever been this approach is flawed. In contrast, for transformationalists, globalisation is conceived in terms of a more contingent and open-minded historical process that does not fit with orthodox linear models of social change (Graham, 1997).

Much of the sceptical and hyperglobalist literature conceives of globalisation as a largely singular process equated, more often than not, with economic or cultural interconnectedness (Ohmae, 1990; Robertson, 1992; Krasner, 1993; Boyer and Drache, 1996; Cox, 1996; Hirst and Thompson, 1996b; Huntington, 1996; Strange, 1996; Burbach, Nunez and Kagarlitsky, 1996). Yet to conceive it thus ignores the distinctive patterns of globalisation in different aspects of social life, from the political to the cultural. In this respect, globalisation might be better conceived as a highly differentiated process which finds expression in all the key domains of social activity (including the political, the military, the legal, the ecological, the criminal, etc.). It is by no means clear why it should be assumed that it is a purely economic or cultural phenomenon (Giddens, 1991; Axford, 1995; Albrow, 1996).

One of the central points of contention within the globalisation debate centres on what is it that drives the process of globalisation. There are two distinct types of explanations: those which identify a single or primary imperative, such as capitalism or technological change; and those which explain globalisation as the product of a combination of factors, including technological change, market forces, ideology and political decisions. In other words, the distinction is effectively between monocausal and multicausal accounts of globalisation (Held, McGrew, Goldblatt and Perraton, 1999: 12).

The controversy about the underlying causes of globalisation is notably connected to a wider debate about modernity (Giddens, 1991; Robertson, 1992; Albrow 1996; Connolly, 1996). For some, globalisation can be understood simply as the global diffusion of Western modernity, that is, Westernisation. World systems theory, for example, equates globalisation with the spread of Western capitalism and Western institutions (Amin, 1996; Benton, 1996).

Simply seeking to describe the shape of contemporary globalisation necessarily relies (implicitly or explicitly) on some kind of historical narrative (periodisation). It makes a significant difference as to whether contemporary globalisation is defined as the entire post-war era, the post-1970s era, or the 20th century in general (Held, McGrew, Goldblatt and Perraton, 1999: 12-13).

There is an extensive literature implicating economic globalisation in the demise of social democracy and the modern welfare state (Garrett and Lange, 1991; Banuri and Schor, 1992; Gill 1995; Amin, 1996; Gray, 1996; Cox, 1997). Global competitive pressures have, according to this view, forced governments to curtail state spending and interventions. For despite bipartisan commitments, all governments have been pressed in the same direction.

Underlying this argument is a deterministic conception of globalisation as an iron cage which imposes a global financial discipline on governments, severely straining the scope of progressive policies and undermining the social bargain on which the post-World War II welfare state rested. Thus there has apparently been a growing convergence of economic and welfare strategies among Western states, irrespective of the ideology of incumbent governments. This view however is fiercely contested by a numerous recent studies which cast serious doubt on the idea that globalisation effectively 'immobilises' national governments in the conduct of economic policy (Scharpf, Crowley and Thompson 1991; Jones, 1995; Ruigrok and Tulder, 1995; Hirst and Thompson, 1996b).

Each of the three schools within the globalisation debate has a particular conception of the dynamics and direction of global change. Each conception imposes an overall shape on patterns of globalisation and, in doing so, presents a distinctive account of globalisation as an historical process. In this respect, the hyperglobalisers represent globalisation as a secular process of global integration (Ohmae, 1995; Clark, 1997). The latter is often associated with a linear view of historical change; globalisation is elided with the relatively smooth unfolding of human progress. By comparison, the sceptical thesis tends to a view of globalisation which emphasises its distinct phases as well as its recurrent features. Neither of these models of historical change finds much support within the transformationalist camp, for the transformationalists conceive history as a process punctuated by dramatic upheavals or discontinuities.

1.2.1e Rethinking Globalisation

In its simplest sense globalisation refers to the widening, deepening and speeding up of global interconnectedness. Nonetheless, globalisation can also be taken to refer to those spatio-temporal processes of change that underpin a transformation in the organisation of human affairs by linking together and expanding

human activity across regions and continents (Held, McGrew, Goldblatt and Perraton, 1999: 15). Without reference to such expansive spatial connections, there can be no clear or coherent formulation of this term. Accordingly the concept of globalisation implies, first and foremost, a stretching of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe. Globalisation can be thought of more precisely as:

A process (or set of processes) which embodies a transformation in the spatial organisation of social relations and transaction—assessed in terms of their extensity, intensity, velocity and impact—generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power (Held, McGrew, Goldblatt and Perraton, 1999: 16).

Historical forms of globalisation refer to ‘the spatio-temporal and organisational attributes of global interconnectedness in discrete historical epochs’ (Held, McGrew, Goldblatt and Perraton, 1999: 16). Historical forms of globalisation can be described and compared initially in respect of the four spatio-temporal dimensions:

- extensity of global networks
- intensity of global interconnectedness
- velocity of global flows
- impact propensity of global interconnectedness.

Such a framework provides a basis for both quantitative and qualitative assessment of historical patterns of globalisation. It is possible to analyse (1) the extensity of networks of relations and connections, (2) the intensity of flows and levels of activity within these networks, (3) the velocity or speed of interchanges, and (4) the impact of these phenomena on particular communities (Held, McGrew, Goldblatt and Perraton, 1999: 17).

It is useful to distinguish between four analytically distinct types of impacts: decisional, institutional, distributive and structural. Decisional impacts refer to the degree to which the relative costs and benefits of the policy choices confronting governments, corporations, collectives and households are influenced by global forces and conditions. The notion of institutional impact highlights the ways in which organisational and collective agendas reflect the effective choices or range of choices available as a result of globalisation. Distributive impact refers to the ways in

which globalisation shapes the configuration of social forces (groups, classes, collectives) within societies and across them. Moreover, globalisation may have discernable structural impacts in so far as it conditions patterns of domestic social, economic and political organisation and behaviour (Held, McGrew, Goldblatt and Perraton, 1999: 18).

In addition to the spatio-temporal dimensions which stretch the broad shape of globalisation, there are four dimensions which map its specific organisational profile: infrastructures, institutionalisation, stratification and modes of interaction. Mapping the extensity, intensity, velocity and impact propensity of networks of global interconnectedness necessarily involves mapping the infrastructures which facilitate or carry global flows, networks and relations. Infrastructural conditions also facilitate the institutionalisation of global flows, networks and relations (Held, McGrew, Goldblatt and Perraton, 1999: 19).

Globalisation transforms the organisation, distribution and exercise of power. In this respect, globalisation in different epochs can be associated with distinctive patterns of global stratification. There are important differences too in the dominant modes of interaction within each epoch of globalisation (Held, McGrew, Goldblatt and Perraton, 1999: 20).

The account of globalisation presented in this section reflects and builds on a number of points made so far in Chapter I, and which help clarify the meaning of globalisation in very specific ways:

1. Globalisation can be best understood as a process or set of processes rather than a singular condition. It does not reflect a simple linear development logic nor does it prefigure a world society or a world community. Rather, it reflects the emergence of interregional networks and systems of interaction and exchange. In this respect, the enmeshment of national and societal systems in wider global processes has to be distinguished from a notion of global integration.
2. The spatial reach and density of global and transnational interconnectedness weave complex webs and networks of relations between communities, states, international institutions, NGOs and MNCs which make up the global order. These overlapping and interacting networks define an evolving structure which both constrains and empowers communities, states and social forces. In this respect, globalisation is akin to a process of 'structuration' in so far as it is a product of both the individual actions of, and the cumulative interactions

between, countless agencies and institutions across the globe (Giddens, 1981; Buzan, Little and Jones, 1993; Nierop, 1994; Jervis, 1997). Globalisation is associated with an evolving dynamic global structure of enablement and constraint. At the same time, it is also a highly stratified structure given that globalisation is so profoundly uneven: reflecting existing patterns of both inclusion and exclusion (Hurrell and Woods, 1995). Globalisation thus can be understood as embodying processes of structuration and stratification.

3. Few areas of social life escape the reach of processes of globalisation. These processes are reflected in all social domains from the cultural through the economic, the political, the legal, the military and the environmental. Globalisation is best understood as a multifaceted or differentiated social phenomenon. It cannot be conceived as a singular condition but instead refers to patterns of growing global interconnectedness within all the key domains of social activity. Accordingly, some knowledge of the differential patterns of global interconnectedness in each of these domains is necessary in order to understand the dynamics and consequences of globalisation. For instance, patterns of global ecological interconnectedness are quite different from the patterns of global cultural or military interaction. Any general account of the processes of globalisation must acknowledge that, far from being a singular condition, it is best conceived as a differentiated and multifaceted process.
4. By cutting through and across political frontiers globalisation is associated with both the deterritorialisation and reterritorialisation of socio-economic and political space. As economic, social and political activities are increasingly 'stretched' across the globe they become in a significant sense no longer primarily or solely organised according to a territorial principle. They may be rooted in particular locales but territorially disembedded. Under conditions of globalisation, 'local', 'national' or even 'continental' political, social and economic space is re-formed such that it is no longer necessarily coterminous with established legal and territorial boundaries. On the other hand, as globalisation intensifies it generates pressures towards a reterritorialisation of socio-economic activity in the form of subnational, regional and supranational economic zones, mechanisms of governance, and cultural complexes. It may also reinforce the 'localisation' and 'nationalisation' of societies. Accordingly, globalisation involves a complex deterritorialisation and reterritorialisation of political and economic power. In this respect, it is best described as being aterritorial.

5. Globalisation concerns the expanding scale on which power is organised and exercise, that is, the extensive spatial reach of networks and circuits of power. Indeed, power is a fundamental attribute of globalisation. In an increasingly interconnected global system, the exercise of power through the decisions, actions, or inactions of agencies on one continent can have significant consequences for nations, communities and households on other continents. Power relations are deeply inscribed in the very process of globalisation. In fact, the stretching of power relations means that sites of power and the exercise of power become increasingly distant from the subjects or locales which experience their consequences. In this regard, globalisation involves the structuring and restructuring of power relations at a distance. Patterns of global stratification mediate access to sites of power whilst the consequences of globalisation are unevenly experienced. Political and economic elites in the world's major metropolitan areas are much more tightly integrated into, and have much greater control over, global networks than do subsistence farmers in Southeast Asia (Held, McGrew, Goldblatt and Perraton, 1999: 27-28).

As the present work's focal country of study, the Philippines in some respects confirms the unprecedented extent to which contemporary globalisation permeates national economies and affects international society. By re-examining globalisation theory and offering Philippine-related empirical studies, this thesis both applies and expands the IPE perspective with respect to developing countries.

1.2.2 Measuring Globalisation

By consensus globalisation, whether economic, political, cultural or environmental, is defined by increasing levels of interdependence over vast distances. Few researchers, however, have actually measured those levels of interdependence. Accordingly it can be difficult to determine the extent to which a country has become embedded within the global economy and to demonstrate whether the pace of globalisation is speedy or slow.

With this in mind, A.T. Kearney, Inc. and the Carnegie Endowment for International Peace (2001) advanced 'The A.T. Kearney/FOREIGN POLICY Magazine Globalization IndexTM', which offers a guide to globalisation in 50 developed countries and key emerging markets worldwide. The Globalization Index 'reverse-engineers' globalisation and breaks it down into some of its component parts.

On a country-by-country basis, it quantifies the level of personal contact across national borders by combining data on international travel, international phone calls, and cross-border remittances and other transfers. It charts the World Wide Web by assessing not only its growing number of users, but also the number of Internet hosts and secure servers through which they communicate, find information and conduct business transactions.

The Globalisation Index also measures economic integration. It tracks the movement of goods and services by examining the changing share of international trade in each country's economy and it measures the permeability of national borders through the convergence of domestic international prices. The index also tracks the movements of money by tabulating inward- and outward-directed FDI and portfolio capital flows, as well as income payments and receipts.

Given the unprecedented range of factors that the Globalisation Index encompasses, it is a unique tool for understanding the forces shaping today's world. The A.T. Kearney/FOREIGN POLICY Magazine Globalization IndexTM may not settle the question of whether globalisation does more good than harm. But the index does provide an objective starting point for a debate that has typically relied more on anecdotal evidence than empirical facts.

Data from the UN Conference on Trade and Development (UNCTAD) show that FDI jumped 27% in 1999 to reach an all-time high of \$865 billion, while total cross-border flows of short- and long-term investments more than doubled between 1995 and 1999 (A.T. Kearney, 2001: 57). Despite signs of greater openness among a few leading countries largely from the industrialised world, many others remain stalled at much lower levels of integration, with little indication of imminent change. Developing nations in particular lagged far behind.

The Philippines is not explicitly featured in the Globalization Index. This may be because human capital as an export commodity is not typically represented along with material-based products when considering comparative advantage between nations through an economic lens. Notwithstanding, this developing East Asian country's heavy reliance on overseas worker remittances to sustain its economy has reverberating implications for today's globalising world economy, making the Philippines a rising significant player in contemporary world affairs.

1.2.3 Governance in a Partially Globalised World

Talk of globalisation is common today in the press and increasingly in the field of political science. Broadly speaking, globalisation refers to the shrinkage of distance on a world scale through the emergence and thickening of networks of connections—environmental and social as well as economic (Held, McGew, Goldblatt and Perraton, 1999; Keohane and Nye, 2001). Forms of limited globalisation have existed for centuries, as exemplified by the Silk Road. Globalisation took place during the last decades of the 19th century, only to be reversed sharply during the 39 years after World War I. It has recently returned even more strongly, although it remains far from complete. In his presidential address to the American Political Science Association in 2000, Robert O. Keohane (2001) reflects that we live in a partially globalised world.

Globalisation depends on effective governance, now as in the past. Effective governance is not automatic. If it occurs, it is more likely to take place through interstate cooperation and transnational networks than through a world state. Even if national states retain many of their present functions, effective governance of a partially globalised world that is becoming increasingly globalised will require more extensive international institutions. Governance arrangements to promote cooperation and help resolve conflict must be developed if globalisation is not to stall or go into reverse.

Not all patterns of globalisation are beneficial. It is easy to conjure up nightmare scenarios of a globalised world controlled by self-serving elites working to depress wages and suppress local political autonomy. It is thus necessary to engage in normative as well as positive analysis. To render a partially globalised world benign, not merely effective governance but an appropriate form of governance is required (Keohane, 2001: 1).

Keohane's analysis begins with two premises. Firstly that increased interdependence among human beings produces discord, since self-regarding actions affect the welfare of others. At worst, the effects of international interdependence include war. As international relations realists have long recognised, interdependence and an absence of governance make a deadly mixture. This Hobbesian premise can be stated in a more positive form: globalisation creates potential gains from cooperation. This argument is often seen as 'liberal', yet nonetheless complementary to Hobbes' point. The gains of cooperation loom larger relative to the alternative of

unregulated conflict. Both realists and liberals agree that under conditions of interdependence, institutions are essential if individuals are to have opportunities to pursue the good life (Hobbes and Oakeshott, 1967; Keohane, 1984; Keohane and Nye, 2001).

Keohane's second premise is that institutions can foster exploitation or even oppression. As Judith N. Shklar (1984: 244) expresses it, 'no liberal ever forgets that governments are coercive'. The result is what Keohane calls the governance dilemma: although institutions are essential for human life, they are also dangerous.

Clearly, the stakes are high, no less than peace, prosperity and freedom. Political science as a profession has the responsibility of addressing the challenge to discover how well-structured institutions could enable the world to have 'a new birth of Freedom' (Lincoln, 1863). Political scientists must be aware of how their insights could help actors in a global society design and maintain institutions that would make possible the good life of our descendants.

Facing globalisation, the challenge for political science resembles that of the founders of the United States: how to design institutions for a polity of unprecedented size and diversity. Globalisation produces discord and requires effective governance, but effective institutions are difficult to create and maintain. Liberal-democratic institutions must also meet standards of accountability and participation, and should foster persuasion rather than rely on coercion and interest-based bargaining (Keohane, 2001: 1).

1.2.4 Globalisation in East Asia

Kelly and Olds (1999: 1-15) point out that globalisation in East Asia is viewed as an unstoppable unidirectional force that will inevitably transform economies and societies. Singapore's Deputy Prime Minister Lee Hsein Loong lucidly expressed this widespread sentiment in a speech to policy makers and analysts in Washington DC in May 1998:

Globalisation, fostered by free flow of information and rapid progress in technology, is a driving force that no country can turn back. It does impose market discipline on the participations, which can be harsh, but is the mechanism that drives progress and prosperity (*Straits Times*, 1998: 67).

Contradictory tendencies are apparent in popular representations of globalisation. It has been the route to economic triumph but also the root of economic crisis. It has been resisted as an insidious process of undermining 'Asian Values' but courted as a source of social change that produces cosmopolitan and reflective citizens. Lastly, it has been heralded as the end of the nation-state, yet assiduously promoted by many states within the region. To this end, the formation of ASEAN has become an important international system since the early 1980s. According to Mark K. Beeson (2006), regional institutionalisation is part of a more generalised pattern of decentralisation in the international system. Significantly, it is one way of coping with the economic pressures associated with globalisation. Although there has been criticism regarding the way ASEAN conducts its business, Beeson sees this as a way for member countries to assert themselves in the hegemonic structure of power led by the United States. Southeast Asian growth (especially in Malaysia and Thailand, secondarily in Indonesia and the Philippines) has been fuelled by inflows of FDI from other East Asian economies, notably Japan and the Asian newly industrialised countries (NICs) which consist of the Taiwan Province of China (Taiwan), the Republic of Korea (ROK or South Korea), Singapore and Hong Kong.

The first issue relates to the processes of linkage and integration forming within East Asia as well as between the region and the rest of the world. These are the material processes constituted by actors such as state institutions, firms, individuals, civil society associations, and supra-state bodies. They are manifested in flows of commodities, capital, information, images and people, and frameworks of linkage such as regulatory organisations, TNCs and other intermediaries. Contrary to more outlandish boosterist claims of a new global era, such linkages are not especially novel. The *longue durée* of history provides ample evidence of the evolving linkages within and beyond the region, forged by traders, migrants, refugees, missionaries, colonisers, creditors, tourists and investors. Contemporary processes therefore represent a continuation of past trends, rather than an abrupt aberration from them.

The second issue relates to the impacts and desirability of globalisation in the interrelated spheres of economics, culture and politics. If globalisation is taken to be the intensification and extensification of social relations across space, then it is neither positive nor negative in and of itself. To take the example of capital flows, there are good reasons to be sceptical of the simple equation of openness with economic success. As Cayetano W. Paderanga, Jr. (1999: 163-180) argues, financial integration

presents profound problems for macro-economic managers. It is nonetheless undoubtedly also true, as discussed in Chapter III, that inter- and intra- regional flows of investment have been fundamental in fuelling the region's development process. As noted, they do so through the provision of new sources of capital in resource-constrained environments.

The third broad issue concerning globalisation within the region of East Asia concerns the construction of globalisation as a discourse and the impact of such constructions on the materialisation of this process. Globalisation epitomises ambiguity. It describes a set of qualitative changes in the processes linking the destinies of people and places across the world. At the same time, the idea of globalisation as an inexorable force is deployed for political purposes and is used to legitimise specific development strategies. Such a discourse is informed by normative premises that ultimately focus on the requirements of global capital. This implies that East Asia should change and be changed to better suit the needs of global capital in a volatile era. Globalisation discourse may be flawed and based upon a mixture of poor social science, hyperbole, exaggeration and corporate desire. All the same, it functions effectively as a discourse because it has a highly receptive audience within the offices and boardrooms of the international business community,

It is in this sense a self-affirming and self-propagating discourse...It successfully articulates a feeling within management circles that 'something has changed' in the global economy, and which needs to be responded to by rethinking the way in which their business are organised. Thus it is both an explanation and a programme of action (Leyshon, 1997: 144).

The fourth key issue needed to comprehend the complex and contested meaning of globalisation in East Asia relates to the scale at which social processes can be understood. The key contemporary characteristic of economic, cultural, and political change may very well be that such processes can no longer be understood with reference to a particular scale in isolation. Neither the individual, the city, the nation nor the region contain social processes free of problems (Kelly and Olds, 1999: 1-15).

1.3 Rise of Regionalism

Christopher M. Dent (2008: 1-38) rightly points out that regionalism is one of the key defining features of the contemporary international system. He says we

increasingly talk of 'East Asia', 'Europe' and 'Latin America' and so on as distinctive regions or regional communities that are elemental parts of world society. Indeed, it has been argued that we now live in a world of regions, and an international system increasingly defined by interactions between regions and regional powers (Buzan and Waever, 2003; Katzenstein, 2005). It is therefore critically important to study regionalism as part of analysing the international system in general and East Asia in particular.

Regionalism is, of course, not a wholly new phenomenon but has become an important discourse in the study of IR and IPE for the aforementioned reasons. Regionalism is also a contested concept, not least because it manifests itself in different ways in different parts of the world. In broad terms, we may refer to regionalism as the

structures, processes and arrangements that are working towards greater coherence within a specific international region in terms of economic, political, security, socio-cultural and other kinds of linkages (Dent, 2008: 6-7).

1.3.1 East Asia: An Emerging Region within the Global System

East Asia has achieved one of the most profound economic transformations in recorded history (Dent, 2008: 2-3). In the 1950s and the 1960s, it was a relatively poor part of the developing world, with countries such as Korea having comparable income per capita, and development levels with many sub-Saharan African states. The region accounted for only 4% of world GDP in 1960. By the 1990s, East Asia had become one of the three core economic regions (along with Europe and North America) that together dominated the world economy, accounting for 25% of world GDP by 1995. East Asia had become the new workshop of the world, the location of fast emerging markets, and a new financial power in the making. Japan had spearheaded East Asia's economic rise in the 1990s, and now China has become a major force behind the region's economic momentum. These two countries are among the world's four largest national economies, but East Asia is also host to the highest concentration of newly industrialised economies (e.g. Taiwan, Singapore, Thailand, Malaysia, the Philippines, South Korea) found anywhere in the world. The trade and financial surplus generated by East Asian countries are second to none. The region accounts for just over a quarter of world trade, production, new technology

patents and GDP. It is also the home of the world's largest banks and multinational enterprises.

It can even be argued that the very concept of an 'East Asia' region is principally derived from burgeoning studies on its growing prominence in the international economic system. In the 1980s and 1990s, scholars gradually began to ditch the antiquated, Western-centric referent 'Far East' for the region, and the distinction between 'East Asia' and 'Asia' was increasingly used to specify where exactly on the vast continent the profound economic transformation was actually occurring on a specific regional (rather than continental) scale. Moreover, East Asia's economic advance was in many ways founded on certain regional dynamics. This explains why one often hears of the East Asian 'economic miracle' or the East Asian development model, and hence a particular coherence to East Asia's regional economic development. For example, many countries in the region emulated Japan's developmental state paradigm of state-business partnered capitalism and export-oriented industrialisation with generally successful effect.

East Asian countries learned from each other's lessons of development and implemented many similar policies, leading to some extent to a shared development experience. Also, Japanese firms played an initially crucial role in helping integrate the East Asian regional economy through networked trade and investment. American companies also contributed to this process through foreign investments made across the region. In addition, after many of East Asia's less developed countries had graduated to newly industrialised, middle income economy status they began to trade more and invest with each other. This further deepened East Asia's regional economic interdependence. While the export-oriented nature of East Asia's economic development made it highly dependent on global markets, countries in the region had become increasingly beholden to each other. The region's 1997/98 financial crisis clearly revealed the inter-linkages that bound together East Asia's economies in ways that were not at the time fully appreciated. Various integrative forces continue to tie the region together at the economic, political, social and other levels, although these processes were also constituent to wider global-scale integrative developments commonly referred to as globalisation (Dent, 2008: 2-3).

1.3.2 Regionalism and Globalisation

Regionalism, or regionalisation is closely linked to the phenomenon of globalisation (Dent, 2008: 16-17). If globalisation can be thought about fundamentally as increasing levels of connectivity, integration and interdependence between different parts of the world economy and society occurring on a global (i.e. worldwide) scale, then regionalism and regionalisation is about how this is arising on a regional scale. As Bjorn Hettne (2005) observed, regionalism and globalisation are closely related aspects of contemporary transformations in the world order. Furthermore, in the flux of structural change in the international system brought on by the forces of globalisation, nation-states have often lacked the independent or autonomous resources to sufficiently address the opportunities and threats posed by globalisation. Working together in regional associations and groups has, however, made this more possible based on collectively pooled strengths, resources and preferences (Dent, 1997). East Asia's regionalism should, then, be viewed in the context of globalisation-related developments (Beeson, 2007).

Whilst some maintain that regionalism is a building block of globalisation, others have taken the view that regionalism fragments the international system into separate disconnected competing blocs as a kind of 'closed regionalism' and thus works against the development of globalisation and world society. After the 11 September 2001 terrorist attacks on the United States, some academics have warned of inter-civilizational conflict becoming the 'new Cold War', and to some this may convert into inter-regional conflict. Although inter-regional relations (e.g. East Asia and Europe) have become an important new feature of the world system, these have generally helped bridge links between regional communities and have made a positive contribution to the development of global society (Dent, 2004; Gilson, 2002).

1.3.3 Constructing a Community

The prevailing scholarly orthodoxy assumes that East Asia is evolving into a distinctive regional community (Jones and Smith, 2007: 165-167). The orthodoxy attributes this development to the growing influence of the diplomatic practices espoused by ASEAN and its related institutions. Despite the failure of ASEAN's distinctive practice to fulfil its rhetorical promise in Southeast Asia both immediately prior to and in the aftermath of the 1997/98 Asian financial crisis, it is nevertheless

considered sufficient to validate the projection of ASEAN defined norms into a wider Pacific canvas.

In November 2005, an 'East Asian Community' was formally inaugurated at a gathering of states that sought to integrate in a multilateral forum the ten nations of ASEAN (the ASEAN 10 include the original five members: Malaysia, the Philippines, Indonesia, Singapore and Thailand; Brunei which joined in 1986 and Vietnam, Laos and Cambodia which acceded to ASEAN's Treaty of Amity and Cooperation and joined the organisation between 1995 and 1997) with the three Northeast Asian states: the People's Republic of China (China), South Korea and Japan. Although ASEAN was a product of lengthy diplomacy, its origin may be traced to the 1997/98 Asian financial crisis and the perceived economic humiliation of the formerly high-performing East and Southeast Asian economies at the hand of unscrupulous hedge fund managers and implacable international institutions like the International Monetary Fund (IMF). In the wake of the crisis, ASEAN initiated regular annual formal or informal dialogue sessions with the three Northeast Asian states in an arrangement termed ASEAN Plus Three (APT) to discuss shared economic and security problems. From the outset the ASEAN way, a set of non-Western norms and processes, purportedly guided this emergent regional grouping.

Consequently, for the vast majority of academic, media and political commentators, the formation of the East Asian Community will be the visible expression of inward and invisible effectiveness of ASEAN's distinctive multilateral practice. Thus for former Singapore Premier, Lee Kuan Yew, a wider regionalism, under ASEAN auspices, was 'an idea that would not go away' (Kim, 2004: 60). Regional scholarship has since the new millennium reinforced Lee's perception. In 2000, Peter J. Katzenstein (2000: 361) pronounced that East Asian regional integration was 'an idea whose time has come', whilst in 2002 Richard Stubbs (2002: 440) considered APT 'an evolving and rapidly developing process'.

More precisely, for Nikolas Busse (1991: 51-53) a regional identity had emerged from the 'social practice and political interaction' of ASEAN and its interlocutors. In Busse's constructivist interpretation, ASEAN's 'political culture' and its character as a distinct social actor had evolved in the process of addressing the Indo-Chinese crisis between 1978 and 1991. Subsequently, the process of engagement with an emerging and potentially revisionist China after 1993 both reinforced and extended ASEAN's procedural norms for constructing a regional

order. Following what he considered Busse's 'carefully researched case studies', but abandoning a 'parsimonious constructivism' in favour of an all-embracing analytic eclecticism', Katzenstein also considered ASEAN 'processes of trust building...to be well under way' across the Asia-Pacific (Katzenstein and Okawara, 2004: 114-115).

Whilst Katzenstein warned that the construction of a regional identity might be a work of decades rather than years, and wisely neglected to specify which states in the region might eventually include, other analysts were both more prescriptive and more exclusive. These ASEAN scholars, influenced but less eclectic in their understanding than Katzenstein, imagined the grouping, over time, evolving from an already established diplomatic community into a nascent security community (Acharya, 2001). For Amitav Acharya (2003: 211), the ASEAN process demonstrated 'how under certain conditions, weaker states can offer normative leadership in building an institution whose membership includes all the great powers of the current international system'. Similarly, Muthiah Alagappa (2003: 76) considered ASEAN's 'emphasis on principles and norms as well as its conception of comprehensive security' emerging 'from the weakness of the ASEAN states in power endowment'.

Paradoxically, this weakness had by no means limited ASEAN's capacity to engineer normative regional order. Analysts sought to explain the paradox, arguing that regional leaders had 'frequently asserted that their non-legalistic and consensus-oriented ASEAN way is a distinctive and workable alternative to a European-style multilateralism' (Acharya, 2003: 211). Thus, they had, through their discourse and practice, effectively forged an ideational alternative, thereby inducing a sense of 'weakness' (Khong, 2004: 189).

In a similar vein of mutually reinforcing norms, Dirk Nabers (2003: 132-133), again employing a 'social constructivist variant of international relations', demonstrated that ASEAN after the 1997/98 Asian financial crisis has through 'social communication, reciprocal speech acts and changing attitudes, identities and interests of the states cooperating with each other' created 'the identity of an East Asian community'. Similarly, for Alastair Iain Johnston (1999: 290, 324), the ASEAN way was a mythic 'story about path dependence and mutual constitution'. The elements of this myth 'allowed states to converge on an agreement that established an extremely low level of institutionalisation' which in turn 'created a process of social interaction' (Johnston, 1999: 290, 324). By 2005, therefore, the orthodox interpretation of

international relations in the Asia-Pacific assumed, as Anthony L. Smith (2004: 432) maintained, that ASEAN was well on the way 'to socialis[ing] the [East Asian] region with the same norms and values that proved successful in Southeast Asia'.

1.3.4 Regional Leadership in East Asia

According to Dent (2009: 169-170), bound up in East Asia's regional community-building process is the key issue of which power (or configuration of powers) best qualifies as East Asia's regional leader or hegemon. Japan was initially the obvious first choice given its early economic pre-eminence. Yet a number of inter-related factors conspired against it assuming positions of overt regional leadership (Dent, 2009: 169).

Dent (2009: 170) points out that compared to the Cold War period, Japan now views East Asian regional community-building and the closely associated matter of regional leadership in quite a different light (Samuels, 2007). This turnaround maybe also explained by a series of inter-related factors. First, Japan felt somewhat culpable for the 1997/98 financial crisis and was sufficiently resourced in both financial and technocratic terms to exercise leadership on finding future crisis-aversion solutions (Katada, 2002). Second, East Asia has subsequently become a far more coherent region to lead over the last decade or so, particularly after the formation of the APT framework and the willingness of East Asian countries to enter into more substantive international (economic) agreements. Third, all East Asian countries recognise that their common region faces a set of increasingly significant region-wide challenges that are best addressed at the regional level. These include energy security, food security, environmental degradation, trans-boundary pollution, development asymmetry, international migration, maritime piracy, terrorism and pandemic outbreaks such as Severe Acute Respiratory Syndrome (SARS) and avian flu. Some form of regional leadership is often required to tackle such problems arising across the region. Fourth, Japan has at the same time had to come to terms with the seemingly inexorable ascendance of China. From a broader and historic perspective, this is the first time in a very long time that both countries hold simultaneous positions of international strength. Thus, China and Japan have had to reformulate their positions towards, and conceptions of the other in diplomacy and strategic policy terms (Dent, 2009: 170).

More generally, the Sino-Japanese relationship is of critical importance to the future of East Asian regionalism. Japan and China are the region's two great powers, and together they account for almost 80% of East Asia's GDP. Without either one of these countries, East Asia's impact on the international system would be considerably diminished (Dent, 2009: 170).

But an IPE interpretation of human capital mobility under globalisation seems to raise the Philippines, by default, to a rising regional player. In this instance, regionalism as a theory undoubtedly holds when using the Philippines as a model.

1.4 Transnationalism in Question

'Transnationalism' conjures up seemingly innumerable definitions, in part because its overall form changes as its influence shifts and incorporates additional spheres of daily life on the global and semi-global levels (Yeoh, Lai, Charney and Kiong, 2003: 1-7). Despite a lack of consensus on a special rendering of transnationalism, frequent use of the term and scholarly interest not only persists but is increasing. The rapid growth of interest in transnationalism is in part a reflection of the ubiquity of this phenomenon, touching upon almost every aspect of contemporary life. Clearly, the 21st century will be characterised by more and not fewer transnational activities and identities.

Scholars who have elaborated on the salience of using transnationalism as a conceptual frame for understanding the conduct of social life in a globalising world have highlighted several issues (Yeoh, Lai, Charney and Kiong, 2003: 1-7). Two of these are discussed below.

First, transnationalism draws attention to what it negates—that is, the continued significance of the national. It makes it clear that a postnationalist state of affairs has not yet occurred. Instead, nationalisms on the part of both sending and receiving states have been re-ignited to strengthen or reconfigure the nation state. As Michael P. Smith (2001: 3) notes, 'transnationalist discourse insists on the continuing significance of borders, state policies, and national identities even as these are often transgressed by transnational communication circuits and social practices'. He goes on to argue that on the one hand, nation-states that have experienced substantial out-migration are 'actively promoting transnational reincorporation of migrants into their state-centred projects'. For example, these nation-states are capitalising and channelling remittances sent home by transmigrants and conferring 'honorary

ambassador' status on transmigrant entrepreneurs. On the other hand, Smith notes, nation-states at the receiving end have responded to the transgression of their national borders by more stringent control and policing of both the material and symbolic boundaries of the nation-state. These include, for instance, more restrictive immigrant laws and increasingly racialised anti-migrant discourses (Smith, 2001: 172-173).

Second, in contradistinction to more structuralist accounts of globalisation, scholars such as Smith (2001) note that the transnational optic implies an agency-oriented approach which encompasses a wide range of actors, from individuals, families, groups, movements and business enterprises (Levitt and Jaworsky, 2007). This in itself does not mean that these actors are necessarily transgressive bearers of new social subjectivities. Indeed not every transnational subject is a harbinger of cosmopolitan ideals or has successfully disentangled himself or herself from the discursive material webs spun by the state, capital or powerful others. It should be also noted that hypermobility and the easy transgression of national borders in today's globalising world may well be liberating or emancipatory for the individuals involved, but may also reinforce existing social ideologies, including those of the nation-state. Instead, consideration is critical to focus upon salience of actors situated in transnational practices which are historically situated and culturally constituted. It is important to see transnational subjects as embodied beings, as bearers of gender, ethnicity, class, race, nationalism, citizenship, and at the same time agents constantly negotiating these self-identities vis-à-vis others in transnational spaces.

It should also be noted that transnational identities, though fluid and flexible, are at the same time grounded in particular places at particular times (a discursive repertoire). As transnationality becomes the way of life for many, the maxim of, 'no one can have two countries' is no longer true (Murphy, 1998: 369). Although identities, whether ethnic, racial, social or national, are traditionally said to be 'localised' and are derived in relation to the specific contexts of a particular space, transnational subjects obviously play by a different set of rules since they live in, or connect with, several communities simultaneously. Their identities, behaviour and values are not limited by location; instead they construct and utilise flexible personal and national identities. On the one hand, transmigrants formulate transnational identities that both draw on and contest national identities and which do not 'depend on the isomorphism of citizenship with cultural identity, of work with kinship, of territory with soil or of residence with national identification' (Appadurai, 1998: 449).

On the other hand, transnational identities may also be associated with a sense of ‘placelessness’ as a result of the discrepancies between citizenship and locality (Relph, 1976).

1.4.1 Transnational Optic

In everyday life, transnationalism is experienced in popular consciousness by the growing number of persons who live dual lives. They speak two or more languages, have homes in two countries, and make a living through continuous regular contact across national borders (Portes, Guarnizo and Landolt, 1999: 217). On the academic front, ‘transnationalism’ as a term has been gaining currency and coherent shape ever since Lina Basch, Nina Glick Schiller, and Christina Szaton Blanc (1994) proposed the following, now classic, definition:

We define ‘transnationalism’ as the process by which immigrants forge and sustain multi-stranded social relations that link together their societies of origin and settlement. We call these processes transnationalism to emphasise that many immigrants today build social fields that cross geographic, cultural and political borders...An essential element...is the multiplicity of involvements that transmigrants sustain in both home and host societies.

As this area of research is still emerging, scholars have found it important to distinguish between various kinds of cross-border structures and activities that are often conflated in the literature. Alejandro Portes (2001) for example argues that concepts need to be delimited with reference to differentiated sources and scales of activity. Within this framework, ‘international’ pertains to activities and programmes of nation-states, ‘multinational’ to large-scale institutions such as corporation or religions whose activities take place in multiple countries, and ‘transnational’ to activities initiated and sustained to non-institutional actors. The increasing significance of the term ‘transnational’ is also clearly indicated in the number of typologies which have been developed as a means of capturing the essence of the term as well as to distinguish it from other similar cross-cutting concepts. For example Portes, Luis Eduardo Guarnizo, and Patricia Landolt’s (1999: 221) ‘working typology of economic, political and socio-cultural transnationalism’ distinguishes between

- economic initiatives of transnational entrepreneurs who mobilise their contacts across borders in search of suppliers, capital and markets

- political activities of party officials, government functionaries, or community leaders whose main goals are the achievement of political power and influence in the sending or receiving countries
- socio-cultural enterprises oriented towards the reinforcement of a national identity abroad or the collective employment of cultural events and goods.

Taking a different track, Thomas Faist (1999: 44) develops a typology of ‘transnational social spaces’ based on two criteria—spatial extension and temporal stability—giving rise to four ideal types of transnational social spaces:

- dispersion and assimilation, characterised by weak simultaneous embeddedness in sending and receiving countries and short-lived transnational social and symbolic ties
- transnational exchange and reciprocity, where simultaneous embeddedness is strong but social ties short-lived
- transnational networks, which are weakly embedded in ‘home’ and ‘host’ societies but where social ties are long lived
- transnational communities, characterised by strong embeddedness in at least two countries and long-lived.

Interestingly Faist (1999: 46), distinguishes diaspora as a distinct form of transnational communities, arguing that in a diaspora, ‘there is a vision and remembrance of a lost or imagined homeland still to be established, often accompanied by a refusal of the receiving society to fully recognise the cultural distinctiveness of community members who are dispersed to many diverse regions of the world’.

Other attempts to make sense of transnationalism by means of distinguishing different ‘types’ have turned to differentiating transnationalism in terms of circuits of different ‘levels’. Scholars, particularly those working on global cities, have examined the growth of a transnational group of globetrotting, highly skilled, highly paid professional, managerial and entrepreneurial elites who circulate in a series of career or business moves from one city to another in response to global competition for skilled labour (Beverstock, 1996; Findlay, Jowett and Skeldon, 1996; Willis and Yeoh, 2002). Work on the significance and effects of this rarefied upper circuit of transnational elites (a ‘transnationalism from above’ perspective) has been matched by interest in circuits located at other levels, seen in the transnational space wherein the Philippines (state) works with the global force (market)—especially through regional relations (Chapter III on ASEAN), transnational relations (Chapter IV on the case of Filipino nurse migration) and transnational money flow (Chapter V on the case of Western Union as an MNC).

1.4.2 Transnational Space, Migration Studies and Non-State Institutional

Development

An emphasis on 'space' is of particular relevance when examining the qualitative change in the way human beings organise and experience societies in an era of the 'transnational' (Pries, 1999; Vertovec, 2001: 25). Where previously the space of socialisation and interaction was at once closely and reciprocally tied to a geographically specific space, the turn of the 20th century has been marked by an increasing dissociation between social and geographic spaces at all levels of human society. Ludger Pries (1999: 4) explains that there are

...very different social spaces with no relationship to one another and which previously excluded each other in geographic terms can be stacked within on and the same geographic space...This is precisely...the case as regards *global cities*; they are agglomerations, extending over geographic areas, of totally distinct social spaces that do not correspond with each other (such as ethnically and culturally distinct employee and population groups). In addition,...a social space can also *expand* over several geographic spaces. New forms of international migration processes...can bring about *transnational social spaces*...that have a multipolar geographic link rather than a clearly exclusive one (emphasis in the original).

The arena of international business is no exception. The case of Western Union as an MNC is particularly notable. Western Union's corporate strategy makes a strong emotional appeal to its clients, as it consciously capitalises upon the powerful feelings migrants experience as they send money to loved ones back home. As a non-state financial intermediary agent, Western Union has quickly apprehended the politico-economic process by which humans are transformed into tradeable commodities.

In recent history, the dominant mode of how economic policy is carried out has become what is known as neoliberalism. The transformation of Western Union from a bankrupt telegram company to a big player in the remittance transfer business is due to this shift in policy. By examining how Western Union adapted itself to this new market, it becomes evident that its policy shifts reflect an awareness of the way in which the international labour market has been divided along racial and regional lines. Filipino workers are seen as reproducible labour. They are potentially cheap, flexible and disposable and are viewed as racialised and gendered objects. Western Union however has taken steps towards transnational labour citizenship, indicating

that it recognises the value of transmigrant workers and the significant role they play within the contemporary global division of labour.

Western Union is an excellent example of how policy shifts towards neoliberal market-oriented governance of social (re)production has facilitated the emerging global division of reproductive labour. As an intermediary agent, Western Union significantly facilitates remittances by both capitalising on and initiating developments towards the movement for transnational labour citizenship. Western Union's activities show dramatically how 'tradition', 'culture' and 'emotions' are used to manipulate migrant workers to become attached to the company's services. Neoliberal political and economic transformations may have helped shape the gendered and racialised international division of labour as it plays out in different environments. At the same time however, they also inadvertently place migrant workers in the position of being agential subjects who shape and contest emergent processes within the broader context of the global political economy.

At the turn of the 21st century, globalisation is the order of the day. Now that worldwide trade and communications amplifying feedback has brought the first world to the third—while in the opposite direction, international migration has brought the alien 'other' from third world to first—the view that nation-state and society normally converge has waned. Instead, social scientists are looking for new ways to think about the connections between countries under globalisation, as evidenced by the interest in the many things called transnational. There is considerable scholarly excitement in the study of international migration, resulting in numerous studies of both home and host societies. The emergence of transnational communities and spaces is now accepted fact (Waldinger and Fitzgerald, 2004: 1177).

At the present time, scholarly attention to the study of 'Chinese Diaspora' is far more comprehensive than that of the Philippines (Ong and Nonini, 1997). What studies there are that have been made on the Philippines will be explored in greater depth in the chapters ahead.

1.5 Framework of Analysis

The dawn of the 21st century has been characterised by fast-paced and rapidly changing global forces. As Tony Blair (2009) famously observed, countries all over the world must determine how they fit into the current international setting. This thesis examines how these changes are played out with respect to the East Asian

nation-state of the Philippines. Unlike the West which maintains some level of cultural unity, 'East Asia' as a region hosts a huge variety of different social, cultural, economic, and political characteristics. It is perhaps for this reason, suggests William Case (2002), that scholars have found it difficult to linking the region together as a whole. Developing countries found within this emerging geopolitical sub-region may share common traits, but they also have experienced distinctly different histories.

As we have seen in the literature review, current theories are inadequate. The cost of globalisation has been observed, but not fully examined. This is not only ethically important, but it is highly illustrative of how globalisation plays out in developing countries. The current state of affairs is not simply the result of some developed country exploiting developing countries, but rather the conscious policy of the developing country itself. The thesis will explain how this state of affairs came into being. A key focus, therefore, is the process by which human beings are made into a commodity for export.

Employing the method of the IPE approach makes it possible to chart the interplay between a variety of economic, political and social elements. It explains what factors in the recent political history of the Philippines contributed to the situation, showing the socio-economic damage to Filipinos themselves. The thesis shows how an East Asian economic bloc cannot ultimately help transmigrant workers. It also shows that an MNC like Western Union fills an economic vacuum and though appearing to help the plight of transmigrant labourers, ultimately exploits them. The research therefore shows that globalisation, rather than being a one way street, is a complex interaction between developing nations, economic regions, and the wider global political economy. In addition, the research makes a compelling case for a new category of product within the IPE configuration, namely 'non-product-based IPE'. The need for this new category poignantly underscores the dehumanisation of individuals for the sake of economic gain. I know first-hand, through my own experiences and that of my family, the perils and difficulties of this dehumanisation. It is not sustainable. Yet, it is huge and growing. How did we get here and why is it still going on?

Humans are compromised in the race for economic growth. There is a distance between an economy in an abstract sense and actually thinking about how people live from day to day. Like the prophets of old that called for justice for the poor and oppressed, this thesis restores the human equation within the divisions set by

globalisation. It does so by offering an IPE interpretation of human capital mobility and its implications for non-state institutions under globalisation, maintaining that human capital mobility is embedded into non-state institutional development.

Human capital that becomes a commodity is a development under globalisation that warrants much attention. The thesis contends that making human resources an export product has significant implications for the global political economy as well as for the export country, not to mention for non-state financial intermediary agents such as Western Union. With special focus on the Philippines, this thesis shows the significant ways developing countries can shape the global economy. In addition, the study of human capital as commodity has theoretical implications, as it expands the boundaries of IPE theory from being product-based, thus introducing the important new concept of 'non-product-based IPE'.

IPE remains the best approach to the data. To be sure, the rendering of human capital could have been examined using a GPE of care method, emphasising the transnational dimensions of care restructuring. The extensive internationalisation of domestic services and its significance for the social relations of production and the division of labour could accordingly be explained within that chain. To date, however, social policy analyses of care have focused on the social reorganisation of care within nation-states, which are largely treated as entities that are 'sealed'. As mentioned previously, however, OFWs are not sealed entities. They are global citizens with transnational elements, a kind of diaspora community with fluid geographical boundaries. They play an important role in the global political economy. Their needs should be represented but instead are neglected in many ways by both the national Philippine government, who rely on OFW remittances like an economic crutch, and the more influential members of the international community. Consequently, these analyses fail to examine the impact of transnational processes on the socio-organisational shifts observed on the global stage.

For the purposes of answering the present work's research questions and testing its hypotheses in particular, the IPE approach is most useful because it yields results other methods would not produce. With a core focus on international production, international trade, institutionalism, development and culture, IPE's multi-disciplinarity provides a useful alternative to study the role of the Philippines in global economic changes in an engaging and compelling manner that lends itself to contribute towards drawing out the links between international production, trade and

human capital development in a globalising world economy—simultaneously and necessarily adding a human face to the international development agenda.

By embracing different fields, IPE offers valuable holistic perspectives that encompass the multifaceted nature of the global political economy at national, regional and international levels, and in transnational locations. It is therefore ideal for the study of OFWs and non-state intermediary agents like Western Union, both of whom navigate across multiple special boundaries. On the basis of a new reworking of IPE theory combined with empirical studies on the Philippines through the theoretical lenses of globalisation, regionalism and transnationalism the thesis predicts that: (1) globalisation permeating national economies results in a situational change of nation-states, (2) the Philippine political economy facilitates the institutionalisation of human capital, (3) a non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources, and (4) non-product-based commoditisation has become a successful development strategy of the Philippines.

This section outlines the scope of analysis for the chapters ahead by showing the method by which the research questions defined in the previous Introduction and Methodology chapter will be answered, in relation to the primary hypothesis of the thesis and its four sub-hypotheses. The following framework of analysis will show how the four supporting research questions fit into the macro research question of the study, building a bridge between the theories surveyed in the literature review and the following four pillars (i.e. empirical contents) of the study: (1) the Philippine state political economy, (2) regional roles with ASEAN, (3) a case study on Filipino nurse migration, and (4) a case study on Western Union. By outlining the scope of analysis employed by the thesis to tackle its research questions and test its hypotheses, this section attempts to show how the theories surveyed in this chapter are connected to the empirical and theoretical outcomes of the research.

As a framework of analysis, this section shows how human capital as an export commodity confirms or denies the tenets of the aforementioned core IPE focuses along with their associated theoretical concepts and realisations. The analytical framework connects the theories surveyed in this chapter's review of the literature to the empirical contents of the study found in the chapters ahead. Migrant worker remittances are the crutch of the Philippine economy. By examining how the Philippines, a developing country, turns its citizens into human exports, the thesis

demonstrates both the unique way the Philippines has responded to global economic changes and at the theoretical level, that there is a strong case for the expansion of IPE for the purpose of analysing human capital.

1.5.1 Globalisation Permeates National Economies: Situational Change of Nation-States

No national economy can be seen in isolation under globalisation. This study of the Philippines and its role in the 21st century global political economy confirms the extent to which globalisation affects contemporary international society, diplomacy and world affairs. This thesis also challenges the sceptical view of globalisation, which states that the world is less interdependent than in the 1890s with an increased marginalisation of the South, because in the Philippines, human capital has become a substantial source of income leading to reverberating implications for the development of international organisations such as those of interstate mechanisms like ASEAN and MNCs like Western Union. Without OFW remittances the Philippine economy would instantly collapse. At the same time, the thesis will in some aspects support the hyperglobalist and transformationalist positions on globalisation.

The investigation described in the chapters ahead will contribute to the validation of the hyperglobalist thesis, in that they will confirm the ascendancy of a new global age. This new age will be market led by the domination of global capitalism, the pre-eminent need for global governance, and a rise of civil society. National governmental power will decline, old hierarchies will erode, and the framework of human action will be reordered. With a dominant global civilisation, diverse structures of global governance will co-evolve alongside that of the nation-state.

The chapters ahead will also provide evidence for the transformationalist thesis, in that they will provide evidence for historically unprecedented levels of global interconnectedness. With the combined forces of modernity, this ‘thick’ intensive and extensive globalisation will show a reconstituted restructuring of national governments and a new architecture of world order that can transform political communities. The reordering of interregional relations and action at a distance will result in both global integration and global fragmentation, as well as in the transformation of state power and world politics and economics.

The idea of human capital becoming a commodity will first be explored in Chapter II. This chapter investigates the historical development of the Philippine political economy through an examination of the various specific domestic factors that have helped foster the growth of the overseas worker industry. It will delineate how the growth of this industry led to the institutionalisation of labour migration in the Philippines. Succeeding chapters will then present the Philippines' regional and international political economy: Chapter III is an examination of ASEAN, Chapter IV is a case study on Filipino nurse migration as an example of what I contend to be a non-product-based IPE commodity, and Chapter V is a case study on Western Union as an MNC that has developed into a non-state financial intermediary agent within transnational social space.

1.5.2 Promoting Regional Interaction

The political economy of the Philippines helps institutionalise human capital. As human capital becomes a commodity, increased interaction between the Philippines and its Southeast Asian neighbours results. As noted earlier in this chapter, Dent (2008) points out that regionalism is a key defining feature of the contemporary international system. Structures, processes and arrangements work towards greater coherence within a specific international region in terms of economic, political, security-based, socio-cultural and other types of linkages. It is a world of regions and an international system increasingly defined by interactions between regions and regional powers. Indeed, regional communities are elemental parts of world society.

From a regional perspective, the Philippines' role in global economic changes is significant. It is our contention that when human capital becomes a commodity, the Philippines will require more interaction with the Southeast Asia region in particular, Northeast Asia more broadly, and ultimately the entire globe. We further postulate that ASEAN serves both as a conduit of sources of ideas on transnational activities, as well as a region generating real and physical demand for Philippine human capital. Chapter III looks more closely into the international/regional perspective on the subject matter, especially considering ASEAN factors. Empirical evidence from the research in Chapter III will help validate that the organisation could be more helpfully understood as a confederal assembly within which its nation-state members interact,

in this sense making ASEAN (and consequently APT) an interstate mechanism for regional level diplomacy.

Studying the Philippines in ASEAN will focus mainly on migrant labour policies between ASEAN nations. By method of differentiation, the regional role of the Philippines with its ASEAN neighbours will be thoroughly reviewed, paying close attention to trade policies and agreements on migration issues and the employment of Filipinos as OFWs in ASEAN countries and beyond. Even if ASEAN has little autonomous power or a capacity for independent action, the Philippines as the 2007 ASEAN Chair has played an important role in spearheading greater East Asian cooperation in the area of addressing the rights accorded to migrant workers and their families.

1.5.3 Transnational Non-Product-Based Commodification

A non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources. Through the lens of a transnational optic, Chapter IV will discuss the migration of Filipino nurses as a case study of human capital to hypothesise that the relationship between human capital, migration and economic growth has resulted in a kind of non-product-based IPE commodity—a kind of commodity that is not a tangible object but instead is a person. The relevance of Filipino nurses as a profitable commodity within the systems of Philippine economic stability will be explored. The translation of numbers and their relationships will provide evidence for the profitability and quality of human capital, which is argued to be likened to that of material product-based IPE commodities.

The idea of a non-product-based IPE commodity shows that commodities do not have to be product or material-based like FDI, production and trade. They are not always tangible like crops, fuels/minerals or manufactured products and do not necessarily have to be a localised resource, natural or otherwise. Since overseas worker remittances are the crutch of the Philippine economy, the example of Filipino nurse migration in Chapter IV is may be used to test the relationship between human capital mobility and economic growth under globalisation. This relationship accounts for the mutual influence of the Philippines and the global political economy upon each other.

The implications of Filipino of nurse migration will be made clear in the thesis by assessing the profession of the nursing and health service industry in the Philippines. Nurses are in demand throughout the world with some countries crucially lacking this human resource. The Philippines has an overflow of nurses with hundreds of schools providing thousands of fresh resources year after year. I intend to examine the situation by looking into the socio-economic influences that have led to the growth of the nursing industry in the Philippines, which includes a dramatic increase in migration statistics, nursing educational programmes, and the lucrative economics of the profession in a national framework.

Chapter V tests the development of non-state institutions by investigating the interaction between the world economy and the non-state actor and demonstrates that when human capital becomes a commodity, non-state actors play an important role.

Relatively recent changes in global economic regimes have contributed to the growth of non-state financial intermediary agents like Western Union. Agents like Western Union develop as human capital becomes a commodity when exported by the Philippines. Because the creation of commodity values that generate profit is dynamic and will continue to grow, this hypothesis investigates the importance of non-state financial intermediary agents for the political economy of the Philippines. An empirical case study of Western Union examines how this MNC works with transnational actors such as nurses, domestic helpers, and other OFWs.

The case study in Chapter V examines Western Union as a corporation, and assesses the service they provide within the Philippines and in other nations where there is a sizable Filipino community. The thesis also explores the global role of Western Union aside from their corporate profile and list of achievements. The great success of this MNC in the remittance transfer industry has made a significant impact that could spark changes in international banking and financial policies.

For countries highly dependent on remittances, Chapter V investigates the value of remittances when channelled as a catalyst for development. Research data from Chapter V shows that as the economic transaction of transferring remittances takes on distinct and powerful emotive qualities for migrants and their families. Western Union exploited and manipulated these feelings for its own financial gain.

For example, its person-to-person money transfer is as comparatively easy as handing over the cash face to face. The WU system of convenience will be compared to other remittance methods, such as bank transfers, or on-line transfers. An

intermediary agent like Western Union has simplified the process of a remittance transfer through its vast network of local agents around the world that outnumbers the branches of Philippine banks.

Western Union does not require much operating capital and can make use of small spaces to conduct its business, thus allowing the company to easily franchise and branch out in even remote areas of the Philippines, unlike Philippine banks which must maintain a much larger overhead for their office space. Also, Philippine banks, to avoid misconceptions of off-shore money laundering, still have to undergo the watchdog supervision of an internationally reputable financial institution. With Western Union, one can simply wire money from any local agent around the world and text the confirmation number, and the recipient at another WU outlet will get the money almost immediately after supplying the confirmation number and identification. Western Union may have a higher service cost than the fees of a bank, but the money moves in real time as though it was handed straight from person to person, and the only delay in the process is a quick verification and signature.

In a case study, Western Union money transfers are compared to banking systems based upon data gathered from interview subjects who shared their knowledge and experience on the process. Subjects include both actual customers, and WU agents and officials. The collective research maintains that the success of Western Union is also due to the growth of human capital as a commodity.

Chapters IV, V, and VI (policy recommendations) offer new ways to consider the roles of developing countries both within the future of world affairs and within the contribution of IPE and its theoretical development. Human labour is an exported commodity, derived by forms of non-product-based IPE which inherently challenges conventional wisdom within the discipline. In other words, the main research feature of this project addresses the overrepresentation of product-based IPE.

1.5.4 Philippine Development Strategies

Non-product-based commoditisation has become a successful development strategy of the Philippines. The thesis will show how human labour becomes an exported commodity. In doing so, it offers an illustration of a preliminary IPE idea that challenges conventional wisdom within the discipline. There is a global understanding that commodities are tangible products that are heavily traded between two or more parties to ensure a beneficial profit or surplus. Human capital has that

same defining trait, although the human element makes it unique and controversial. Human capital comes with a different set of instructions, and is protected by constitutional, legal, civil and human rights. Studies have shown that human capital as a commodity can provide sufficient profit to save a country's economy, such as is the case of the Philippines.

The current international economic order favours the interests of capitalist states; less developed states hold relatively little bargaining power in their commercial or other economic negotiations with large industrial countries. From an IPE perspective, the global stage is full of multiple interests, each interacting with the state. These interests may be those of MNCs, NGOs or government-based organisations such as the United Nations, the World Bank or the IMF. These non-state entities and intergovernmental mechanisms fill needs that the state cannot manage on its own. Non-state actors have enriched international society and made it more serviceable to the needs of the states. As the case study on Western Union in Chapter V will show, MNCs are now part of the political and economic food chain.

International trade can affect the level of economic growth of an economy. With unemployed resources, an increase in export sales leads to an overall expansion in production and an accompanying fall in the unemployment rate. International trade also allows for the purchase of capital goods from foreign countries and exposes an economy to technological advances achieved around the globe. This is shown in the following Table 2, which indicates the top eight exported products in the world. Industrialised countries are the largest exporters and importers of product-based IPE; Asia has been growing in importance in terms of trade exports, with China, Japan, Singapore, South Korea and Hong Kong at the forefront.

What is tabled is the common wisdom on what constitutes a world commodity. It took a great deal of effort to locate official documentation that listed human capital along with the eight export commodities listed in Table 2. Most views of world commerce do not include human resources as an export commodity. The absence of such a category as an export commodity in Table 2, which well illustrates conventional IPE thought, shows convincingly the need to examine human capital as a kind of non-product-based IPE commodity.

Table 2. 2006 World Merchandise Exports by Product

Products	Value (in billion US\$)	Share in World Merchandise Trade (%)
Fuel	1771	15.0
Agricultural Products	945	8.0
Iron & Steel	374	3.2
Chemicals	1248	10.6
Office & Telecom Equipment	1451	12.3
Automotive Products	1016	8.6
Textiles	219	1.9
Clothing	311	2.6

Source: World Trade Organization (2006).

Globalisation has resulted in an unprecedented openness to trade and investment. These, along with the presence of transnational companies results in an industry in which social capital in the form of migrant workers is being exported to other countries, instead of raw materials. As Donald Keesing stresses in his human skills theory, countries now depend on human labour to keep the economy afloat (Husted and Melvin, 2004: 13, 272). Keesing maintains that emphasis should be placed upon the differences in endowments and the percentages of skilled and unskilled workers. Countries with a greater amount of highly skilled labour forces than others will have an advantage in producing products that require this kind of labour.

Emergent leaders in the developing world have held that the structure of an economy can be changed by emphasising investment in high-productivity sectors. Putting this view into action is, however, problematic. It is not clear how to mobilise resources for a programme of sustained investment. Nor is it evident how to acquire the imported equipment, the infrastructure, the power supplies, and the technically skilled workforce. Clearly, societies require funds at their disposal to invest in job-creating industries such as food production, population control programmes, health

care and social services. Capital is scarcer, however, in less developed countries because residents cannot afford to pay taxes or pass savings to the banks. Fortunately foreign aid and investment, as well as funds from exports, can provide an alternative source of capital for countries lacking in funds. In the trade sector, many countries continue to depend on money earned from the export of a few commodities. This makes those countries vulnerable to the whims of global supply and demand as expressed in traditional economics.

Some countries are dependent upon a single commodity to provide more than half of their export earnings. The Philippines is a case in point as the country's answer to its pressing economic concerns is the institutionalisation of human labour and the use of remittances to stave off their economic problems. As elucidated in the succeeding chapter, exporting human labour has been the economic cornerstone of all the Philippine presidents since Marcos. Marcos' labour-intensive export-oriented industrialisation development model used Filipino human labour in place of Philippine products as goods to be exported.

To this end, remittances are considered highly effective in lifting poor people out of over poverty by placing cash directly into their hands. This has resulted in the Filipinos being the newest 'diasporic' community in the world. According to Immanuel Wallerstein (see also Chapter V) labour migrants can challenge TNCs by overloading the system with 'free movement' while retaining for themselves more of the surplus value they produce (San Juan, 2006). Undeniably, the idea of non-product-based IPE raises far-reaching theoretical implications for the field.

There are forces that influence politics. The theories of globalisation, regionalism and transnationalism surveyed in the literature review of this chapter have profoundly changed politics. The notion that the old state system is irrelevant to the multinational corporation is a mistake (Appiah, 1998). Traditional state-based systems are not being replaced (Sassen, 1998). Instead, they are working alongside diverse structures of global forces. International political processes have had to accommodate the OFW phenomenon, which has grown like wildfire. The effects of this phenomenon have also shaped national economies, thus making a mark on the global economic perspective.

'A new generation, a new economy and a new capitalism is changing the way business is done in Asia', reported a leading British journal in April 2000 (Menkhoff and Kay, 2003: 84). Western Union has responded in its capacity as an MNC that

seeps into the human preferences, becoming a leader in the international remittance transfer industry. This non-state actor services OFWs, which make up a large portion of the global workforce, in some aspects better than the Philippine government.

1.6 In the End

A new application of IPE theories and empirical studies on the Philippines comments on the broader political economy of the Philippines and maintains that: (1) globalisation permeates national economies, resulting in a situational change for nation-states; (2) the Philippine political economy promotes the institutionalisation of human capital on a national and regional/international level; (3) a non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources; and (4) non-product-based commoditisation has become a successful development strategy of the Philippines. It seems likely that such an investigation would offer an essentially confirmatory analysis on the tenets of globalisation, regionalism and transnationalism in understanding the social, political and economic landscape of East Asian nations. As not yet a full-fledged paradigm, scholars are still testing the theory. Significantly, the Philippines has not been closely examined under these three important theoretical lenses.

A new interrogation of IPE theories and empirical studies on the Philippines can expand the IPE approach towards developing countries. This is neither to claim that Western Union (as an MNC) is superior to the Philippine government (state) in facilitating the needs of overseas Filipino workers nor that Western Union (as an NGO) should replace, coordinate or collude the Philippine government with respect to making the commodification of human capital more efficient or effective. It is also not to answer the question as to whether the state or the people have been empowered by the development of this non-state financial intermediary agent. Rather, this is an examination of the history and political economy of the Philippine state, highlighting the links between international production, trade and human capital development in a globalising world economy. The study reveals that the Philippines' rise to global economic, regional and transnational prominence has not been without a serious cost. This is because the collusion between Western Union and the Philippine government has left an indelible mark on the social fabric of this developing East Asian nation in terms of divided families, health devolution caused by the exodus of qualified nurses, and a general erosion of Filipino national and political identity.

Under the framework of neoliberalism, with its emphasis on capitalism and progress, it appears that the Philippines is poised as an up-and-coming power player because there is a significant amount of money going into the country through Western Union. This however is an illusion. As mentioned, some gains have been made. Filipinos have invested OFW remittances towards education, housing and investments in small businesses. But with that comes a cost. Whilst neoliberalism is good for unfettered profiteering, it is viewed entirely through an economic lens. Restricting an analysis of cost and benefits to the economic realm overlooks worker rights, social safety nets, strong communities and intact families. This thesis shows that the economies, values, and practices of entire regions are shaped not only by the new economic realities of globalisation, but also a multiplicity of other circuits and embedded spaces.

Chapter II. Political Economy of the Philippines: Institutionalising Labour Migration

2.1 Introduction

Globalisation permeates national economies. As it grows exponentially, more and more Filipino workers find employment in the Middle East, Singapore, Hong Kong, Malaysia, the United States, the United Kingdom, and other countries. OFWs not only help ease the Philippines' unemployment problem but also earn the country some much-needed foreign exchange. As a result, this human resource has been mediated as one of the alternative strategies of development put forth for the Philippine economy. This chapter explores relations of production in order to demonstrate how both institutional policies and industrialisation work together to create skilled migrant groups. It is this interaction between the components in the chain of production that furthers the Philippines' supply of human capital to meet the demands for international labour. As a result, the country continues to use as its main source of income, an 'export' of 'natural persons'.

To demonstrate how essential the commodity of human capital is in the Philippines, especially in the case of its overseas foreign worker industry, this chapter offers a comparative analysis of the nation's economic history and development. Its main focus is the examination of significant economic changes and reforms that have heavily influenced the evolution of the migrant labour industry, thus shaping the country's political economy and moving it towards liberalisation. This is achieved by evaluating the different political and socio-economic consequences arising from the economic strategies employed from 1965 to 2010 by means of a post-World War II analysis. Various specific domestic factors that helped foster the growth of the overseas worker industry are also discussed. There has been considerable growth in the Philippines' overseas foreign worker industry since the time it was institutionalised under President Ferdinand Marcos up to the recent conclusion of Gloria Macapagal-Arroyo's term.

Throughout recent Philippine history, the main significance of commoditised human capital is that the remittances generated by OFWs have become a major source of economic growth for this developing Southeast Asian nation. Human resources serve as the linchpin of the Philippine political economy. The collusion between the

state and the private sector helps explain why the state, human capital and the intermediary agent are so closely linked—perhaps leading to underdevelopment in the Philippines.

A brief overview of Filipino government policy from 1965 to 2010 may be seen in Table 3 (on the next two pages). It summarises the political economy of the Philippines by detailing the political, economic, foreign, and labour migration policies outlined and implemented by Filipino presidents from Ferdinand Marcos to Gloria Macapagal-Arroyo. The analysis to follow provides a descriptive discussion that focuses on Philippine labour related issues or laws.

Table 3. Comparative Analysis of Government Policies since Marcos (1965 to 2010)

Presidents	Political Policy	Economic Policy	Foreign Policy	Labour Migration Policy
Ferdinand Marcos	<ul style="list-style-type: none"> ruled for more than 20 years systematically plundered the economy through bribes and kickbacks student activism and communist movement was revived proclaimed martial law to perpetuate his rule Ninoy Aquino's assassination led to the awakening of the Filipinos against dictatorship and international criticism 	<ul style="list-style-type: none"> borrowed heavily to support projects and improved agricultural production not characterised by strong economic growth private sector participation is very limited main projects to uplift economy: <i>Kilusang Kabuhayan at Kaunlaran</i> (KKK)—promote development of <i>barangays</i>; and tourism—1 million tourists in 1980; and remittances from OFWs 	<ul style="list-style-type: none"> tried to strengthen foreign relations tried to negotiate with the World Bank and IMF to restructure loans established relations with communist countries—China and former USSR relations with the United States was modified—based on 'mutual respect'—which led to the revision of the US-RP bases agreement established closer ties with Asian countries by participating in various international conferences 	<ul style="list-style-type: none"> signed Presidential Decree 442 or the 'Labor Code', which served as the basis for the overseas employment programme main agenda was to promote overseas contract work and reap whatever economic benefits could be gained from the outflow laid down the fundamental institutions for labour migration and 'conducted a deliberate, resolute, and systematic effort to promote overseas employment' (Brillo, 2008: 40)
Corazon 'Cory' Aquino	<ul style="list-style-type: none"> restored democracy and basic civil liberties cabinet was made up of business and international creditors (technocrats) land reform was a contentious issue mired by catastrophes and coup d'états, which led to political instability 	<ul style="list-style-type: none"> consolidation and privatisation of government owned and controlled firms; emphasised a central role for private enterprise and the moral imperative of reaching out to the poor and meeting their needs; main themes of her administration include reduce unemployment; encourage small-scale enterprise and develop the neglected rural areas; foreign aid and investment helped the economy 	<ul style="list-style-type: none"> attract more foreign loans, aids, trade, investment and tourists decided to honour all its debts 	<ul style="list-style-type: none"> magnified the scope of labour migration through diplomatic missions aimed at strengthening existing ties with destination states made working abroad more accessible reorganised the Philippine Overseas Employment Agency (POEA) to respond to the changing markets and economic conditions recognised migrant workers as 'modern-day heroes'

Presidents	Political Policy	Economic Policy	Foreign Policy	Labour Migration Policy
Fidel Ramos	<ul style="list-style-type: none"> instituted reforms based on market reliance and getting prices right characterised by economic stability embarked on a programme called Philippines 2000 	<ul style="list-style-type: none"> inherited an economy with a large budget deficit focused on private initiative characterised by privatisation and deregulation Asian financial crisis bubble was contained 	<ul style="list-style-type: none"> trade reforms enhanced the economy's openness demonstrated the capacity of Philippines to compete globally 	<ul style="list-style-type: none"> labour migration became one of the major pillars of national development; two significant cases of abused migrant workers caused a national outrage— Sarah Balabagan and Flor Contemplacion; passed Republic Act (RA) 8042 or the Migrant Workers and Overseas Filipinos Act of 1995 aimed at protecting migrant workers; clarified the government's position that it is against using overseas employment as a means to sustain economic growth and to achieve national development; magnitude of labour migration showed otherwise
Joseph 'Erap' Estrada	<ul style="list-style-type: none"> mired by allegations of corruption, resulting in EDSA II and embarked on a campaign aimed at the Philippine <i>masa</i> (masses) and poor 	<ul style="list-style-type: none"> lacks discussion on economic policies 	<ul style="list-style-type: none"> lacks discussion on foreign policies 	<ul style="list-style-type: none"> lacks discussion on migration policies
Gloria Macapagal-Arroyo	<ul style="list-style-type: none"> her presidency was tarnished by questions of legitimacy cabinet positions were a result of payoffs to the different sectors of society that brought her to power 	<ul style="list-style-type: none"> economy was the main focus, achieving improved growth; implemented IMF demands for the further opening of the Philippine economy, privatisation and the cutting of government spending; coherent economic policies; invested on infrastructure 	<ul style="list-style-type: none"> external environment, particularly the export market was not favourable 	<ul style="list-style-type: none"> labour migration as supported and controlled, not simply managed; implemented upgrade of skills and knowledge of Filipino domestic helpers, becoming a leader in introducing several migration-related laws in Asia and in enlisting with national accords on migration

2.2 Marcos Regime (1965 to 1986): Making Human Capital a Commodity and the Decline of the Philippine Economy

The political economy of the Philippines after World War II suffered due to three and a half years of Japanese occupation and the post-war battles for liberation in 1945 (Agoncillo, 1990: 387-409). This took a tremendous toll on the country, especially in Manila which, aside from Warsaw, faced the greatest destruction of all the allied capitals. Despite the wartime devastation, this economic, political and cultural capital experienced US-assisted post-war reconstruction, which yielded rapid economic growth immediately after the war. The GDP from 1950 to 1960 was 6.5%, considered the highest in Southeast Asia; as a result the Philippines became the prototype of economic growth among countries in Asia (Brillo, 2008: 25-61).

For more than 20 years, from 30 December 1965 to 25 February 1986, Marcos ruled the Philippines (Hamilton-Paterson, 1998: 57). In his first term, Marcos tried to stabilise the financial position of the government through intensified tax collection. He borrowed heavily from international financial institutions (IFIs) in order to support a large scale infrastructure and new works projects. He improved agricultural production to make the country self-sufficient in food, particularly rice (Roumasset, 1976). Marcos also tried to strengthen the foreign relations of the Philippines, hosting a seven-nation summit conference on the crisis in South Vietnam in October 1966. And in support of US military efforts, he agreed to send Filipino troops to the South Vietnam war zone (Karnow, 1989: 367-370).

In November 1969, Marcos entered his second consecutive term in office (Casper, 1995: 87). In winning the election, Marcos achieved the political distinction of being the first president of the republic to be re-elected. The most important development during his second term was the 1971 Constitutional Convention—the Philippine congress called for a constitutional convention on 1 June 1971 to review and rewrite the 1935 Constitution (Casper, 1995: 88-114).

Marcos implemented a number of programmes to hasten economic development, which helped the country enjoy a period of economic growth from 1970 to the early 1980s. Certain industrial projects invited foreign capital to invest, offering incentives such as tax exemption privileges and the ability to bring out their profits in foreign currencies. To help finance a number of economic development projects, the government engaged in foreign borrowing. These projects included soil exploration, the establishment of geothermal power plants, the Bataan nuclear power

plant, hydro-electric dams, the construction of more roads, bridges, irrigation systems and other expensive infrastructure projects (Balisacan and Hill, 2003).

Some of the most significant economic policies instituted during his leadership include:

- *Kilusang Kabuhayan at Kaunlaran* or KKK (Movement for Livelihood and Progress). Its aim was to promote the economic development of the *barangays* (villages) by encouraging the *barangay* residents to engage in their own livelihood projects. This led to an economic growth rate of 6% in 1970 to 7% in 1980, while gross national product (GNP) for the country rose from 55 billion Philippine pesos in 1972 to 193 billion pesos in 1980 (1980 adjusted PhP) (University of the Philippines, 2004).
- Rise of tourism. The number of tourists visiting the Philippines rose to one million in 1980 from less than 200,000 in previous years. The country earned around \$500 million a year from tourism; a large proportion of the tourist group was composed of Filipino *balikbayans*² under the Ministry of Tourism's *Balikbayan* programme, launched in 1973 (Ness, 2002).
- Labour export policy. It was Marcos who laid down the fundamental institutions for labour migration and 'conducted a deliberate, resolute, and systematic effort to promote overseas employment' (Brillo, 2008: 40). In 1974, Marcos issued Presidential Decree 442 or the 'Labor Code', which served as the basis for the overseas employment programme (Brillo, 2008: 37). Its primary goal was to promote overseas contract work and reap whatever economic benefits could be gained from the outflow, especially in terms of foreign exchange and employment (Gonzalez, 1998). Thousands of Filipino workers found employment in the Middle East, Singapore and Hong Kong. Also, the Philippine Department of Labor policed the recruitment of Filipinos for overseas employment and the filing of charges against unscrupulous recruiters (Marcos, 1971).

Indeed, economic performance during the Marcos era was strong at times but when his entire regime is carefully examined, the regime was not characterised by overall strong economic growth. Pre-Marcos real growth in GDP per capita averaged 3.5% from 1951 to 1965 but under Marcos (1966 to 1986) annual average growth was only 1.4% (Thomson Data Stream, 2008).

There was a noticeable shift in Philippine foreign policy during the martial law period. Marcos established relations with communist countries such as China and the former Union of Soviet Socialist Republics (USSR). He also modified relations with the United States, demanding 'mutual respect' for each other's national interests (Hamilton-Paterson, 1998: 159). As such, military and economic agreements between the United States and the Philippines were amended to reflect this new relationship.

² *Balikbayan* is a compound Filipino word, comprised of *balik* (return) and *bayan* (homeland), which applies to an overseas Filipino.

Finally, Marcos established closer ties with other Asian countries. This resulted in the Philippines becoming one of the leading members of the developing world. (Chapter III will discuss the country's regional political economy with ASEAN.) After implementing a programme of development, however, Marcos issued Proclamation No. 2045 on 17 January 1981 (Calder and Hofheinz, 1982: 228). It lifted martial law after a period of eight years, three months and 26 days to show to Filipinos and the world that the situation in the Philippines had stabilised and that the government functioned smoothly under the 1973 Constitution (Calder and Hofheinz, 1982: 229).

On 21 August 1983, Ninoy Aquino decided to come back to the Philippines after years of exile in the United States, but was assassinated on the airport tarmac (Boudreau, 2004: 142-144). His murder awakened Filipinos to the evil of having Marcos as a dictator and transformed Ninoy Aquino into an idol.

As the investigation into the Ninoy Aquino assassination went on, the Philippine economy experienced difficulties. The high price of oil decreased economic activities, and traditional Philippine exports such as sugar and coconut oil fell in the world market (Larkin, 1993). With the government forced to borrow more money from the IMF to help sustain the economy, Philippine foreign debt reached \$26 billion (Bowie and Unger, 1997). Consequently, a substantial proportion of the country's annual earnings had to be allocated to the payment of annual interest on loans.

The tourism industry also suffered a great decline after Ninoy Aquino's assassination. The wave of anti-Marcos demonstrations across the country drove tourists away. In addition, political troubles hindered the entry of foreign investments. Foreign banks stopped granting loans to the Philippine government and foreign creditors started demanding payment of the debts, which were already past due.

Without an adequate supply of foreign exchange, the industrial sector could no longer import raw materials needed for production. Many factories shut down or cut production due to the lack of raw materials, and many workers lost their jobs (Kelly, 2001: 1-22). Marcos negotiated with foreign creditors for a restructuring of the country's foreign debts, to give the Philippines more time to pay the loans. These creditors included the IBRD, the World Bank and the IMF (Cragg, 1993).

Despite initiated recovery programmes, the economy continued to decline. Negative economic growth plagued the country from 1984 onwards. The failure of the recovery programme was due to Marcos' lack of credibility, coupled with the rampant graft and corruption within the government. Many officials acted as 'vampire elites', stealing the people's money by the millions through anomalous transactions. Marcos himself spent large sums of government funds to help candidates of the *Kilusang Bagong Lipunan* or KBL (New Society Movement) win elections.

Marcos took corruption to unprecedented heights through the systematic plundering of the Philippine economy. Members of the Marcos family and his key associates accrued tremendous wealth from bribe-taking, kickbacks and crony monopolies. They also diverted government loans and contracts into their own pockets and made fortunes from the profits of over-priced goods and construction projects. Corruption under Marcos is key to understanding both political and economic development and political and economic outcomes during his time in office.

Implementing the Labor Code served as the basis for the overseas employment programme, whose main agenda was to promote overseas contract work and reap whatever benefits could be gained from the outflow. It was Marcos who laid down the fundamental institutions for Filipino labour migration policy. He set the precedent for conducting a deliberate, resolute, and systematic effort to promote overseas employment.

2.3 Corazon Aquino Government (1986 to 1992): Democracy Restored

In the midst of the deepest recession of the post-war period, Corazon Aquino assumed the presidency of the Philippines. The success of her campaign was likely influenced by the mismanagement of the Marcos regime (De Dios and Hutchcroft, 2003: 45-73). The EDSA (Epifanio de los Santos Avenue) People Power that ousted Marcos and put her into the Presidency of the Philippines is legendary, and was the starting block in the restoration of democracy following the corrupt dictatorship of Marcos. One of the itineraries in her agenda was the complete revision of the Philippine Constitution in 1987, specifically laying out new laws on Presidential re-election and stringent measures for corruption practices. Hoping to eradicate the debt left by Marcos and to straighten out the monopolisation of businesses from Marcos loyalists, the Aquino administration laid out economic correctives that emphasised a

central role for private enterprise, and the moral imperative of reaching out to the poor and meeting their needs. Reducing unemployment, encouraging small-scale enterprise and developing the neglected rural areas were among the main themes of her administration (Bonifacio, 2004).

Corazon Aquino entered the presidency with a mandate to undertake a new direction in economic policy. Her initial cabinet contained individuals ranging across the political spectrum. Over time, however, the cabinet became increasingly homogeneous—particularly with respect to economic perspectives—reflecting the strong influence of the powerful business community and international creditors. The businesspeople and technocrats, who directed BSP and headed the departments of finance, of trade and industry, became the decisive voices in economic decision-making. Foreign policy also reflected this power relationship, focusing on attracting more foreign loans, aid, trade, investment and tourists (Kessler, 1989).

The requirements of private enterprise and the world economy subordinated the plight of the people. As Corazon Aquino noted in her State of the Nation address in June 1989, the poor had not benefited from the economic recovery that had taken place since 1986 (Skene, 2002: 484-500). The gap between rich and poor had widened, and the proportion of malnourished preschool children had grown (Eder, 1999).

When Corazon Aquino took office, two of the most pressing problems for the Philippines were a \$28 billion external debt and recurrent unemployment (Brillo, 2008: 41). External debt was considered one of the most vexatious issues in her administration. Experts from the country's economic planning agency or the National Economic and Development Authority (NEDA), argued that economic recovery would be difficult if not impossible to achieve in a relatively short period if the country did not reduce the size of the resource outflows associated with its external debt.

Large debt service payments and moderate growth, to the order of 6.5% per year, were thought to be incompatible with the recommendation of a two-year moratorium on debt servicing and the selective repudiation of loans where fraud or corruption could be shown (Kerkvliet and Mojares, 1992). Business-oriented groups and their representatives in the president's cabinet vehemently objected to taking unilateral action on the debt, arguing that it was essential that the Philippines should

not break with its major creditors in the international community. Ultimately, Corazon Aquino rejected repudiation; the Philippines would honour all its debts.

In addressing unemployment, her government continued the successful migration policy of Marcos. In her Medium-Term Philippine Development Plan for 1987 to 1992, Corazon Aquino magnified the scope of labour migration by sending forth diplomatic missions aimed at strengthening existing ties with destination states to better answer the growing needs of migrant workers. She also made working abroad more accessible and reorganised the POEA³ (2010) to respond to the changing markets and economic conditions. It was also Corazon Aquino who called migrant workers 'modern-day heroes' in recognition of their significant contribution to the Philippine economy (Brillo, 2008: 42).

The primary challenge for Aquino's economic advisers was to resuscitate the economy; this was successful and a turnaround was achieved. In 1986, economic growth was low (1.9%) but it was positive. For the next two years, growth was more respectable at 5.9% and 6.7% respectively. In 1986 and 1987, consumption led the growth process but then investment began to increase. In 1985, industrial capacity utilisation had been as low as 40% but by the middle of 1988 industries were working at near full capacity. Investment in durable goods grew almost 30% in both 1988 and 1989, reflecting the buoyant atmosphere (Eder, 1999).

The international community was supportive. Like domestic investment, foreign investment did not respond immediately after Aquino took office but in 1987 it began to increase. Foreign aid also helped the economy. In 1989 and 1991 the Multilateral Aid Initiative (also known as the Philippine Assistance Plan), a multinational initiative to provide assistance to the Philippines, pledged a total of \$6.7 billion (Eder, 1999).

³ POEA was created in 1982 by Executive Order (EO) No. 797 which provided for the integration of the functions of the Overseas Employment Development Board, the National Seaman's Board and the Bureau of Employment Services. EO No. 247 expanded its powers and functions when it was reorganized. Its legal mandate includes the promotion and development of the overseas employment programme and the protection of the rights of migrant workers as stated in Presidential Decree (PD) 797 (1982). It also includes the regulation of the private sector participation in recruitment and overseas placement and the maintenance of registry of skills and to secure the best terms of employment for OFWs as indicated in EO 247 (1987). Also mandated was tripartism, full disclosure, deregulation, selective deployment, dynamism in systems and information technology as outlined in RA 8042 (1995) and the reinforcement of its regulatory function to protect the rights of OFW as a worker and human being as stated in RA 9422 (2007) (Philippine Overseas Employment Agency, 2010).

Economic success, however, generated its own problems. The trade deficit rose rapidly as both consumers and investors attempted to regain what had been lost in the depressed atmosphere between 1983 and 1985. Although debt service payments on external debt declined as a proportion of the country's exports, they still remained above 25%. The government's budget deficit ballooned, hitting 5.2% of GNP in 1990. The 1988 GNP grew 6.7%, slightly more than the government's planned target. Growth fell to 5.7% in 1989, and then plummeted in 1990 to just over 3% (Balisacan and Hill, 2003).

Many factors contributed to the 1990 decline. The country was subjected to a prolonged drought, which resulted in the increased need to import rice. In July 1990, a major earthquake hit Northern Luzon. This caused extensive destruction, whilst a typhoon that hit the country in November of the same year also caused considerable damage in the Visayas (Broad and Cavanagh, 1993).

On the domestic scene, land reform was a highly contentious issue involving economics as well as equity. NEDA economists argued that broad-based spending increases were necessary to get the economy going again. More purchasing power had to be put in the hands of the masses. Achieving this objective required a redistribution of wealth downward, primarily through land reform. Corazon Aquino's campaign promises resulted in high expectations that a meaningful programme would be implemented.

Prior to the opening of the first session of Congress under the Philippines' 1987 constitution, the president had the power and opportunity to proclaim a substantive land reform programme. Waiting until the last moment before making an announcement, however, Aquino chose to provide only a broad framework. Specifics were left to the new Congress, which she knew heavily represented landowning interests. It was thus a foregone conclusion that the enactment of a weak, loophole-ridden piece of legislation was bound to occur (Kerkvliet and Mojares, 1992).

The country attempted to regain some order in the aftermath of the December 1989 *coup* attempt. But power outages lasting five to seven hours became a daily occurrence as the government struggled to overcome the deficient power-generating capacity in the Luzon grid, a deficiency that in the worst period was below peak demand by more than 300 megawatts and resulted in outages of four hours and more. Residents of Manila suffered both from a lack of public transportation and clogged and overcrowded roadways. Garbage removal was woefully inadequate and in

general, the city's infrastructure was in decline. Industrial growth fell from 6.9% in 1989 to 1.9% in 1990, while growth investment for 1990 in both fixed capital and durable equipment declined by half compared with the previous year while government construction, which grew by 10% in 1989, declined by 1% in 1990 (Intal and Basilio, 2002: 97-136).

Implicit in the above discussion, business (economics) and politics have always been deeply interwoven in the Philippines. Crony capitalism was not a deviant model but rather the logical extreme of a traditional pattern. Even during the Aquino administration, corruption and traditional politics were major issues.

Fostering the growth of the overseas worker industry, Corazon Aquino's policies magnified the scope of labour migration through diplomatic missions aimed at strengthening existing ties with destination states, which made working abroad more accessible. She reorganised the POEA to respond to the changing markets and economic conditions and also recognised migrants as modern-day heroes.

2.4 Ramos Administration (1992 to 1998): Economic Reform and Outcomes of "Philippines 2000"

When Fidel V. Ramos assumed the presidency in 1992, he inherited an economy with a large budget deficit. The economy had receded in 1991, largely as a result of austerity measures imposed by a standby credit arrangement with the IMF and the destruction caused by natural disasters such as the eruption of Mount Pinatubo (Broad and Cavanagh, 1993). In view of the national government's large budget deficit, pump priming the economy through increased government spending was ruled out. Instead, the Ramos economic programme placed great reliance on private initiative. This shift in strategy called for several structural policy reforms, including privatisation and deregulation, all of which entailed institutional changes.

Embarking on an ambitious programme called "Philippines 2000", the Ramos approach to governance and its comprehensive economic policy reform was based on market reliance and determining the best prices, and produced sound economic outcomes.⁴ In 1993, the economy recovered from the stagnation induced by the natural disasters and power shortages of 1992. Over time, real GDP growth gathered strength, reaching a peak of 5.8% in 1996. Trade reforms enhanced the economy's

⁴ Thomas G. Aquino, *Interview*, Undersecretary International Trade, Department of Trade and Industry Philippines (Quezon City, Philippines: Personal Communication, 14 January 2004).

openness. As a result, growth rates of gross exports expanded nearly five times from 1992 to 1997. GIR rose in that same period to four months' worth of imports and helped to stabilise the exchange value of the Philippine peso against the US dollar (Intal and Basilio, 2002: 97-136).

The government's newly strengthened fiscal position was a major accomplishment. Taxes increased whilst government spending remained prudent. One piece of unfinished business in fiscal terms was the rationalisation of special fiscal incentives, a major source of foregone tax revenues. The sense of stability and efficiency by which the government functioned during the Ramos administration can be attributed to his working principle of 'complete staff work'.⁵ In other words, any agenda item brought to the Cabinet for approval was expected to have been subjected to inter-agency assessment. In this regard, NEDA became highly useful under Ramos. The NEDA Board, which the president chaired, had at least four important inter-agency committees.

To address unemployment, which was aggravated by the Asian financial crisis in 1997, Ramos once again turned to overseas employment. During his administration, labour migration became one of the major pillars of national development because it generated invaluable foreign exchange necessary to fund development and strategic programmes. It also helped rectify world imbalances of income and human resources (Tyner, 2004).

Two significant cases involving migrant workers, those of Sarah Balabagan and Flor Contemplacion, raised concerns about the dangers of sending Filipinos to work overseas. To placate critics and the nation's outrage, Ramos passed RA 8042 or the Migrant Workers and Overseas Filipinos Act of 1995. This landmark law was supposed to protect migrant workers and clarified the government's position that it is against using overseas employment as a means to sustain economic growth and to achieve national development. However, the magnitude of labour migration during this period revealed otherwise.

Overall by 2000, Ramos had, as he had intended, achieved in demonstrating the capacity of the Philippines to compete globally. Real per capita income recovered and reached more than \$1,000 by 1998 (Yap, 1998). When Ramos left office in 1998, he handed a long-term plan to the incoming president that embodied a 2020 vision—

⁵ Margarita R. Songco, *Interview*, Assistant Director-General, Republic of the Philippines National Economic and Development Authority (Pasig, Philippines: Personal Communication, 8 January 2004).

essentially a continuation of the comprehensive reform process aimed at transforming the Philippines into a newly industrialised economy (NIE) by the year 2020.

Under his administration, labour migration became one of the major pillars of national development. As a result, Ramos passed the Migrant and Overseas Filipinos Act of 1995, which aimed to protect migrant workers. Though he clarified the government's position is against using overseas employment as a means to sustain economic growth and to achieve national development, the magnitude of labour migration suggested otherwise.

2.5 Under Estrada (1998 to 2001): Corruption Charges and Impeachment

Joseph Ejercito 'Erap' Estrada was a popular former film actor in the Philippines who became the 13th President of the country from 30 June 1998 to 20 January 2001. His term was marred by charges of corruption and illegal gambling, and it was under Estrada that middle class disillusionment and loss of faith/trust in government institutions was in full force. He was finally overthrown by another People Power Revolution (popularly known as EDSA II) after his aborted impeachment trial in the Senate.

On 4 April 2001, the trial of Estrada began as Ombudsman⁶ Aniano Desierto filed before the *Sandiganbayan* (a Philippine anti-graft court) a PhP4 billion (\$83.6 million) plunder suit and a minor perjury charge for falsely declaring his assets and illegally using the Jose Velarde alias. On 12 September 2007, he became the first Philippine president to be convicted of a crime after the *Sandiganbayan* found him guilty of plunder, which is punishable by *reclusion perpetua*⁷ (Office of the Ombudsman, 2010).

The economic strategy of the Philippines under Estrada is somewhat unclear as his short lived presidency was characterised by the impeachment proceedings filed

⁶ The Philippine Ombudsman (*Tanodbayan*) is responsible for investigating and prosecuting government officials in the Philippines who are allegedly guilty of crimes. The Offices of the Ombudsman (2010) independently monitor the government and all three of its branches and is also responsible for receiving complaints from citizens, organisations, corporations, etc., from the country. The Ombudsman usually prosecutes officials who are allegedly involved in acts of graft and corruption. Recently, however, cases regarding officials who are allegedly involved in the rape of women and the murder of political opponents, independent journalists and other members of the media, are quite common.

⁷ According to the Revised Penal Code of the Philippines, *reclusion perpetua* entails an imprisonment for at least thirty years after which the convict becomes eligible for pardon. It also carries with it accessory penalties, namely perpetual special disqualification. It is not the same as life imprisonment, which does not carry with it any accessory penalty and does not appear to have any definite extent or duration (Republic of the Philippines, 2010b).

against him. It is therefore unsurprising that migration policies sorely lacked discussion under his administration.

2.6 Macapagal-Arroyo Presidency (2001 to 2010): Furthering the Marcos Legacy

The nervousness in some ruling circles about the methods used to remove Estrada reflects concerns about the Macapagal-Arroyo administration's ability to impose the economic restructuring agenda demanded by international finance capital on the country's working class. Estrada left behind a record high budget deficit, and Macapagal-Arroyo needed to increase both revenue and economic activity. She also had to balance the objectives of the moneyed elite and the poor. The elite had supported her against Estrada but the plight of the poor had to be improved for Macapagal-Arroyo to claim economic progress was being made. Although government was on target to attain a budget deficit of 3.8% of GDP, the replacement of Estrada with Macapagal-Arroyo (a practising economist) increased investor confidence as the most extreme aspects of cronyism receded (Brillo, 2008). Macapagal-Arroyo's policy-making was certainly more coherent than that of the erratic Estrada presidency. Unfortunately, however, these domestic changes were contingent upon the external environment such as the US export market, upon which Manila is heavily dependent, and which has become less favourable.

On the troubled economic front, Macapagal-Arroyo set to work brandishing the IMF's one-size-fits-all recipe book. The IMF demands include the further opening up of the Philippine economy. This meant privatisation, something Macapagal-Arroyo had promoted as a senator between 1992 and 1998, when she authorised a series of bills favouring privatisation, export promotion and the reduction of government spending. In her inaugural speech, Macapagal-Arroyo set out the course of the administration's programme, stating the need for an economic philosophy of transparency and private enterprise, as these are the catalysts that nurture the entrepreneurial spirit to be globally competitive. Both the IMF and the World Bank welcomed the new administration. IMF Managing Director, Horst Koehler, said the fund was encouraged by her first policy pronouncements. World Bank President, James Wolfensohn, pledged the bank's 'continued support and cooperation' and backed Macapagal-Arroyo's promise to fight poverty and restore good government (*Asia Times*, 2004).

At the beginning of the Macapagal-Arroyo government, signs of a short-lived political euphoria were instantly visible. The Philippine peso picked up by 17%, and share prices rose by 20%. At the same time, however, underlying economic weaknesses remained, such as falling foreign investment, a large budget deficit, and a high level of government debt. The administration was under pressure to institute reforms. *BusinessWeek* magazine set out what amounted to a detailed economic programme of privatisation, tax reform and cutbacks to government spending, concluding with the comment that ‘Macapagal-Arroyo must make the most of her honeymoon’ (*BusinessWeek*, 2008). Because of the economic gains achieved during the administration of Ramos, the Philippine economy was better in 2000 compared to 2004.

By 2002, under Macapagal-Arroyo, unemployment had expanded to 10%; it currently stands at 7.4% (Central Intelligence Agency, 2009). There were no wage increases and as was the case with the past four Filipino presidents, labour migration once again became the government’s main strategy of addressing the unemployment problem. However, in contrast to the other four presidents, who viewed labour migration as temporary until economic recovery, Macapagal-Arroyo’s administration did not portray labour migration as a natural process but as something that is supported and controlled, not simply managed (Tyner, 2004). To this end, she implemented policies such as ‘the upgrading of skills and knowledge of Filipino domestic helpers, and became a leader in introducing several migration-related laws in Asia and enlisting with national accords on migration’ (Brillo, 2008: 48). In her July 2009 State of the Nation address to members of Congress, she recognised the efforts of Filipino OFWs for paying \$16 billion worth of taxes and vowed to provide stronger consumer protection for the OFW back home with an Investors Protection Task Force (Macapagal-Arroyo, 2009).

Macapagal-Arroyo made the economy the main focus of her presidency. The Philippines, like many other countries in Southeast Asia, possesses an economy with extensive exposure to international markets, particularly the United States, and a heavy reliance on exports of electronic goods and equipment. In general, the Philippine economy has prospered in more recent times: a 1997 first-quarter growth of 6.9%; the peso dropping to below 45 to the US dollar, from a high of more than 50 earlier in 2007; and unemployment and inflation under control (Balisacan and Hill, 2003).

Poverty, however, remains widespread. Terrorism is still a threat. Communist and Islamic insurgencies hamper development in the countryside, and corruption in the bureaucracy is still a major concern. As of July 2001, there have been at least 11 accusations of corruption targeting First Gentleman Mike Arroyo. In the Corruption Perception Index established by Transparency International, the Philippines is ranked 2.5 on a scale of 0 (very corrupt) to 10 (very clean) with the former administration (Estrada) reaching an index of 2.9 (*Asia Times*, 2004). As with Estrada's presidency, corruption and red tape continues to erode the people's faith in government.

Under Macapagal-Arroyo, incremental gains did occur in the economy. Economic growth in terms of GDP averaged 4.6% during her presidency from 2001 to the end of 2005. This was higher than previous more-recent presidents when compared to the averages of Corazon Aquino (3.8%), Ramos (3.7%) and Estrada (2.8%). Inflation under Macapagal-Arroyo has been the lowest since 1986, averaging 5.3%. However, as most of her critics pointed out, these economic gains look good mostly on paper but hardly trickled to the poor. Statistics released by the National Statistical Coordination Board (2009) last 6 June 2006 continue to show that approximately 24 out of 100 Filipino families did not earn enough in 2003 to satisfy their basic food and non-food requirements.

Macapagal Arroyo institutionalised labour migration as supported and controlled, not simply managed. She upgraded the skills and knowledge of Filipino domestic helpers. As will be elaborated further in Chapter III, Macapagal-Arroyo became a leader in introducing several migration-related laws in Asia and in enlisting national accords on migration.

2.7 Various Specific Domestic Factors that Fostered the Growth of the Overseas Worker Industry

In addition to the institutionalisation of labour migration promulgated by Filipino presidents from Marcos onwards, there are also other various specific domestic factors that helped foster the growth of the overseas worker industry in the Philippines. The following section gives insights and insider information from one of my interviewees, Mr. Sixto 'Coy' Orosa III.⁸ Insights and insider information from his research interview provide an overview of the OFW situation. He lists and

⁸ Sixto 'Coy' Orosa III, *Interview*, President, Atlantic, Gulf and Pacific Construction Company (Makati, Philippines: Personal Communication, 3 January 2004, 27 September 2010 and 8 May 2011).

discusses the major domestic Philippine factors that initiated, spurred, encouraged and pushed the industry forward. He also discusses the basis of the supply situation. The demand for overseas workers came at a time when the supply of such workers was in excess of domestic needs.

2.7.1 High Fertility Rate, Very Large Population, and High Unemployment Level

The Philippines for decades has suffered from a high population growth rate relative to its economic growth. So-called artificial means of birth control (condoms, pills, etc.) are resisted by the culture and forbidden by the predominant religion (Roman Catholicism). Culturally the agricultural mind-set of having big families continues to prevail among a large segment of the population. Furthermore, the very large Philippine population is relatively young.

Except for a brief period immediately after World War II when the Philippine economy was even ahead of Japan, the country has suffered from economic mismanagement by way of inappropriate economic development policy, adoption of wrong priorities, inadequate enforcement of laws often due to corruption, and factors external to the Philippines.

In the late 1970s, the Philippines—then being an actual or a virtual dictatorship under Marcos—started experiencing economic stagnation. At the same time countries in the Middle East, with their new horde of petro-dollars, were investing in industrial plants and infrastructure. Although most of the contracts were awarded to the United States and Western European engineering and construction firms, these latter had to source their semi-skilled and skilled labourers from countries such as Korea, the Philippines, India, Pakistan, etc. Among these labour source countries, the Philippines represented a labour pool that optimised low cost, skills, a tolerance of other cultures and ethnicities, and most especially the ability to receive and to give instructions in English. This situation started the ‘flood’ of contractual workers for overseas assignments.

In the meantime, the world wide maritime industry was in an on-going expansion mode and needed to hire numerous seamen. Filipinos, like a few other nations, have enjoyed a good reputation as able seamen for tanker and cargo ships. Much later, as the worldwide cruise industry expanded exponentially, it also attracted Filipinos engaged in the hospitality industry as cooks, kitchen assistants, stewards, room boys, etc.

In the United States, the nursing profession was finding itself short-handed, while the Philippines had a surplus of nurses willing and able to work in the United States even if their standing was to be degraded to nursing assistants instead of nurses.

As the economies of Asia (like those of Hong Kong, Singapore, Taiwan and Malaysia) ramped up into double digit growth mode, these countries found it affordable and convenient to allow their households to hire Philippine (and other) staff as domestics. Laws were adjusted to allow the temporary immigration of such domestic help. The salary for such helpers was often higher in Philippine peso terms than the salary of government-paid teachers in the Philippines, so we had the anomaly of fully qualified public school teachers working as domestics in Hong Kong and Singapore.

2.7.2 Government Encouragement/Protection and the Supply Side

As Chapter II highlighted and which will be elaborated further in the policy recommendations outlined in Chapter VI, the Philippine government seized the employment opportunities for Filipinos overseas and passed legislation that organised, facilitated and provided certain protections for those working overseas. Procuring travel documents and registering employment contracts were made easier and more convenient. Among the incentives granted was exemption from income tax for wages earned overseas that was repatriated to the Philippines. A special government agency dedicated exclusively to the protection and welfare of the overseas workers was established and functions to this day. Needless to say, the government also had to organise an anti-fraud and illegal recruitment unit to thwart the efforts of those illegally collecting fees in advance for non-existent employment or employers and to prosecute those engaged in human trafficking.

Since the arrival of the first US colonisers and their establishment of a public school system for the Philippines, the idea that children should be encouraged and supported to study until they obtain a collegiate diploma is every parent's dream, much in the same way that owning one's home is an American dream. Families will borrow to the point of being indentured to see at least some if not all of their sons and daughters successfully finish college. While laudable, this policy has produced a supply of nurses, accountants, engineers, quality control inspectors and teachers that the Philippine economy cannot absorb. These college graduates have been taught in English and can therefore take and give instructions in English, a capital accumulating

characteristic that has endeared Filipinos to the international labour force. These types of Filipino college graduates are the so-called professional level overseas workers.

Besides the long established supply of seamen for ocean voyages, there is also a large pool of skilled and semi-skilled tradesmen, such as carpenters, masons, welders, crane operators, riggers, bulldozer and heavy equipment operators, drivers, mechanics, etc. These men and women are very adaptable and quick to learn and will rapidly adapt to new or different ways of doing things with different equipment, systems and procedures. This is a cultural trait of most Filipinos. In some cases, they have even made improvements on their employer's systems and procedures.

As the economy of Singapore accelerated in the 1990s, Singaporeans began to suffer a severe labour shortage. Given their fragile race relations, the government was reluctant to open up immigration to foreign workers, who might later on ask for permanent residency and even citizenship, thereby possibly threatening the ethnic Chinese majority that the government wants to preserve. The government also determined that a large office pool was available, but most of the potential workers were at home minding homes and babies. Accordingly the government passed special legislation allowing such families to bring in from overseas domestic helpers, thus allowing the homemaker/housewife the opportunity to go to office (or other) work.

Similarly but for a different reason, the growing affluence of Hong Kong residents—both ethnic Chinese and the growing foreign expatriate community—made the hiring of domestic helpers from overseas both affordable and convenient. Special legislation was passed to permit the legal and organised sourcing of domestic helpers from such countries as the Philippines, Indonesia, Thailand, Sri Lanka, etc.

These developments in Singapore and Hong Kong, as well as similar opportunities in the Arab countries (Saudi Arabia, Bahrain, Libya, Egypt, Lebanon, etc.) spurred the emigration of experienced domestic helpers. Some of these workers were actually overqualified, having been trained as teachers, yet they were able to find new employment as domestic helpers with a significant improvement in income. Working as a domestic helper, whether formally or informally, is a long Philippine practice. Poorer relatives will work as domestic helpers for board and lodging (and maybe some schooling) with their more wealthy cousins or aunts and uncles. With some notable exceptions, the Filipino character is usually long suffering, quiet,

adaptive and cooperative, making them quite suitable for work as a domestic helper, which usually involves long hours.

2.7.3 Business Outsourcing

A variation of the traditional overseas worker programme and of more recent development is the local hiring of fairly large numbers of staff to handle backroom work for overseas customers. These ‘business outsourcing’ projects involved the digital encryption of court and legal records of the national, state and municipal governments in the United States as well as medical transcription work, i.e. digitising medical records. The locally employed staff is well paid, but costs the client less than sending Filipinos overseas to do the work there. The output in the Philippines is transmitted electronically to the databases in the United States for final editing and archiving. India is the leading provider of such services, but the Philippines is not far behind.

A curious observation is that for telephone services delivery, the Philippines is preferred to India because Filipinos ‘speak’ English with an American accent more acceptable to American phone customers compared to the Indians’ ‘British’ accent.

All the work described above by Filipino workers is paid for in US dollars, to the extent of \$15 billion annually.⁹ This amount is a very significant driver for the Philippine economy. It stabilises the foreign exchange risks of the Philippines and provides savings and capital funds for economic development. The real estate market in the Philippines was unaffected by the real estate fiasco in the United States. The dollar income of overseas workers kept demand for housing strong.

The Philippines however cannot plan on this situation lasting forever. It must enlarge and enrich the economy rapidly to match its population growth and make plans to bring back these overseas workers to work at home for a liveable wage. The advantage of \$15 billion cannot be denied, but neither can the social cost of absent fathers and absent mothers.

2.8 Conclusion

The political and economic aspects of the Philippines are not only fascinating but also form the most crucial factors underlying its progress and development. Talk

⁹ Orosa, *Interview*.

of development in the Philippines is both theoretical and practical. Whereas there have been economic gains, available data indicated in the previous paragraphs also shows that majority of the Filipinos still live below the poverty line. According to the Asian Development Bank (ADB) (2008) in 2007 and 2008, analysts are keen for the Philippines to increase capital spending, as many years of enforced belt-tightening have left the country's transportation network, technical facilities, hospitals and schools in a decrepit state. In addition, government transition is marked by inconsistent and short-term policies coupled with scales of corruption designed to cater to the vested interests of those in power.

The economic and political climate of the Philippines from 1965 to the present has been inundated with various domestic factors, foreign policies and labour migration issues. A careful examination of the governance strategies employed by Filipino presidents from Marcos to Macapagal-Arroyo attests to the way in which globalisation has permeated national economies. This chapter has shown that the Philippines relies heavily on labour migration, and has stressed the resulting institutionalisation as remittances from OFWs are considered a valuable contribution to the Philippine economy. Despite troubled economies throughout the years, the overseas foreign worker industry has not relinquished its contribution. In fact it has grown on its own—beyond what has been expected—to become a major source of contemporary economic growth in the nation, redefining the political economy of the Philippines beyond government politics and product-based commerce and trade. This will be elaborated further in Chapter IV, which gives an example of a non-product-based IPE commodity through a case study on the implications of Filipino nurse migration.

Chapter III. Regional Political Economy with ASEAN

3.1 Introduction

As outlined in Chapter II, during the time of his presidency Marcos attempted to strengthen foreign relations by establishing closer ties with other Asian countries. Long identified as an ally of the United States, Marcos decided to cultivate ties with neighbouring countries through activities such as hosting a seven-nation summit conference on the crisis in South Vietnam in October 1966, actively participating in world conferences such as UNCTAD held in Nairobi in 1976, and convening the International Meeting on Cooperation and Development held by the heads of 21 nations in Cancun in 1981 (Karnow, 1989). Perhaps most important of all is the Philippines' active participation in the founding of the foremost regional intergovernmental institution in East Asia, ASEAN in Bangkok in 1967.

Chapter III situates the Philippines within the 21st century global economy through a detailed discussion of ASEAN. ASEAN may be seen as a conduit through which its nation-state members interact, thus making ASEAN an interstate mechanism for regional level diplomacy. This chapter contextualises the movement of global capital and the role played by ASEAN in the political economy of the area. It stresses the transnational element that results from ASEAN's interaction as a conduit, such as when the organisation comes together to talk about transnational issues like crime, drugs and migrants, as reified in the ASEAN Annual Declaration (Association of Southeast Asian Nations, 2008). As one of the most significant contributors of migrant workers to the global labour force, the Philippines spearheaded the ASEAN framework on migrant labour during its 2007 chairmanship, taking great strides in initiating and promoting more regional interaction towards transnational labour citizenship for the area. Though in itself ASEAN has little autonomous power or capacity for independent action, this framework has called attention to the plight of transnational migrant workers and has led to increased cooperation among East Asian countries, especially in addressing the rights accorded to these migrants.

Before proceeding to an analysis on regional perspectives that begins with a discussion of the Philippines as the 2007 ASEAN Chair and a run-through of inter- and intra- regional trade links between the Philippines and ASEAN, it is first

necessary to offer a brief synopsis of the characteristics of ASEAN. This will provide an essential overview of the organisation's efforts towards regional community building in the area.

3.2 Characteristics of ASEAN: An Economic and Socio-Cultural Community

ASEAN was established on 8 August 1967 in Bangkok by the five original member countries, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand (Henderson, 1999). Brunei Darussalam (Brunei) joined on 8 January 1984, Vietnam on 28 July 1995, Lao People Democratic Republic (Laos) and Myanmar on 23 July 1997, and Cambodia on 30 April 1999 (Association of Southeast Asian Nations, 2008). On 20 May 2002, the Democratic Republic of Timor-Leste (East Timor) became the first new sovereign state of the 21st century (Geographic Information System, 2009). In 2002, East Timor was recognised as an observer of ASEAN, joining the ASEAN Regional Forum (ARF) in 2005. The ASEAN region has a population of about 500 million, a total area of 4.5 million square kilometres, a combined GDP of almost \$700 billion, and a total trade of about \$850 billion (ASEAN Regional Forum, 2009).

According to Beeson (2006), the founding of ASEAN can be traced to a new regionalism that has become an important part of the international system after World War II. In Southeast Asia, the relatively recent decolonisation process, the challenges of nation-building and economic development, and the concerns about the maintenance of 'internal' security have all contributed to make the regional political elites sensitive about threats to their jealously guarded independence and sovereignty. ASEAN has become known for its management strategy of consensus, volunteerism, and non-interference in the affairs of other ASEAN members (Beeson, 2006: 545). This has led critics to label ASEAN as unjustly protecting authoritarian regimes, and having little capacity to develop or enforce policy on a regional basis.

The ASEAN Declaration states that the aims and purposes of the Association are: to accelerate economic growth, social progress and cultural development in the region; and to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the UN Charter (Association of Southeast Asian Nations, 2008). The "ASEAN Vision 2020", adopted during the 30th anniversary of ASEAN, agreed on a shared vision of the organisation as a concert of Southeast Asian nations: outward

looking; living in peace, stability and prosperity; bonded together in partnership towards dynamic development and in a community of caring societies. In 2003, its leaders resolved that an ASEAN community shall be established comprising three pillars, namely: the ASEAN Security Community (ASC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC).

ASEAN member countries have adopted the following fundamental principles in their relations with one another, as contained in the Treaty of Amity and Cooperation in Southeast Asia (TAC): mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; the right of every state to lead its national existence free from external interference, subversion or coercion; non-interference in the internal affairs of one another; settlement of differences or disputes by peaceful manner; renunciation of the threat or use of force; and effective cooperation among themselves (Yasuba, 1980).

The ASEAN economic community is the end-goal of the economic integration measures outlined in the “ASEAN Vision 2020”. It aims to create a stable, prosperous and highly competitive ASEAN economic region wherein there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development as well as reduced poverty and socio-economic disparities by 2020. The ASEAN economic community intends to establish ASEAN as a single market and production base, turning the diversity that characterises the region into opportunities for business complementation and making ASEAN a more dynamic and stronger segment of the global supply chain. ASEAN’s strategy consists of the integration of the Association and enhancing its economic competitiveness (Yam, 1997).

ASEAN has agreed on the following: institute new mechanisms and measures to strengthen the implementation of its existing economic initiatives including the ASEAN Free Trade Area (AFTA), ASEAN Framework Agreement on Services (AFAS) and ASEAN Investment Area (AIA); accelerate regional integration in the following priority sectors by 2010: air travel, agro-based products, automotives, e-commerce, electronics, fisheries, healthcare, rubber-based products, textiles and apparels, tourism, and wood-based products; facilitate movement of business persons, skilled labour and talents; and strengthen the institutional mechanisms of ASEAN, including the improvement of the existing ASEAN Dispute Settlement Mechanism (DSM) to ensure the expeditious and legally-binding resolution of any economic disputes (Association of Southeast Asian Nations, 2008).

Launched in 1992, the AFTA agreement is now in place. It aims to promote the region's competitive advantage as a single production unit. The elimination of tariff and non-tariff barriers among member countries is expected to promote greater economic efficiency, productivity and competitiveness (Habibullah, 2000). As of 1 January 2005, tariffs on almost 99% of the products in the Inclusion List of the ASEAN-6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) were reduced to no more than 5%. More than 60% of these products have zero tariffs. The average tariff for the ASEAN-6 has been brought down from more than 12% when AFTA started, to 2% today. For the newer member countries, namely Cambodia, Laos, Myanmar and Vietnam, tariffs on about 81% of their Inclusion List have been brought down to within the 0-5% range.

Other major integration related economic activities of ASEAN include the following:

- Roadmap for Financial and Monetary Integration of ASEAN in four areas, namely capital market development, capital account liberalisation, liberalisation of financial services and currency cooperation.
- Trans-ASEAN transportation network consisting of major interstate highway and railway networks, including the Singapore to Kunming Rail-Link, principal ports and sea lanes for maritime traffic, inland waterway transport, and major civil aviation links.
- Roadmap for Integration of Air Travel Sector.
- Interoperability and interconnectivity of national telecommunications equipment and services, including the ASEAN Telecommunications Regulators Council Sectoral Mutual Recognition Arrangement (ATRC-MRA) on conformity assessment for telecommunications equipment.
- Trans-ASEAN energy networks, which consist of the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Projects.
- Initiative for ASEAN Integration (IAI) focusing on infrastructure, human resource development, information and communications technology, and regional economic integration primarily in Cambodia, Laos, Myanmar and Vietnam (CLMC, an Asian sub-region).
- Visit ASEAN campaign and the private sector-led ASEAN Hip-Hop Pass to promote intra-ASEAN tourism.
- Agreement on the ASEAN Food Security Reserve (Association of Southeast Asian Nations, 2008).

The ASCC, in consonance with the goals set by the "ASEAN Vision 2020", envisages a Southeast Asia bonded together in partnership as a community of caring societies and founded on a common regional identity. The Community intends to foster cooperation in social development aimed at raising the standard of living of disadvantaged groups and the rural population, seeking the active involvement of all

sectors of society, in particular women, youths and local communities. ASEAN has also offered to further intensify cooperation in the area of public health, including the prevention and control of infectious and communicable diseases.

Most relevant for the purposes of this dissertation, and which is elaborated on in the next chapter, is ASEAN's commitment to the development and enhancement of human resources as a key strategy for employment generation. It supports the alleviation of poverty and socio-economic disparities to encourage economic growth with equity. To this end, ASEAN has promised to ensure that its workforce shall be prepared for, and will benefit from, economic integration. It aims to do so by investing more resources for basic and higher education, training, science and technology development, job creation, and social protection.

The on-going activities of ASEAN in this area include the following:

- ASEAN Work Programme for Social Welfare, Family, and Population.
- ASEAN Work Programme on HIV/AIDS.
- ASEAN Work Programme on Community-Based Care for the Elderly.
- ASEAN Occupational Safety and Health Network.
- ASEAN Work Programme on Preparing ASEAN Youth for Sustainable Employment and Other Challenges of Globalisation.
- ASEAN University Network (AUN)—promoting collaboration among seventeen member universities ASEAN.
- ASEAN Students Exchange Programme, Youth Cultural Forum, and the ASEAN Young Speakers Forum.
- The Annual ASEAN Culture Week, ASEAN Youth Camp and ASEAN Quiz.
- ASEAN Media Exchange Programme.
- Framework for Environmentally Sustainable Cities (ESC) and ASEAN Agreement on Trans-Boundary Haze Pollution (Association of Southeast Asian Nations, 2008).

The above section has given a brief but concise synopsis of the efforts ASEAN has made towards regional community building in the area, highlighting ASEAN's approach to fostering an economic and socio-cultural community. Hereafter, Chapter III will concentrate more closely on regional roles and perspectives with a strong focus on human capital and its transnational relations. The Philippines as the 2007 ASEAN Chair is first discussed, along with inter- and intra- regional trade links between the Philippines and ASEAN. FDI flows, human resource competitiveness, contemporary Asian migration, and ASEAN's framework for migrant labour follow.

3.3 Philippines as the 2007 ASEAN Chair: Inter- and Intra- Regional Trade with the Philippines and ASEAN

Closing Malaysia's chairmanship of ASEAN, the Malaysian Minister of Foreign Affairs, Datuk Seri Syed Hamid Albar, handed over the Chairmanship of the ASEAN Standing Committee to the Philippine Secretary of Foreign Affairs, Alberto G. Romulo, on 28 July 2006 in Kuala Lumpur. The Philippines aimed to steer ASEAN closer to realising its vision of an ASEAN community by 2020. In order to achieve this, ASEAN looked to the fast track implementation of key programmes and projects under the Vientiane Action Programme (VAP). Apart from the objective of broadening economic integration of the ten member countries of ASEAN, a serious challenge facing ASEAN is how to narrow the development gap among its members to quicken the pace of integration. It is not an easy task since the stages of political, social and economic development in ASEAN vary such that there are countries which cannot cope with all the requirements of regional integration. Moreover, narrowing the development gaps in ASEAN involves not only those between ASEAN member countries but also within member countries. Support for the development of sub-regional growth areas will facilitate bridging these development gaps.

The vision of the Philippine Chairmanship of the ASEAN Standing Committee was directed towards:

...a community conscious of its diverse cultures and bounded by a common regional awareness, where people strive for equitable access to opportunities for total human development regardless of gender, race, religion, language, or social and cultural background (Association of Southeast Asian Nations, 2008).

The end goal of the Chairmanship was to help sustain the momentum towards a caring ASEAN in which: the standard of living of disadvantaged groups are raised and women and youths are empowered; civil society is engaged; and special attention is given to recommendations on the promotion of health, food security and safety, environment protection and the promotion of common values and norms.

This vision puts ASEAN people at the centre of regional integration for member governments, dialogue partners and other friends of ASEAN, intending to provide them with the means to fully participate in the process. The vision shows awareness of the need for a strengthened ASEAN Secretariat with an enhanced role in supporting the vision's objectives. The mission of the Philippine Chairmanship was:

...to steer ASEAN in the implementation of the Vientiane Action Programme towards social protection and promotion of the rights of the vulnerable sectors in the community, in order to contribute to poverty alleviation and empowerment through projects implemented with dialogue partners and other supporters (Association of Southeast Asian Nations, 2008).

A Philippine initiative at the 10th ASEAN Summit, the ASCC represented ASEAN's goal to raise the living standards of people in the region. Programmes aimed to promote social protection, environmental protection, human resource development and an ASEAN identity to fuel economic growth and contribute to regional stability were proposed. The key element, however, is the political will of member countries and national efforts aimed at poverty reduction and equitable development, complemented by regional cooperation. Therefore, there is a need to streamline and harmonise national policies with regional objectives. Resources from ASEAN member countries should be mobilised to support the programmes under the VAP. Finally, national coordination and support from dialogue partners and other external partners in institutional capacity building will help accelerate the implementation of programmes.

President Macapagal-Arroyo chose the theme for the 12th ASEAN Summit, entitled "One Caring and Sharing Community", which is supposed to reflect the initiatives that the Philippines hopes to take in ASEAN community building. Ending the Philippine chairmanship with the overall theme of a caring and sharing community is hoped to result in: a people-centred approach in ASEAN integration and community building; a clearer sense by the ordinary folk including the youth and other vulnerable sectors of the society of the community building efforts by the ASEAN member governments; a better understanding of the importance of an ASEAN Charter and other initiatives for regional peace and security; a stronger sense of regional awareness and common heritage of the region as may be discovered not only in ASEAN capitals but also in the rural areas; and a closer cooperation and understanding between ASEAN with dialogue partners. The overall objective of the Philippine Chairmanship, therefore, is not only to engage ASEAN leaders in exchanging views and resolving issues affecting community building efforts but also to bring ASEAN's activities to the common people at grassroots levels, helping them better understand and appreciate ASEAN.

Philippine policy-makers have set the goal of achieving NIE status for the country (Abella, 2004). Filipino industrialisation policy, as embodied in the Medium-Term Philippine Development Plan discussed in the previous chapter, is premised on global competitiveness (Bautista, 1980). Policy-makers generally use the term global competitiveness to emphasise the idea that a nation's industries must actively participate in the greater international division of labour, so that the nation can achieve a high and sustained rate of economic growth (Garnaut and Kym, 1980). Although the development policy has been criticised as lacking in specifics, certain elements are nevertheless clear. Philippine economic policy aims to establish a more open trade regime, continuing liberalisation and attracting FDI into the country (Edmonds, 2003). Economic policy is directed this way because many in government and the private sector have recognised intrinsic links between trade and FDI, evident in the important role that FDI plays in industrial upgrading (Yue, 1997). As such, industrial upgrading is essential to catching up with industrialised countries. This refers to the process by which new, advanced and higher value added industries are introduced, even as old ones are allowed to die or are exported (Hughs, 1980).

Two specific instruments are used to advance industrialisation. The first is the further intensification of trade liberalisation, which started with the Ramos administration. Measures include continued reduction in the level and dispersion of tariff rates, the removal of remaining import restrictions, and the specification of long-term border restrictions. The second is the continued modification of foreign investment laws to provide wider entry for FDI into sectors such as retail trade. It also includes the review for the need and relevance of List C (products that are not open to foreign investments for protective reasons), and the provision of added incentives such as net-operating-loss carry-over (Abella, 2004). Together, these two instruments provide the structure for encouraging foreign investment.

As part of the country's promotion of global competitiveness, this industrialisation policy will be supported by institutional changes. In particular, the country's Board of Investments (BOI) is to shift its mandate from regulating and providing incentives to selected industries to that of promoting and providing generalised incentives across all sectors. Global competitiveness has not been well documented, however, nor is it empirically evident in the Philippines. Global competitiveness refers to the increasing interdependence of trading and investment activities among economies and the greater integration of these economies as a result

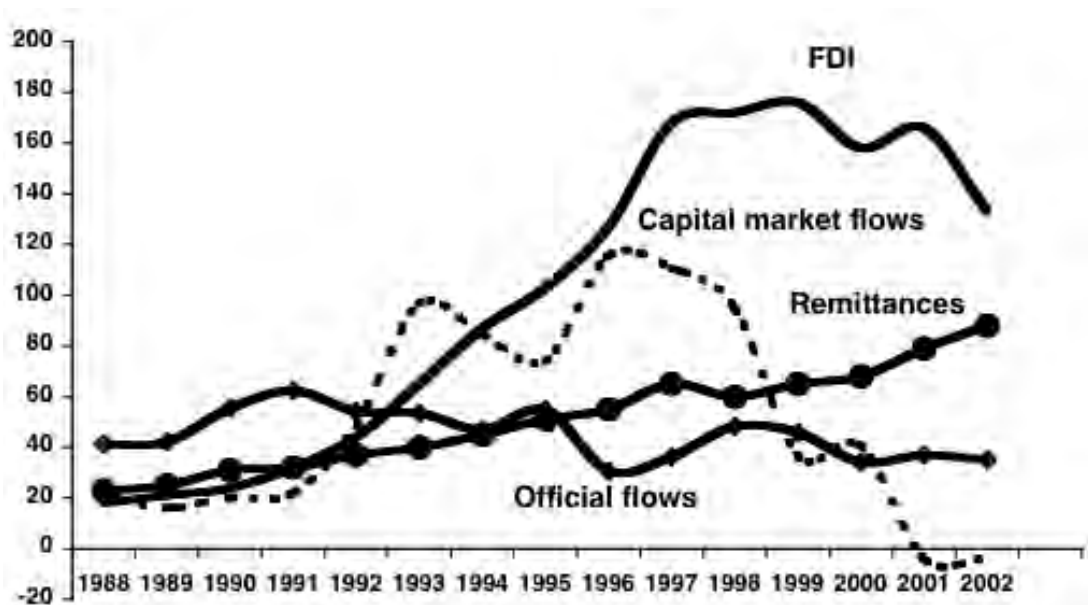
(Thrift, 1999). At the aggregate level, the integration of trading nations' economies has increased (Balisacan and Hill, 2003).

In particular, there have been recent investment inflows from NIEs into the Philippines. Intended to take advantage of local factors such as cheap labour and abundant resources, such a move allows NIEs to use developing countries as manufacturing bases to lower the production costs of manufacturing output for products sold primarily in developed countries. Although trade and investment activities across borders achieved greater integration in the Philippines, it remains clear that nations will have to do their part to continue to open up their economies. This is necessary so that their industries can participate in the greater international division of labour (Cororaton, 2003: 20). There seem to be no shortcuts to achieving a high and sustainable rate of economic growth.

3.4 FDI Flows and Human Resource Competitiveness

Attracting FDI has become a key part of national development strategies for many countries. They see such investments as bolstering domestic capital, productivity and employment, all of which are crucial to jumpstarting economic growth. Whilst many highlight FDI's positive effects, others blame FDI for 'crowding out' domestic investment and lowering certain regulatory standards. The effects of FDI can sometimes be barely perceived, while at other times they can be absolutely transformative. Whereas FDI's impact depends on many conditions, well developed and implemented policies can help maximise its gains.

On the next page, Figure 3.1 looks at resource flows to developing countries from 1988 to 2002. Expressed in billions of US dollars, the figure illustrates FDI, capital market flows, remittances and official flows.

Figure 3. Resource Flows to Developing Countries (in billions of US\$)

Source: Ratha (2004).

The role and benefits of FDI in developing economies has been the subject of intense debate. Proponents of FDI have argued that it brings prosperity to recipient countries through technology transfer, higher exports, enhanced job opportunities, and improved government revenues (Yussof and Ismail, 2002). Combined, these factors generate strong externalities for the rest of the domestic economy, placing it on a path towards higher growth. Opponents have argued that FDI increases dependency (and hence vulnerability) of the recipient countries on the FDI-exporting developed countries on account of the footloose nature of FDI. Altogether, the discussion on the relative merits of FDI has not yielded a clear cut consensus. For many developing countries, FDI remains an academic curiosity with little in the way of benefits, with most FDI flown to a small number of countries. Nevertheless, for many developing countries such as those in ASEAN (notwithstanding the high saving rates), the high investment rates have driven a rapid pace of output growth and have necessitated major policy steps to attract FDI in certain critical areas. FDI in these countries has not only added to the stock of domestic capital to finance investment in new development projects but simultaneously provided access to new technology, and managerial and marketing know-how (Abella, 2004).

ASEAN economies such as Malaysia, Thailand, Indonesia and the Philippines are said to be moving towards achieving the status of NICs, following the path of the

first tier economies of Singapore, Hong Kong, China, South Korea and Taiwan (Wah, 1997: 116). In the pursuit of achieving this status, the Philippines must develop a competitive edge in terms of quality products, market efficiency (especially at the international level), and the ability to develop and upgrade technology. In this regard, as a developing country, the level of local technology and skills in the Philippines is relatively low. As an adjunct rather than as an alternative, the Philippines has to rely on FDI primarily as an important means for boosting technological capability.

In the past, the Philippine economy had prospered through export-led strategies based on the intensive use of cheap, but relatively skilled, labour (Intal and Basilio, 2002). The competitive advantage of these countries in labour-intensive products, however, has eroded as countries such as Bangladesh, India, China and Vietnam can now make many products cheaper (Abella, 2004). The open policy adopted by China has also attracted a substantial flow of FDI to that country because of its abundant cheap labour and larger domestic market (Suryadinata, 1995). In addition, the Asian financial crisis has focused attention on the fragility of the region's financial sectors (Satyanath, 2006). The Philippines thus risks being bypassed by FDI in the next few years unless steps are taken to move up the value chain. To climb the ladder of dynamic comparative advantage, the Philippines needs to produce goods based on higher value added in terms of improved product design and development. This requires not only substantial inflows of foreign financial resources, but also the production of higher skilled professionals and workers in these economies.

Raising human resource capabilities by making appropriate investments in human capital through higher education and professional training could enhance the Philippines' ability to generate and manage new technologies. In this era of intensified globalisation and international competition, the Philippines can no longer rely on its cheap labour to gain competitiveness. It must continue to invest in its human resources, since the high growth industries of the future (such as information technology and biotechnology) require an increasingly skilled labour force. Lessons learned from other successful countries in attracting FDI indicate that the ability to create a skilled human resource base acts as an important factor for transnational and multinational companies to relocate electronics firms and world class high-tech plants to host countries. Failing to develop the human resources needed to undertake such

activities is likely to adversely affect these countries' competitiveness in attracting FDI.

Enterprises in both developed and developing economies face progressively more competitive environments in a fast moving technological world. To compete and prosper they need to restructure their activities, facilities and skills, tailoring these to changing technology. In an era of a globalised world economy characterised by trade liberalisation, enterprises must compete both internally and externally. Numerous factors determine the competitiveness of an economy (Medalla, Tecson, Bautista and Powers, 1995). These include resource availability and cost, the openness of the economy, human capital capacity and technological advancement (Gill and Law, 1988). The more competitive an economy, the more likely that it will gain through participation in market competition. For example, countries with the largest shares of world trade, and thus presumably enjoying economies of scale, lost ground in industrial exports to a series of challenges from the developing world (mainly from Asia) (Mortimore et al. cited in United Nations Conference on Trade and Development, 2000). In the case of FDI, a competitive environment is an essential prerequisite to ensure a substantial inflow of foreign capital to the host nation.

3.4.1 Policy Issues: Labour Cost and Productivity

An area of specific concern within the context of FDI flows and human resource competitiveness is labour cost and productivity. Inevitably foreign investors choose countries where labour is cheap. China has a huge comparative advantage because of its low labour cost, attracting large volumes of foreign capital to the country. From this presumption it can be conjectured that as wages spiralled in the NIEs, flows of FDI in labour-intensive industries shifted to Southeast Asia and later to China. FDI has led to the wholesale transfer of the production of labour-intensive products and exports from high wage economies to lower wage economies (Abella, 2004).

The impact of FDI in the Philippines goes well beyond a simple listing of directly associated investment, employment output, and export statistics. By any standard, it has been a decisive source of knowledge transfer in technology and management know-how. FDI has also had an enhanced ability to exploit international market trends and participate in global investment trends and financial expertise

(Acharya and Stubbs, 1995). Such competitiveness provides not only a fundamental source of comparative advantage for countries but also a central rationale for international investors in the modern global economy (Porter, 1990). FDI has thus been a major force in the transformation of the Philippine economy, positioning the country as a significant player in the global business environment.

Undoubtedly, the magnitude of FDI inflows to a host country is highly dependent on several components of its competitiveness, including resource availability and cost, openness, human capital achievement, and technical advancement. These factors indicate an obvious two-way relationship between FDI and competitiveness. On the one hand FDI improves the competitiveness of a host country, and on the other, the competitiveness of the host nation is also important towards attracting substantial amounts of FDI. The quality of human resources is, therefore, a central feature of competitiveness (Putnam, 2000).

While it seems evident that the Philippines should be highly human resource competitive in order to continue attracting substantial amounts of FDI inflows, it could also be argued that low-cost labour may have only a limited bearing on the comparative advantage needed to attract foreign capital. The lesson learned from China's experience indicates that abundant cheap labour is not the only factor that attracts large amounts of FDI inflows to a country (Suryadinata, 1995). There are other factors that are more influential in determining its volume, namely openness of trade and investment policies and, more importantly, the huge potential of its domestic market. Another implication of relying on cheap labour to attract FDI is that it is likely to lead to labour intensive industries with relatively low value added per worker (Kelly, 2000).

Greater emphasis is now being placed upon high technology and high value added industries. For ASEAN economies to develop, it is crucial to strengthen the existing FDI base to add more value and to stress the qualitative rather than quantitative aspects of employment. Education and training facilities are also key. These should be geared towards producing a well-educated and skilled workforce tailored to the current and future needs of the economy. The availability of a workforce that embraces flexibility is crucial, especially in science and technical areas like nursing and the 'Care-Giving' industry, a case study of which is presented in the succeeding chapter.

3.5 Contemporary Asian Migration

Asia is distinctive from other regions in the rapid growth of its market-led intra-regional migration system. Except for the long-festering ethnic war in Sri Lanka, the region has seen relatively few incidents of refugee-producing violent conflicts this past decade (Abella 2004). Two major factors affected the Asian landscape. The first was that China and India, two giant economies, opened up to the global economy. The second was the financial crisis that slowed, at least for a few years, the rapid growth of the tiger-economies of Southeast Asia (Abad, 2003). With the end of the Cold War, the energies of the region have turned to modernising their productive infrastructures and producing goods for the global market, absorbing huge amounts of foreign capital and generating employment and higher per capita incomes in the process (Acharya, 1993). With the exhaustion of their labour reserves, Japan, South Korea, Hong Kong, Taiwan, Singapore and Malaysia progressively turned to external sources of labour to meet emerging shortages (Suryadinata, 1995). In spite of the acknowledged policy of all the states not to allow permanent settlement, this led to the rapid emergence of a regional labour migration system. This regional system seems to have withstood the financial crisis and is acquiring more permanent characteristics.

Enormous continental states, with their vast reserves of labour cross-border or external migration, remain to this day an insignificant development. In China, the rising mobility of labour has so far been largely contained within the borders of its vast continent, and similarly with India. Elsewhere in the region, however, the unbalanced pace of industrialisation has led to greater and more diversified cross-border movements of labour. Although many Filipino and Asian workers still found their way to the oil-rich region of the Persian Gulf in the 1990s, more workers most notably in Southeast Asia moved to better-paying jobs closer to home (Molavi and Salting Goode, 2008).

Over the period from 1995 to 2000, an average of some 1.4 million migrant workers from East Asia (Chinese, Indonesians, Filipinos, Thais, Burmese and Vietnamese) left their countries each year to work in neighbouring countries and farther away (International Labour Organization, 2009). Aside from Japan, the more attractive destinations were Taiwan, South Korea, Hong Kong, Singapore and Malaysia. Being more remote from the sub-region, workers in the Indian subcontinent still largely went to Saudi Arabia, Kuwait and the other Gulf states.

Nonetheless, there has been a rise in the number of Bangladeshi plantation workers in Malaysia, Sri Lankan domestic helpers in Singapore, and Nepalese construction workers in South Korea. On the Thai front, the country's per capita income has jumped far ahead of its immediate neighbours, suggesting activity on the traditional migration front along its borders with Myanmar and Laos.

3.5.1 Growth of Labour Migration in the Region

Asia itself absorbed an increasing proportion of the growing mobility of its labour, from less than 6% migrating for work at the close of the 1970s to over 40% over the second half of the 1990s (Abella, 2004). (This reckoning excludes the movements of labour within China.) In the 1980s, the growth of labour migration in the region was closely associated with cyclical upturns in construction flows of migrant labour. These consisted of unskilled and semi-skilled labourers (mostly male) who were recruited to help build Hong Kong and Singapore, and later Kuala Lumpur and Bangkok as modern metropolises (Michie and Smith, 1997). Over the last two decades, however, the growth of the labour migration system in the region has a great deal more to do with economic restructuring than with the ups and downs of building activity.

In the Philippines and East Asia, formal and informal labour immigration policies aim to provide greater flexibility in the labour market. Work visas typically last for one year, and evidence indicates high circulation (Organisation for Economic Co-operation and Development, 2002). The demand for foreign labour progressively shifted to production workers, both male and female, and to service workers as native women in the rapidly industrialising countries abandoned housework in order to fill up vacancies in industry. Armies of Indonesian and Filipino female domestic helpers took over child care and house cleaning in Malaysia, Singapore and Hong Kong (Kanlungan Center Foundation, 2004).

As several economies became the production centres for TNCs seeking more flexible sources of labour to mass produce semi-conductors and related components in the early 1990s, significant changes took place in the regional labour market. These industries typically required young workers able to work for long hours performing tedious, repetitive operations. Among the first countries to host MNCs, Taiwan and Malaysia did not have abundant labour supplies but they did attract international companies because of their well-developed infrastructure and more open policies to

foreign investments (International Labour Organization International Migration Programme, 2004). But with more attractive opportunities open to native workers, labour shortages soon emerged.

In order to find workers to take their place, host countries eventually opened up their doors to foreign labour. The population of Asian workers employed in a country other than their own within the region has become a significant proportion of the aggregate workforce of the whole region. Scholars have estimated that around the beginning of the new century this group of workers numbered about 4.6 million, probably just a little over 4.2% of the total labour force of the main receiving countries (Abella, 2004).

Another significant observation is the high growth rate of the migrant worker populations in each country of the region, even during a period marked by an unprecedented financial crisis (Awad, 2009). Foreign worker populations from other Asian nations remained large in some countries at the end of the decade. Like the Philippines, the number of registered foreign workers in Malaysia more than doubled in five years from 532,000 in 1993 to 1.1 million in 1998 (Hector, 2005). While the numbers of migrants who remained in Malaysia after the large expulsions of those without valid papers was much smaller, many of the Indonesians who were sent home have apparently found their way back to Malaysia in recent years.

Attitudes to immigration, especially unskilled, actually remain fairly closed. As such, the regional migration system is largely built on temporary foreign worker policies. No country in the region except for Australia and New Zealand considers itself open to permanent immigration except to the highly qualified (Hanna, 2005). Where official policy allows, the employment of unskilled foreign workers is usually based on one-year work permits, which can be renewed. Immigration laws in both Japan and South Korea do not allow the employment of unskilled foreign labour even for temporary periods (Higuchi, 2005; Misun, 2005).

Notwithstanding these limitations, the system has thrived because there is a strong and growing demand for labour in some countries. And there are labour surpluses in others. In Japan and South Korea, the legal restriction on the admission and employment of unskilled foreign labour has been ingeniously circumvented through the so called 'foreign trainee' schemes (Abella, 2004). Japan also encourages and subsidises the return of 'Nisei' or foreign nationals of Japanese descent, mostly the children or grandchildren of those who settled in South America (Higuchi, 2005).

The lack of congruence between official policy and the demands of the labour market on the one hand, and capacity of government to implement policy on the other, have led to a high incidence of clandestine migration and illegal employment in some countries (International Labour Organization International Migration Programme, 2005). One country most vulnerable to illegal migration is Thailand, which as previously pointed out has long land borders with Myanmar, Laos and Cambodia. Rapid industrialisation during the 1980s and 1990s led to an exodus of labour from low wage sectors like fishing, rice milling, garments, construction and domestic services (Mekong Migration Network and Federation of Trade Unions Burma, 2005). As Thai law did not allow the admission and employment of unskilled foreign labour, a market for undocumented foreign labour quickly developed. South Korea, which exhausted its labour surpluses in agriculture at least a decade earlier, focussed on national security concerns to safeguard its borders against migration, clandestine or otherwise. But what breached the wall was the country's response to pressures from the Federation of Small Businesses, whose members were particularly affected by labour shortages. Following Japan, South Korea installed a 'foreign trainee system' which led to a marked increase in undocumented foreign workers. Later these workers became known as 'irregular' migrant workers rather than 'trainees' (Park, 2009).

In Asia, the organisation of migration lies largely in the hands of the private sector. Labour agreements, covering the supply of migrant labour and providing for their protection, have been the exception rather than the rule. Effectively imposing control over migration processes has been greatly restrained by the reluctance and unwillingness of receiving states to enter into agreements that could potentially reduce their ability to flexibly use migration for their own interests. The few exceptions include agreements between Malaysia and governments like Bangladesh on supplying plantation labour. While the Philippines has unilaterally taken steps to set minimum wage standards for their nationals recruited abroad, in the face of competition among suppliers, this has resulted in unskilled Filipino workers being priced out of some markets like Taiwan and Singapore (Center for Migrant Advocacy, 2005).

3.5.2 Narrowing Income Gaps

Earlier ILO studies explored the impact of economic transformation on migration transition in the region. Prompted by the observation that a decline in absolute as well as in relative levels of net emigration from several countries of the region occurred soon after they reached full employment, between 1868 and 1942, over three quarters of a million Japanese workers and their families left Japan to work in Latin America, the United States, Canada, Hawai'i, the former USSR, and Europe (International Labour Organization, 2009). But after reaching full employment, Japan started to become a net importer of labour in the mid-1960s. South Korea, also a major exporter of labour before the 1980s (some two million workers left for employment abroad between 1960 and 1992), experienced a similar transition in the mid-1980s, a decade after reaching full employment. Thailand seems to have reached the 'extensive margins' of labour use but not quite through a migration transition.

As evidence of full employment emerged (namely, the real wages in agriculture rose by 10% in the 1980s), there was also a decline in labour emigration flows. Although labour emigration continued especially to Taiwan and Singapore, Thailand began to make use of large numbers of foreign labourers coming from her neighbouring countries. The overarching assumption in the migration debate and literature is that emigration propensities are small at very low levels of income, and rise beyond a certain level until a threshold is reached (from a level of about \$5,000 GDP per capita), after which propensities decline. They rise as incomes increase because migration requires resources, information and larger economic transactions between the origin and the destination countries. They fall eventually because non-financial reasons for staying at home tend to dominate purely economic ones (International Organization for Migration, 2010).

In the case of East Asia, the experience over the past decade reveals the complexity of migration processes. Malaysia was a net immigration country long before it reached such a threshold income. Thailand has also become a net immigration country. As inflows from low income countries next door have hit just about half of that threshold income, Thailand has high emigration pressures with large flows to Taiwan and elsewhere.

Except for the Philippines, countries in the region have experienced increasing domestic employment alternatives to emigration. Growth of industrial employment outpaced and exceeded Thailand and Indonesia's labour force capacity. Data

available on China indicates a decline in industrial employment, despite tremendous success as the world's production centre (Mekong Migration Network, 2005).¹⁰ It is also well known that Chinese industries maintain large numbers of excess labourers, which they have started to lay off in recent years. A review, which compares recent industrial employment statistics against earlier figures, is clearly in order.

Growth in real wages of low skilled workers should be a measure of how surplus labour gets absorbed into more productive employment, at home or abroad. Furthermore, labour emigration, if significant enough in numbers, should have an impact on wages. Unfortunately good comparative data over many years is hard to find, becoming even more problematic when one is interested in seeing how relative wages between the skilled and the unskilled have changed over time. Using ILO data on 14 low-skill occupations to provide estimates of the movement of real wages of low skilled workers, Oliver Morrissey and Dirk Willem te Velde (2002) found that real wages grew very slowly at 0.8% a year in the Philippines between 1985 and 1994 but grew impressively in Thailand at 2.3% a year between 1986 and 1998.

Both trade and migration involve some form of labour movement. The difference is that for trade, labour is embodied in goods. (Chapter VI provides policy recommendations on the theoretical realisations this IPE idea has towards trade and migration within the context of human capital mobility, the export of natural persons, and remittances.) Concerning this issue, an overarching question persists: are the rates of labour emigration somehow related to the degree to which these countries have or have not succeeded in exporting goods? Ajit K. Ghose (2002) suggests that the migration of highly skilled workers undermines whatever comparative advantage some developing countries may possess in skill intensive exports. In fact, in an ILO study of migration transition in East Asia, Florian A. Albuero (1994) found patterns suggesting that, as predicted in economic theory, trade in goods substituted for migration. Further, the changes in the labour market, measured in real wages, served as the integrating mechanism. To this end, in 1970, countries in the region showed roughly similar absolute values of merchandise exports (International Labour Organization, 2009). By 1985 however, Taiwan, South Korea and Singapore had

¹⁰ In September 2001, the Asian Migrant Centre (2009) along with more than 20 regional and national research partners in the Greater Mekong Sub-region (GMS) initiated a collaborative action research project. Due to the difficulty in assessing the issues and effectively advocating the protection of migrants without cross-border collaboration, all participants felt it would be desirable to form a network through which they could exchange information and conduct joint programmes. It was in this context that the Mekong Migration Network was launched.

sputted ahead of the others. Today, these countries receive foreign workers from other countries that have fallen behind (Luan, 2005). Successful in their pursuit of export-oriented development strategies, for most of the 1990s, merchandise exports in the region grew rapidly at double digit rates.

Examining these past two decades as a whole, however, it is difficult to reach the conclusion that labour migration has had a significant impact on trade. In the Philippines, Indonesia, Thailand and Malaysia (the four of the main countries of origin) labour migration and exports grew rapidly. Yet, differences among them persist. Moreover, on a per capita basis Thailand exported more than three times that of Indonesia, and over twice that of the Philippines, which exported almost two and a half times more than China (Abella 2004).

3.6 ASEAN's Framework for Migrant Labour

Today, no country in Asia considers itself open to permanent settlement by immigrants, a right granted by law or constitution only to immediate family members of their own nationals who marry foreigners or have children with them. Japan shuts its doors to both permanent immigration and to the admission and employment of unskilled foreign labour. South Korea previously used the same policy. In 2003, however, following suit to the policies of Malaysia, Singapore, Taiwan, Hong Kong, Brunei and Australia, South Korea adopted legislation allowing the temporary employment of unskilled foreign workers (International Labour Organization International Migration Programme, 2005). As Thailand faces an enormous problem related to undocumented foreign labour, it debates as to whether or not it should adopt a law accounting for and documenting the employment of such workers.

The admission of unskilled foreign labour has been envisaged purely as a means to deal with imbalances, which are expected to be transitory in the global labour market. Labour immigration policies in Singapore and Malaysia even feature a 'foreign workers levy', a head tax charged to the employer of foreign workers. This tax serves as a disincentive by making it more expensive to employ foreign workers *versus* native workers. Although work permits are indeed renewable, they do not usually last longer than one year and are tied to the specific employer for which the permit is granted, precluding the mobility of foreign workers in the local labour market. In all Asian states and territories, the entitlement to family reunification is granted only to those who earn above a certain minimum threshold salary, effectively

excluding the possibility to all unskilled labour (Abella, 2004). Labour immigration regulations have been designed to add greater flexibility in the labour market and to minimise the possibility of settlement by foreigners not possessing the right qualifications.

So far, there are no indications that temporary foreign policies will be abandoned, as they were in Western Europe during the recession in the second half of 1970. But recently, the United Kingdom has tightened their immigration policies towards nurses and other workers in the care-giving industry. According to Shanker Satyanath (2006), the Asian financial crisis, which turned out to be an economic crisis of major proportions, did lead to the forced return of thousands of migrant workers, particularly from Malaysia, South Korea and Thailand, but this was merely a temporary adjustment. Policies have not changed, they have merely been suspended in some countries. Although flows of foreign labour from Southeast Asia to South Korea, Japan, Hong Kong, Singapore and Taiwan dipped slightly in 1997 and 1998, they quickly recovered thereafter.

Any discussion of channelling migrant labour remittances and its economic value as a tool for development must therefore consider the context of the phenomenon. It must be conscious of both its positive and negative implications, particularly how other Asian countries feel about labour migration. Over the past two decades, whilst barriers to cross-border trade and financial transactions have fallen significantly, barriers to the cross-border movement of people remain high. Like trade and capital movements, migration yields distributional consequences; net gains for society may mask important losses for some individuals and groups (World Bank, 2002: xi). Migration, however, also sparks resistance because, unlike the movement of goods or money, the movement of people has economic, psychological, social and political implications.

Rallu (2002) notes that countries in East Asia can be categorised as developed versus developing, and immigration versus emigration countries. Japan, Singapore and Hong Kong are considered immigration countries. South Korea and Taiwan, with a GDP of \$1.278 trillion, are mainly immigration countries, but Rallu (2002) thinks that they remain subject to emigration. Malaysia and Thailand see the highest immigration flows as well as significant emigration of nationals, whereas the Philippines and Indonesia see the highest outflows. Quite noticeably emigration from the latter two countries is not oriented towards East Asia. This rings particularly true

for the Philippines. Lower-end countries, consisting of former French Indochina, Vietnam and Cambodia, experienced significant refugee migration following wars. Rallu (2002) further points out that development levels and migration patterns of East Asian countries have taken shape from the 1970s and have not changed much after the Asian crisis.

In situating the Philippines within the East Asia context, Rallu (2002) points out that international migration is marked by very two large flows: (1) between Malaysia, Singapore, Indonesia and the Philippines and (2) along the Thailand-Myanmar border. These flows include large proportions of illegals from Indonesia and the Philippines to Malaysia, and from Myanmar to Thailand. Migrant workers in Taiwan number above 300,000, and 96% are Thais, Indonesians or Filipinos (Rallu, 2002). In the region and globally, a large proportion of migrants are illegal, mostly over-stayers. Illegal entries, for which there is no reliable estimate, are also frequent. They come mostly from medium low GDP per capita labour surplus countries like the Philippines, Indonesia, Myanmar and China, but are directed to various countries, the most affected being Thailand and Malaysia.

Labour migration in Asia has evidently been stimulated by the growth and development of the East Asian region. Notwithstanding state policies in Japan and South Korea, labour shortages have inevitably led to more immigration of foreign labour, largely of the unskilled. Other East Asian countries, whether through formal or informal policies, were quick to open their borders at the first sign of labour shortages. They did so for a variety of reasons but notably to ensure labour market flexibility. Even countries like Singapore, which pursue carefully managed income policies, have used labour migration to stabilise wages in the face of cyclical upswings in sectors such as construction. Taiwan and Hong Kong admitted large numbers of foreign workers for the same reasons. In the case of Malaysia and Thailand, the enlargement of the labour pool was partly due to their historically porous borders and partly due to deliberate policies.

The significance of migration for the growth and development of various countries was very much a function of early policy choices on immigration. Japan and South Korea continue today to have a very small stream of immigration. The consequences have been to pressure industries based on older technologies to relocate to other lower-wage countries. Taiwan, however, did not hesitate to bring in foreign labour to keep many small, labour-intensive industries at home. The same happened

in Thailand, but this could be mostly due to the fact that the country did not fully control its borders. Nations with larger populations like China, Indonesia, the Philippines and Vietnam are unlikely to cease being important suppliers of labour for many years to come.

To this end, it is important to pay attention to concerns brought about by the increased flow of migrants in East Asian countries. In Kuala Lumpur, Malaysia in December 2006, the Network of East Asian Think-tanks (NEAT) (2006) Working Group met and formulated an East Asian Cooperation Framework for Migrant Labour. The Working Group proposed that APT countries formulate and adopt a cooperation framework that can act as a guide for bilateral agreements. The framework is also intended as well to provide mechanisms for consultation and cooperation against the backdrop of labour migration. NEAT identified several concerns confronting both the sending and receiving countries. The sending countries, for one, are confronted by problems relating mainly to the welfare of their nationals. These include payment of wages and benefits, deplorable treatment in the workplace, poor living conditions, and inadequate protection by the police and courts of law. Whereas migrant workers are often accused of committing crimes in host countries, they are equally vulnerable to being victimised by employers and those in authority.

According to the report, migrant workers generally have scant information and bargaining power. They are therefore unable to effectively prevent abuse and mistreatment. The primary problem concerning receiving countries is the proliferation of irregular and illegal migrant workers. This may be attributed in part to individual conscious choices. This issue, however, is exacerbated by difficult compliance requirements in host countries, inefficiency regarding travel documents on the part of source countries, and perhaps most importantly, the predatory practices of unscrupulous labour recruitment agencies and people traffickers. Irregular migrant workers have become a grave security and social threat to receiving countries, especially where their numbers are large relative to the workforce and population. It is imperative that ways be found to control them in a humane and legal manner.

NEAT recognises that migrant workers and the family members residing with them have rights. These include: the right to life; the right to freedom from torture and inhumane treatment; the right to freedom from forced labour, including debt bondage; the right to freedom from indiscriminate incarceration and detention; and

the right to freedom of movement. In recognising these rights, NEAT devised a framework for East Asia to serve as a basis to formulate policies and enact laws pertaining to the rights of migrant workers. Its goals are: the prevention of the exploitation and abuse of migrant workers; the provision for fair conditions of stay; the guarantee of a safe, healthy and harmonious working environment; to the maximum assurance that host countries confer on workers from other countries the same legal rights as their own nationals; the provision for protection and fair treatment, which should be accorded to all workers; and efforts to ensure that receiving countries promote appreciation, tolerance and respect of migrant workers, irrespective of whether they are foreign or national and regular or irregular.

Perhaps due to its dependence on OFW remittances to keep the economy going, the Philippines during its ASEAN chairmanship brought attention to the need for a regional cooperation focussed on the rights of migrant workers. After the initial findings and framework formulated by NEAT for East Asian countries last 2006, the Philippines spearheaded the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers at the 12th ASEAN Summit held at Cebu, Philippines on 13 January 2007 (Association of Southeast Asian Nations, 2008). In its declaration, ASEAN reiterated its responsibilities. These included improving the quality of life of its people and strengthening its cultural identity through measures on the protection and promotion of the rights of migrant workers. ASEAN recognised the need for a comprehensive framework by which they can formulate guidelines on how to deal with the phenomenon of migrant labour. Taking centre stage is the need to address cases of abuse and violence against migrant workers and to provide migrant workers with the same rights accorded to citizens of host countries.

ASEAN could perhaps be more helpfully understood as a conduit through which its nation-state members interact, in this sense making it an interstate mechanism for regional level diplomacy. As such, ASEAN deserves serious consideration and examination as it occupies an important role both in the globalisation process and in the conduct of international politics. The founding of this organisation, which can be traced to a new kind of regionalism that has overtaken Southeast Asian nations during the Cold War era, has remained at the forefront of contentious issues such as migration.

Despite representing diverse cultures, values, and uneven political climates, ASEAN remains a force to contend with in the conduct of international affairs.

Consider the following. The Philippines and Indonesia have serious problems with population growth. Singapore and Malaysia have more developed economies. Indonesia and the Philippines have serious problems in the distribution of wealth. In Singapore, a middle class has emerged and Malaysia has an emerging middle class. In both countries, either the state or the dominant political party has direct or indirect ownership of large estates and corporations. In Thailand, Indonesia and the Philippines, an economically dominant national but ethnic Chinese sector provides and/or arranges for capital and funds for private sector development.

In the Philippines, the landed sector and the politically-active families provide the balance of economic power, with foreign investors having only a weak voice in government policy, except for strong support from the ‘open economy’ policies of the World Bank, IMF and ADB. The non-capitalist group in the Philippines constitutes approximately 90% of the population, of which a small percentage is made up of the middle class. The rest are poor farmers, the uneducated, the unemployed and the few employed. Though many argue that neoliberalism is killing off the middle classes, for the purposes of this study the middle class of the Philippines consists of professionals such as medical doctors, lawyers, engineers and educators (Navarrete, 2007). Usually this group has equity such as housing, cars and land. In contrast, the working class is an employed group of lower white collar workers and those who engage in manual labour.¹¹

The sharp differences highlighted in the previous two paragraphs signify the value of a comparative analysis when evaluating and shaping policy recommendations to aid developing countries in their quest to progress more successfully and efficiently. One condition to be seriously considered in any planning exercise by individual ASEAN country, and by ASEAN as a whole, is the spectre of the larger working classes in China and India which appear more productive and globally acceptable. These large working classes have had a significant impact on the IPE of East Asia. In terms of the global labour market, some developing countries in the region feel threatened and might consequently condemn the likes of China and India for taking jobs away. Despite the fact that China is the worst example for worker motivation and rights, several ASEAN countries are losing handicraft exports because Chinese labour cost is cheaper and (quite) reliable.

¹¹ Orosa, *Interview*.

3.7 Conclusion

In sum, Chapter III has discussed the regional political and economic climate that the Philippines shares with ASEAN. It has provided an overview of the characteristics of ASEAN, with particular attention to its political and economic dimensions. It has done so by outlining the first-track mechanisms ASEAN employs in order to build and establish both an economic and socio-cultural community. The chapter also provides insight into the role that the Philippines plays within ASEAN, mapping important trade links. Main points of the chapter identify the role of foreign investment in East Asian national development strategies, the competitiveness of human resources and FDI flows, and the significance of labour costs and productivity. In addition, migration growth rates and narrowing income gaps surface as important ideas to consider towards regional policy-making.

This chapter concluded with a discussion on the strategic involvement of ASEAN towards addressing the growing concerns resulting from labour migration. It highlighted the influential role played by the Philippines during its ASEAN chairmanship. Despite the fact that in itself ASEAN has little autonomous power or capacity for independent action, Chapter III has demonstrated that by taking the lead with initiatives to tackle crucial issues confronting migrant labourers, the Philippines, a key member of ASEAN, has been instrumental in recognising the rights of migrant workers in East Asian countries and beyond. A careful examination of the Philippines' regional relations with ASEAN has revealed that the Philippine political economy not only facilitates the institutionalisation of human capital on a national level, it is also branching out on the regional level as well.

Millions of migrant workers are employed in various sectors including agriculture, fisheries, construction, factory, domestic work, mining, etc. They make a significant contribution to the economy and society of both the country of origin and the host country. Whilst there have been some policy developments in recognising the rights of migrant workers, there remains a huge gap in realising these rights, and migrants continue to face a number of problems including: non or underpayment of wages; long working hours and/or no day off; poor occupational safety and health (OSH) standards; inhumane living conditions; no right to form their own trade union; and risk of arrest, detention and deportation.

Chapter IV. Non-Product-Based IPE Commodities: Case of Filipino Nurse Migration

4.1 Introduction

Neoliberal political and economic transformations have affected how the gendered and racialised international division of labour plays out in different environments. At the same time, however, by shaping and contesting emergent processes within the broader context of IPE, these transformations also highlight possible spaces for migrant workers as agential subjects.

As the demand for migrant workers in the international labour market noticeably increases, developing countries shoulder the responsibility of filling this gap by supplying the global workforce with migrant workers. Significant literature and insights gained from the study of empirical data on the OFW phenomenon support the idea of human capital as a profitable commodity. In most cases, the focus is on the relationship between human capital, migration and economic growth.

In terms of numbers, Filipino nurses dominate foreign registered nurses (RNs) at 43% (Madhavan, 2009). Next are nurses from Canada, the United Kingdom, India, South Korea and Nigeria. Filipinos make up more than 80% of the US foreign nurse population. Especially significant are the state policy shifts towards neoliberal market-oriented governance of social (re)production. These shifts have facilitated the emerging global division of reproductive labour. At the same time, they have rendered Filipino care workers into potentially cheap, flexible and disposable racialised and gendered subjects.

Chapter IV will show that a non-product-based commodification is generated by the transnational development of human resources, which is different from conventional material-based commodities. Its main argument stresses the importance of labour migration as a development strategy and points to the ways in which migrant remittances can be managed appropriately for the betterment of Philippine society. A case study on Filipino nurse migration highlights four main points: the causes for the demand of Filipino nurses in the United States, the United Kingdom, Saudi Arabia and more recently Canada; the Philippines' nursing education system and the quality of national health standards; the plight of Filipino nurses overseas; and a decreasing demand for nurses in the global market since the mid-1990s. The role of

development in shaping economic and political changes on the global stage is also emphasised. By transforming human resources into a trade commodity, this economic transaction between labour-sending and labour-receiving countries becomes a rational process that takes on emotional qualities. The addition of these qualities becomes a serious consideration in the case in which human labour is traded and made into a commodity.

4.2 Political Economy of Human Labour

An imported labour force offers many advantages. Marxists and neo-Marxist theorists argue for a number of benefits that can be gleaned from utilising immigrant labour in the capital accumulation process (Alegado, 1994: 5). The orthodox Marxist position sees the use of immigrant workers as an attempt on the part of the employers to maintain relatively profitable operations by intensifying the exploitation of foreign labour. This is done through a number of schemes, including paying foreign workers lower wages compared to/or speed-ups. Other Marxists view the use of immigrant labour as a way for the state and capitalist class as a whole to reduce the cost of maintaining and reproducing the available labour force. It is also a way for the government to provide its people with jobs.

Peter B. Doeringer and Michael J. Piore (1971) first consider the labour process as a market. They argue that the labour market consists of two segmented sectors: the primary market which is associated with high wages, good physical working environment, relative employment stability, opportunities for advancement, and due process in the administration of contract agreements; and the secondary market which tends to have low wages and less fringe benefits, poor working conditions, high labour turnover, and little or no chance of advancement (Alegado, 1994: 52-53). The concept of a segmented market is central to the understanding of how the government views migration as part of its ongoing strategy to provide jobs for its people and as a way to sustain the economy.

For Alegado (1994: 52), however, labour migration and its recruitment/importation to advanced and developing capitalist nations along with new labour-saving technologies may be viewed as part of the effort of capital to outflank their domestic labour movements. The dream of capitalists is 'a 21st century capital, and a 19th century proletariat' (1994: 53). Lacking the extensive social networks of

local workers, the immigrant worker becomes a mobile 'factor of production',¹² constantly responding to fluctuations in the labour market. Expanding on the phenomenon of labour migration and capital production with their attendant processes, Alegado (1994: 63-64) lists the characteristics of the labour migration process as: the jobs that migrants hold in different countries and during different historical periods tend to be those unwanted by native workers; the strategic factor in initiating migrant streams to fill these job gaps appears to be active recruitment on the part of employers or their agents from the developed region; the ease with which employers initiate new streams of migration through recruitment suggests that the supply of potential migrants is extensive or inexhaustible; and the migration process, once underway, is extremely difficult to halt.

Throughout history, labour migration along with commodity exchanges and capital flows has played an important part in the development of the capitalist mode of production. Advanced forms of production as well as control of world trade have tended to be concentrated in the core capitalist countries, like the United States and certain nations in Europe. Peripheral areas on the other hand, have been pushed into a subordinate role as suppliers of labour power and certain types of commodities. They also serve as markets for industrial products of the core countries. Samir Amin (1974: 27) noted, 'migrant labour is one form of hidden transfer of value from periphery to the centre, since the periphery has borne the cost of education and training this labour power'.

At an international scale, the employment of migrant workers has been important in restructuring the labour process and segmentation of the labour market among the core developed and developing countries in the post-World War II environment (Alegado, 1994: 96). At the regional level, as previously discussed in Chapter II, the rise of the Philippines as one of the world's leading exporters of labour is a direct result of the development strategy institutionalised by the Marcos regime. This intensified the linkage of the country to the world economy's new international division of labour.

¹² Factors of production are the resources required to generate goods and/or services. They are generally classified into four major groups: land, which includes all natural resources; labour, which includes all human resources; capital, which includes all man-made resources; and enterprise, which brings all the previous resources together for production. These factors are classified also as management, machines, materials and money, or other such nomenclature. More recently, knowledge (know-how) has come to be recognised as distinct from labour, and as a factor of production in its own right.

The development model called 'labour-intensive-export-oriented' industrialisation was adopted by Marcos at the request of the World Bank and the IMF (Alegado, 1994:100). The strategy called for the mobilisation of the Philippines' abundant and cheap labour pool. This labour pool was considered by Marcos and his economic planners as the main comparative advantage of the nation that would attract TNCs to relocate and establish labour-intensive companies. Human labour, or the export of natural persons, is another movement in the international flow of resources that complements the flow of capital and commodities.

Furthermore, there are three distinct periods of Filipino labour migration: (1) the pre-1974 Labor Code period, which was characterised by minimal government supervision and exclusive private participation in the industry; (2) the period of 1974 to 1978, during the early phase of the 1974 Labor Code which envisioned total state control of overseas labour export industry and the phase out of private sector participation; (3) and 1978 to the present, during which the state reorganised the labour export industry and once again allowed the participation of the private sector in the overseas employment programme (Alegado, 1994: 170). The institutionalisation of human labour vis à vis migration can therefore be described as a system adopted by developing countries to provide its people with jobs and enable the country to fit into the emerging capitalist structure.

4.3 Channelling Economic Growth via Human Capital Cultivation

Unlike the West which maintains some level of cultural unity, East Asia as a region hosts a huge variety of different social, cultural, economic, and political characteristics (Pye, 1995). Possibly for this reason, scholars have found it difficult to link the region in a holistic way. Although the countries of Southeast Asia share common attributes, they also have very different historical experiences. For example, Myanmar is predominantly Buddhist, Malaysia and Indonesia Muslim, and the Philippines Christian. The diverse religious traditions are intimately tied to culture, politics, and economics in these Southeast Asian developing nations. Thus, it is understandable that the international society may at times neglect the needs of the countries within this volatile region.

Not unsurprisingly, some countries in the region struggle to fit within the existing international structure. This shows just how ambivalent the nature of development can be. While some states that are seemingly compatible with the set

world order adapt gracefully and move forward unencumbered, other states that have yet to arrive at development clearly struggle to catch up. Induced by intense growth rates in globalisation, a growing number of developing countries are left to cope with global economic changes. This central question drives at what political, economic and social strategies establish good governance.

Scholars study a number of existing features within IPE. Amartya Sen (1999), for one, explores the notion of development and its intrinsic links to freedom. He points out that development has been shown to encourage freedom in the political sphere. In many ways, it can and does empower the sovereignty of a state. Enquiries into forms of development like labour migration are therefore worth considering. In the case of the Philippines, the country endeavours to cope by commoditising its human resources for regional and international labour markets. It is widely credited as providing good human capital, mainly because they are the largest foreign resource of the hospitality sector in the United States and the United Kingdom.

Theodore W. Schultz (1961: 571-583) considered human capital as the driving force behind economic growth, suggesting that human capital is the path that developing countries should take in order to catch up with the developed world. He argued that it predominantly accounts for the productive superiority of the technically advanced countries. The idea that human capital is a key factor in enhancing productivity and promoting technological progress seems to be the most popular postulation.

One might then conclude that a nation's wealth in human resources would reflect positively in the country's economy. The example of the Philippines, however, suggests otherwise; for the past three decades, its economy performed more poorly than expected (Balisacan, 2007). The dramatic increase in Filipino migrant workers is a form of development where growth is propelled from the bottom-upwards (people-initiated) rather than from the top-downwards (government-initiated), and Philippine government has piggybacked on this trend.

Money sent by OFWs back to the Philippines is a major factor in the country's economy, amounting to more than \$17 billion in cash remittances according to the World Bank (2008). Possibly for this reason the Philippine economy performed better in 2007 as compared to previous years, marking the country as the fourth largest recipient of foreign remittances behind India, China and Mexico (Mahr, 2007: 42-44). Not too long ago, Macapagal-Arroyo coined the term Overseas Filipino Investor

(OFI) for Filipino expatriates who contribute to the economy through remittances, buying property and creating businesses (*Philippines Today*, 2010). Evidently, national economic and development policies consider and seemingly encourage the export of Filipino human capital.¹³

As it stands, however, remittances merely prop up the economy. Filipino families have more spending power but the money is not transferred into national investments that can help development in the long run. Anomalies such as this draw attention to the importance of labour migration as a development strategy and the ways in which migrant remittances can be managed appropriately for the betterment of Philippine society. It is also questionable as to why the recent Macapagal-Arroyo administration seemed to take a more blasé stance on domestic welfare issues, unlike the US and UK governments who constantly grapple with ensuring the health of their civilians. With migrant workforce remittances pumped into the Philippine economy, it is entirely possible, bold as the claim may seem, that these sometimes undeclared amounts of money offset the burden of national welfare issues. If Filipino migrant remittances are directed at investing in civil society instead of shouldering welfare concerns which the government fails to address, an environment more conducive for development and industrialisation can be established.

With human capital as the nation's wealthiest resource, it can be revealing to consider ideas on good governance within the realm of political, economic and social processes. Among human exports in the Philippines, nurses and caregivers together comprise the biggest portion of professional labour.¹⁴ Table 4, on the next page, shows the top ten skills of deployed OFWs in 2007. For this reason, the following case study on Filipino nurse migration is relevant to the investigation of the implications of migration for the growth and development of a developing country.

¹³ France June E. B. Geovani Pascua, *Interview*, Instructor in Political Science, University of Makati (Makati, Philippines: Personal Communication, 1 April 2007, 24 February 2009 and 10 March 2009).

¹⁴ Ricardo Gonzales, *Interview*, Head Nurse, Asian Hospital (Muntinlupa, Philippines: Personal Communication, 29 September 2008 and 4 November 2009).

Table 4. Top 10 Skills of Deployed OFWs in 2007

Migrant Worker Classifications	Male	Female	Total	Share of Total (%)
Domestic Helpers & Related Household Workers	2,959	44,919	47,878	15.6
Production & Related Workers	15,277	10,640	25,917	8.5
Caregivers & Caretakers	1,070	13,329	14,399	4.7
Service Workers	5,026	5,294	10,320	3.4
Waiters, Bartenders & Related Workers	3,677	5,599	9,276	3.0
Plumbers & Pipe Fitters	9,168	19	9,187	3.0
Professional Nurses	1,137	8,041	9,178	3.0
General Labourers/Helpers	6,145	1,172	7,317	2.4
Electrical Wiremen	6,942	38	6,980	2.3
Char Workers, Cleaners & Related Workers	927	5,373	6,300	2.1
Total Deployment	160,046	146,337	306,383	100

Source: Philippine Overseas Employment Administration (2010).

4.4 Implications of Filipino Nurse Migration: Fight or Flight?

Three in every 10 Filipinos (30%) would like to migrate immediately. Approximately 14 million adult Filipinos have opted to leave the country (reason non-specified), whereas 42% would not rule out migration as a possibility (Bitanga, 2007). With only 49% of Filipinos still retaining any hope that the government will improve their quality of life, this survey indicates that Filipinos lack confidence in their country's ability to address domestic problems of poor living standards. Reframed in terms of actual ideas and relationships, one finds that in a country where living depends on individual labour and publicly provided social services are scarce due to the high level of poverty, population growth rates cannot be supported. Coupled with overpopulation, the government's inability to provide jobs largely triggers emigration. The availability of employment abroad responds to very high local unemployment

rates. There has been an increase in opportunities for skilled workers, with the demand fluctuating in recent years (*Pulse Asia*, 2006).

Along with domestic helpers and industrial labourers, highly educated professionals have begun to seek other destinations for an improved standard of living. It seems that for an important number of people from the developing world, education and skills have become a way of gaining admission and access into the developed world and its wealthier way of life. It becomes apparent that the disparity of income between a developing and a developed country is a strong motivating factor behind migration. Indeed, as one of my interviewees confirmed, there is a high demand for nurses in developed countries.¹⁵ Overseas recruitment has been the tactic of countries like the United States and the United Kingdom to compensate for their shortages of nurses. According to available data presented in the following pages, the United States maintains its place as the top destination for nurses. The use of the US employment based immigrant *visa* is a prime example of the way in which destination countries manipulate immigration policies in an effort to control migration flows in fashions favourable to them (Stilwell et al., 2004: 595-600).

The Japanese government followed the US example, completing a Memorandum of Agreement with Macapagal-Arroyo a year or so ago which announced Japan's intention to allow Filipino nurses temporary work (*Pulse Asia*, 2006). Recently, however, the United Kingdom declared their move to decrease recruitment of Filipino nurses due to changes in demand. Considering the Wall Street financial crisis of 2008, there are those who hope that the fluctuating rate of demand might be partly symptomatic of contraction. The idea that in times of crisis assets return to their rightful owners, if applied to the export of human labour as a form of social capital, would imply a sort of brain gain from a migration and development perspective (Lee-Chua, 2009).

Nonetheless, it is worth noting that cultivating a resource like that of human capital requires a strong appreciation for the human side of this social investment. For instance, there is a case of a Filipina who immigrated to the United Kingdom as a nurse (Laurance, 2008). She fell ill and was committed to receiving healthcare under the UK National Health Service (NHS). Unfortunately, an accident occurred with administering her medication and she died. As a result of an NHS blunder, this

¹⁵ Cyril Martinez, *Interview*, Caregiver, Norwalk Community Hospital (Los Angeles, California: Personal Communication, 9 April 2007).

Filipina's husband and child lost their right to remain in Britain, and deportation proceedings subsequently followed. This example illustrates the way in which the rational trade of this economic transaction takes on emotive qualities, a key point of this thesis which will be explored further in the next chapter. International labour standards, therefore, need to account for the welfare of the international community's migrant workforce.

Filipino nurses have become the 'band aid' solution for nurse shortages, especially within the United States (Tuazon, 2004). This is most probably due to the fact that nursing schools in the Philippines are patterned after the US model, which is a potential capital accumulating characteristic for the United States. Reminiscent of the 1970s, 1980s and mid-1990s, this movement has emerged yet again in the new millennium. Significant institutional policies in destination countries account for the general increase in Asian immigrant nurses in general since 1965. Examples include the Immigration and Nationality Act of 1955, the revisions embodied in the 3rd of October 1965 Act, and the Immigration Act of 1989 in the United States. The latter was a response to the need for nurses in American hospitals.

These changes in the institutional policies of destination countries resulted in an increase in the number of Asians immigrating to the United States during the 1970s, and had a profound effect on the global economy. Asian immigration exceeded European immigration by 5% during the period of 1970 to 1974 and continued to do so (Martin, 2009). This has been matched by a steady increase in Asian nurse immigration averaging 56%, whereas nurses emigrating from Europe to the United States averaged only 16% in the 1980s (Martin, 2009). Nurses may enter the United States in various ways. Filipinos may qualify for immigrant status: as part of the skilled and unskilled workers sector; by coming in as aliens who are members of the professional sector; or as persons of exceptional ability in the sciences or arts, all fields which were in short supply at the time. This led to the influx of Asian nurses in the United States after the 1965 Act¹⁶ took effect, when the Philippines

¹⁶ The Immigration and Nationality Act of 1965 abolished the restrictive national origins system, originally passed in 1924, in favour of a quota and preference system. It reversed decades of systematic exclusion and restrictive immigration policies, which reflected the new global political landscape brought about by the changes during World War II. Within this new and ever-evolving dynamic of globalisation and international geopolitics, the United States could no longer maintain an isolationist stance. Internal and external pressures led the United States to modify their National Origins System to reflect this new political position and the country's emerging leadership role on the international stage. The Immigration and Nationality Act of 1965 resulted in unprecedented numbers of immigrants from Asia, Mexico, Latin America, and other non-Western nations entering the United

maintained its top position (National Statistics Office, 2009). Records show that from 1955 to 1989, China, Thailand, Korea and India were also key Asian suppliers. The commodification of human resources, therefore, notably occurs within several East Asian regional economies, and this trend is gaining force within the global economy.

Statistics in 2008 from the US Department of Labour confirm that the category of 'Registered Nurse' is the second largest among all occupations in the country in 2007, which is in high demand and will most probably continue to increase. Noting median annual earnings of \$52,330 for registered nurses in May 2004, the lowest 10% earning \$37,330 and the highest 10% receiving \$74,760, this is definitely more enticing compared to the rough estimate of about PhP48,000 (\$1,125) per annum for the salary of a provincial nurse and only PhP108,000 (\$2,500) per annum for a city nurse in the Philippines (National Statistics Office, 2009). Compared to the United States, the United Kingdom had the largest contingent of deployed nurses in 1999—see Table 5 on the next page. In Britain, despite the two years of work experience required to apply as a nurse, the absence of a qualifying examination (unlike in the United States), the option of bringing their families into the country after two years, and an average earning of £18,000 (\$35,460) makes a more attractive offer (Roberts, 2004).

Table 5. Processed Contracts for Filipino Nurses in the Top Three Destination Countries

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
United States	3,553	198	13	70	299	570	2,027	1,660	9,040	7,428	5,469	1,797
Saudi Arabia	3,814	3,575	4,426	4,403	4,597	4,922	5,936	6,664	7,258	7,516	5,632	3,790
United Kingdom	x	x	65	80	1,527	7,762	8,111	4,462	4,145	2,607	1,241	73

Source: Philippine Overseas Employment Administration (2010).

Table 5 presents the number of processed contracts for nurses in the top three countries of destination for Filipinos. The period of 1996 to 1998 is marked with a

States (Asian-Nation, 2010).

decline in the number of processed contracts for nurses within the United States. The United Kingdom began its steady increase in demand in 1999, although this decreased in 2006 when it reported the elimination of the nursing profession from its list of critically demanded jobs (*Guardian*, 2006). Saudi Arabia has always been a country of destination for OFWs and overseas contract workers (OCWs), even for nurses. The tightening of immigration laws in the United States in 1995 accounts for a dramatic decrease in the number of Filipino nurses migrating to the United States in 1996.¹⁷ Data reflecting the number of Filipino nurses who migrated to the United Kingdom in 1995 and 1996 is unclear and therefore excluded from Table 5. Although Saudi Arabia appears to be the largest destination for migrant Filipino nurses working under contract, Table 6 (on the next page) shows how the United States has become a primary destination for immigrants whose occupation was that of a nurse prior to migration.

¹⁷ Alex Balanlayos, *Interview*, Family Chauffer (Makati, Philippines: Personal Communication, 19 May 2004, 10 April 2007 and 26 July 2010).

Table 6. Number of Registered Filipino Migrants by Selected Occupation (Professional Nurse) Prior to Migration to the United States

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
Principal Immigrant	490	598	688	528	712	710	732	83	38	15	9	145	162	18	x	x	x	x	x	4,928
Company Sponsored	x	x	x	x	x	x	x	x	x	x	x	68	590	1,011	1,620	1,685	3,336	3,324	1,987	13,521
Special Immigrant	18	16	10	9	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	53

Notes: The period of 1996 to 1998 shows a decline in the number of immigrants who were nurses before migrating to the United States. 1999 was the first year of company sponsorship for Filipino nurses provided with immigrant *visas* ('x' indicates no data available).

Source: Commission on Filipinos Overseas (2009).

Although not included in Table 6, recent developments on the migration front point to Canada as next in popularity to the United States. With Canada's booming economy, service industries like that of care-giving and the hospitality sector for example, demand labour outside the capability of Canada's local population.¹⁸ This has led to a relaxation of Canada's migration laws. Saudi Arabia does not issue immigrant visas to migrating nurses, except when the nurses are married to their nationals.¹⁹

Many contract workers whose contracts were processed in the Philippines as 'professional nurses' also work as nurses abroad. Only company sponsored nurses whose indicated work is to become a registered nurse in the United States are able to practise the profession, however.²⁰ Of course, nurses from the Philippines with principal immigrant and special immigrant visas bound for the United States may or may not work as nurses when they arrive at their destination. Tables 5 and 6 demonstrate how immigration policies contribute to the rate of entry of nurses to areas of immigration. It would seem likely that countries which need the skills most would liberalise policies to engage migrants. Source countries take advantage of promises of employment as poverty pushes them out.

4.4.1 Nursing Education: 'Enrol Now, Work Abroad'

In a speech delivered by the Philippine Nursing Association President in 2005, Ms. Ruth Padilla stated that:

The acute nursing shortage in the United States has a ripple effect locally with the increase of nursing enrolment in our schools and universities. Some new schools of nursing were created because of this global need for nurses. To date the Philippines graduates an average of 20-25,000 per year and around 13,000 registered nurses each year (*Pulse Asia*, 2006).

The nursing shortage in the United States has affected the education system in the Philippines. From 1994 to July 2003, some 84,843 Filipino nurses travelled overseas to work. The Philippines now supply roughly 25% of all overseas nurses worldwide (Philippine Center for Investigative Journalism, 2009). The next few

¹⁸ Marianne Santos, *Interview*, Agent, Standard Immigration Services and Personnel Placement Inc. (Vancouver, British Columbia: Personal Communication, 12 December 2007).

¹⁹ Salve Ranin Ibarreta, *Interview*, Nurse, Morristown Memorial Hospital (Morristown, New Jersey: Personal Communication, 4 November 2005).

²⁰ Ibarreta, *Interview*.

tables, 7 to 10 indicate that the demand for employment abroad is coupled with a growth in the number of enrollees in nursing departments throughout the educational institutions of the Philippines. Table 7 presents the number of enrollees, with the number of graduates featured in Table 8. Table 9 shows the percentage of students passing the nursing board examination, and Table 10 shows the number of colleges, universities and schools with a nursing course by region.

Table 7. Number of Enrolees in Nursing per Region per Academic Year

Region	Enrolment by Academic Year						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
1	2,470	2,394	2,581	4,958	10,446	17,911	27,728
2	878	881	650	1,041	1,716	3,650	6,646
3	1,204	1,058	1,568	3,107	6,257	12,513	18,012
4	1,493	1,676	1,673	3,457	6,994	16,862	26,982
5	1,897	1,336	1,481	2,922	4,516	7,741	13,716
6	2,050	2,426	3,385	5,512	9,814	19,018	28,565
7	1,999	2,525	3,185	4,708	6,792	12,710	18,179
8	509	521	642	735	1,082	3,119	3,978
9	950	791	769	998	2,263	5,369	7,275
10	810	533	756	984	4,029	7,346	7,989
11	1,630	1,688	2,144	4,806	6,900	15,959	23,143
12	1,172	979	858	1,581	1,516	4,308	7,778
National Capital Region (NCR)	8,600	7,159	5,662	12,547	21,052	33,736	80,187
Cordillera Autonomous Region (CAR)	1,254	1,258	1,905	2,139	7,381	16,194	23,322
Autonomous Region of Muslim Mindanao (ARMM)	265	277	291	126	558	442	858
Caraga	282	449	283	374	790	1,748	1,384
Grand Total	27,463	25,951	27,833	49,995	92,106	178,626	295,742

Notes: There is an obvious increase in the number of enrolments, along with the contemporary demand for nurses. The NCR maintains the highest of all regions in terms of enrolment every academic year.

Source: Commission on Higher Education (2009).

Table 8. Number of Nursing Graduates in the Philippines by Region per Academic Year

Region	Graduates per Academic Year						
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
1	1,338	1,150	607	335	513	776	1,260
2	227	207	182	121	129	173	331
3	385	208	253	209	419	545	863
4	332	327	311	240	501	518	861
5	667	681	435	533	424	486	631
6	1,156	942	470	324	372	1,020	2,084
7	604	384	201	277	433	711	1,064
8	113	108	121	55	55	158	591
9	214	321	293	247	241	332	344
10	619	455	261	113	171	401	766
11	495	495	308	214	195	625	1,048
12	225	360	243	158	79	171	273
NCR	4,384	2,729	1,648	1,343	1,577	2,048	3,182
CAR	577	342	274	125	185	384	865
ARMM	10	11	12	36	81	89	86
Caraga	128	102	53	79	50	159	134
Total	11,474	8,822	5,672	4,409	5,425	8,596	14,383

Notes: This data is arranged according to regions following the outline of the previous Table 7. Once again, NCR graduates are the most plentiful compared to other regions. The number of enrollees does not correlate with the number of graduates.

Source: Commission on Higher Education (2009).

Table 9. Percentage of Nursing Board Exam Passers

Year	Takers	Passers	Total Rate Passing the Exam (%)
1999	13152	6558	49.86
2000	9271	4602	49.64
2001	8269	4430	53.57
2002	9449	4228	44.75
2003	15611	7528	48.22
2004	25221	12581	49.88

Notes: Despite the increase in the number of enrollees and graduates, there is no significant increase in the pass rate of nursing board takers over the years. Although the latest results for the Nursing Board examinations have not yet been officially released, a 43% passing rate is anticipated and would be the lowest ever recorded.

Source: Professional Regulation Commission (2009).

Table 10. Number of Colleges, Universities and Schools with a Nursing Course by Region

Region	Number of Colleges, Universities or Schools Running a Nursing Course
1	9
2	12
3	37
4	52
5	25
6	19
7	24
8	8
9	10
10	13
11	18
12	12
13 NCR	83
14 CAR	13
15 ARMM	6
16 Caraga	4

Notes: The NCR maintains its top position, even in the number of schools offering a nursing course. Region 4, even though it has the largest population, does not outnumber the urban region of NCR.

Source: Commission on Higher Education (2009).

From the data in Tables 7, 8 and 10 it appears that due to the high demand for nurses since the mid-1990s, especially from the United States, and with the significant increase from the late 1990s up to the present day, the number of enrollees has risen accordingly. Table 8, however, suggests that the number of nursing schools in every

region does not result in the expected number of graduates and later the number of nurses serving the hospitals in the regions. The quality of education also suffers, as the Commission on Higher Education (2009) admits that it does not regulate the establishment of new nursing schools and does not control schools that do not excel in board examinations. The latest reports, which involve the directors and heads of prominent nursing schools within the country, raise controversy regarding the quality of nurses in the Philippines. Only students from the University of the Philippines (UP) have managed a 100% pass rate in the board examinations over the last five years. Meanwhile, some 37 schools obtained a pass rate of less than one third of their examinees. Only 12 schools are categorised as being 'outstanding' by the Professional Regulations Commission (2009).

The Philippine government has followed the boom in the care-giving industry and capitalised on its plethora of skilled workers as a form of development. This is especially so because migrant Filipino workers are literate in the English language, considered by many as an attractive capital accumulating characteristic. They also have a cultural devotion to care-giving, which manifests itself professionally. Demand thus remains high in many developed countries that experience a lack of care-giving workers within their own domestic situations. In the case of Filipino nurses and caregivers, this kind of development takes a bottom-upwards rather than a top-downwards approach, in that it is a local response in the Philippines that is not governmentally initiated.

4.4.2 Politics of Advancing Filipino Human Capital

The role human capital plays offers a more nuanced interpretation of the economic growth and development of a developing country. Chapter II has already illustrated how labour migration in the Philippines has become institutionalised; this case shows that human capital can and has become commoditised in the international labour market. This in turn strongly suggests that development is being used as a coping mechanism to deal with the pressure global economic changes place on the developing world. The following case study also identifies socio-political concerns for the Philippines that arise from this trend and points towards potential consequences for international labour rights.

Ronald Skeldon (1997: 1-40) cites Filipino migrants' remittances as a significant source of foreign exchange and a critical element in the development

strategy of the Philippines in his discussion of the positive consequences of migration. He mentions that this can also reflect an absence of development in the home country, thus representing the downside of migration. While we recognise the advantages of labour migration to the 'sending' countries, most of which are developing countries with export-oriented market economies, we also need to critically analyse the implications this movement has on the socio-economic and political situations in these developing countries. Pertinent agencies have been created in the country, such as the Philippine Overseas Employment Administration, which manifests support for migrant workers. RA 8042 states that overseas employment shall not be promoted as a means to sustain economic growth and achieve national development (Ogena, 2004: 296-309). Yet, a recent declaration by Macapagal-Arroyo to export more workers reflects a contradiction.

Just as local migration is disadvantageous to depressed and rural areas of the Philippines, so are the problems that arise concerning health devolution in the country. The Local Government Code of 1991 states that health is one of the devolved sectors of the local government units (LGUs) and faces serious challenges as more LGUs claim inability to provide health services to constituents, especially those who are impoverished (Ogena, 2004: 296-309). Such government initiatives and codes could, together, help formulate a more concrete assessment of development strategies geared towards coping with global economic changes. Particularly, this assessment highlights the questionable quality of healthcare service provided domestically, given the significant decline in the quality and standards of this sector. Although there is added value from an economic profit-centred perspective, concerns arise with regard to worker rights.

Such observations of government behaviour support the claim that the Philippine government is now incorporating the commodification of human capital into its national economic policy. Given that as the advantages associated with it clearly attack the more desperate sectors of the population, the motivation for this policy seems questionable.

An obvious international pattern has surfaced where healthcare is concerned. With more Filipinos migrating overseas, negative effects on the domestic front become more notable. Concerns also arise with respect to international labour rights, worker welfare, and the actual mechanics behind the process of commoditising human resources. The case study of the Philippines is relevant to the study of global

movements as a whole. First, the Philippines, despite not explicitly proclaiming support for labour migration, is a developing country that has an economic situation which encourages labour export and has created institutions to manage this prospect. The Philippines is the second largest labour-sending country in the world, next to Mexico (Ogena, 2004: 296-309).

Second, nursing as a profession has increased in mobility due to the internal structures in both sending and receiving countries. According to Anthony Richmond (1995: 33-48), temporary and permanent migrants are welcomed in advanced countries that need specific types of labour and skills or where there is a short supply of such. The post-industrialised environment found in highly developed countries has led to a shift in information revolution, which in turn leads to new modes of production (Tiryakian, 1984). This shift makes the service sector relatively less attractive to nationals of developed countries, and the health service is no exception. Although the relocation of manufacturing investment in developed countries has opened up the job market among their own people, intra-regional competition demands cheap labour, and thus drives people out of their homelands.

Third, the consequences of nurse migration affect the health conditions in source countries. Aside from the health sector, the education sector has also experienced a kind of restructuring in that the vital role education plays in national development can be positively or negatively construed in the context of nurse migration. As more nursing schools are created due to an increased market demand for nursing students, most of whom intend to work outside the country, the quality of education suffers. Without the tangible input of nursing education into the health service industry, which is the field Filipino health workers would leave in order to migrate, there has been a significant decline in the number of qualified nurses in the Philippines. This reflects a failure to recognise negative social implications, as the slogan 'Enrol Now, Work Abroad!' dominates (*Pulse Asia*, 2006).

For Filipinos, pursuing a nursing education has become a strategy to escape national poverty. Although labour migration is treated as a development strategy (with remittances in the origin and supply of workers in the destination countries), it is clear that the Philippine government can do more to restructure the management of this exodus for improved gains. They must consider the human dynamics of this commodity, particularly the implications this rational and emotive transaction has on the welfare of migrant workers. Since this spatial mobility can cause further

structural changes within the society, significant to development, an examination of the dynamics of labour migration is highly desirable. Whereas various types of labour may be exported to countries depending on demand, this case study focuses on the migration of Filipino nurses to predominantly developed countries. Lastly the government is responsible for the overall impact of nurse migration, which must be incorporated into its policies and economic strategies in order to mitigate disadvantages.

4.4.3 At Second Glance: Balikbayan or Balik Bayan

Imagine 295,742 Filipino nurses are enrolled in the 45 nursing schools in the country, all of whom have hopes for better remuneration abroad. Figures are less depressing than the actual feeling of misery in hospitals plagued with understaffing problems. While the Philippine standard of a 1:8 nurse to patient ratio is already weaker than the ideal 1:4 ratio desired by the International Council of Nurses, in reality this ratio can range from about 1:5 to about 1:35 in the Philippines (Agoncillo, 2005: 231-240). It is not difficult to relate this situation to certain health indicators.

The figures reported above do not augur well for a country perceived to have an oversupply of nurses. For example, the mid-1990s increased disease and death rates were experienced, which hit mostly Filipinos. It is an atrocity to have nurses trained in the Philippines with a curriculum modified to fit the health needs contexts of other countries rather than their own and face this kind of health disaster. The World Health Report of 2004 indicates the following rates during 1998 for the Philippines: 31.8% of children under five years underweight for their age; under five mortality rate per 1000 live births was 40; 28% infant mortality rate per 1000 live births; a 200 maternal mortality ratio per 100,000 live births; 56.4% of births attended by skilled health personnel; and a tuberculosis prevalence of 582 per 100,000, with a mortality rate of 61 (World Health Organization, 2009).

For visible economic reasons, many health workers resort to career shifts and/or migration. A dearth of local incentives, poor remuneration, inferior working conditions, a tendency to be overworked, and an absence of professional practice opportunities all encourage migration. The general improvement of lifestyle following migration is also a major attraction. One must not assume, however, that everything is well for those who opt to leave. In fact, the working and social

conditions that Filipino migrants face in a country that is not their home have yet to be isolated (Bitanga, 2007).

Many Filipino doctors retrain to become nurses to work abroad and thus face the hardship of conflicting professional interests. Other reports indicate Filipino migrant nurses sometimes experience maltreatment; they are overworked yet underpaid. Substandard working and living conditions also haunt Filipino nurses abroad. News concerning some 50 Filipino nurses in Dublin City reported that these overseas Filipino labourers were being accommodated in unsanitary and overcrowded conditions while working.²¹ The British media also confirms over a hundred cases of nurse abuses by employers in the United Kingdom. Several other cases reported from the United States about overwork and underpay are just as alarming.²²

Apart from these problems, Filipinos experience inhospitability in some host countries and are treated as ‘second class’ citizens (Heymann, 2005). This general discrimination involves notions of citizenship, race, class, religion, ethnicity and gender—as highlighted in a *Taipei Times* (2009: 5) news story about a Hong Kong journalist who was ‘under fire’ for calling the Philippines a ‘nation of servants’ in a column about disputed areas in the South China Sea. The Blas Fajardo Ople²³ Policy Center, a Manila-based non-governmental organisation providing assistance to migrant workers, called on the Philippine Department of Labor and Employment (DOLE) to blacklist the journalist Chip Tsao as an ‘undesirable foreign employer’.²⁴

4.4.4 Migration and Brain Drain

Since the early 1790s, the Philippines has experienced brain drain due to the migration of highly skilled physicians, teachers, seamen, mechanics and engineers to

²¹ Pamela Dooley, *Interview*, Head of Organisation and Development, Northern Ireland Council on Ethnic Minorities (Durham, England: Personal Communication, 22 July 2007).

²² Patricia McKeown, *Interview*, Regional Secretary, UNISON Northern Ireland (Durham, England: Personal Communication, 22 July 2007).

²³ Blas Fajardo Ople (3 February 1927-14 December 2003) was a Filipino journalist and politician who held several high-ranking positions in the executive and legislative branches of the Philippine government, including Senate President from 1999 to 2000 and Secretary of Foreign Affairs from 2002 until his death. Perceived as a leftist-nationalist at the onset of his career in public service, Ople was in his final years a vocal supporter for allowing a limited US military presence in the Philippines, and for American initiatives in the War on Terror including the 2003 US invasion of Iraq. Ople’s most enduring role was his nineteen years as Secretary (later Minister) of Labour and Employment during the administration of Marcos, when Philippine labour laws were overhauled through the enactment of the Labor Code of the Philippines that he had helped author (Albert, 2010).

²⁴ Raffy Albert, *Interview*, Founding Member of the Akbayan National Council, Akbayan Citizens’ Action Party (Makati, Philippines: Personal Communication, 24 August 2009, 25 March 2010 and 23 July 2010).

other countries. In the 1980s, the exodus of persons in the medical profession continued, although mid-level professionals like nurses, medical technicians as well as paramedics increasingly dominated flows. In the 1990s, accelerated advances in information technology and the growth of the information communication industry triggered new waves of skilled labour migration abroad; these consisted of electronic engineers, computer programmers, designers and allied skill workers. Before the 1970s the movement of highly skilled Filipino professionals, although significant, was principally a private initiative among the workers and their placement abroad. It was only during the mid-1990s, after the surge of demand for contract workers in the Middle East, that the Philippine government began an institutionalised management of temporary contract worker migration (Alburo and Abella, 2002).

Contemporary labour migration in Asia has a bottom-heavy structure, dominated by the movement of workers in blue-collar occupations. Since the mid-1970s, most of workers who left their countries in South Asia and Southeast Asia for work outside their countries were recruited to perform jobs in construction, small factories, domestic services and agriculture.²⁵ Only a small number of managers, professionals and technicians, mostly employed by TNCs, topped the migration flows within but also out of the region. The structure reflected the increasing expansion of labour-intensive sectors like manufacturing and construction in the rapidly industrialising economies of the region, as well as the social changes transpiring in these societies. In the early stages of industrialisation, the initial unmet demand for labour was for construction workers, assembly line production workers, and replacement female workers who could liberate native women to pursue formal sector employment. It was only in the 1990s, when global competition in the development of computer software and IT equipment intensified, that the demand for migrant labour progressively began to show a more varied technical composition (Abella, 2004).

Unlike the movement of unskilled workers, which largely proceeded from the less to the more developed countries, the flow of highly-skilled workers moved in all directions. It moved from the less to the more developed and vice versa, among the less developed, and of course among the developed. Statistics in 2008 from the International Labour Organization (2009) website indicate that there were some 2.6

²⁵ Segfredo R. Serrano, *Interview*, Assistant Secretary Policy and Planning, Republic of the Philippines Department of Agriculture (Makati, Philippines: Personal Communication, 17 January 2004).

million reported business travellers from Japan in 2000, of whom 1.6 million went to Asian destinations, notably China, Taiwan, Thailand and Singapore. These statistics (although they include repeat travel by some persons) already offer a rough indication of the dimension of circulation of managers and technical people from the more developed to the less developed regions, generated by investments and trade. Unfortunately similar statistics are not regularly reported by other countries, which would have given a more comprehensive picture of overall flows within the region.

The dimensions and character of the movement of highly-skilled workers for the purposes of work is extremely difficult to monitor and assess. This is because many countries in the region offer visa-free admission for short-term periods to nationals of developed countries and to nationals of partner countries in regional economic groupings. For example, among the ASEAN member states there has been a long-standing agreement for visa-free admission if the purpose of entry is a short-term stay, such as tourism or business. In practice, the recording of foreigners who enter a country for purposes of work usually only starts when their stay is expected to go beyond the usual visa-free period of two weeks to one month (Association of Southeast Asian Nations, 2009).

The movement of highly-skilled workers into countries in the region is related to the flow of FDI, discussed more substantially in the earlier part of this chapter. State policies provide the liberal admission of managers and technical personnel needed to facilitate the establishment of subsidiaries or branches of TNCs. Singapore has a relatively large share of the population of highly-skilled immigrants in the region. This is no doubt due to its position as the hub of operations for many MNCs and as a transport and trading centre of the region. The numbers in China and in Vietnam are not very large relative to the size of their respective economies but are nonetheless impressive when one considers their history (Asian Migrant Centre, 2009). Except in the health sector of the Philippines, there is little sign that the emigration of highly-skilled workers has caused notable concern over a brain drain or emigration's impact on development in the countries of the region. This may be partly due to the existence of large numbers of unemployed educated youth in many countries. It is also probably because the prospects of working abroad have increased the expected returns to additional years of education. This in turn has induced many to invest in more schooling, especially in occupations in high demand overseas. Thus, one observes the phenomenon of demand creating its own supply.

In the Philippines, a very significant shift in enrolment in favour of engineering and IT education has taken place. The country already has a large nursing education infrastructure, mainly because of the demand for nursing education, one that is stimulated by expected salaries abroad and not at home. Labour migration has been viewed, both in countries of origin and destination, as a temporary phenomenon that would one day wind down when the need for it declines. This presumably would come when economic structures complete their adjustment to conditions in the labour market.

4.5 Future Prospects

A careful examination of the implications of nurse migration on source countries, with a focus upon the Philippines, has revealed the serious consequences of the Filipino nurse exodus. Without blaming the Filipino nurses seeking a higher standard of living and quality of life, their migration has had negative impacts upon the overall health performance of the country. In addition, the exodus is pivotal for understanding individual tendencies brought about by the structural conditions in the source country. This finding is important for expediting progressive change and pushing the government to resolve the problems that have arisen and which continue to escalate. Despite the blatancy of these trends, the above issues within the Philippines remain ignored.

The relationships between political actors, best explained in political economy terms, affect many of the projects and programmes implemented by the health services. For instance, local officials are given better resources from the national government when the two offices are also on good terms. These are issues that confront not just the Philippines but any labour-sending, developing country through the world linkage attained by globalisation. It becomes apparent that globalisation is responsible for perpetuating if not increasing the gap between rich and poor countries. Strategic national efforts, especially education, can help a country develop. Models of 'schooling' (Schultz, 1960: 1-17), 'learning by doing' (Arrow, 1962: 155-173; Lucas, 1988: 3-42), and 'endogenous technical change' (Romer, 1986: 1002-1037; Romer, 1990: s71-s102) imply that a more educated workforce achieves higher productivity because workers are equipped with the skills or capabilities to learn new techniques. Simply creating an educated society that is limited to a specific career path, however, especially if it is intended to support the migration of its population, is

not a good strategy. Thus, restructuring the current system towards improved governance should include foresight that will ensure positive sustainable development.

As Chapter II has drawn attention to an existing phenomenon that is ubiquitously rampant yet poorly acknowledged, it establishes the correlation between human capital, migration and economic growth. In so doing, it illustrates how developing countries shoulder the responsibility of filling the gap created by the demand for migrant workers in developed countries. The case study in particular reveals that social capital in the form of human resources export can be channelled appropriately to facilitate greater economic development, not only for the host country but most importantly for the source country itself. The role the Philippines plays as an important exporter of human labour in the world is discussed in the case of Filipino nurses and caregivers, as this profession comprises the majority of the export.

Jaime Galvez-Tan (2008) offers some interesting policy recommendations, which would enable the Philippines to mitigate, if not to totally eradicate, the negative consequences of nurse migration. These are: (1) the creation of a 'national commission on health human resources development', (2) the initiation of high-level bilateral negotiations with northern countries importing Filipino nurses, (3) the creation of 'North-South hospital to hospital partnership agreements', (4) the institution of the National Health Service Act, (5) the establishment of Philippine nursing registries, (6) the expansion of nursing residency and nurse practitioner training programmes, and (7) the creation of a 'Philippine national council for nursing concerns' (Galvez-Tan, 2008). Of these seven proposals, the second and third will need the strongest cooperation from other states. Although the remaining proposals may or may not be relevant to other source countries, they are nevertheless grounded on the notion that sending nurses abroad negatively affects the performance of those who remain and gravely impacts on the health conditions of these developing countries.

The region of East Asia includes countries that are also potential destinations, not just for nurses but for other professionals as well. Taiwan and Korea, for example, are very different from the Philippines in several perspectives. Their development experience in the last two decades as well as their use of human capital for economic growth is unlike the Philippines. They are the labour-receiving countries in the region. It would be a good initiative to include them in policy

considerations and agreements that may be beneficial to both sending and receiving areas. East Asia appreciates that similar issues and prospects are emerging or even rampant in other countries regionally and internationally.

4.6 Conclusion

Human capital in many respects is an economic crutch for the Philippines. Migrant remittances fuel its economy. Without the remittances, the Philippine economy will instantly collapse. According to UP Professor Dr. Carandang, 'the whole country knows it' (Mahr, 2007: 43). The urgency could not have been more explicitly articulated. By transforming human resources into a trade commodity, it is evident that this economic transaction between source and host countries becomes a rational process that takes on emotional qualities. The addition of these qualities becomes a serious consideration in the case in which human labour is traded and made into a commodity. With this social aspect of investment consistently gaining force, it has most obviously impacted the international community in terms of modifying existing policies on immigration.

With the welfare of global migrants highly dependent on host countries, bilateral/multilateral and inter-/intra- regional relations need to be more closely scrutinised. To protect global migrants, checks and balances should be considered in establishing international welfare standards for the global workforce. Great consideration must be taken by the international community where the trade of human labour is concerned. The economics of the transaction takes a back seat to the humanitarian aspect of this process. It follows that dedicated laws and international welfare standards ensuring good governance of the exchange are pivotal when maximising human resources as a potential and un-channelled catalyst for improved economic growth.

This chapter's case study on Filipino nurse migration has highlighted four main points: the causes for the demand of Filipino nurses in the United States, the United Kingdom, Saudi Arabia and more recently Canada; the Philippines' nursing education system and its consequences for the quality of national health standards; the plight of Filipino nurses overseas; and a decreasing demand for nurses in the global market since the mid-1990s. The role of development in shaping economic and political changes on the global stage was also emphasised. By transforming human resources into a trade commodity, this economic transaction between labour-sending

and labour-receiving countries becomes a rational process that takes on emotional qualities.

A careful examination of labour migration as a Philippine development strategy has highlighted the importance of managing migrant remittances appropriately for the betterment of this developing East Asian nation and has revealed that a non-product-based commodification is generated by the transnational development of human resources (Filipino nurses) cultivated for export overseas is a kind of non-product-based IPE commodity. Moreover, this non-product-based commoditisation has become a successful development strategy for the Philippines. As will be elaborated further in the next chapter's case study of Western Union as an MNC and its evolution into a non-state financial intermediary agent that facilitates remittance transfers, non-product-based commoditisation has reverberating implications for the development of non-state institutions.

Chapter V. Function of Non-State Intermediaries: Case of Western Union

5.1 Introduction

As was the case in Europe, past transnational migration within East Asia was prompted by global transformations in the organisation and deployment of capital that disrupted local economies and destabilised life in both sending and receiving societies (Bodnar, 1985). By 1990 there were over one and a half million Filipino emigrants working in 120 countries. An average migrant supports five persons in the Philippines (Ofreneo and Samonte, 2005). As pointed out in the previous chapter, the Philippines is one of the top labour exporting Asian countries. It was also noted that remittances make up the country's largest source of foreign currency (Tadiar, 1997). According to the World Bank, money sent by OFWs back to the Philippines amounted to more than \$17 billion in cash remittances in 2008 (Mahr, 2007: 43). Although the significance of globalisation in East Asia remains contested, the process has been characterised equally as much as the root of economic crisis as the route to economic triumph. This chapter examines how the region has been affected by the phenomenon despite its contradictory nature. As such, East Asian regional economies continue to grapple with the changes brought about by the new roles state and non-state actors are assuming.

As discussed in the Introduction to this study, the dawn of the 21st century is distinguished by rapid-changing international trends. This results in a heightened interconnectedness and an increased deterritorialisation. The processes through which social relations across global space have stretched and deepened have gained force on the global stage. At present, countries worldwide must determine their niche in the interconnected and fast-paced international environment. Within the current parameters of the international structure, the balance of power is shifting to the East, the region of the world where the Philippines is located. The technologies (broadly conceived) of linkage have developed in various fields (freight movement, telecommunications, labour mobility, air transport, finance, electronic media, and cultural exchange) to the extent that some commentators see a new paradigm of social relations emerging (Dicken and Yeung, 1999). There are also strong trends towards regionalisation rather than globalisation, both with respect to economy and identity.

With the onset of globalisation, the roles of nation-states are being reworked but not revoked. The national scale represents one among several relevant levels at which contemporary change can be understood, managed and contested. Jonathan Friedman (1999: 183-201) further points out that the role of the nation-state might well be seen as regionally distinct, with a process of class and ethnic fragmentation occurring in the industrialised global core but with the active consolidation and integration of disparate identities in the emergent nations of East Asia. Within the last few years researchers have begun to argue that computer, satellite and rapid transportation technologies, a dramatic aspect of globalisation, have produced a new form of migration. In the midst of all these changes, an intermediary world of strategic agents, who contribute to the management and coordination of the global economy, has surfaced (Sassen, 1999: 149–162). These agents are largely, but not exclusively private. They have absorbed some of the international functions carried out by states in the recent past, as was the case with international trade under predominantly protectionist regimes in the post-World War II decades (Friedman, 1999).

In recent years private firms (in international finance, accounting and law), new private standards (for international accounting and financial reporting) and supra-national organisations (such as the World Bank and the IMF), have all carried out strategic nongovernment-centred governance functions (Sassen, 1999). They do so, however, primarily inside the territory of national states. Chapter V begins with a discussion on economic liberalisation and the changing role of nation-states in international migration. It then charts the connection between commoditising labour and the rise of MNCs, as exemplified by a case study of Western Union's marketing strategies and its dominance in the remittance market. Lastly the chapter locates the importance of Western Union as a non-state financial intermediary agent in a developing country like the Philippines.

5.2 Economic Liberalisation: International Financial Market Players and Perception

It is important to recall the reasons for employing liberalisation and market-orientation. Jeffrey D. Sachs (1996: 147-152) wrote that openness was decisive for rapid growth. Open economies grew 1.2 percentage points per year faster than closed economies, with all other factors taken into account (Sachs, 1999). Paul Krugman

(1987: 131-144) is one of the foremost 'new trade economists' who have provided the arguments for theoretical deviations from free trade. Krugman (1987) has asserted that given all the uncertainties introduced by lags and imprecision about information, recognition, and implementation, freer trade would still be the best policy for economic management. The record of several East Asian regional economies and NIEs since World War II and that of the Philippines in the past few years attests to the advantages of allowing freer commerce with the rest of the world and allowing the market to determine the allocation of resources (Paderanga, 1999: 163-180).

The international sales and purchases of services together with unilateral net transfers, (e.g. bequests and gifts) are added to the trade account in order to arrive at the current account. For the Philippines, a large portion of the services inflow comes from the earnings of OFWs. As Chapter IV mentioned, these workers generally base their decisions on the level of compensation abroad relative to their expected domestic income. Just like exporters and importers, however, they also speculate on the exchange rate to time their remittances to the Philippines. Most of the other services income is composed of financial, insurance and telecommunications services.

Portfolio investments from abroad depend mostly on the differential between the international and domestic returns adjusted for expected changes in the exchange rate. Expectations about exchange rate changes introduce volatility in the flow of capital funds in largely the same manner that it affects the short-term behaviour of exporters, importers and overseas workers. Slight changes in market sentiment sometimes result in large fluctuations as individuals rush to correct the composition of their holdings. International fund managers, who manage the major portion of these funds, are able to propagate very rapidly the implementation of these market changes.

In what is now called the 'Dutch disease',²⁶ an overly strong inflow of foreign exchange leads to a very strong domestic currency that reduces the competitiveness of

²⁶ Dutch disease is an economic concept that tries to explain the apparent relationship between the exploitation of natural resources and a decline in the manufacturing sector combined with moral fallout. The theory is that an increase in revenues from natural resources will 'deindustrialise' a nation's economy by raising the exchange rate, which makes the manufacturing sector less competitive and public services entangled with business interests (Kelly and Olds, 1999). However, it is extremely difficult to definitively say that Dutch disease is the cause of the decreasing manufacturing sector, since there are many other factors at play in the very complex global economy. While it most often refers to natural resource discovery, it can also refer to any development that results in a large inflow of foreign currency, including a sharp surge in natural resource prices, foreign assistance and FDI. The term was coined in 1977 by the *Economist* to describe the decline of the manufacturing sector in the Netherlands after the discovery of a large natural gas field in 1959, culminating in the world's biggest public-private

domestic products in world markets. The cause of the original inflow could come from newly discovered resources such as the North Sea oil fields in the original case of the Netherlands or, as in the recent case of emerging markets, a revival of confidence by investors in newly-reforming countries (Paderanga, 1999). The resulting demise of export industries and domestic import-substituting firms seriously hampers the country when market sentiments reverse. This problem currently lies in outflow and is seen in a dearth of foreign exchange. The over-borrowing syndrome, as is now seen in the case of Southeast Asia, leads to weak financial and banking sectors which also threaten economic stability when the flow of funds reverses direction.

Globalisation and international financial integration are changing the volume and modes of international and financial interaction. Increased interaction results in beneficial effects for the world economy and individual countries. At the same time, these two related developments pose dangers to markets and individual participants. In order to minimise the dangers, governments must do several things. They need to adjust their intermediate policy objectives towards less control; they must use new or modified instruments, and they must change their style of managing their economies. Economic institutions, laws and regulations and even government instrumentalities may require modification.

The search is on for more instruments to allow policy makers some control over the massive flows and reversals of funds. The benefits of financial integration are inducing governments and the private sector to accede to the requirements of the emerging financial environment. At the same time, parallel changes are occurring in economic institutions and government flexibility and control. To the extent that these efforts succeed in calming the markets and introducing more stability into the system, they may lead to increased flows and greater growth for the world economy. However, the result will also depend on the extent to which this can be done without completely blocking the roles of markets. Markets must instil discipline and efficiency in all participants, including policy makers who will need to focus on transparency, predictability and fundamental structural reforms. In this context, some traditional concepts such as nationalism, state and citizenship may also undergo profound change.

partnership N. V. Nederlandse Gasunie between Esso (now ExxonMobil), Shell and the Dutch government in 1963 (Kelly and Olds, 1999).

5.3 Rethinking Paradigms: The Relationship between Nations, States and International Migration

The term 'state' denotes a sovereign system of government within a particular bounded territory (Glick Schiller, 1999a: 208-218). In contrast, 'nation' evokes the sense of people-hood that a particular population uses to distinguish itself from other national groups. Nation-state building is therefore identified as 'a set of historical and affective processes that link disparate and heterogeneous populations together and forge their loyalty to and identity with a central government apparatus and institutional structure' (Fouron and Glick Schiller, 1997: 281).

There is much that is useful in the emerging paradigm of globalisation. It provides fresh perspectives on political, economic, social and cultural processes. Scholarship on the subject of globalisation, however, is not without its weaknesses. To begin with, globalisation carries both subjective and objective connotations (Mittelman, 1996: 230). The concept functions as an ideology as well as a description of the restructuring and intensification of global connection (Pye-Smith, 1997; Turner, 1990). As analysis has moved in focus from the nation-state to the globe, the scope and the novelty of contemporary global processes has been magnified by some scholars, educators, political leaders and the media (Hannerz, 1992; Canclini, 1995). At the same time, it has been ignored or minimalised by others. Moreover, while some acknowledge the continuing presence of the state, they have, based upon evidence of globalisation, jumped to the conclusion that the current historical conjuncture is marked by a subversion of 'the hyphen that links the nation to the state' (Appadurai, 1990: 304). A main source of contention within debates about globalisation is whether or not 'the boundary of the power to impose differences...is being eroded by transnational developments causing the structure of the nation-state to become problematic' (Kearney, 1991: 52).

In response to the initial panegyrics about global flows, a new scholarship of the state has emerged which argues that rather than dithering away, states are undergoing a 'metamorphosis' (Turner, 1997; Beck, 1997: 139). New relationships are being established. One side of the partnership is found among the structures and institutions of various states. The other lies with the regional and global processes within which capital is accumulated, invested, commoditised and allocated to realise material gain from globalisation (Sassen, 1999); Camilleri and Falk, 1992). The state increasingly facilitates this process, 'acting as its agent' (Mittelman, 1996: 7). In their

efforts to maintain a structure of law and compete for greater shares of capital and markets, MNCs are finding new ways to use the legal structures and military or police capacities of states (Jessop, 1995; Panitch, 1997; Rosecrance, 1996; Sassen, 1999). States that are neither powerful nor locales of global cities are also affected by current trends and their degree of sovereignty, always tentative, is being further reduced.

Immigrants as well as corporations are now transnational, maintaining multiple ties across international borders. But transnational migration from both East Asia and Europe to the United States dates back to the 19th century (Glick Schiller, 1999b). Most emigrants intended to return and organise their incorporation into their new land around the sending of remittances to their old home. Labour-exporting states such as the Philippines are contributing to the contemporary revitalisation of transnational nation-state by reclaiming populations abroad, whether they have departed as temporary labourers or have become citizens of other countries. As demonstrated in Chapter II, beginning with Marcos, Filipino leaders developed rhetoric that has embraced Filipinos abroad as part of the Philippine state and nation, and as responsible for the country's welfare. With two-thirds of its citizens below the poverty line in the 1980s, the Philippine government began an official policy of exporting workers. Remittances emerged as a major component of the Philippine economy. The state directly entered into the process of labour contracting, making money from fees and exit taxes.

5.3.1 Non-State Institutions: MNCs in a Globalised Economy

Within the debate surrounding IPE, non-state actors occupy a distinct role in both globalisation and the good governance process. They are considered as autonomous agents in international politics (Pearson and Rochester, 1998). They are made up of intergovernmental, nongovernmental organisations and MNCs. MNCs, in particular, trace their roots back to the British East India Company and other trading companies like those of the British, Dutch, and other governments during the 17th century. They also proliferated in the 20th century after World War II. According to Pearson and Rochester (1998), non-state actors are organised either subnationally (within national boundaries) or transnationally (across national boundaries). Despite differences in definitions, the key feature of an MNC is that its branch of operations abroad are connected with and subordinate to a headquarters office in another country (Pearson and Rochester, 1998: 443). These corporations have subsets operating in

other countries, which are generally called subsidiaries (Papp, 1991: 85). As such, MNCs are important not only because of their size but also because of their global presence.

Proponents of MNCs consider these non-state entities to be harbingers of economic prosperity and trade liberalisation. Their critics, on the other hand, believe that MNCs are a tool for developed countries to subvert the sovereignty of developing countries. As Robert Gilpin succinctly puts it:

For some, the global corporation holds the promise of lifting mankind out of poverty and bringing good life to everyone. For others, these corporations have become a law unto themselves; they are mini-empires which exploit all for the benefit of the few (Kegley and Wittkopf, 1994: 292).

For Pearson and Rochester, the growth of MNCs is spurred by the following factors: (1) rather than trying to break through tariff and other trade barriers to export their goods to foreign markets, MNCs found it easier to gain access by building separate production facilities in those countries; (2) many countries offered cheap labour as well as advantageous laws to foreign firms willing to invest in their economies, (3) new technology, including the advances in communication and travel, and the development of computers all made it possible for MNCs to expand their operations; (4) the economic primacy of the United States and the special status accorded to the dollar after World War II enabled US-based corporations, in particular, to expand their overseas investment rapidly; (5) lastly, and simply, foreign investment has been found increasingly profitable by corporations (Pearson and Rochester, 1998: 435).

In recent years, developing nations have become less strident in their demands for controls on multinationals. Instead they have become more pragmatic in their dealings. This is largely because of a more realistic recognition of the role that MNCs play as agents of investment, trade and technology transfer in contemporary interdependent global political economy. Another reason may be that developing nations believe that the risks can be managed. The evolution of MNCs as powerful entities in the global stage can be traced to: (1) the creation of a special business strategy for each country in which it operates—at this stage they are referred to as ‘multidomestic’; (2) how MNCs strive to dominate a global market, but concentrate much of their efforts in their home countries; (3) how MNCs draw on global

resources, management, production and other capabilities to assume the stature of ‘transnational’ corporation (Papp, 1991: 85). As Robert O. Keohane and Joseph S. Nye, Jr. (2001) explain, non-state actors help build and broaden foreign policy agendas of national decision makers. They do so by serving as transmission belts through which one nation’s policies become sensitive to another. The rise of TNCs and the phenomenal growth of other types of non-state actors challenge the traditional state-centric theory of international politics, which holds that nation-states are the primary actors on the world’s political stage (Kegley and Wittkopf, 1994: 293).

Western Union serves as a good example of an MNC because it is synonymous with migration and remittances. No other non-state institution has catered to migrants more than Western Union. Hence the importance of the succeeding section, which presents a case study on how this emerging non-state actor has successfully tapped into the booming remittance market. This thriving industry is credited to the upsurge of economic migration. As more people across the world become transmigrants, they leave their countries to pursue economic prosperity elsewhere. At the same time, to maintain family ties, the need to send money home arises.

5.4 Western Union: Sending so Much More than Money

With the domination of globalisation, it becomes important to chart developments pertaining to the role of non-state actors in world affairs. Furthermore, the growing importance of non-state intermediaries cannot be ignored. As discussed previously, the rise of MNCs in less developed countries (LDCs) contributed to the creation of jobs and to the introduction of modern technology. In general, they can help the host country’s balance of payment (BOP) by bringing fresh capital and helping to develop export industries through their subsidiaries (Pearson and Rochester, 1998: 438). This section now presents the case of Western Union, which is a typical example for illustrating how ‘tradition’, ‘culture’ and ‘emotions’ are being used at increasing levels in marketing to mediate, or rather encroach, into human preferences. Western Union utilises various channels to reach out to its Filipino consumers within the country and overseas. These non-state actors are organised sub-nationally or across national borders. Such an emotional pull is mostly path dependent, and easily accumulated due to the demonstration effects. With the Philippines as the world’s fourth largest remittance-receiving market, the following

case study on a private-sector, publicly-owned and profit-oriented corporation explicitly shows that human capital mobility is embedded into non-state institutional development (World Bank, 2008; Central Intelligence Agency, 2009).

The remittance industry consists of formal and informal fund transfer agents.²⁷ Major competitors include a few large global players, such as money transfer operators (MTOs), and banks, as well as hundreds of smaller participants that serve as niche markets. There are also the informal ones such as family, friends, unregistered MTOs and trading companies. Western Union, however, has nearly perfected their business strategy; this is evidenced by their unparalleled client base and patronage. Western Union (2007), which first introduced the electronic money-transfer service in 1871, is an example of a non-state international financial intermediary. It exemplifies the way in which non-state entities and actors have evolved on the global stage.

Western Union (2007) founders set out in 1851 to build the first telegraph giant. When airmail and faxes left telegrams obsolete, the company went bankrupt in 1992. It emerged, however, two years later with a focus on its money transfer service and was acquired in 1995 by the Colorado Corporation First Data. The company ventured outside the US market only 15 years ago and has experienced the rise of worldwide migration first-hand through the growth of its business to more than 200 countries. The company offers consumer to business services such as bills payment, money orders and prepaid card services. It also provides walk-in, telephone, online, and mobile convergent money transfer services. The company's customer base predominantly consists of economic migrants who wish to use money-transfer services to send money back home.

As their company policy reiterates, Western Union aims to provide one location for every 25,000 to 35,000 population (*Star Malaysia*, 2001). Western Union's service is simple to use by a variety of individuals: travellers who need cash in emergency situations, foreign workers or relocated staff sending money home to families, students in foreign exchange programmes who receive financial support from home, and business people who require cash to close a deal or cover expenses. The relative ease and reliability by which Western Union facilitates money transfers are the main reasons for its continued success. More importantly, there is no requirement for customers to have a bank account or credit card which makes

²⁷ Valerie T. Sison, *Interview*, Business Manager, Bank of the Philippine Islands, Dela Rosa Solaris One Branch (Makati, Philippines: Personal Communication, 10 September 2010).

transacting business with them faster and easier. With five times as many locations worldwide compared to that of McDonald's, Starbucks, Burger King and Wal-Mart Stores Inc. (branded as Walmart) combined, and fuelled by the surge in migration with international money transfers growing by 20% a year, Western Union is the lone behemoth among hundreds of money transfer companies (DeParle, 2007). Little noticed by the public and seldom studied by scholars, these money transfer businesses form the infrastructure of global migration. They are a force remaking economics, politics and cultures across the world.

The study of Western Union offers insight into how migration is changing the world. This fixture of American lore that went bankrupt selling telegrams at the dawn of the Internet age now earns nearly \$1 billion a year helping poor migrants across the globe send money home (DeParle, 2007). Migration is so central to Western Union that forecasts of border movements drive the company's stock. Its researchers outpace the US Census Bureau in tracking migrant locations. Its executives hail migrants as 'heroes' and once tried to oust a congressman because of his push for tougher immigration laws. As Christina A. Gold, Western Union's President and Chief Executive Officer, said: 'Global migration is the cornerstone of how we've grown' (DeParle, 2007).

On the global front, among Western Union's biggest market share consists of Eastern Europe with 52%, Middle East with 14%, and Africa with 11% (*Star Malaysia*, 2001). Western Union's recent entry into the Malaysian market signifies their intention to penetrate the East Asian market. According to WU Financial Services International President William D. Thomas, although the company's market share in South Asia is only 2%, there are plans to increase it by 10% to 20% in the coming years. Currently, in Malaysia, it is estimated that about \$2 billion is transferred in and out of the country annually by Malaysians working abroad and migrant workers in Malaysia. These consist in part of OFWs found primarily in the construction, health and domestic services sectors. According to the *Star Malaysia*, Western Union now has branches not only in Malaysia but in Thailand, India, China, and of course the Philippines.

5.4.1 Flexible Marketing Strategies: Servicing the Global Economy

The establishment of Western Union as an MNC catering to migrant workers has redefined the way an economic transaction is handled. With branches worldwide,

it has become the most efficient, speediest and most reliable means of sending money to all parts of the world. It thereby acquires emotive qualities, as seen in their marketing strategies. The scope of Western Union's marketing challenge can be seen by looking more closely at Europe, the Middle East, Africa and East Asia. There are approximately 18,000 remittance corridors across this region that can change dramatically depending on the intricacies of migration (Foster, 2005). The marketing strategy must be flexible enough to quickly adjust to the ebb and flow of migration in and out of each country.

Western Union initially appeared money-oriented and cold, until they decided to create a more empathetic image. The goal, as one plan put it, was to capture a 'share of mind' and a 'share of heart' to preserve a 'share of wallet' (DeParle, 2007). Having once stressed efficiency, 'the fastest way to send money', Western Union now emphasises the devotion the money represents (DeParle, 2007). And in doing so, the company has developed local campaigns that are tailored to suit the newly emerging and established remittance market. Over the past four years, Western Union has spent more than \$1 billion on marketing this new image (Foster, 2005). According to Mike Chajkin, the Worldwide Account Director of Leo Burnett, Western Union's global advertising agency:

When people make a money transfer, it's actually much more than just money they're sending. Sending money is an emotional rather than a rational financial process, something that goes beyond the simple transfer of money and takes on significance far beyond its monetary value. This is used as a common thread throughout all of Western Union's international campaigns. To these customers, money transfers can mean a multitude of things, such as a child's education, medical treatment for a relative or on-going financial support for retired or elderly parents living back home (Foster, 2005).

In addition to above-the-line advertising campaigns, Western Union has achieved considerable success using word-of-mouth, one of the most important channels in creating awareness among the wider community.

According to Patricia Zamora-Riingen, WU Senior Vice-President for Pacific and Indochina, Western Union projects an image which believes in people who are on the move in pursuit of their dreams.²⁸ According to her, Western Union is the

²⁸ Patricia Zamora-Riingen, *Electronic Interview*, Western Union Senior Vice-President Pacific and Indochina (Manila, Philippines: Email Correspondence, 12 August 2009).

company which can say ‘yes’ to all their needs. It is this premise which prompted them to launch in February 2009, their first-ever comprehensive global brand initiative “Yes!”. Zamora-Riingen says this programme focuses on the future, with optimism and hope, and that Western Union is proud to enable this very personal connection. She further added that central to Western Union’s philosophy is to support the communities in which its consumers and employees live and work. In 2007, they launched “Our World, Our Family”—a \$50 million, five-year corporate giving initiative to support migrant families through education and global economic opportunity programmes.

Since beginning their operations in the Philippines in 1990, the company now has 7,300 agent locations across the country. Western Union has provided consumers with access to much-needed money for daily sustenance or emergency assistance. Remittances are transferred immediately, and directed person to person, that is, to the people and communities in most need. During a crisis, speed is crucial in getting funds to those who need it most. Therefore, providing these global consumers with access to fast, reliable routes to transfer funds whenever needed becomes imperative. Whereas remittances are essential for everyday subsistence, in times of crisis, they become fundamental to survival.

Western Union utilises various marketing strategies to reach out to its Filipino consumers within the country and overseas. Some of these include utilising local celebrities as ambassadors for its domestic money transfer services. Cesar Montano, a Filipino celebrity with known civic endeavours, is one example. Western Union has also launched programmes and promotions to establish loyalty among customers by providing discount privileges and ‘experiential’ benefits for domestic Filipino consumers. Western Union also markets its services to OFWs using a variety of media channels targeted mostly to where Filipinos congregate. In addition, they create platforms for OFWs to mingle and have fun, be informed about departure procedures, information on destination countries through its Pinoy Care Handbook, seminars on financial matters, and enhancement of facilities for OFWs in government offices such as OWWA and POEA.

As a part of an advertising campaign, one poster pairs a Filipino nurse in London with her daughter back home in cap and gown, making Western Union an implicit partner in the family’s achievements. ‘Sending so much more than money’ is

a common tag line.²⁹ Its zealous pursuit of migrants can be seen in a government office in Manila, where a half million Filipinos per year wait to have their papers processed before leaving for overseas jobs. In addition, there are cases where Western Union agents even go to the hotel where foreign workers live to have their transfers processed right there and then. Lastly, Western Union often serves as corporate sponsor for Filipino organisations conducting events.

As their marketing line goes, Western Union helps connect loved ones near and far by providing a fast, reliable and convenient way to send money. It is through this service that Western Union says they bring peace of mind to Filipino customers. According to Zamora-Riingen, the unbanked predominantly migrant workers are currently under-serviced and ignored by most banks and financial institutions in most countries.³⁰ This means that a large number of migrant workers who wish to send money back home have no safe, regulated route to do so. They are reduced to using informal channels, which may even involve illegal money transfer routes. Remitters use informal channels because these channels are cheaper, better suited to transferring funds to remote areas where formal channels do not operate, and offer the advantage of the native language and, on rare occasions, anonymity (Ratha, 2010). Informal channels, however, can be subject to abuse. Strengthening the formal remittance infrastructure by offering the advantages of low cost, expanded reach, and language can shift flows from the informal to the formal sector. Both sender and recipient countries can support migrants' access to banking by providing them with identification tools.

In a country where commoditised human capital is the nation's largest asset, there are of course noticeable shifts in the social, political and economic climate of the Philippines. Relevant to this study is what Brillo calls 'the emergence of the coalition of institutions' (Brillo, 2008: 51). These are supplementary institutions whose existence or distinct functions are brought about by labour migration. Within these institutions, there are two categories. The first is the 'Philippine state migratory apparatus', or the government institutions and organisations that exercise power over migration, such as the POEA, OWWA, and the Department of Foreign Affairs (DFA). The second consists of private organisations connected with labour migration. These

²⁹ Ron Henares, *Interview*, Expansion Head eBusiness Services Inc., (Makati, Philippines: Personal Communication, 28 November 2008).

³⁰ Zamora-Riingen, *Electronic Interview*.

include academic institutions, various interest groups, recruitment agencies, medical clinics for health certification, travel agencies, banking systems, foreign exchange brokers, and remittance agents of which Western Union is a prime example (Tyner, 2004). These institutions by themselves or through their complementary configurations would be critical of a change in policy, for such a change would compromise their vested interests, which include maintaining their significance, earnings or existence. These companies, what Brillo (2008: 52) terms as the 'growth of a new migration infrastructure', constitute a multi-billion dollar industry that has strong vested interest in the continuation of labour migration.

The millions of Filipinos working abroad combined with the high probability of them having relatives, colleagues, or friends abroad make labour migration more certain and relatively less stressful. Aided by changes in communication and technology, such as internet, text messaging, money transfers, etc., Filipinos remain 'connected', even if they are separated by distance (Brillo, 2008: 53). As Alegado (1994: 153) further explains, the phenomenon of Filipino migration is also based on the strength of social relationships across space and their influence on individual decisions. According to this perspective, migration is primarily a network-building process linking communities and populations separated by great physical distances. It is the presence of families and friends in places of destination that plays the decisive role in motivating individuals to migrate.

Similarly, it is the pull of primary relationships left back home that stimulates return migration. It is with respect to this dimension of networking that Western Union (2009) has asserted itself as the migrant's reliable and trustworthy friend. More than just providing fast and easy access to the financial needs of the migrant's family at home, Western Union has taken on an emotive quality. While it provides money, the company also acts as a link to families all over the world, positioning itself as someone who is there to solve whatever concerns or problems that the sender or receiver might have. According to Zamora-Riingen, in addition to providing an economic transaction, Western Union is also committed to protecting hard-working consumers in difficult circumstances who have few rights and even fewer legal protections and who are underserved by the banking and financial industry.³¹

³¹ Zamora-Riingen, *Electronic Interview*.

The popularity of Western Union can be traced to its service of being able to send and receive money instantly. Indeed, those interviewed affirmed the reliable and fast service afforded by Western Union as compared to banks. Marjorie Beringuel, Hannah Ivane Esguerra and Katherine Greta Mendiola (students and with relatives living abroad) attest to having used Western Union in receiving money from their relatives when the need arises.³² These interviewees said that their relatives abroad prefer Western Union because of its fast, easy and reliable service.

This comes in handy, as in the case of Marjorie, who is a student and a two-year Western Union customer, who needed money for an emergency.³³ After calling her father, employed in the Middle East, and informing him of her immediate financial need, he soon told her that she can claim the money at any Western Union branch near her. Although Western Union is commended for being fast and reliable, the users have nevertheless decried the high rates being charged per transaction. The price of the remittance transaction includes a fee charged by the sending agent (paid by the sender), and a currency conversion fee for delivery of local currency to the beneficiary in another country. Major MTOs like Western Union charges higher fees, as urgent transactions delivered in minutes cost much more than next-day transfers (World Bank, 2006: 136). Western Union charges \$10 per \$100 sent.

According to Ivane, when her uncle from abroad sent her PhP20,000 (\$430) to buy a gift for a relative, she was shocked to discover that from that amount she only received little more than PhP18 thousand (\$390).³⁴ Katherine remarked that for someone who depends on the money being sent by relatives from abroad, Western Union is still a company bent on making profit out of the hard earned money of foreign workers.³⁵ Indeed, Ratha (2010) notes that exorbitant fees from an average of 13% to a high of 20% charged by money transfer agents are a drain on hard-earned remittances. These fees especially affect the poor. Reducing remittance fees by five percentage points could increase annual remittance flows to developing countries by \$4 to \$5 billion (Ratha, 2010).

³² Marjorie Beringuel, *Interview*, Student and Western Union Client (Malacañang, Philippines: Personal Communication, 12 June 2009); Hannah Ivane Esguerra, *Interview*, Student and Western Union Client (Laguna, Philippines: Personal Communication, 12 June 2009); Katherine Greta Mendiola, *Interview*, Student and Western Union Client (Makati, Philippines: Personal Communication, 12 June 2009).

³³ Beringuel, *Interview*.

³⁴ Esguerra, *Interview*.

³⁵ Mendiola, *Interview*.

In addition, the Western Union clients interviewed also pointed to the stringent requirements being demanded by the company when claiming their money. As Marjorie explained, it is not enough to present a simple piece of identification and fill up a form, now there are other requirements.³⁶ Western Union needs to be able to prove that they are the legal recipient of the money. The interviewees claimed this is another inconvenience on their part, although they do understand why such a process is needed. When asked whether they prefer to course money through Western Union or a bank, they all prefer coursing it through banks because the process involves less trouble with paperwork and the cash is also easy to withdraw from an automated teller machine. Nonetheless, they all admit that in times of emergencies, banks do not deliver as Western Union does.

Despite these major criticisms from the user perspective, however, Western Union continues to play an active role in the lives of migrant workers and their families by providing an unparalleled reach to millions of migrants and a safe way to transmit money. The above case study has revealed that human capital mobility in the 21st century is quite clearly embedded into the development of non-state institutions. The following section on migrant remittances, as an important characteristic of social capital, further contextualises this main point.

5.5 Migrant Money: Remittances in the Philippine Economy

According to the World Bank (2006: xii), the impact of remittances on migrants is traceable because the migrants' salaries reflect industrial-country prices and because migrant labourers spend their money in developing countries where prices of non-traded goods are much lower. The impact on destination countries, on the other hand, is measurable through increased availability of labour boost returns to capital and reductions in the cost of production. In addition, high-income countries may benefit from increased labour-market flexibility, economies of scale, and increased diversity. In the Philippines remittances represented a large proportion of income flows, as high as 7.6% of GNP in 2000; they were the equivalent of almost 16% of merchandise exports (Kanlungan Center Foundation, 2009). When expressed in terms of per capita remittances, the Philippines also had the largest average. Incomes from remittances only accounted for 1.2% of GNP in 2000 in Thailand and

³⁶ Beringuel, *Interview*.

were even less significant for China and Indonesia (Asian Migrant Centre, 2009). It is also of interest that both Thailand and the Philippines have generated higher incomes from exports of goods and exports of labour than the other two countries; these incomes are also probably higher in comparison with many other developing countries.

The social and economic impact of remittances upon home countries is remarkable. One of the studies that aimed to address the poverty question with respect to the Philippine case is a sociological study conducted by Professor Stella Go of De La Salle University, Manila, which analysed data from income and expenditure household surveys conducted by the NSO in 1988, 1991 and 1997 (Manalansan, 2010). Go found that a larger proportion of families from the richer regions of the country have reported income from abroad as their major source of income. However, Go says that instead of spreading the economic benefits of labour migration, labour exportation ‘appears to have contributed instead to the long existing problem of inequality in Philippine society’ (Manalansan, 2010). On this end, it is Go’s opinion that the Philippines may indeed be at the losing end of the labour migration phenomenon.

On the other hand, although it seems that migration did not benefit the country’s poorest regions, remittances in the Philippines exceed foreign direct aid and outstrip other forms of private investment. As previously discussed and supported by figures from the ‘World Bank Migration and Remittances Factbook’, the Philippines remains one of the largest remittance-receiving markets in the world (World Bank, 2010). As Ian Marsh, WU Executive Vice-President for Asia-Pacific states, ‘outside of the United States, [India, and China, the Philippines] is second only to Mexico for inbound remittances and has tremendous growth potential as both a key receive and intra-country market’ (Western Union, 2007). Table 11 shows the top 10 countries with the highest remittances received in 2008.

Table 11. Top 10 Countries with the Highest Total Remittances Received in 2008

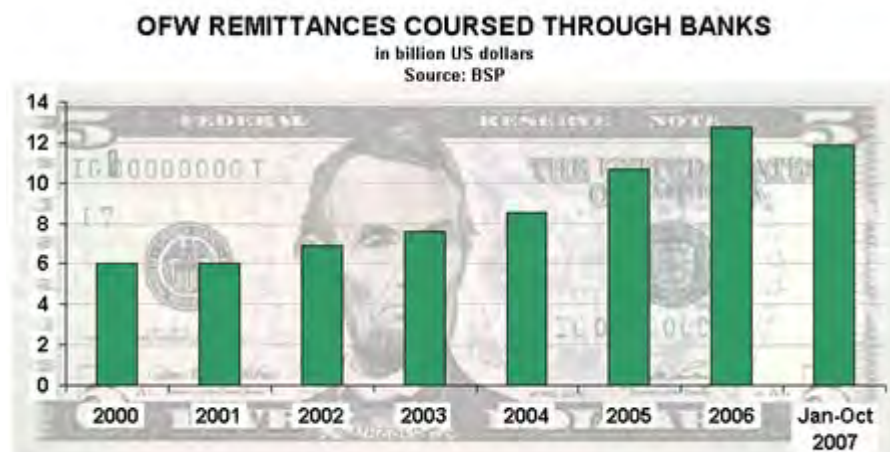
Country	Total Remittances (billion \$)	GDP (PPP in billion \$)
India	52	3.3 ¹
China	40.6	7.9 ²
Mexico	26.3	1.6 ³
Philippines	18.6	317.5
Poland	10.7	667.9
Nigeria	10	335.4
Egypt	9.5	443.7
Romania	9.4	271.4
Bangladesh	9	224
Vietnam	7.2	241.7

Note: Footnotes 1, 2 and 3 in Table 11 (Indian, Chinese and Mexican GDP respectively) are in trillions of US dollars.

Sources: World Bank (2009); Central Intelligence Agency (2009).

The remittance industry, which enables immigrants to send money back home to their country of origin, is a booming market. It is worth an estimated \$249 billion globally, with a growth rate of 8% year-on-year (Foster, 2005). The explosion in this sector is closely linked to the increase in economic migration. As more people across the world move away from their birth countries in pursuit of work and a better quality of life, they send money home to their families. Figure 4, below, shows the progression of OFW remittances from 2000 to 2007. It illustrates how the Philippine economy has become dependent on remittances to help keep the country financially stable.

Figure 4. OFW Remittances from 2000 to 2007



Source: Central Bank of the Philippines (2009).

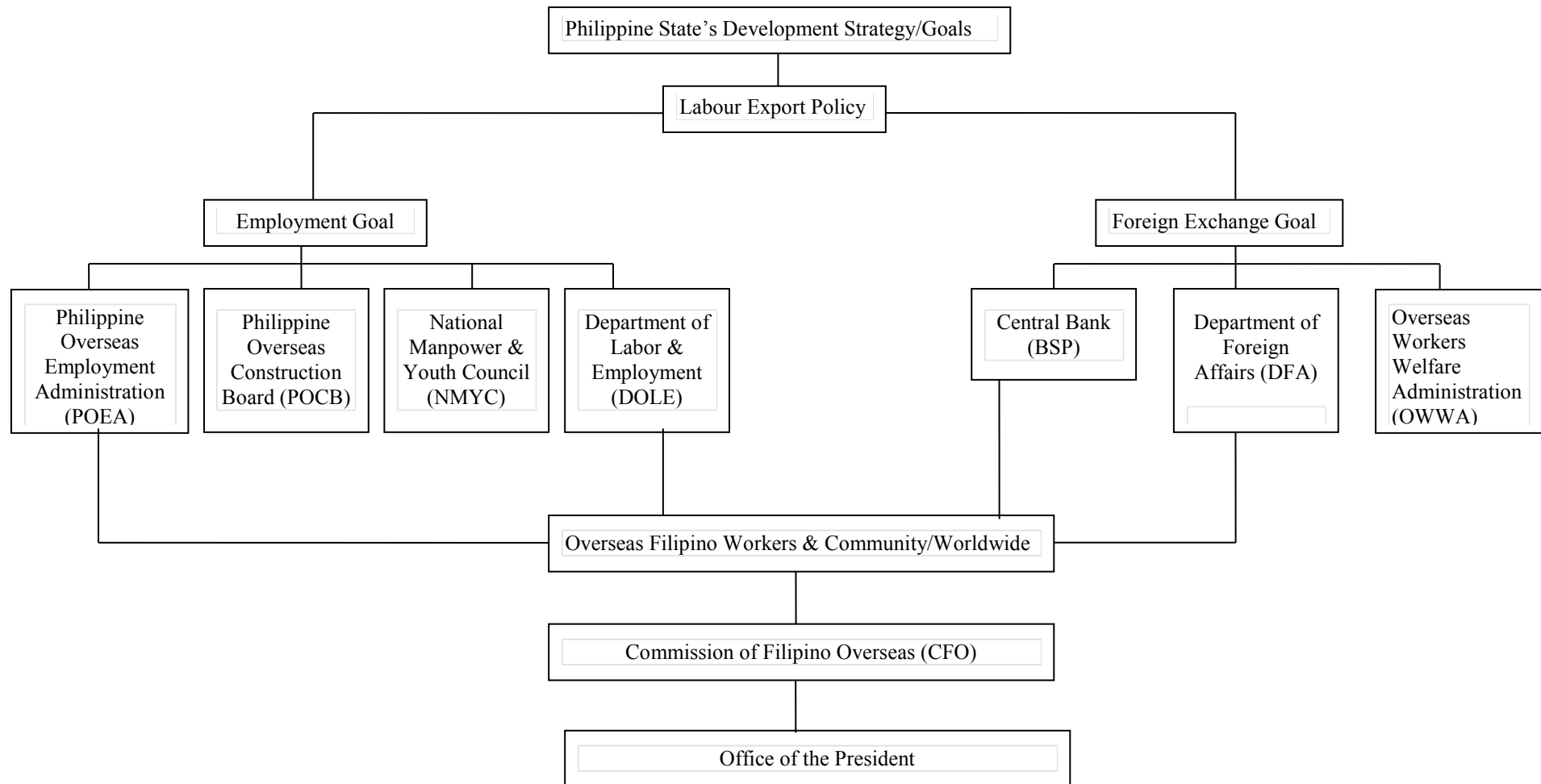
There has been an increased interest in the impact of remittances in the political, social and economic life of countries like the Philippines. At the same time, an analysis of the mechanisms by which migrants send money outside of the formal and regulated banking and financial sectors is lacking (Black, 2003). Also not discussed are the institutional barriers to efficient transfer of remittances that the migrants encounter. This is the area where Western Union's dominance of the industry has cast it in a host of unlikely new roles as a force in development economics. According to Alegado (1994: 148-149), the experience of the Philippines as a source of large-scale migration supports the view that the conditions of poverty, unemployment and overpopulation by themselves are not sufficient to promote large-

scale migration. Two important structural forces ignited the large-scale exodus of Filipinos seeking employment outside of the country. The first is the state, or more precisely, the various departments set up by the Philippine government to facilitate the development of labour export industry. Figure 5 on the following page shows the various government institutions involved in the institutionalisation of Filipino migrant labour, the latest addition of which is the Technical Education and Skills Development Authority (TESDA).³⁷ The second are the private recruitment agencies.³⁸

³⁷ According to its official website, the Technical Education and Skills Development Authority (2010) was established through the enactment of Republic Act No. 7796, otherwise known as the Technical Education and Skills Development Act of 1994, which was signed into law by President Ramos on 25 August 1994. This Act aims to encourage the full participation of and mobilise the industry, labour and local government units, as well as technical-vocational institutions in the skills development of the country's human resources. In addition, TESDA is tasked with the following mandate: integration, coordination and monitoring of skills development programmes; restructuring efforts to promote and develop middle-level manpower; approval of skills standards and tests; develop an accreditation system for institutions involved in middle-level manpower development; fund programmes and projects for technical education and skills development; and assist trainers training programmes. To highlight TESDA's role in the labour migration process, just recently TESDA Director General, Augusto Syjuco, said nearly 24,000 people enrolled in the household services training from January to August 2009. In 2008, an estimated 54,000 people joined the Super Maid Program and found jobs abroad. This programme is just one from hundreds of courses being offered by TESDA, for free under a government scholarship and for Filipinos looking to find work abroad.

³⁸ Santos, *Interview*.

Figure 5. Various State Agencies in the Labour Export Industry during the Marcos Regime



Source: Alegado (1994: 177).

In just a few years, the Philippine government established institutions and agencies that began to systematically organise and supervise a comprehensive overseas employment service apparatus. The state-run employment agency and the government and private institutions were tasked to carry out several activities. These included research and development of the international market for Philippine manpower services, training, recruitment, and placement of Filipino workers for overseas employment, and the protection of overseas Filipino workers (Alegado, 1994: 142). Maximising remittance inflow has been a major objective of the Philippine government's overseas employment programme. The pre-POEA agencies during the Marcos era involved in the export of labour services had their own remittance monitoring procedures. In 1980, Marcos decided that the BSP should become the central authority responsible for monitoring remittances (Alegado, 1994: 142).

According to Richard Black (2003), there are different theoretical explanations to describe remittance behaviour. One is 'altruism',³⁹ which suggests that remittances rise when the economic needs of families back home increase (Becker, 1974: 1063-1093). There is also the concept of 'exchange', which suggests that migrants are effectively paying back family and relatives for investments in the education or travel of the migrant (Cox, 1987: 508-546). Lastly, there is the idea of 'co-insurance',⁴⁰ in which both migrant and family provide monetary and in-kind transfers to ensure the other against temporary 'shocks' (Lucas and Stark, 1991: 901-918). Other studies have also revealed that the motivation for sending and receiving remittances is primarily economic rather than political. In the case of workers with temporary resident status (usually young but with family left behind at home) it can be seen that as salaries increase, so do remittances (Taylor, 1999; 63-87; De la Garza and Lowell, 2002).

In 2006, migrants from poor countries sent home \$300 billion, nearly three times the world's foreign aid budgets combined (DeParle, 2007). The role of

³⁹ Altruism according to Jacques Bouhga-Hagbe (2006) is the willingness of someone, in this case a worker living outside his or her home country, to provide financial assistance to another in a situation of 'hardship'. Moreover altruism, as a motive to remit, may in fact partly reflect self-interested reasons for transfers for those who want their residential investments to be looked after when they are away. Therefore, altruistic flows could be thought of as being fairly stable.

⁴⁰ According to Investopedia (2010) (a Forbes digital company), a co-sharing agreement between the insured and the insurer provides that the insured will cover a set percentage of the covered costs after the deductible has been paid. Similar to co-pay insurance plans, except co-pays require the insured to pay a set dollar amount at the time the service is rendered.

remittances in propping up the Philippine GNP was the subject of the Senate Economic Planning Report (SEPR) (Senate Economic Planning Office, 2005). Indicating the Philippines as the fifth biggest recipient of remittances in 2005 and a major exporter of labour, the report pointed out that the growing number of overseas workers is a symptom that domestic employment has not kept pace with population growth (Burgess and Haksar, 2005).

The phenomenon of migrant workers has caught the attention of economists because of the way in which remittances have impacted the economy of receiving countries. According to the SEPR, the huge inflows of remittances in recent years are even larger than private capital flows and official development assistance in some countries. Remittances have a large scale economic impact because they provide a significant source of foreign currency that helps finance imports and contributes to BOP. It also increases national income, which results in the improvement of the country's credit worthiness, thus enhancing access to international capital markets.

In addition, if inflows are remitted through the formal market channels like banks, it opens up opportunities for greater savings mobilisation. If invested in entrepreneurial activities, this helps to improve the domestic economy. On the micro-economic level, remittances have also had an impact on welfare through increased spending, which has been found to help stimulate the economy. When spent on education and health expenditures, this develops the country's human capital, benefiting the economy in the long run. Furthermore, there is evidence to suggest that remittances provide working capital for its recipients that lack access to a credit market, allowing them to set up small businesses of their own.

On the downside, the huge inflow of remittances may also create adverse conditions that may be harmful to the economy. With the global financial crisis ravaging markets around the world, the Philippine government is relying solely upon remittances to continuously keep the economy afloat. Aside from this problem, there is the tendency to be complacent in terms of instituting fiscal and trade policy reforms. As the SEPR adds, this dependence on the inflow of foreign exchange strengthens the local currency, hence making exports less competitive. In the long run, it discourages investments since the number and quality of the labour force is declining. Another issue that still needs to be investigated is whether the benefit of deploying workers abroad is higher than the cost of education and training spent by the labour-exporting country.

According to Zamora-Riingen, remittances are more stable than private capital flows, and they tend to be what economists call ‘counter-cyclical’.⁴¹ That is to say, they rise dramatically during economic downturns, in times of political turmoil, or when natural disasters strike. This is because it is during these times that overseas workers increase their giving for their families and communities. Researchers and development economists have identified collective remittances as an important phenomenon, although serious gaps remain in capturing a best practice approach to encourage investment in home communities. The *Economist Intelligence Unit* (EIU) (2008), sponsored by Western Union, produced a white paper called “Building a Future Back Home: Leveraging Migrant Worker Remittances for Development in Asia” to examine communal or collective remittances, the impact they are having, and what can be done to make them more effective. The EIU white paper concluded that issues impeding further use of collective remittances for development are all related to one central factor: the need for leadership both among the migrants and in the recipient community. According to the World Bank, documented remittances to developing countries reached \$283 billion last year, approaching the level of FDI and exceeding official development aid.⁴² Following the publication of the EIU white paper, Western Union, according to Zamora-Riingen, convened the first forum in the Philippines in April 2009 with the theme “The Western Union Conversation: Building a Future Back Home” and discussed how collective remittance projects can be made more widespread and successful.⁴³ The end goal of the project was the development of guiding principles to make collective remittances more commonplace around the world.

Money sent home by migrants constitutes the second largest financial inflow to many developing countries, exceeding international aid. Latest estimates vary. The International Fund for Agricultural Development (IFAD)⁴⁴ (2010) estimates of \$401 billion, whereas the information from central banks provided by the World Bank (2008) is at a more conservative \$250 billion for 2006. These figures are increasing

⁴¹ Zamora-Riingen, *Electronic Interview*.

⁴² Zamora-Riingen, *Electronic Interview*.

⁴³ Zamora-Riingen, *Electronic Interview*.

⁴⁴ The IFAD, a specialised UN agency, was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. IFAD is dedicated to eradicating rural poverty in developing countries. For further information see IFAD’s detailed “Strategic Framework for IFAD 2007-2010: Enabling the Rural Poor to Overcome Poverty” (International Fund for Agricultural Development, 2010). Its headquarters is in Rome.

by almost 30% year to year (Ratha, 2009). Remittances are undeniably an important economic characteristic of human capital that has significant political and social ramifications. These political and social effects in turn contribute directly to economic growth and to the livelihoods of poverty-stricken people worldwide. Moreover, remittance transfers can promote access to financial services for the sender and recipient, thereby increasing financial and social inclusion. As Chapter IV suggested, remittances can also foster in the receiving countries a further economic dependence on the global economy instead of building sustainable local economies.

Labour commodification remains a top priority for the Philippine government as a way for the economy to remain afloat. As this inherently economic process takes on emotive qualities, seen in the above discussion on the various humanistic meanings that global migrants attach to remittances, it becomes clear that human capital mobility is embedded into non-state institutional development. It is therefore necessary to study, understand and learn how to channel remittances to help finance and facilitate improved health care and education towards building a better future for migrants and their families back home.

5.6 Conclusion

As Chapter II narrated, the Philippines is a successful labour exporter, and the country continually looks to labour migration to develop and strengthen its development processes. Labour has indeed brought about the survival of the economy through remittances and provided employment for hundreds of thousands of Filipinos (Asis, 2006). Exemplified in this chapter's case study on Western Union, through remittances, it becomes apparent that human capital mobility and non-state institutional development share an intrinsic relationship. That is, the transnational development of human resources generating a non-product-based commoditisation simultaneously results in reverberating implications for the development of non-state actors.

It is still difficult to see, however, why remittance fees should be so high and why they should increase, rather than stay fixed, when the amount of transfer increases. It appears that the regulatory framework is potentially flawed. There seem to be barriers to competition and perhaps duplication of efforts in the payments system, for instance when each transfer agency invests in its own proprietary transfer

system (Brillo, 2008). Solving this problem would involve policy coordination in both source and destination countries.

Improving migrant workers' access to banking in the remittance-source countries (typically developed countries) would not only reduce costs but also lead to financial development in many receiving countries. Facilitating remittance flows would require using the existing retail financial infrastructure such as postal savings banks, commercial banks, or microfinance institutions in rural areas. Also, given that the average cost declines as remittances increase, there may be scope for policy measures to alleviate cash constraints and enable migrants to send larger amounts of funds. Although the monetary transfers would take place less frequently, it would save on remittance costs.

To make remittances operate fully effectively for the Philippines in the long run, measures to address these concerns must be pursued by the government. Current programmes and activities by entrepreneurs are in the right direction. Increasing the portion of remittances channelled into savings instruments will help develop the Filipino capital market and provide funds for productive endeavours. This should drive the financial sector and the BSP to make available financial instruments that are safe and offer better yields. It also provides an opportunity for rural banks and microfinance institutions to cater to the needs of the OFWs since the majority of them come from the countryside.

Channelling remittances to productive investments is another challenge for government. Families of OFWs need to be encouraged and trained to engage in small businesses. This creates jobs and would help improve the domestic economy. In the long run OFWs can return and be reintegrated in the country, bringing in better skills and technology. Indeed some preliminary global indicators now point to a kind of 'brain-gain' trend, as opposed to brain drain (Lee-Chua, 2009). Some suspect this might be closely linked to what the *Economist* (2009), controversially pointed out as a possible reversal or at least slowing down of globalisation.

In sum, this and the preceding Chapter IV have both provided case studies on Western Union and Filipino nurse migration respectively. The research presented herein contributes to a better understanding of how remittances and migration have affected the growth and development of a developing country. As a result, an IPE-based examination of human capital mobility under globalisation has revealed that human capital mobility is embedded into non-state institutional development.

Chapter VI. Policy Recommendations

6.1 Introduction

Human labour as an exported commodity inherently challenges conventional IPE wisdom, opening the door to examine what this thesis has termed non-product-based IPE. Drawing empirically based insights from an examination of Philippine labour migration, remittances and development, Chapter VI provides some policy-oriented suggestions geared towards migration, remittances, and remittance cost reduction. In doing so, this brief but idea-packed chapter offers lessons applicable to how improved development could result from the harnessing of remittances.

6.2 Philippine Labour Migration, Remittances and Development

An efficient use of labour is crucial for rapid economic growth. It is essential to make labour as productive as possible by providing suitable work incentives through wage, bonus and promotion policies as well as through appropriate education and training. It is also necessary to maintain smooth industrial relations by creating proper mechanisms for resolution of conflict between labour and management. This will ensure that any loss of working days, such as those due to strikes, can be minimised. It is further desirable to keep labour use flexible in order to effectively manage the economy when faced by shocks and respond to shifts in comparative sectoral advantage. Lastly, it is important to minimise distortions and interventions in the labour market. Clearly, labour is a unique factor of production because workers, being human, are not commodities in the conventional sense. As such, labour policies possess a significant social dimension that comes across in debates. It is argued, for instance, that state interventions are necessary to promote the welfare of workers. At the same time, it is also maintained that state interventions may hurt workers in the long run because they reduce employment, productivity and growth; this argument derives from an emphasis of the efficiency angle of labour (Agarwal, Gokarn, Mishra, Parikh and Sen, 1995).

When economic policies are restructured, their measure of success and their impact on the population are determined to a large extent by labour markets. As economic restructuring aims to make an economy more open and competitive, the relative importance of the efficiency aspect increases (Horton, Kanbur and

Mazumdar, 1991). If remittances are to be employed as a tool for development, it is first of all essential to determine whether remittances actually go directly to poor people, or instead enhance inequality by enriching the already better-off families of migrants. It is also necessary to be alerted to the wider multiplier effects of the use of remittances, especially in health and education.

Secondly, changes in economic theory need to be considered. Earlier studies focused on analysing data on domestic remittances sent from urban to rural areas. In contrast, more recent research interest has focused overwhelmingly on international remittances, especially with regard to the institutional mechanisms through which remittances are transferred. It is therefore important to focus on how to improve financial markets in source areas for internal migration both in terms of operation and supervision. Doing so will ensure transparency and reduce the costs of domestic transfers. This will occur even if these transfers do not involve the specific issues of currency exchange and international regulation of transfers.

Thirdly, it is true that economic theories of remittance behaviour as ‘co-insurance’ between migrants and their families emphasise the changing amounts and directions of remittance flows over time. Nonetheless, it is still challenging to determine how time away affects the propensity of migrants to remit money and to seek to extend the time frame within which such remittances are maintained.

The general understanding in the literature is that remittances are likely to decline over time as migrants become more committed to their host country or region with three to five years as the peak period in which remittances are sent. In addition, however, remittances fall when a migrant achieves permanent resident status abroad. Such a pattern is not inevitable and may be affected radically by macroeconomics, social and political change, and by life events among migrants and their families. Such influences warrant further investigation that takes specific context into account.

Another concept identified within the thesis’ IPE framework is institutionalism. Institutions such as the Philippine government, Western Union and the institutions responsible for migration that have been discussed in Chapters IV and V, contribute significantly to the process of commoditising labour as they cater to overseas workers. For the Philippines, migrant remittances are a superficial band-aid solution to the economic problems of the country, not a sustainable form of development. All the same, remittances can be harnessed to contribute positively to the growth and the reduction of poverty in a developing country.

Throughout modern history national economies have relied on the state to recruit and regulate cross-national flows of labour. The debates over development strategy in the Philippines reflected the political and intellectual ferment taking place in many post-colonial societies following World War II. Political leaders of newly-independent countries were embarking on economic recovery and reconstruction of their countries that had been devastated by both the war and by centuries of colonial plunder. These countries struggled to determine the best way to force the pace of national economic growth to move at a faster rate in order to meet the needs of their impoverished people. The preoccupation of analyses, explanation and prescriptions for state action came to constitute a new branch of economics that has been called 'development economics'. In tandem, policy questions on how to make remittances work for development are not direct measures to promote and channel flows of remittances, rather they focus exclusively upon indirect measures. This is especially notable, given the failures of developing countries to capture a share of remittance flows in the form of taxes in order to redirect these to socially useful ends. Furthermore, they found only limited success in the training and giving of loans and grants to migrants to invest their remittances. Finally, among many migrants there was a widespread perception of government corruption and a lack of trust of officialdom.

Development policy now focuses firmly upon poverty alleviation, with poverty defined in terms of a dollar-a-day poverty line and its alleviation marked by the achievement of the UN Millennium Development Goals (MDGs). These goals include universal primary education, the reduction of infant and child mortality, and universal access to safe drinking water and adequate sanitation. In this arena, the relationship between remittances and development seems to depend upon how remittances impact critical indicators, both directly and indirectly. Some view this positively, and suggest that remittances reduce poverty because it is the poor who migrate and send back remittances.

Critics of this view maintain that remittances may increase inequality because it is the rich who can migrate and send back remittances, making recipients even richer. To explore this controversial matter, investigation needs to take place both at the macro level using cross-country data and at the micro level using household surveys. It is also important to assess the impact of remittances depending on their use, most especially on the schooling of children. The question of how remittances sent by

skilled migrant workers may offset negative effects on economic growth and the fiscal revenue of the remittance-receiving country is yet a further matter for investigation.

The problems of brain drain and the existence of job competition from ‘in-migration’ in labour-receiving countries may well hold the keys to the success of the global migration agenda. Since the international financial crisis of August 2008, which began in the United States, some scholars have noticed new patterns emerging within the global economy (*Economist*, 2009; Bajoria, 2009; Sicangco, 2009; Focus on the Global South, 2009). According to Walden Bello (2004), we may be entering a period of ‘deglobalisation’.⁴⁵ If this is the case, then subsequent research should investigate what new meanings such a period may have for remittances and for the human repercussion thereof.

6.3 Current Philippine Policies on Labour Migration

The migration policies Marcos instituted to address unemployment became the economic centrepiece of all succeeding Filipino presidents. To better understand these policies and their current implications, it is necessary to review the system that Marcos put in place, a system with both a private and public component. On the private side, licenses were issued to Philippines-based agencies to recruit labour for employers in Saudi Arabia, Kuwait and other destinations after the big boom on Middle East oil. On the public side, the government established the agency that would later become the POEA in order to provide contract labour directly to foreign employers, maritime agencies and governments. This brought Filipino work abroad under the authority of the Philippine government.

Whether recruited privately or by the government agency, workers and recruiters enter into a contract that is enforceable under Philippine law. When Corazon Aquino assumed the presidency, the migration policies were not reversed, but instead the government tasked POEA to look into the protection and safety of migrant workers. After the high profiled cases of Flor Contemplacion in Singapore and Sarah Balabagan in the Middle East, the plight of OFWs took centre stage. This prompted the Ramos government to urge the United Nations to hastily ratify its convention on the rights of migrant workers; this reiterated the POEA mandate of

⁴⁵ Walden Bello, *Interview*, Akbayan Representative in the 14th Congress of the Republic of the Philippines, Senior Analyst of Focus on the Global South, Professor of Sociology at the University of the Philippines (Katipunan, Philippines: Personal Communication, 16 July 2009).

focussing on migrant welfare and rights. These rights included promoting the return and reintegration of migrants.

The changes in the POEA's charter did not mean, however, that the government ceased to send workers abroad. The Philippines' national Economic Development Plan of 2001 still stated that overseas employment is a legitimate option for the country's work-force. It even outlined a four-point strategy for promoting the employment of Filipinos abroad. As can be gleaned from these policies, the Philippine government has consistently promoted migration via regulated channels as a solution to the country's unemployment problem.

In theory, labour migration should be a smooth process, with the government playing a supportive and regulatory role throughout. The process begins with securing access to foreign labour markets. This includes making labour migration a foreign policy priority in both bilateral and regional trade negotiations. This policy is termed an 'employment-driven strategy' because securing the rights of Filipino citizens to settle permanently abroad has never been a priority for the Philippine government. To this end, host countries that have specific labour shortages but that discourage permanent immigration such as many Middle Eastern countries, have been particularly good partners in this strategy. Furthermore, the government supports opening official access to foreign labour markets as it tries to prevent its citizens from using unregulated channels to migrate. Government institutions as well as government-licensed institutions play a big part in this transaction, with the end goal of maintaining a Filipino 'brand name' of migrant labour. Araceli 'Lillie' Piccio, a 63-year-old Filipina and member of a prominent Bacolod family from the Western Visayas Region of the Philippines, who had worked as a nanny for Prince William and Prince Harry when they were small, is a good example of the success in marketing the Filipino brand name of migrant labour (Gomez, 2011).

Although the Philippine government is not in charge of recruitment, it nonetheless possesses regulatory powers aimed at protecting workers and discouraging illegal recruitment. It has called attention to the plight of migrant workers in most non-state institutions as well as within interstate mechanisms or conduits like ASEAN and has attempted to hold entire countries responsible for the protection of its workers. In 2003, the Philippines along with Indonesia temporarily suspended new deployments of domestic workers to Hong Kong after repeated cases of abuse (Ofreneo and Samonte, 2005). The Philippine government eventually

resumed sending workers but continued to support lawsuits brought by migrants in Hong Kong's courts. Since 1995, the government has also supported the return of migrant workers as part of its policy priorities, which some scholars call circular migrants (Levitt and Jaworsky, 2007; Wadhwa, 2007; Waldinger and Fitzgerald, 2004). This could be interpreted as an indicator of movement towards brain (re)gain, arguably symptomatic of the 'deglobalising' trend pointed out by Bello (2004). Recognising the tendency for migrants to return with substantial amounts of foreign goods, the government has set up profitable duty-free shops for returned migrants. Other privileges granted to returning migrants include tax-free shopping for one year, loans for business capital at preferential rates, and eligibility for subsidised scholarships.

In the current Philippine climate, the administration of the 14th president of the Philippines, Gloria Macapagal-Arroyo, has recognised that human labour has become so profitable and indispensable to the survival of the economy that a new bill, House Bill (HB) 387 (also known as "An Act Liberalizing and Accelerating the Processing and Deployment of Overseas Filipino Workers") was recently approved, pending deliberation in the House of Representatives. This brings migrant workers even closer to being a commodity to be traded as exports. The bill's main aim is to liberalise and accelerate the processing of papers towards deployment of OFWs. It plans to correct the Ramos-era policy of downplaying the export of Filipino labour abroad.

Although the bill mandates the active promotion of overseas employment to boost the national income, it purports to do so without sacrificing the dignity and fundamental human rights and freedoms of Filipinos while working abroad. In addition, Macapagal-Arroyo has also issued Administrative Order 247, which mandates the POEA to market rather than facilitate the deployment of Filipino workers abroad (Hongo and Ellao, 2009). TESDA was also directed to intensify its skills retraining and upgrading programmes for the labour marketing effort of the POEA. TESDA is the latest addition to the various state agencies involved in the Filipino labour export industry institutionalised under Marcos, which are illustrated in Figure 5 on page 170 in the previous chapter.

Whereas critics of the bill noted that apart from adding to the burden of those who seek jobs abroad, the new policy (if finally signed into law) could mean that the government will no longer generate local jobs because it would be easier to deploy

them to foreign countries. Ultimately, however, it cannot be denied that migration and remittances are powerful economic forces in the Philippines. Migration has unambiguously raised the income of millions of Filipino workers and their families. Migrant remittances have, moreover, encouraged investment in education and training in a country with high unemployment rates for skilled and unskilled workers alike, and where gross national income (GNI) per capita was a meagre \$1,030 in 2001 (Hongo and Ellao, 2009).

6.4 Prescriptions for Progressive Change

Developing countries, especially those in East Asia, require an environment wherein they can harness an increased inflow of external resources to meet development goals through both aid and access to domestic markets of the rich nations. Access to such markets depends not only upon dismantling trade barriers in both rich and poor countries but also upon the ability of the developed world to create the necessary demand for developing country exports. Accordingly, the final section of this chapter offers policy recommendations with transferable lessons for harnessing remittances towards improved development. A particular focus upon the reduction of remittance costs concludes this final chapter.

6.4.1 Migration Policies

The increased emigration of marginally skilled emigrants from developing to industrial countries could potentially make a significant contribution to poverty reduction. The most feasible means of increasing such emigration would be through the promotion of a process known as ‘temporary’ or ‘managed migration.’ As part of this process, migration programmes between origin and destination countries combine temporary migration of low-skilled workers with incentives for return. The World Bank (2006: xiv-xv, 148-149) offers two ways to showcase the advantages of adopting temporary or managed migration.

On the positive side for destination countries, managed migration eases social tensions by limiting permanent settlement. Immigrants reduce the potential burden on public expenditures because they are guaranteed a job and are less likely to bring dependents. The process also limits adverse effects on low-skilled native workers, allowing for controlled variation of the number of immigrants in response to changes in labour market conditions. On the downside, however, temporary migration can be

less efficient than permanent migration for firms in destination countries because of the high training costs.

For origin countries, temporary or managed migration may be the only means of securing deliberate increases in low-skilled emigration and may raise remittances and improve the skills of returning workers. Access to future labour markets, however, is not secured because it is easier for destination countries to suspend temporary programmes than to expel immigrants. These often developing countries are also adversely affected by high-skilled emigration and face challenges in managing the process better. Service requirements for access to publicly financed education can be potentially evaded and are likely to discourage return of the migrants. Furthermore, proposals for the taxation of emigrants to the benefit of the origin country have made little progress. They can help retain key workers by improving working conditions in public employment and by investing in research and development. Origin countries can also take steps to encourage educated emigrants to return by identifying opportunities for them, cooperating with destination countries that have programmes to promote return, permitting dual nationality, and helping facilitate the portability of social insurance benefits.

By possessing access to authoritative information on migration opportunities and risks, governments could help avoid unfortunate, costly-to-reverse migration decisions and limit the abuse of vulnerable migrants. Labour recruiters could play a valuable role in promoting migration. Unfortunately, the emigrants' lack of information often enables recruiters to capture the lion's share of the rents generated by constraints on immigration and imperfect information. Origin countries with effective public sector institutions might consider the regulation of recruitment agents to limit rents and improve transparency.

6.4.2 Remittance Policies

The access of impoverished migrant families to formal financial services for sending and receiving remittances could be improved through public policies. These policies should encourage expansion of banking networks to allow domestic banks from origin countries to operate overseas. They should also provide identification cards to migrants and facilitate the participation of microfinance institutions and credit unions in providing low-cost remittance services. Remittances could be used to support financial products for poor people. Improving competition in the remittance

transfer market can lower fees, reduce transaction charges, and increase the disposable income of poor migrants. It would also increase migrants' incentives to remit because the net receipts of recipients would also increase. The overall result would be stronger remittance flows to developing countries.

Competition among remittance-service providers could be increased by lowering capital requirements on remittance services and opening up postal, banking and retail networks to nonexclusive partnerships with remittance agencies. Disseminating data on remittance fees in important remittance corridors and establishing a voluntary code of conduct for delivering fair-value transfers would improve transparency and reduce prices for remittance transactions. Governments could help reduce costs by supporting the introduction of modern technology in payment systems. Alleviating liquidity constraints by providing credit lines either to the sender or receiver, based on past remittance activity, would enable them to take advantage of lower fee rates available only for large remittances. Reducing exchange-rate distortions could also lower the cost of remittance transactions.

Finally, regulatory regimes need to strike a better balance between preventing financial abuse and facilitating flow of funds through formal channels. Efforts to increase savings and improve the allocation of expenditures should be accomplished through improvements in the overall investment climate, rather than by targeting remittances. Similarly, because remittances are private funds, they should not be viewed as a substitute for official development aid.

6.4.3 Policies to Reduce Remittance Costs

Measures to reduce remittance costs should aim to improve efficiency of remittance transactions by enhancing market competition to reduce high profit margins, by helping remittance service providers' access to new payments technology, and by devising ways to encourage remitters to send larger amounts. Governments could encourage postal systems and other state-owned distribution alternatives to open their networks to multiple MTO partnerships on a nonexclusive basis. In addition, they should avoid overregulation, excessive monitoring, or reporting requirements that could drive out smaller competitors that lack the economies of scale to absorb the cost of compliance.

Another way to address the issue of high fees would be to develop best practice guidelines for remittance service providers. Raising consumer awareness

through financial literacy efforts and publicising information on costs will strengthen competition among remittance service providers. In addition, assisting remittance service providers to adopt a new payment systems technology and instruments would help lower costs. Card-based instruments, such as credit/debit cards and stored value cards, are now frequently used to send remittances.

6.5 Conclusion

As previously noted, one undeniable consequence of integrating less developed countries into the international capitalist system is the resulting inequalities with respect to income. In addition, sharply divided classes, uneven population growth rates, environmental exploitation, and escalating figures on unemployment, all exacerbate the problems already besetting developing countries. In IR, developing countries often blame developed countries for exploiting them. The growth of capitalist states is one of the reasons for the overwhelming acceptance of globalisation as today's prevailing discourse. With the increase in the production of goods brought about by the changes in technology, the dynamics of human labour have also undergone transformation.

Commoditising labour through various enacted policies and institutions has become the centrepiece of the Philippines' economic agenda, with the government as the biggest recruiter. Although remittances from foreign workers may provide temporary 'relief' for a country in desperate need of financial aid to lift them out of poverty, the negative consequences far outweigh the positive. The nation loses its trained and skilled workforce much faster than it can replace them. In the health sector for example, the phenomenon of 'Nurse Medics'—an emerging category which consists of doctors turned migrant nurses—jeopardises the integrity and quality of Philippine health services and is very problematic as a policy-oriented suggestion. With 80% of the public sector physicians currently retrained as nurses, the public healthcare system's growing inadequacy in terms of medical staffing is indeed alarming (Madhaven, 2009).

To this end, reform policies related to remittances are critical to make the practice beneficial to the country in the long run. The suggested policies coming from the World Bank outlined above are a good starting point in outlining how the Philippine government can make remittances work to its advantage. As the local economy moves with current global IPE trends, it is uncertain as to whether its

problems can be fully addressed. Mitigating strategies for the local economy in the process of global production requires close scrutiny, most especially with respect to prescribing responsible policy recommendations that address the social, political and economic urgency of current international relations.

Conclusion: IPE Ideas Revisited

The cost of globalisation has been noted, but not fully examined in conventional IPE wisdom. This is not only ethically important, but it is also illustrative of how globalisation affects developing countries. The globalisation process is not simply the result of a developed country exploiting developing countries but rather includes the conscious policy of the developing country itself.

Humans are compromised in the race for economic growth. There is a difference between thinking about an economy in an abstract sense and actually thinking about the day to day life of real human beings. By restoring the human equation amidst the general discourse on globalisation, the thesis, like the prophets of old, has called for an end to social and economic oppression. The thesis does so by providing an IPE interpretation of human capital mobility and its implications for non-state institutions under globalisation, maintaining that human capital mobility is embedded into non-state institutional development.

With an emphasis upon local institutional responses to international policy shifts, the study's IPE framework explores the social and political consequences of contemporary economic affairs by addressing more inclusively the role of local agents and institutions. The conventional core of IPE focuses revolve around the theoretical concepts and realisations of globalisation, international production, international trade, institutionalism, development and culture. This study's new and original application of IPE to selected empirical studies on the Philippines has revealed that: (1) globalisation permeates national economies, resulting in a situational change for the nation-state; (2) the Philippine political economy has facilitated and continues to promote the institutionalisation of human capital as an export commodity; (3) a non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources; and (4) non-product-based commoditisation has become a successful development strategy of the Philippines. An IPE interpretation of human capital mobility under globalisation, therefore, has highlighted the links between international production, trade and human capital development in a globalising world economy through the theoretical lenses of globalisation, regionalism and transnationalism. Such an effort has discovered new implications for the development of non-state institutions.

The thesis has carefully examined the process by which human beings are made into a commodity for export. Employing the method of the IPE approach has made it possible to chart the interplay between a variety of economic, political and social elements. Identifying the factors in recent Philippine politics that contributed to the situation has emphasised the socio-economic damage to Filipinos themselves. The investigation of the thesis has shown that an East Asian economic bloc has not ultimately helped the plight of transmigrant labourers. It has also shown that Western Union fills in an economic vacuum and though it appears to help the plight of transmigrant labourers, it ultimately exploits them. The research therefore has shown that globalisation, rather than being a one way street, is a complex interaction between developing nations, economic regions, and the wider global political economy. In addition, a compelling case has been made for a new category of product within the IPE configuration, namely 'non-product-based IPE'. The emphasis on the need for this new category has poignantly underscored the dehumanisation of individuals for the sake of economic gain.

The thesis has ultimately demonstrated the plight of this developing East Asian nation, where without remittances from transnational Filipino migrant workers the economy would instantly collapse. Through a close examination of how the Philippines has rendered its citizens into human exports, the thesis has revealed the unique way the Philippines has responded to global economic changes, presenting a strong case for expansion of IPE theory to include human capital. Furthermore, a case study on Western Union has drawn attention to the fact that by transforming human resources into a trade commodity, this economic transaction between source and host countries becomes a rational process that takes on emotional qualities.

Theoretical and Empirical Assessment of the Research

The following theoretical and empirical assessment of the research revisits the hypotheses and research questions defined in the Introduction and Methodology chapter, in connection to the analytical framework outlined in Chapter I. Based on the links between international production, trade and human capital development in a globalising world economy, the social science propositions tested in the main hypothesis are reflected in the four variables recapped below:

V_1 = Human Capital

V_2 = Commodity

V₃ = Philippines in Global Economic Changes

V₄ = Development of Non-State Institutions

The making of human capital (V₁) into a commodity (V₂), exemplified in Chapter IV's empirical case study of Filipino nurse migration, has led to new implications for the global political economy. The development of non-state financial intermediary agents (V₄) like Western Union, another empirical case highlighted in the research, alongside the Philippines as an exporter of human resources is an excellent example. It suggests developing countries contribute to the way in which the international system is being shaped. This is useful in IPE discussions and extends the knowledge boundary of the international political economy approach towards developing countries.

The thesis has revealed that commodities are largely seen globally as tangible products that are heavily traded between two or more parties to ensure a beneficial profit or surplus. It has shown that human capital has that same defining trait, although the human element makes it very unique and controversial. While human capital comes with a different set of instructions, and is protected by constitutional, legal, civil and human rights, this study on the case of the Philippines and its role in global economic changes has shown that human capital as a commodity can provide enough profit to save a country's economy. This has emphasised the uniqueness of how to distinguish between human capital and other material-based products.

Situational Change of Nation-States: Transnational Human Capital and Remittances

Globalisation permeating national economies has resulted in a situational change for the nation-state. This study has confirmed the extent to which globalisation has permeated contemporary international society, diplomacy and world affairs, thus disproving the sceptical position, but supporting in some aspects the hyperglobalist and transformationalist views of globalisation.

My first sub-hypothesis was tested by studying the case of the Philippines as the dissertation's focal country of study. It hypothesised that human capital has become a substantial source of income for the Philippine economy. Without OFW remittances the Philippine economy would collapse.

I examined the social, political and economic history of the Philippines, and reviewed the international and national policies that govern this industry. The

relational variables $V_1 \rightarrow V_2$ (when human capital becomes a commodity) were tested in Chapter II with succeeding chapters presenting the Philippines' regional political economy with ASEAN in Chapter III and a case study on Filipino nurse migration in Chapter IV. Chapter II provided useful background information on the Philippine political economy and contributed to the validation of globalisation's dominance. Highlighting the various specific domestic factors that fostered the growth of the country's overseas worker industry has revealed the way in which labour migration policy in this developing East Asian nation has become institutionalised.

Promotion of East Asian Regionalism

Regionalism is a key defining feature of the contemporary international system. The second sub-hypothesis tested the Philippines' role in global economic changes (V_3) from a regional perspective. It hypothesised that when human capital becomes a commodity, the Philippines requires more interaction with the Southeast Asia region in particular and Northeast Asia. This hypothesis postulated that ASEAN with the addition of its Northeast Asian partners of Japan, China and South Korea (APT) is a conduit of sources of ideas on transnational activities, as well as a region generating real and physical demand for Philippine human capital, e.g. Singapore and Hong Kong requiring maids. In Chapter III, a more international/regional perspective on the subject matter especially considered ASEAN factors. Empirical evidence from the research in Chapter III suggested the organisation can be more helpfully understood as a confederal assembly within which its nation-state members interact, in this sense making it an interstate mechanism for regional level diplomacy.

When studying the Philippines in ASEAN, the study focused mainly on migrant labour policies between ASEAN nations. By means of differentiation, the regional role of the Philippines with its ASEAN neighbours was thoroughly reviewed, paying close attention to trade policies and agreements on migration issues and the employment of Filipinos as OFWs in ASEAN countries. An important discovery was that during its 2007 chairmanship, the Philippines spearheaded the ASEAN framework on migrant labour. The Philippines brought light to the plight of migrant workers, which resulted in greater cooperation in the area of addressing the rights accorded to these migrants even if ASEAN has little autonomous power or a capacity for independent action. Indeed, the political economy of the Philippines facilitates the institutionalisation of human capital not just nationally but regionally as well,

promoting further levels of interaction between East Asian nations and throughout the world.

Philippine Development Strategies: Transnational Non-Product-Based Commoditisation

A non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources, and non-product-based commoditisation has become a successful development strategy for the developing East Asian nation of the Philippines. The third sub-hypothesis also tested V_3 . Through a transnational optic, Chapter IV used Filipino nurses as a case study of human capital to hypothesise that the relationship between human capital, migration and economic growth has resulted in a kind of non-product-based IPE commodity—*i.e.* human capital is still a product, but may be less tangible. It also showed the relevance of Filipino nurses as a profitable commodity within the systems of Philippine economic stability. The translation of numbers and their relationships are evidence that the profitability and quality of human capital are indeed likened to that of material product-based IPE commodities.

This hypothesis postulated that IPE commodities do not have to be product or material-based like FDI, production and trade. They are not always tangible like crops, fuels/minerals or manufactured products and do not necessarily have to be a localised resource, natural or otherwise. Since overseas worker remittances are the crutch of the Philippine economy, the example of Filipino nurse migration in Chapter IV was a germane case study to use to test the relationship between human capital mobility and economic growth under globalisation, which defines the influence of the Philippines on the global political economy.

I approached the case study by assessing the profession of the nursing and health service industry in the Philippines. Nurses are in demand throughout the world with some countries crucially lacking this human resource. The Philippines has an overflow of nurses with hundreds of schools providing thousands of fresh resources year after year. I examined the socio-economic influences that led to the growth of the nursing industry in the Philippines, which includes the dramatic increase in migration statistics, nursing educational programmes, and the lucrative economics of the profession in a national framework.

As emphasised earlier, Chapter III on ASEAN also supported the third hypothesis but on a more regional scale.

The fourth sub-hypothesis tested the development of non-state institutions (V₄) by investigating the interaction between the world economy and the non-state actor. It hypothesised that when human capital becomes a commodity, non-state actors will play an important role.

Relatively recent changes in global economic regimes have perhaps contributed to the growth of non-state financial intermediary agents like Western Union, which is found alongside human capital becoming a commodity and the role of the Philippines as a human resource exporter. Because the creation of commodity values that generate profit is dynamic and will continue to grow, this hypothesis postulated that the importance of non-state financial intermediary agents for the political economy of the Philippines goes up. An empirical case study of Western Union in Chapter V presented this MNC's roles of intermediary dynamics and linkages with transnational actors such as nurses, domestic helpers, and other OFWs.

The case study was an assessment of Western Union as a corporation and the service that the company provides within the Philippines and in other nations where there is a sizable Filipino community. I also examined the global role of Western Union aside from their corporate profile and list of achievements. The great success of this MNC in the remittance transfer industry has also made a significant social impact that could spark changes in international banking and financial policies.

For countries highly dependent on remittances, Chapter V highlighted the value of remittances when channelled as a catalyst for development. Research evidence from Chapter V supported the fourth hypothesis and revealed that as the economic transaction of transferring remittances takes on distinct and powerful emotive qualities for migrants and their families, Western Union has come to rely on a business strategy that manipulates and exploits the emotions of its clients. The WU system of convenience was compared with other remittance methods, such as bank transfers, or on-line transfers. An intermediary agent like Western Union simplifies the process with its vast network of local agents around the world, which outnumber by far the branches of Philippine banks even in the Philippines. For example its person-to-person money transfer is as comparatively easy as handing over the cash face to face.

Western Union does not require much operating capital and can make use of small spaces to conduct its business, thus allowing them to easily franchise and branch out in even remote areas of the Philippines, unlike Philippine banks who have to maintain a much larger overhead for their office space. Also, Philippine banks, to avoid misconceptions of off-shore money laundering, still have to undergo the watchdog supervision of an internationally reputable financial institution. With Western Union, one can simply wire money from any local agent around the world and text the confirmation number, and the recipient at another WU outlet will get the money almost immediately after supplying the confirmation number and identification. It may have a higher service cost than the fees of a bank, but the money moves real time as though it was handed straight from person to person, and the only delay in the process is a quick verification and signature.

My case study on the Western Union process compared to banking systems was made with research gathered from interview subjects who shared their knowledge and experience to the process. Some subjects were actual customers, and some were agents and officials of Western Union. The collective research confirmed the hypothesis that the success of Western Union is also due to the growth of human capital as a commodity.

In Summation

Having examined the links between international production, trade and human capital development in a globalising world economy, several points merit attention. International production can be described as a global production chain where developing countries serve as the factory of the world, which smacks of colonialism. Bilateral and multilateral relations within an open market can constitute international trade. This notably includes a demand for human resource commodities in the global labour market. In addition, international trade requires a platform to negotiate trade issues on a level playing field, and international welfare standards for migrant workers as exported commodities needs to be established. With regard to the subject of institutionalism, along with other MNCs, NGOs, civil society organisations, and interstate mechanisms or conduits, an additional defining characteristic of globalisation has been the rise of non-state financial intermediary agents. Lastly, culture as both a social construct and social fact is indeed useful towards unveiling the human face of the development analysis.

The Introduction describes the methodology of the study. This is the manner by which the thesis arrived at an IPE interpretation of human capital mobility under globalisation with implications for the development of non-state institutions. Narrating my intellectual journey, the Introduction and Methodology chapter outlined the need for the study; the formation of my research topic; my research questions; the hypotheses and the use of case study methods in IPE; my fieldwork and the presentation of data including secondary analysis, data collection and interviews; and the plan of the thesis.

In an effort to sketch the links between international production, trade and human capital development in a globalising world economy, Chapter I first reviewed the academic literature on globalisation by defining the theory through a survey of the hyperglobalist, sceptical and transformationalist schools of thought. Sources of contention in the globalisation debate were also highlighted. Likewise, rethinking globalisation, measuring globalisation, governance in a partially globalised world, and globalisation in East Asia were also discussed. Secondly, theories of regionalism were reviewed. Special focus was given to East Asia as an emerging region within the global system, regionalism and globalisation, constructing a community, and regional leadership in the East Asia region. Thirdly, transnationalism was surveyed by reviewing the transnational optic. The relevance of migration studies and the development of non-state institutions within transnational space were emphasised.

Lastly, Chapter I outlined the analytical framework of the thesis to show what I have done, building a bridge to clearly demonstrate that the theories and practice are well-connected. Introducing in more depth the idea of human capital as an export commodity, which the thesis has termed 'non-product-based IPE', the framework of analysis was constructed in connection with the empirical contents of the research—namely the Philippine state political economy, regional roles with ASEAN, a case study on Filipino nurse migration, and a case study on Western Union. A new interrogation of IPE theories and the empirical studies on the Philippines has revealed that globalisation permeates national economies, the Philippine political economy facilitates the institutionalisation of human capital, a non-product-based commodification is generated by the transnational development of human resources alongside tangible economic resources, and non-product-based commoditisation has become a successful development strategy of the Philippines. Highlighting the links between international production, trade and human capital development in a

globalising world economy, Chapter I built columns and pillars between theory and practice that paved the way for an IPE interpretation of human capital mobility under globalisation and its implications for the development of non-state institutions.

Both Chapters II and III situated the thesis in the context of the Philippines and East Asia. Chapter II provided an historical background of the Philippines from presidents Marcos to Macapagal-Arroyo with a special focus upon political and economic aspects. This is because these aspects form the most crucial factors underlying the country's progress and development. As discussed previously, development in the Philippines is both theoretical and practical. Although there have been economic gains, data indicates that the majority of Filipinos still live below the poverty line. With inconsistent and short-term governmental policies and corruption catering to the vested interests of those in power, the country has consequently sent its people abroad for a chance of a better life. Chapter II examined each president's economic strategies and policies closely, especially those pertaining to labour migration, arguing that the institutionalisation of labour migration has become the economic scapegoat of a country that cannot provide its citizens with decent jobs. Building upon this background information, Chapter IV later discussed this phenomenon in greater detail.

Chapter III situated the Philippines within the context of the 21st century global economy through a discussion on ASEAN, placing the movement within the context of global capital. This chapter rightfully included the regional institutions involved in the governance process in its discussion of political economy. For this reason the chapter discussed regional IPE relations of the Philippines with ASEAN, the foremost interstate mechanism for regional level diplomacy in East Asia, to which the Philippines played a major role in its founding in Bangkok in 1967 and as the 2007 ASEAN Chair. The chapter also drew out specific issues necessary for examining regional policy-making and recommendations. These included the role of foreign investment in East Asian national development strategies, the competitiveness of human resources and FDI flows, the significance of labour costs and productivity, as well as migration growth rates and narrowing income gaps. Lastly, in a region riddled with emerging powers, East Asian countries have been the largest contributors of global migrant workers to the international labour force. As emphasised by this chapter, ASEAN, especially as guided and played by the Philippines, has addressed the growing concerns brought about by the phenomenon of labour migration. Since

human labour has become the country's top export, the Philippine government's initiative to tackle the issues confronting migrant labour and their attendant rights has become instrumental in recognising the rights of migrant workers globally.

Chapter IV investigated the phenomenon of labour migration in the Philippines through a case study on Filipino nurses both empirically and qualitatively. With millions of individuals travelling all over the world, whether to perform menial labour such as harvesting or higher level work such as computer programming, the sweeping trend of migration is undeniable. Statistics from the ILO (2009) strongly suggest that the current global challenge lies in forging the policies and the resources to better manage labour migration. If employed wisely, migration can contribute positively to the growth and development of home and host societies and to the well-being of migrants themselves. This chapter focussed on the relationship between human capital, migration and economic growth. As the demand for migrant workers in the international labour market increases, developing countries shoulder the responsibility of filling this gap by supplying the global workforce with migrant workers. The chapter argued that social capital in the form of human resources can be channelled appropriately to facilitate greater economic development, not only for the host country but most importantly for the source country itself.

As such, Chapter IV concluded that the social aspect of investment has impacted the international community, most notably in modifying existing policies on immigration. Thus bilateral and multilateral, as well as inter- and intra- regional, relations need to be more closely scrutinised. Human capital is in many respects an economic crutch for the Philippines as migrant remittances fuel the country's economy, demonstrating the plight of this developing East Asian nation. Without these remittances, its economy would instantly collapse. The protection of global migrants should therefore be the primary concern for both source and host countries.

Following the discussion on human capital mobility, Chapter V presented a case study of Western Union, considered one of the premier international financial intermediaries serving OFWs and the wider Filipino Diaspora. This chapter showed that the movement of human capital is embedded into non-state institutional development. The dawn of the 21st century has been characterised by rapid-changing international trends. These trends have resulted in a heightened interconnectedness and increased deterritorialisation. As technology constantly evolves, a new paradigm of social relations has emerged, with the concept of nation-state at the centre of the

debate. The rise of largely though not exclusively private strategic agents has contributed to the management and coordination of the global economy. In the recent past, these agents such as the United Nations, IMF, ILO, IOM, World Bank, ASEAN, Mekong Migration Network, and Focus on the Global South (to name a few) have absorbed some of the functions originally carried out by and attributed to states. There is however, another type of agent, as discussed in Chapter V, one that is private but publically-owned and profit-oriented in nature.

As non-state actors, MNCs occupy a distinct role in both the globalisation and governance processes. Hence, they are considered autonomous agents in international politics. They are important because of their global presence, not merely because of their size. Chapter V underscored that in a country where the commodification of human capital is the nation's largest asset, various institutions that are both government and private have emerged to facilitate and propagate labour migration. The case study of The Western Union Company helped explore the connection between migration and remittances.

The money transfer industry is thriving, credited with the upsurge of remittances as a strong economic indicator. More people across the world become transmigrants to pursue economic prosperity elsewhere. The need to send money is a direct result of maintaining family ties. Satisfying that need, the establishment of Western Union, as a non-state financial intermediary agent catering to migrant workers has redefined the way in which an economic transaction is being handled.

With branches worldwide, Western Union has become the most efficient, fastest and most reliable means of sending money to all parts of the world. Given that the Philippines is among the world's four largest remittance-receiving markets, Chapter V investigated the different strategies that Western Union utilised to reach out to its Filipino consumers. This includes the way the company projects an image of a 'reliable friend', and a 'loving family member' able to address whatever concerns or problems presented by the sender or receiver. Charting the strategies employed by Western Union, this chapter makes the case that the Philippines has chosen the labour migration route in exchange for 'temporary' economic stability. With migrant remittances connecting families across borders, increasing standards of living, and contributing to national growth, these remittances and their effects are of major significance. It becomes evident, therefore, that by transforming human resources into a trade commodity, this economic transaction between source and host countries

can take on emotional qualities, as exploited by non-state financial intermediary agents like Western Union.

Chapter V ultimately emphasised that to make remittances truly benefit the Philippines on a long-term basis, measures to address certain concerns raised must be pursued by government. Positive changes include current programmes by the government to educate OFWs and their families about available saving instruments and entrepreneurial activities. In addition, increasing the portion of remittances channelled into saving instruments will help develop the Filipino capital market and provide funds for productive endeavours. It is also necessary to channel remittances into productive investments by encouraging families of OFWs to engage in small businesses. This will in turn create jobs and improve the domestic economy. In the long run, OFWs can return and be reintegrated to offer better skills and technology.

Drawing empirical understandings from Philippine labour migration, remittances and development, Chapter VI commented upon some policy-oriented suggestions that offered prescriptions for progressive change. In doing so the chapter highlighted lessons applicable towards how improved development could result from the harnessing of remittances.

The intriguing results of the research on human capital cases of the Philippines have major implications for the debate surrounding the IPE approach. Since the 1970s, IPE developed as a specialty within the field of IR and helps correct some of the errors of classic economic theory (Henderson, 1997). Classic theory approaches the world economy as completely integrated by the means of a free capitalist enterprise, which purports to result in maximum world production and income (Knorr, 1975). At the same time, classic theory thought has a simplistic understanding of economic reality. At best the theory achieves a crude description and prediction of economic life. The school's exclusive preoccupation with the efficient use of scarce economic resources deliberately ignores all political, social and cultural side effects.

Such gross negligence has led to a new political economy. This new economy applies tools from neoclassical economics to the analysis of political decisions. It is concerned with how different groups in an economy seek to influence policymaking in order to maximise their own objective functions. Underlying this approach is the view that any policy decision provides tangible benefits to groups within the economy. For this reason, the groups grant incentives to self-organise in order to

pressure policy-makers to act in their favour (Srinivasan, 1975). Nonetheless, it remains that the benefits must be traded off against the costs of organisation.

The dominant mode of analysis for studying the impact of imperialism on the periphery includes the insistence that social developments in Africa, Asia and Latin America are the responsibility of the workings of an international system (Smith, 1984). This analysis errs because it deprives local histories of their integrity, rendering local actors little more than pawns of outside forces. By favouring the application of universal laws or processes, the analysis disregards that which is singular or idiosyncratic. As a result, it perceives a given study to have an identity only in general terms within general categories. It refuses to grant the case under study any autonomy, specificity, or particularity, independent of its membership in the whole.

This perspective breaks down because changes can come to complex systems not only from the evolution of the whole, but also, and significantly, from developments within its parts, which are determined in an endogenous manner. The study of relations between countries on the periphery and the core lands of Western Europe and the United States has been highly instructive. It is not enough to be aware of changes within the entire system, such as balance of power relations among big players and changes in the international division of labour. It is also essential to pay attention to how the parts of this whole, such as state organisation on the periphery, may transform themselves. Although the transformations are for local reasons, they carry important repercussions for the entire system of relations between the strong and weak. Indeed the political organisation of social life on the periphery is the single most important variable for understanding the historical identity of peoples, as it represents the ability of groups in historical class or communal terms to lead collective lives. In order to tell the story of the individuality of the people in relation to world history, it is necessary to focus on coalitions and conflicts of present social forces within an organisational entity. The administrative and coercive capabilities of such entities are undeniably the legacy of the past as well as the creation of current generations.

Clearly, free capitalist enterprise has unquestionably acted as an engine of economic growth wherever its outreach activities penetrate on a significant level. The historical experience of all capitalist states demonstrates that the spread effect operated unevenly within national societies, dividing the United Kingdom, Italy,

France, the United States, and others into more developed and rich countries (developed countries) against those of less developed and poor areas (developing countries). Based on laissez-faire economics, which employs a private enterprise and free-price system, this analytical category did so for various reasons. These especially include original differences in resource endowment, limited mobility of labour and capital, economies of scale, and tendencies that reinforce the richer areas. These tendencies helped rich areas afford superior means of education, training, research and technological innovation. As such the capitalist labour process has attracted able and enterprising people, thereby creating a brain drain from areas of lesser opportunity. As the research has shown, these impediments to balanced development operate even more strongly between countries.

To conclude, the thesis has offered an alternative explanation on how developing countries affect and are affected in the era of 'post-globalisation'. While it is difficult for East Asian nations to devise a common strategy because each country varies culturally, historically, by institutional structure, economically, by social ramification, and from altogether different rooting, IPE's interdisciplinary approach lends an engaging and compelling framework that provides a very useful alternative to deal with the human development analysis and its implications for non-state institutions in contemporary world affairs. It is not just a question of balancing the market and state, but also of civil society as a central part in the creation of any new model—that is, civil society as an innovator, 'fiscaliser' and force that complements both the market and state, particularly with respect to issues of poverty elimination, justice and economic equality.

List of Interviews

I interviewed each person on this list at least once, many two or three times. Individuals are identified here with the company or organisation they worked for at the time of the initial interview. But with the high levels of mobility in their industries, some moved to new organisations during the course of my research and others have moved since that time.

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Overseas Filipino Workers

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United Nations Headquarters Internship Programme

Offer Letter

United Nations



Nations Unies

Headquarters Internship Programme / Office of Human Resources Management

Tuesday, 24 May, 2005

Our reference number: 7712

Dear Mr. Goode,

I am pleased to inform you that the United Nations Secretariat hereby offers you a fulltime internship; i.e., 5 days a week from: 06/09/2005 to 06/11/2005. (Day/Month/Year)

Please contact your future supervisor listed below as soon as possible to clarify the details of your assignment:

Mr. Jared Kotler
Political Affairs Officer
S-3780 B
Department of Political Affairs
Tel: (917) 367-5264
Email: kotler@un.org

On the first day of your assignment, please report to the Visitor's Entrance at 46th St and 1st Ave. at 10:00 a.m. The Internship Coordinator will meet and introduce you to the organization. This introduction takes about 4 hours. Please bring this letter and a valid photo ID to enter the United Nations.

Non-U.S citizens/residents doing a temporary, unpaid internship at the UN must have a valid visa. The specific type of visa may vary in each case. However, the most common one is a B-1 visa (Ref. 9 FAM 41.24 N2.2: Interns temporarily employed at the United Nations/TL: VISA-181; 11-20-1998). Candidates should check the visa requirements and the procedure with their American Embassy/Consulate before applying for an internship at United Nations Headquarters in New York. This letter is sufficient documentation to obtain the visa. Please present it to the American Embassy and ensure that the necessary arrangements are made.

Please confirm acceptance by signing and faxing (212-963-3683) the attached Internship Agreement and provide a medical certificate stating that you are in good health no later than 2 weeks after receipt of this letter. In addition, bring these two documents with you to the United Nations, the day of your arrival. In order to be issued a UN Grounds Pass, your medical certificate and Internship Agreement must be presented.

If you do not accept the offer, please let us know within this time frame as well. For questions call 212-963-7522 or 212-963-0182 or e-mail us at (favreau@un.org) or (iranik@un.org).

I look forward to welcoming you to the United Nations Secretariat Headquarters.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne Favreau'.

Anne Favreau
Internship Coordinator
Division for Organisational Development
Office of Human Resources Management

Mr. Angelo Augustus Salting Goode
60 Fisher House, Green Lane,
Durham, DH1 3JR, UK

Personal and Confidential

UNITED NATIONS  **NATIONS UNIES**

Internship Agreement for the United Nations Internship Headquarters

1. I accept the internship, which has been awarded to me by the United Nations and understand the following:
 - a. The United Nations will not pay me for my internship: all the expenses connected with will be borne by me or my sponsoring Government or institution;
 - b. The United Nations accepts no responsibility for costs arising from accidents and/or illness incurred during my internship. I will provide proof of my enrolment in a health insurance plan.
 - c. I am not eligible to apply for, or be appointed, any post in the United Nations during the period of my internship or for the six month immediately following the expiration date therefore.
 - d. I am personally responsible for obtaining necessary visas and arranging my travel to and from the duty station where the internship will be performed.

2. I undertake the following obligations with respect to the United Nations Internship Programme
 - a. to observe all applicable rules, regulations and instructions, procedures and directives of the Organization
 - b. for refrain from any conduct that would adversely reflect on the United Nations or on the receiving department office and will not engage in any activity, which is incompatible with the aims and objectives of the United Nations.
 - c. to respect impartiality and independence required of the United Nations and of the receiving department office and shall not seek or accept instructions regarding the services performed from any Government or from any authority external to the Organization.
 - d. To keep confidential any and all unpublished information made known to me by accepting Office or Department during the course of my internship that I know or ought to have known has not been made public, and except with the explicit authorization of the United Nations, not to publish any reports or papers on the basis of information obtained during the programme, both during and after the completion of my internship.
 - e. To provide the receiving department office with a copy of all materials prepared during my internship.
 - f. To provide immediate notice in case of illness or other circumstances which might prevent me from completing the internship.
 - g. To complete the internship evaluation questionnaire at the end of my internship and to submit it to the Officer-in-Charge of the Internship programme at the duty station.
 - h. To return my identification pass to the Officer-in-Charge of the Internship programme at the duty station.

3. I have read the attached terms of reference of my internship and I accept to abide by them.

DATE	PRINTED NAME OF INTERN	SIGNATURE
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DATE	PRINTED NAME OF OIC. INTERNSHIP	SIGNATURE
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United Nations Headquarters Identification Card



Western Union Management Electronic Interview Transcription

Name: Patricia Zamora-Riingen

Position: Senior Vice-President, Pacific & Indochina

Years of service in the company: over four years

1. Brief background/company profile of Western Union (WU).

For more than 150 years, the familiar yellow-and-black signs of Western Union have stood as a symbol of trust for connecting friends, family and businesses around the world.

Western Union was founded in 1851 as the New York and Mississippi Valley Printing Telegraph Company. The launch of the first intercity electromagnetic telegraph system in 1844 generated an insatiable thirst for modern communication. In the United States, telegraph companies immediately found and constructed competing lines, many providing overlapping yet unreliable services. Founders of Western Union understood the potential of the telegraph and bought stock in a network of lines in the eastern United States. The results were phenomenal—businesses became more efficient, and transaction speed surged. For the first time, families had a fast way to keep in touch with relatives and friends, through Western Union.

From the roots of the signature telegram business, Western Union expanded and evolved its services in 1871 to offer electronic money transfers. The company's rich heritage in connecting people has provided a strong foundation for building one of the largest money transfer networks in the world.

Known today as an innovator in financial services, Western Union, together with its Vigo, Orlandi Valuta and Pago Fácil branded payment services, has become an industry leader in global money transfers and currently operates through a combined network of more than 385,000 Agent locations (updated as of 30 June 2009) in 200 countries and territories.

With Western Union, consumers and businesses can also send and receive bill payments, purchase money orders, or pre-pay for phone, Internet or credit card services using the company's proprietary money transfer network. In 2007, Western Union entered into an alliance with GSM (Global System for Mobile Communications) Association, a global trade association representing over 750 GSM mobile phone operators, to work together to develop and pilot mobile money transfer services around the world. Agreements have been signed with five mobile operators up to date including Globe Telecom (Philippines), Smart Communications (Philippines), Bharti Airtel (India), Orascom Telecom (Middle East and Africa) and Vodafone / Safaricom (United Kingdom and Kenya). Consumers now can visit select Western Union Agent locations in the United States, the United Arab Emirates, the United Kingdom, Singapore and Hong Kong and send money directly to the mobile 'wallet'—or account tied to a mobile phone—of a Smart or Globe subscriber in the Philippines.

Western Union also offers customers a loyalty programme—the Western Union Gold Card—that provides customers faster service at the point-of-sale, retail rewards such as instant price discounts, and other rewards such as free telephone time.

Western Union in Asia Pacific

In Asia Pacific, more than 450 employees working in 18 countries and territories across the region are responsible for a network of more than 120,000 Agent locations spanning 42 countries and territories. More than 55 banks and postal institutions are Western Union Agents.

As more individuals leave their birth countries in search of broader economic opportunities, a Western Union Money Transfer® transaction is one of the easiest ways for families and friends to send money. Every day, Western Union handles one million transactions on average globally. Whether there is a family member in need of emergency cash or a friend wanting to send funds for a special gift, Western Union has become an international icon for quick, reliable and convenient money transfers around the world.

At Western Union, we are dedicated to continuing our roles as an innovator and industry leader. While the telegram is a memory, Western Union continues a long history of connecting people around the corner or around the world by offering diverse, consumer-based financial services that are fast, reliable and convenient. For more information, please visit: www.westernunion.com.

2. How did WU in the Philippines start? What is the ranking of the Philippines in terms of remittances?

Western Union has been operating in the Philippines since 1990, building an impressive network of over 7,000 locations nationwide (updated as of June 2009) in cooperation with its Agents.

Western Union helps Filipinos with a need to send or receive money worldwide. Whether its money from overseas sent to family in the Philippines for monthly expenses, or to help a friend/relative in an emergency in the Philippines—a Western Union Agent is available to offer fast, reliable and convenient money transfer services.

- Western Union offers both international and domestic person-to-person money transfers (in-country) in the Philippines.
- Western Union Quick Pay service allows both consumers in the Philippines or overseas to send payments directly to companies in the country (e.g. utilities).

According to the World Bank, Philippines is the fourth largest recipients of migrant remittances in 2007 after India, China, and Mexico.

3. What are the factors that you consider when setting up on a certain location/country?

Western Union is committed to being wherever our customers need us to be, so ensuring our presence in each country and expanding our distribution network around the world is always a priority. Our network expansion strategy is to ensure we reach out to every major island, province, district and city in the Philippines and offer customers the best possible customer experience.

Together with its Vigo, Orlandi Valuta and Pago Fácil branded payment services, Western Union currently operates through a combined network of more than 385,000 Agent locations (updated as of June 30, 2009) in 200 countries and territories.

4. What makes WU different from other companies offering the same services?

Western Union can wire money around the world within minutes⁴⁶, even if the recipient does not have a bank account. Many people in the world have neither Internet access nor access to credit. In addition, Western Union's network of 385,000 locations in 200 countries and territories is unmatched by any other banking or retail network. Western Union can be found in remote areas where few banks and other money transfer companies will venture. Western Union has a long and distinguished history of innovation and over 135 years of providing money transfer services.

5. What is the corporate image that you are trying to build?

Western Union believes in people who are on the move in pursuit of their dreams. Even in these uncertain times, the optimism and positivity of our customers is inspiring. We wanted our customers to know that whatever their financial needs may be—paying bills, sending money to a loved one back home—Western Union is there and says 'yes' to all their needs.

In February 2009, Western Union launched our first-ever comprehensive global brand initiative "yes!" which reflects our customers' can-do spirit and reinforces the company's belief in our customers as they journey to better lives—whatever that may be.

The Western Union yes! campaign is the embodiment of an ambitious and forward-looking new vision for the company. It focuses on the future and the optimism, and hope people are looking for. yes! is a campaign that doesn't know how to say 'no'.

Every day, millions of people around the world are moving their lives forward and saying yes! to a brighter future. These consumers sent an estimated nearly US\$400 billion in remittances to their loved ones in 2008 (Aite Group, 2008). Western Union is proud to enable this very personal connection between people around the globe.

Central to Western Union's philosophy is to support the communities in which its consumers and employees live and work. In 2007, Western Union and its philanthropic organisation The Western Union Foundation unveiled Our World, Our Family®, a \$50 million, five-year corporate giving initiative to support migrant families through education and global economic opportunity programmes. Our World, Our Family® combines Western Union's longstanding passion for improving communities around the world with its new commitment to corporate citizenship.

Since 2001, the Western Union Foundation has granted over \$45 million to 1,500 organisations worldwide in more than 70 countries and territories to support humanitarian projects, provide disaster relief and to fund education, health and human services programmes.

⁴⁶ Funds availability subject to terms and conditions of service, including Agent location hours and differences in time zones. See Send Form for Restrictions. In certain countries, the Send Money Service is not available. Customers can only receive money.

6. How do you market your services and who is your target market?

Western Union uses a mix of marketing strategies. It is led largely by the strength of our brand identity and word of mouth by our customers.

Philippines is the world's fourth largest remittance receiving market. One out of every 10 Filipinos in the Philippines lives abroad, working in more than 190 countries worldwide including the United States, the United Arab Emirates, Australia and Hong Kong. Western Union utilises various channels to reach out to its Filipino consumers within the country and overseas.

For in-country Filipino Consumers:

- In early 2009, Western Union appointed film and TV celebrity Cesar Montano as the ambassador for its domestic money transfer service. Cesar's achievements are not only in the entertainment business but in civic endeavours which reflect Western Union's passion and integrity. (Please refer to the press release for details.)
- In March, Western Union enhanced its Gold Card loyalty programme in the Philippines in a move to connect the company more closely with its customers amid the continued volatility and uncertainty in the global financial system. Western Union values its customers and their loyalty. The new programme enables Gold Card members to enjoy an extended list of discounts and perks offered by Western Union's co-promoters. In addition, 'experiential' benefits and offers including discounts on concerts featuring popular and inspiring performers are also offered to show the company's appreciation and brighten spirits in these trying time. Western Union's loyal customers in the Philippines can enjoy special moments with their family and friends at concerts and reducing the burden of buying food and other daily necessities. (Please refer to the press release for details.)
- Throughout the year, Western Union also launches seasonal promotions (e.g. school opening, Christmas) and value-added services (e.g. formless transaction—please refer to the press release for more details) for consumers in the Philippines.

For Overseas Filipino Workers (OFWs):

- Western Union uses a variety of media channels to reach out to its overseas Filipino workers, including popular ethnic publications, ethnic radio programmes, and places where Filipino workers congregate.
- Western Union also connects with the communities through ethnic grassroots events such as games, mini-contests, raffle draws, dancing and singing performances which create platforms for OFWs to mingle and have fun.
- From time to time, Western Union also launches various promotions to celebrate ethnic festivals such as Christmas with the Filipino communities.
- Western Union is actively involved in Pre-Departure Orientation Seminars for OFWs through cooperation with OWWA and POEA. Pinoy Care Handbooks are developed and distributed to help OFWs familiarise with destined country's basic information and succeed in the new work environment. Western Union also offers basic tips on personal finance aimed at OFWs. This is communicated through light literature such as comic at these seminars.
- Western Union provides support to enhance the facilities for OFWs at *Balik Manggagawa* (Workers on Leave centre) in the Philippines. New

chairs were brought in and wall clocks were installed at the waiting area to create a comfortable atmosphere for OFWs to process their documentations at the centre.

7. Are there special laws that apply to your type of business or is it the same as that of any financial institution?

We are held to the same high standards for compliance as other financial institutions.

8. Since there is a flow of funds, do you report each exchange to the government? Is this being monitored? If so, what are the limitations and restrictions?

The Central Bank of the Philippines receives data of the volume and value of inbound remittances through our agents. We comply with all the location regulations including amount limits and reporting requirement, presentation of IDs, etc.

9. In what areas do you work with the government?

We seek to not only operate fully within the law, but to work closely with lawmakers in continuing to improve the legislative framework in which we operate.

10. What prospects do you see for your company in the future and what factors would determine these prospects?

About one out of every 10 Filipinos lives abroad, working in more than 190 countries worldwide—many of them sending money home.

In 2008 overseas workers sent home some \$16 billion, more than one billion dollars a month—representing about 9% of the Philippine economy as measured by GDP. And many more billions are sent through unofficial channels, which could be tapped if we only offer available and customer-friendly services (Bangko Sentral ng Pilipinas).

Western Union is well positioned to capture the market opportunities. We have a network that penetrates all the world's cities and town and many rural areas. We work with agents that include banks, but also convenience stores and other retailers, postal services and even mom-and-pop shops in remote corners of the world.

11. What service are you extending to the Filipino people and do you think you play an important role in the country?

Western Union helps connect loved ones near and far through providing a fast, reliable and convenient way to send money. And Western Union brings strong value to Filipino customers through its fast money transfer service.

We bring global experience and technical expertise to the Philippines, and we support the national economy by providing an authorised and convenient channel for remittance into the country.

Western Union offers exceptional convenience to Filipino customers through its huge network in the Philippines and around the world. And Western Union brings peace of mind to Filipino customers by offering a fast and reliable way to send money to loved ones when it matters most.

But migrant workers are becoming more sophisticated and will demand more services. Let's say someone from the Philippines goes to Hong Kong or Dubai to work as a domestic helper or a construction worker. He will start out using Western Union. And in a few weeks he will have a mobile phone. And in half a year a bank account. And in a year or two Internet access and a debit or credit card.

Western Union has not just extended its footprint to make it accessible to more and more customers, it has also diversified how, where and what services it offers. Western Union Money Transfer has been enhanced and evolved to ensure that customers can send and receive money in minutes; conduct online transfers or send money directly from their online banking system to any Western Union locations worldwide. As technology has advanced Western Union has responded and been at the forefront of this, e.g. the launch of mobile phone money transfer service. In addition, services such as QuickPay, which is a bill payment service available through our Agent locations, have also been introduced. Customers now come to Western Union's locations for more than just money transfer and peace of mind. They trust Western Union to deliver on the new financial services that it offers, and have built a strong affinity with the Western Union brand.

In some markets, Western Union offers online money transfer service and Account-to-Cash service which enables customers to send money to a Western Union location directly from their bank account.

12. Please comment on the idea that Western Union simply provides an economic transaction.

At present, the unbanked, predominantly migrant workers, are currently underserved and ignored by most banks and financial institutions in most countries.

Most banks are currently not processing international money transfers direct to person, and instead only offer limited bank-to-bank transfers, usually to recipients in developed nations or to corporations. Banks that do offer International Money Transfer are often in major cities, whereas the migrant worker populations may not necessarily be so.

This means that a large number of migrant workers who wish to send money back home have no safe, regulated route to do so. They are in fact reduced to using informal channels, which may even involve illegal money transfer routes. Studies have shown globally that remittances could be approximately 50% bigger according to the World Bank, if we were to count money sent by friends, family, through informal couriers, and this is without considering the illegal routes of payment.

Western Union provides a needed service to these underserved consumer segment—we are where our consumers are, offering them convenience, choice and the speed of service that they want and need.

The social and economic impact of remittances on the home nations is exceptional. In countries such as the Philippines, remittances exceed foreign direct aid and out strip other forms of private investment.

Increases in migrant worker incomes and decreases in remittance costs have played a role in this money surge. But these factors are not alone. Western Union has also played an active role by extending our network to reach our customers where they live, work and play, which has resulted in us

seeing an increase of close to 28% to 188.1 million consumer to consumer transactions worldwide between 2006 (147 million transactions) and 2008 (please refer to the earnings release).

Remittances are more stable than private capital flows, and they tend to be what economists call ‘counter-cyclical’—they rise dramatically during economic downturns, in times of political turmoil, or when natural disasters strike because it is during these times that overseas workers step up their giving for their families and communities.

Remittances are immediate, and directed person to person—to the people and communities most directly hit. During a crisis speed is crucial in getting funds to those who need it most so providing these consumers with access to fast, reliable routes to transfer funds as and when they need to do so. While remittances are essential for everyday subsistence, in times of crisis they become fundamental to survival.

Remittances sent back home, 100 dollars, 200 dollars at a time, collectively become a greater force than all development aid from the United States, the United Kingdom, Germany, Japan, and 19 other countries combined. They help fight poverty. According to migration expert Dr. Ratha, a 10% increase in remittances may lead to a 3.5% decline in the number of people living in poverty.

Researchers and development economists have identified collective remittances as an important phenomenon, although serious gaps remain in capturing a best practice approach to encourage investment in ‘home’ communities.

The *Economist* Intelligence Unit (EIU), sponsored by Western Union, produced a white paper in 2008—‘Building a Future Back Home: Leveraging Migrant Worker Remittances for Development in Asia’—to examine communal or collective remittances, the impact they are having, and what can be done to make them more effective.

The EIU white paper concluded that issues impeding further use of collective remittances for development are all related to one central factor—the need for leadership, both among the migrants and in the recipient community. According to the World Bank, documented remittances to developing countries reached \$283 billion last year, approaching the level of foreign direct investment and exceeding official development aid.

Following the publication of the EIU white paper, Western Union convened the first forum in the Philippines in April last year to discuss how collective remittance projects can be made more widespread and successful.

The forum, “The Western Union Conversation: Building a Future Back Home”, was an invitation-only multi-stakeholder dialogue attended by 50 leading figures from government, academia, non-governmental and inter-governmental organisations, industry groups and businesses. Their task was to share ideas, experiences and expertise with an eye on the end goal: the development of guiding principles to make collective remittances more commonplace around the world.

The end objective for Western Union is to draw on global and local learnings and, through a multidisciplinary approach, create a best practice model that can be replicated in the Philippines and more widely around the world.

Governments and international institutions may remain baffled by the problems of underdevelopment but migrants from countries around the globe are taking development into their own hands, one family, one community at a time.

Remittances help to finance better health care and education throughout the developing world, allowing migrant workers' children to remain in education longer and have the opportunity to build a better future for themselves and their communities.

Western Union is a global company with a best-in-class compliance programme on par with any other world financial leader. We invest over \$40 million a year on compliance. We have more than 300 employees around the world working on anti-money laundering policies and programmes to protect our system and our customers from potential fraud. Confidence in our systems is reflected in our Agent network. Many of the world's largest, most sophisticated financial partners want to do business with us—including large banks, government postal systems and others, because of our brand reputation, compliance investment, and track record.

At Western Union, in addition to provide an economic transaction, we are committed to protecting consumers who are working extremely hard but are underserved by the banking and financial industry, in difficult circumstances, with few rights and even fewer legal protections.