

Manila Report (Summer 2011)

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The main menu for my last Manila visit was the conference held at the University of the Philippines School of Labor and Industrial Relations (UP SOLAIR) on the 24th and 25th of August. As I have announced in previous Manila Reports, our group, consisting of Professor Hitoshi Hirakawa (SGRA advisor) of Nagoya University, Professor Bich Ha of the Foreign Trade University in Hanoi, and Dr. Than Than from Myanmar, presented two papers.

The Keynote Address was delivered by the Vice President of UP, Professor Amante, who was in Japan for further studies at about the same time as I was. After finishing his studies (Keio University), he went back home to UP, taught in a Korean University for a while, and became one of the former Deans of UP SOLAIR. In his Keynote Address, he stressed that since its inception in the 1950s, SOLAIR was a prestigious educational and research institution in Southeast Asia in the field of labor and industrial relations, and suggested the issue of maintaining that status. Faced with the reality of the Philippines being overtaken by other ASEAN countries, he encouraged continued learning from Japan, mutual constructive criticism and new ideas in the School, and efforts towards kaizen (continued improvement).

Although it has been quite a while since I last met Professor Amante, he kindly re-directed a question from the floor to me in the audience, perhaps remembering that my field was in development economics. The question was actually closer to international finance, and was about the establishing of an Asian currency in view of the current world crisis. My reply went more or less this way.

East Asia's degree of intra-regional trade has become bigger than that of NAFTA, and is expanding to catch up with that of EU. Such economic integration was achieved without any formal institution such as the Euro. The cause, I think, lies in the international division of labor in East Asia pursued by Japanese-affiliated firms such as Toyota. As Mr. Sobrevega of Toyota Motors Philippines (also the President of the PIRS) just pointed out, when dealing with Toyota-related enterprises in other ASEAN countries, it is necessary to strike an exquisite balance between standardization and respect for diversity. ASEAN has relatively done well up to now perhaps because of the principle of non-intervention. The Philippines has been considered as a showcase of democracy in Asia—something that is worth being proud of, but not exaggerating. We should bear in mind that, in ASEAN countries like Vietnam and Myanmar, where governments are strong, as Dean Sibal and Professor Amante have pointed out earlier, could very well just overtake the Philippines, if we become too complacent. Of course, we should be very happy that our neighboring countries are developing, but

this must not come at the expense of the Philippines: we must develop with them. Hence, what is important to the Philippines at this moment, I think, is to skillfully get on the international division of labor in the real sector, which is driving East Asian integration, rather than having a monetary institution such as a common currency.

On the encouragement of Professor Macaranas, Professor Hirakawa was kind enough to share his opinion. He pointed out that there was once an attempt to establish a common currency in East Asia, but this ended up failing due to the strong resistance of the US. He sees that the Chinese yuan right now could naturally become a common currency.

Professor Bich Ha of Vietnam also kindly shared her thoughts. Since she was more fluent in Nihongo, I translated into English. Her remark was roughly as follows.

There was a time that in Vietnam the development of the Philippines was considered to be very impressive. As I visit the Philippines for the first time, despite the progress in infrastructure, I was surprised to see various problems such as slums, and that the standard of living of ordinary citizens is not that good. The main reason for Vietnam's relatively good development is direct investment from abroad. It is hitting three birds with one stone. Due to foreign direct investments, employment, technology transfer and the formation of domestic small- and medium-scale enterprises become possible. Moreover, I think that the cooperative relationship between the government and labor unions in Vietnam could be a constructive point of dialogue between the Philippines and Vietnam. I hope to contribute to such a dialogue.

In the afternoon, Dr. Than Than of Myanmar, backed up by Professors Hirakawa and Bich Ha, presented in English the results of their research survey in Vietnam. Prior to her presentation, Dr. Than Than consulted me about some implications to the Philippines, which she kindly added at the end of her presentation. Apparently, in Vietnam, there is a tendency to suppress the outflow of migrant workers, which has actually contributed to the enhancement of the competitiveness of the country as workers are trained within the country. On the other hand, in the Philippines, sending workers abroad is a national strategy, and the country's competitiveness has not significantly improved. How to keep Philippine workers in the country or to re-integrate OFWs are important policy issues.

The above are some examples of the active participation of our foreign (non-Filipino) guests in the conference. Learning from each other, I think, may be one way by which the road to cooperation among ASEAN countries could be further paved.

Unfortunately, I was in a separate session so I could not participate in their session. I had, however, a different agenda for my session: how to learn from Japan. There were three presenters, and I was first to go. I compared the labor contracts of US and Japanese enterprises, from the point of view of shared growth. I was followed by Mr. Sobrevega, who

talked about Toyota Motor Philippines of the manufacturing sector. He was followed by one of the leaders of the labor union of Philippine Airlines of the services sector. In the open forum, I was happy to note that the participants (including the audience) applied, with no great difficulty, the shared growth principles I presented to the cases of Toyota and Philippine Airlines. Indeed, one of the objectives of my presentation was to raise the awareness that the Philippines could be a safe haven for the various shared growth institutions that could be learned from Japan, thus, ultimately contributing to the preservation of institutional diversity.

All four of us joined in the same sessions in the second day of the conference, where we had the invaluable opportunity to think about issues caused by poverty and social inequality, such as child prostitution, Japayuki, gender discrimination, migrant labor, and land reform. It was the first UP SOLAIR conference for the four of us. There is certainly room for kaizen, but I hope that the good presentations/discussions and the warm reception of the UP SOLAIR + SGRA family were able to compensate.

On the day following the closing of the conference, I passed by the hotel of the three guests at 7AM, picked up a collaborating professor at the UP College of Architecture at 7:30AM, and headed for Subic Free Port Zone on the expressway which Kajima Construction helped build (2.5 hours trip by car). Typhoon No. 11 had just hit landfall in the Philippines, and the weather was a bit rough. Nevertheless, we arrived right on time for our 10AM appointment at the Subic Bay Metropolitan Authority (SBMA) headquarters. We paid a courtesy call on SBMA Chairman Garcia with whom we were able to talk to until 11AM. This was followed by a briefing by his staff up to about 12 noon, at which time we discussed about how to proceed with Professor Hirakawa's research project on the manufacturing sector. After lunch, we had a brief tour of the Freeport Zone for about an hour, and were back in Manila by 5PM.

During our talk with SBMA Chairman Garcia, I pointed out that, despite a very good start, the Freeport Zone recently seems to be advancing a bit more slowly. The Chairman cited some examples of firms leaving Subic to explain the somewhat sluggish situation. There apparently was, at the start, a plan to build a free trade corridor between Kaohsiung (Taiwan) and Subic, leading to the construction of a 300 hectare Taiwan Techno Park, but this stalled due to reactions from China. The international airport in Subic was also the Asian headquarters for FEDEX, which has since been transferred to China. A US firm operating in the container port built through a loan from Japan has since transferred to Mexico so as to be closer to its NAFTA market.

The common point of the above examples seems to be that the "half-baked" nature of Subic tends to make it lose its prize catches to bigger ships (areas of operation). However, the Chairman pointed out that it is precisely this feature that could be leveraged to develop

Subic as a regional warehouse.

Because Subic is about 3 and half hours by plane away from the major East Asian cities, it is also in a strategic position in terms of sea routes. Another reason why it was chosen as naval bases by Spain and the US is its naturally deep port. (In fact, despite the proximity to typhoon no. 11, the waters in the port area were relatively calm). Finally, since Subic is in a Freeport Zone, it has a certain level of independence, legally and administratively, from the Philippine government so that the equation that Subic equals the Philippines may not really hold.

If we consider the above factors, Subic actually has the potential to drive the development of the Philippines. There is in fact a glimmer of hope amidst Subic's current underutilization. Korea's major shipping conglomerate, Hanjin, has built and is managing in Subic the fourth largest shipyard in the world. Moreover, it is planning to increase its area of operations by 200 hectares, and to start subcontracting the production of currently imported inputs to local manufacturers. Although there is now a global recession, the ship building projects of Hanjin have not really slowed down. Hanjin is very aggressive in supporting Philippine development. The Chairman is also hoping on support from Japan.

※ Some photos of the conference could be found in PIRS FACEBOOK.

<http://www.facebook.com/pages/Philippine-Industrial-Relations-Society-PIRS-Inc/196460910379580>

※ I would like thank Professors Teodosio and Macaranas, my dad (Mac), and sister (Lenie) for taking care of our guests during their visit. I would also like to thank again Professor Hirakawa for inviting Professors Teodosio and Macaranas to Nagoya University last March, and Professor Bich Ha and Dr. Than Than to the UP SOLAIR conference.