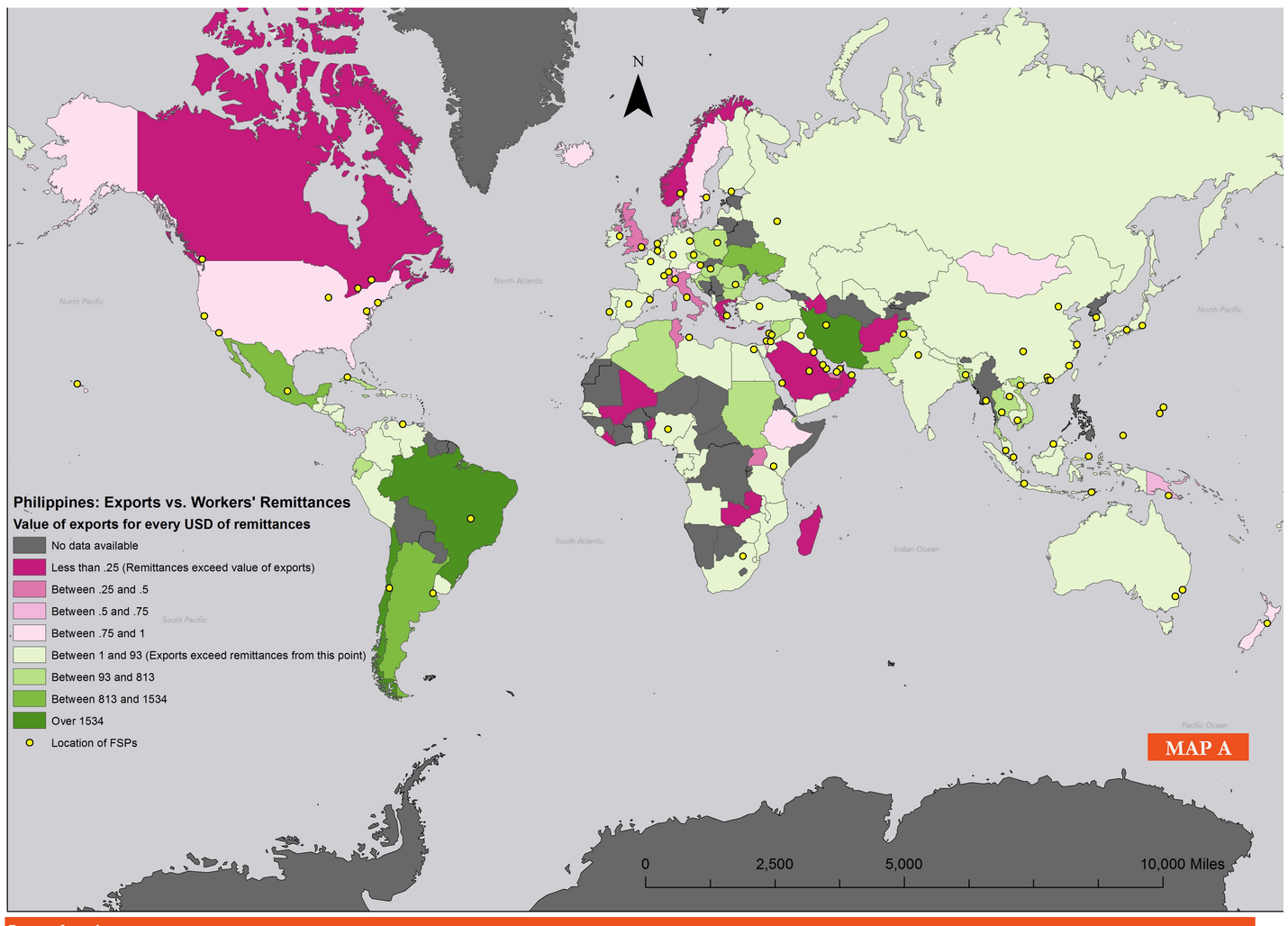
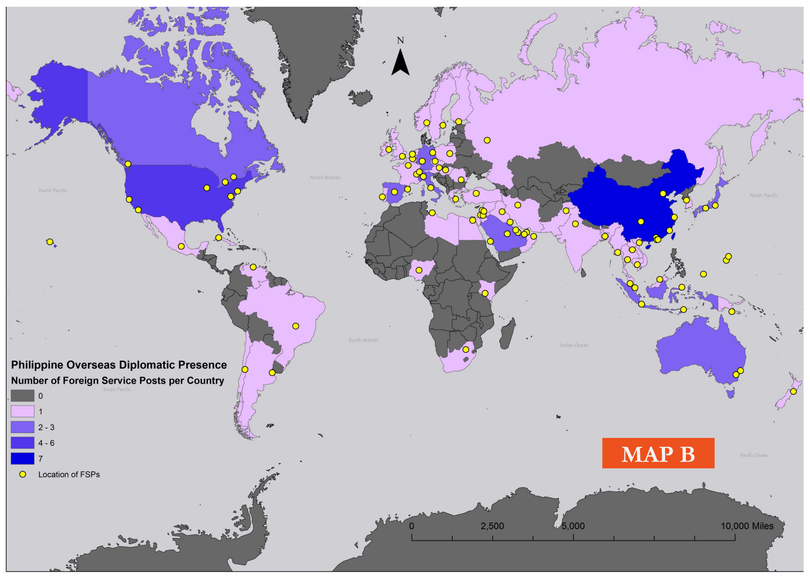
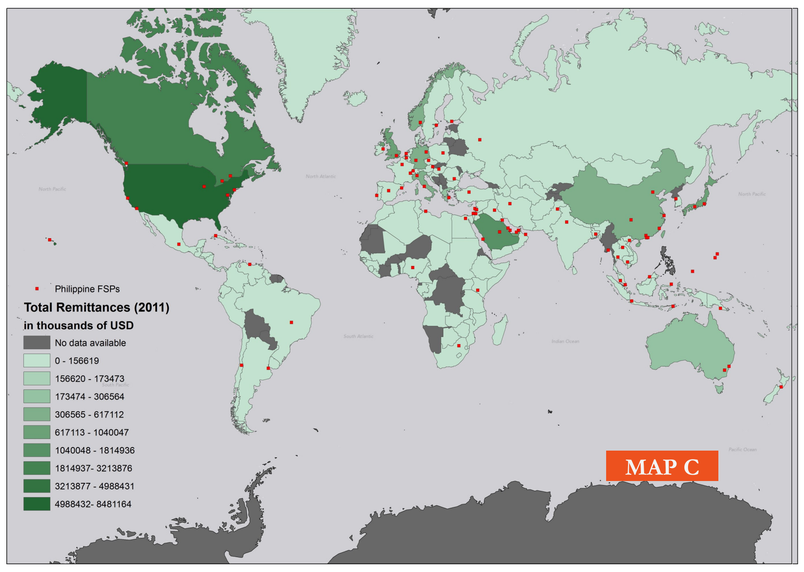
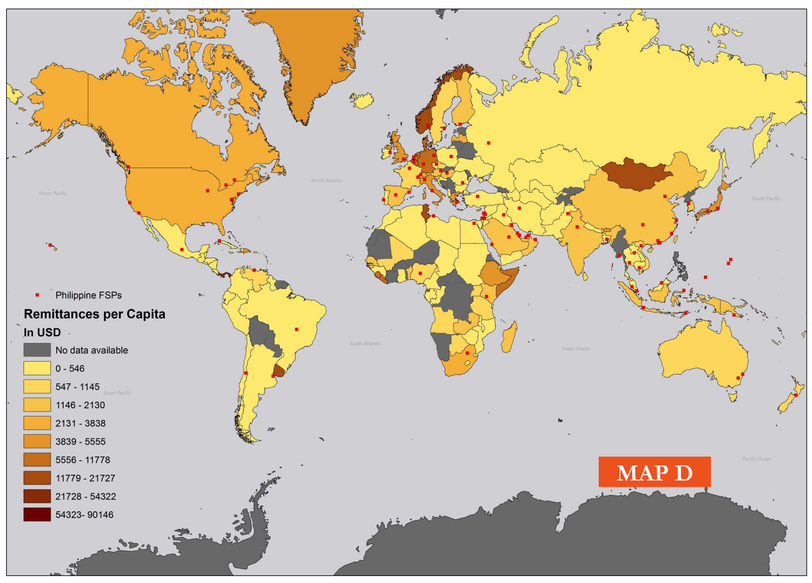
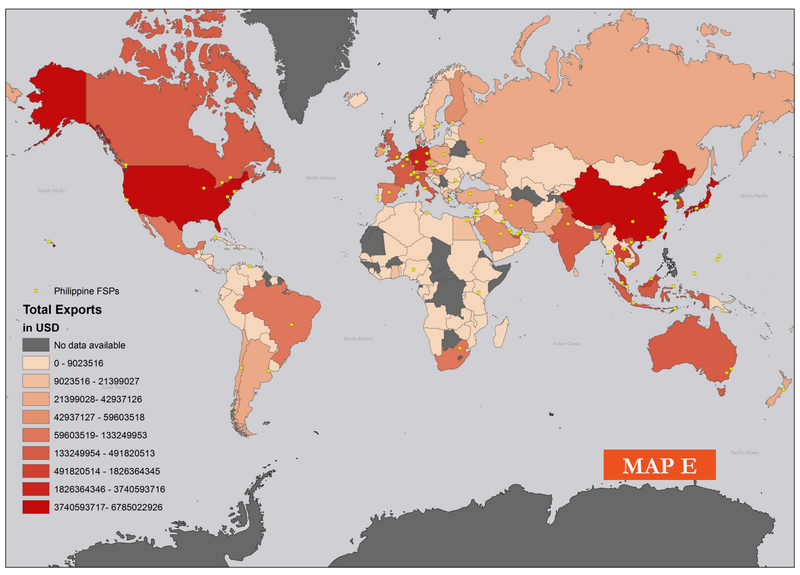
# Philippines: Income from Exports vs. Income from Remittances

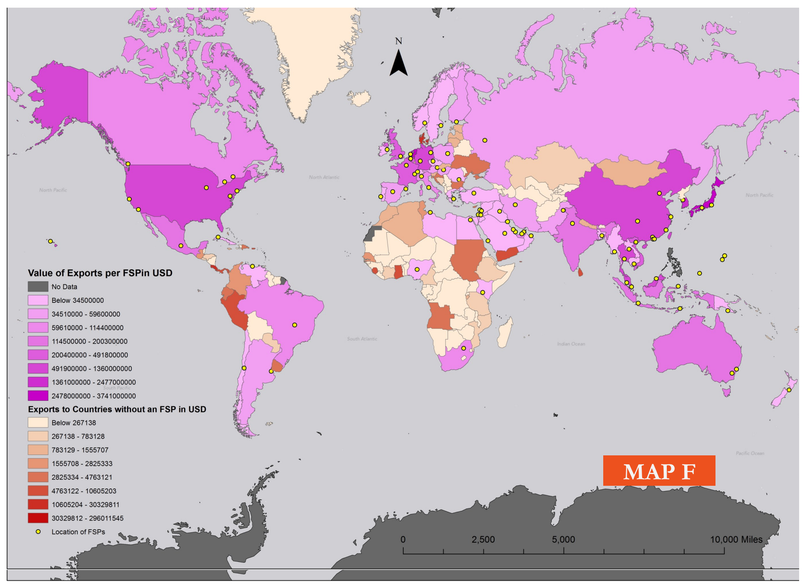



## Introduction

Comprising almost 9% of the total population, there are approximately 8.5 million Overseas Filipino Workers (OFWs) in all continents of the world. They are now an important backbone of the economy. What started off as a temporary solution for economic woes in the 70s blossomed into a national industry. It has been said that labor is the primary export of the Philippines, and the returns are enormous. The remittances that OFWs send home make for approximately 12% of the nation's GDP. If any Filipino family wished to get ahead, one of them had to go abroad and send money home. And this is the route that most families take.

While the Philippine Government will never officially declare that the promotion of labor export is an official policy, there are institutions in place that do just that. Starting with the Philippine Overseas Employment Agency, the POEA supervises the legal deployment of workers all over the world. Once the worker is abroad, they can tap into the benefits of the Overseas Workers' Welfare Administration, which is in effect a form of insurance where members are entitled to benefits such as disability and free repatriation of remains in case of death. Also, Philippine Embassies and Consulates abroad have been tasked to see to the concerns of OFWs no matter what they may be. They could be problems with abusive employers, which is common in the Middle East, or they could even be relationship problems, which is not uncommon in Europe. Assistance to OFWs abroad, be it legal or otherwise, is now even mandated by law. This policy only serves to promote migration even more, and while it offers an umbrella of protection that is seen as a model for other countries, it does not seem to do anything to counter some of the other disadvantages to migration, such as the separation of families. What is needed institutionally is for more economic incentives to stay home, and that is difficult in the face of better opportunities overseas.

## The Questions

As such, when one looks at how the Philippines utilizes its resources abroad, would they be better off promoting labor export, as opposed to promoting trade relations and encouraging investment? This series of maps seeks to answer this question, as well as two others. First, how do remittances from overseas compare with overseas trade? And next, do the current locations of Embassies and Consulates reflect a focus on catering to overseas workers, or to trade?

## Methodology and Maps

This project seeks to analyze a perceived focus on labor export or trade through two indicators: for labor export, it would be the latest figures (2011) of remittances as collected by the Philippine Central Bank, and for trade, the latest aggregate export figures would be used (2009) as collated by the Philippine Bureau of Export and Trade Promotion.

**MAP A** The question on comparing remittances to trade can be tackled by the primary map above. By normalizing the values of export earnings over the values of remittances, we can plot out where there are countries where the income from exports exceeds the income from remittances, and vice-versa. From this map we see here that there are countries where remittances would constitute the bulk of economic activity., even though these countries are not among the majority.

**MAP B** The Philippines has over 90 diplomatic and consular missions (also known as Foreign Service Posts, or **FSPs**) all over the world, and there are distinct areas in Africa, South America, Central Asia, and Eastern Europe where there are no FSPs at all. Relations with these countries are usually conducted through adjacent FSPs, however, in areas such as Africa, the logistics can get cumbersome.

**MAPS C AND D** Remittances are the lifeblood of many households in the Philippines. In Map C, we can see where the majority of remittances come from. When compared to the locations of FSPs, there seems to be no country with a large volume of remittances that has no FSP. For Map D, we see the quality of remittances. In certain countries, overseas workers get paid more, either because of better skill sets or because of better wage laws in the host country.

**MAPS E AND F** When looking at the export side, we can already see that there are a few countries that buy plenty of Philippine products, while at the same time, do not have an FSP to facilitate or promote the trade in Map E. In Map F, once the export data is normalized among the number of FSPs in that country, and also once we look at the volume of exports to countries with no FSP, the data starts to get more interesting. There are a few countries in Africa and South America that would probably benefit from an FSP to expand trade relations.

## Conclusion

Looking at the data, it is indeed clear that, while countries that are large sources of remittances are not wanting for FSPs, there are countries with decent trade links with the Philippines that do not have physical representation. Clearly, this pattern shows a bias toward labor export, despite the uneasiness of the Philippine government to officially declare that the promotion of labor export is a matter of policy.

***SOURCES:***


***Export Data:*** *2009 Statistics of the Bureau of Export and Trade Promotion (Philippines)* ***Remittances:*** *2011 Bangko Sentral (Central Bank) ng Pilipinas Statistics* http://www.bsp.gov.ph/statistics/keystat/ofw.htm ***Statistics of Filipinos Overseas:*** *Philippine Overseas Employment Agency (2009)* http://www.poea.gov.ph/stats/Stock%20Estmate%202009.pdf ***Locations of Embassies and Consulates:*** *Department of Foreign Affairs (Philippines)* http://www.dfa.gov.ph/ ***Country and City datasets:*** *Tufts M* Drive



Cartography by Ralph Vincent Abarquez, 08 May 2011. Projected Coordinate System: Mercator