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The Economic Role of Metro Manila in the Philippines: A Study of Uneven Regional Development under Globalization*

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ABSTRACT

Ever since Manila was established as the Western Pacific base of the galleon trade in 1571, the city has always played the central role in government, the economy, and culture in Las Islas Filipinas. American control of the archipelago in 1898 and the creation of the Philippine Republic in 1946 did not fundamentally alter the centrality of what is now Metro Manila.

This paper analyzes Metro Manila’s centrality within the dynamics of economic processes by introducing a critical political economy approach to research on uneven development in the Philippines under globalization. It elaborates on the economic role of Metro Manila, focusing on five themes. First, the paper discusses the role of Metro Manila as the mediating site within the Philippines, and between the Philippines and other countries, through communications and transportation infrastructure. Second, consumption and income concentration in Metro Manila are examined. The third and fourth themes look at the transformation of Metro Manila from an industrial to a post-industrial production site and the transfer of finance capital, within the context of finance capital concentration in Metro Manila. The last theme covers the concentration of corporate headquarters as a component of Metro Manila’s economic power.

Keywords: Philippines, Uneven Regional Development, Finance Capital Transfer, Cultural Production, Post-Industrial Production

JEL Classification Numbers: O18, R11, R12

1 Introduction

After the Western Pacific base of operations of the galleon trade was transferred from Cebu to Manila in 1571, Manila assumed the central role in government, culture, and economics in the colonial entity of Las Islas Filipinas. The subsequent American control of the Philippine Islands in 1898 and the establishment

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of the Philippine state in 1946 did not fundamentally alter the role of Manila in the country. The area, which has now expanded to Metropolitan Manila (Metro Manila), is more than just the center of political life in the Philippines, although it is usually studied in the context of the government's geographical structure without adequate consideration of the geographical dynamics of economic development. This paper analyzes the economic role of Metro Manila in a larger context—the contradictory processes within economic development in the Philippines.

**Major Theoretical Frameworks**

In this subsection, this paper discusses existing theoretical frameworks in order to properly situate the case of regional economic development in the Philippines. However, the paper does not intend to be shackled by the limitations of existing theoretical frameworks such that it will fail to recognize tendencies that may be incongruous with existing frameworks. Therefore, this research is employing an inductive approach, wherein theorizing is the outcome of empirical evidence analyses, to clarify the uneven development in the Philippines.

There are two major theoretical approaches that attempt to explain uneven development: the neoclassical economics approach, as exemplified by New Economic Geography, and the critical political economy approach, as exemplified by Uneven Regional Development.

**Neoclassical Economics Approach**

Early neoclassical economic theories, such as the Heckscher-Ohlin Trade model (Heckscher, 1919; Ohlin, 1933), suggest that factor mobility equalizes the differences in factor prices across geographical entities, given the model’s highly reductionist assumptions. What this means is that the convergence of economic conditions over time is predicted in the model. However, post-World War II evidence indicates a tendency towards growing economic disparities between developed and developing countries, which is opposite to what Heckscher-Ohlin model predicts.

Aside from weak empirical support, another criticism leveled against convergence theories based on the Heckscher-Ohlin model is the omission of spatiality. In this context, the **Location Theory** (Weber, 1929; Hoover, 1937) was developed to provide a theoretical framework for explaining the spatiality of industries, or

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1 In 1975, Presidential Decree No. 824 defined the territorial boundaries of Metropolitan Manila, encompassing the present cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Pasay, Pasig, Parañaque, Quezon, San Juan, Taguig, and Valenzuela; and the municipality of Pateros. Meanwhile, Presidential Decree No. 940 in 1976 proclaimed Metropolitan Manila as the seat of government, with Manila as the capital.
the concentration of certain industries in particular areas. By incorporating the transportation costs of raw materials and final products, mathematical models that are based on the Location Theory demonstrate the optimal locations of industries. Nevertheless, the Location Theory was deemed unsatisfactory in neoclassical economics for not allowing general equilibrium.

The perceived inadequacy of the Location Theory was taken care of by Krugman et al. through their development of a general theory for trade and location—the New Economic Geography (NEG)—which became the prominent representative of the neoclassical economics approach to uneven development. By incorporating transportation costs into neoclassical trade models, Krugman’s Core-Periphery model,2 which is the central model of NEG, allows uneven development (Krugman, 1991a). In this model (Krugman, 1991a, 1991b), the dynamic process of spatial differentiation of economic activity is explained as the combined result of centripetal and centrifugal forces of economic production, akin to what Myrdal (1957) calls backwash and spread effects and Hirschman (1958), polarization and trickle-down effects. Whereas traditional neoclassical models only allow convergence, this model allows the possibility of divergence among predefined spaces. The model propounds that the continuity of economic production concentration within a region, which by implication also means divergence, is dependent on three parameters: “sufficiently strong economies of scale; … sufficiently low costs of transportation; and … a sufficiently large share of ‘footloose’ production not tied down by natural resources” (Krugman, 1991a, pp. 21–22).

Limitations of the New Economic Geography

Despite its being a useful tool in analyzing the concentration of economic production, the model has limitations due to its highly idealized assumptions related to concepts of time, space,3 and development. For this reason, it cannot be used by this paper as an analytical tool in examining contradictions within the Philippines’ development process in order to clarify the economic role of Metro Manila.

One limitation of the model is its concept of time, as it operates towards an imagined equilibrium in the future. Time is understood as homogenous and separate from the collective specificity of a society. However, the experience and understanding of time is founded on a common temporal consciousness of a society, as elaborated by Durkheim (1976) using evidence from his research on

2 Onishi (1997, 2009) pointed out that in Krugman’s earlier model of uneven development (Krugman, 1981), the assumption of an increasing return to capital is not suitable for embodying the empirical evidence of the deindustrialization that has been happening in developed countries in recent times.

3 Also refer to Garretsen and Martin (2010) on their criticism of the Core-Periphery model’s highly idealized assumption of time and space.
primitive societies. This means that time has qualities that are derived from the customs shared by a society and is therefore not purely quantitative. This point of view suggests that the path taken by economic development is embedded in the society and is the result of societal dynamics. From this perspective, it is not only the initial conditions that are affected by “history,” as the model would assume; rather, each point in the path of economic development has a historical context in the sense that it is a product of societal dynamics.

A second limitation of the model is its concept of space. Even though traces of spatial specificities can be found in the model through the variability of transportation costs, the Core-Periphery model’s conceptualization of space is mostly formless and abstract. Thus, the model requires that geographical entities be treated as pre-given bounded spaces and ignores the contradictions within the bounded space.

Okada (2006) asserts that in understanding regional development, a region has to be understood as a territory for living. What this suggests is that social relationships, anthropo-environmental interactions,⁴ and the contradictions and disruptions arising from these relationships and interactions have important ramifications on regional development.

Furthermore, Massey (1984) demonstrates the linkage of the spatial organization of capitalism and the social division of labor. She argues that the spatial organization of economic processes reflects the spatial divisions of labor. In other words, the spatiality of the social relationship of production is vital in understanding uneven regional development.

By disregarding the social relations of production, the Core-Periphery model fails to distinguish between actual production and control of production, which is key to understanding the spatiality of economic processes.⁵

The third limitation of the Core-Periphery model—the central model of NEG—is its understanding of economic development, which is based on the increase in goods produced (e.g., gross regional product [GRP] growth rate). Without doubt, this index is useful as a quantifiable measurement of regional

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⁴ The concept of anthropo-environmental interactions is being used here to refer to the interactions between humanity and the natural environment inasmuch as the natural environment affects humanity and vice-versa, as well as to include the context by which interactions between human societies and their natural environment are made. For instance, societies in landlocked valleys have an interaction context with their natural environment that is quite different from the case of societies on coasts. Furthermore, the context of anthropo-environmental interaction has implications on relationships between human societies; e.g., societies on coasts can build seaports for trading, whereas those in landlocked valleys cannot.

⁵ The failure of a model to recognize the spatiality of social relations means it will have to consider each firm—the unit of analysis—as a monolithic entity. However, within the firm, the control of resources is not homogenous. As Moore (2002) has pointed out, the shop floor is already a geographical scale; its spatiality reflects social relations.
development, but complete dependence on it obscures the primary basis and object of economic development.

Hisano (1996, forthcoming) takes a contrary position, arguing that economic development cannot be understood as an improvement in productive capacity that is solely measured by the amount of goods produced. The reason is that such improvement may actually reduce a person’s productive capacity in situations where the internal and external bioconditions of humanity are degraded. What this suggests is that regional development has to be linked with the region’s bioconditions.

**Critical Political Economy Approach**

Due to the limitations of the Core-Periphery model, the paper utilizes the findings of the critical political economy approach to uneven development in elaborating on the various contradictions in the Philippines’ economic development. Considered by many as a prominent representative of this approach, Harvey (1989) sees uneven geographical development as a necessity in the capitalist mode of economic production. He argues that the “process of annihilation of space through time … has always lain at the center of capitalism’s dynamic” (Harvey, 1989, p. 293). According to him, the annihilation of space through time, or what he calls *time-space compression*, is a necessary result of the acceleration of capital accumulation. Capital accumulation is accelerated through the compression of the turnover time of capital by reducing the friction of space. Technological innovations, such as the *shinkansen* in transportation and fiber optic cables in communications, are seen as instruments to increase production cycles and reduce capital turnover time, thereby accelerating capital accumulation. Through advancements in Internet technology, for example, designs produced in Silicon Valley are transmitted almost instantaneously to production sites in China. However, a contradictory tendency against spatial expansion of capitalist production is also necessary in the space economy of capitalism. Harvey (2006, p. 416) argues that “[i]f time is needed to overcome space, surplus value must also be produced and realized within a certain geographical domain.” In other words, simultaneous contradictory tendencies of spatial “concentration and dispersal in the circulation of capital” (Harvey, 2006, p. 417) are present throughout the capitalist mode of production. Uneven geographical development, he concludes, is an expression of these countervailing tendencies.

Long before Harvey’s theoretical analysis, however, Shima (1951) had already demonstrated such tendencies of uneven regional development through his analysis of the actual dynamics of capital in Japan. His research reveals that

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6 The concept of bioconditions of humanity refers to the conditions that support human life, so that health is an index of internal bioconditions and the state of the natural environment, of external bioconditions.
under monopoly capitalism, the regional dispersal of the means of production is demonstrated as simultaneous with the concentration of income and capital in major cities (Shima, 1951; Okada, 1994, p. 51). Like Harvey, Shima looked at uneven regional development in the context of its inevitability within the capitalist process. His research goes further and connects regional economic disparity with uneven regional development (Shima, 1951, pp. 7–10).

Recent years have witnessed a significant increase in the interpenetration of commodities, capital, and labor—often referred to as economic globalization. Although the process of globalization has significantly changed the configuration of economic relationships between countries, it has not fundamentally altered or overcome the countervailing tendencies immanent in capitalism, which are expressed in uneven regional development. Okada (2005) argues that capital mobility through foreign direct investment (FDI) may have dispersed industrial production at a global scale, but the headquarters of international corporations continue to agglomerate in a number of cities. Furthermore, Sassen (2001) emphasizes that the mere presence of global corporations does not turn a city into a global city; what is crucial is the clustering of advanced producer services, including finance, advertising, and consulting.

Objectives, Hypotheses, and Organization

By using the critical political economy approach, this paper aims to show that the deindustrialization and concurrent post-industrialization of cities can be situated as a process within uneven regional development under economic globalization by elaborating on the mechanism of and inherent contradictions within the development process in the Philippines. Furthermore, by studying the transformation of Metro Manila’s economy as the Philippines gets integrated into the global economy, this paper aims to show that the production and transmission of ideas—key to the post-industrialization of cities—along with the necessary physical infrastructure, are needed to maintain the cities’ centrality in the process of economic globalization.

To carry out its objectives, the paper formulates three major hypotheses based on the initial review of available macro-quantitative economic data. One: The dispersal and concentration of economic production that is influenced by globalization is happening in Metro Manila. Two: The concentration of economic production in Metro Manila involves higher-value production that results in the concentration of high- and low-income managers and workers. Three: The concentration of higher-value production involves the concentration of mediating infrastructure for transportation and communications.

This paper addresses the objectives and examines the hypotheses from the following perspectives: 1) transportation and communications infrastructure, 2) income and consumption, 3) industrial production, 4) finance capital, and 5) location of corporate headquarters. To investigate the topics thoroughly, the
The paper investigates the pertinent laws and policies of the Philippine government and information generated from government statistical data on employment, banking, and corporations.

The paper is organized around the five given perspectives. In section 2, it examines the third hypothesis through a discussion of the role of Metro Manila as the mediating site within the Philippines, and between the Philippines and other countries, based on the concentration of mediating infrastructure for transportation and communications.

In section 3, the paper examines the second hypothesis from the perspective of income and consumption. The section demonstrates that under globalization, through increased labor mobility and increased production integration, the concentration of consumption and income is observed in Metro Manila. Likewise noted is low-income concentration, a concomitant phenomenon to high-income concentration.

Section 4 examines the first and second hypotheses from the perspective of industrial production. The section starts with the confirmation of the geographic dispersal of industrial production away from Metro Manila to the adjacent Calabarzon and Central Luzon regions. It is argued that the dispersal is occurring in conjunction with the concentration of higher-value production in Metro Manila through its transformation into a post-industrial production site.

Section 5 examines the concentration aspect of the first hypothesis from the perspective of finance capital. The section points out that in spite and because of the financial deregulation being implemented by the government in response to economic globalization, further concentration of finance capital is observed in Metro Manila. The paper argues that the concentration of finance capital is happening within the context of Metro Manila’s transformation into a post-industrial production site.

Section 6 investigates the concentration aspect of the first hypothesis from the perspective of corporate headquarters concentration. It argues that the regional concentration of corporate headquarters must be taken into account in analyzing uneven development since corporate headquarters have economic power beyond their immediate location.

In the concluding section, the major points of the preceding sections and of the paper as a whole are summarized. Subsequent topics that may have important implications on government policy formulation and academic research are listed.

2 Metro Manila as an Asymmetric Mediating Site

The concentration of communications and transportation infrastructure is a distinct characteristic of Metro Manila vis-à-vis the rest of the Philippines. This topic is discussed in this section in order to clarify Metro Manila’s function as an
The Economic Role of Metro Manila in the Philippines

Communications Infrastructure in Metro Manila

In a globalizing economy, communications infrastructure is vital for transnational corporations in linking production and consumption sites, and distribution facilities that are scattered across wide areas. Communications connectivity using telephone and Internet infrastructure allows corporate headquarters to synchronize and supervise geographically dispersed operations, as well as communicate the strategic decisions made in corporate boardrooms, to their local operations. Developed communications infrastructure is therefore expected in the location of most corporate headquarters (Metro Manila), as section 6 of this paper will demonstrate.

High-bandwidth data infrastructure is indispensable for corporate connectivity. However, statistics on this factor are not readily available in the Philippines. Nevertheless, the concentration of telephone lines, which used to be the index for communications infrastructure concentration, reflects the density of communications infrastructure in Metro Manila. In 2008, the metropolis had 3.6 million telephone lines—48% of the country total of 7.4 million (Figure 1). Furthermore, the Metro Manila average of 31.9 telephone lines per 100 people was more than three times the country average of 8.2.

In linking production, distribution, and consumption sites, communications infrastructure is indispensable for the transmission of digitized corporate processes. These processes may involve either internal business functions, such as the payroll, billing, and collections, or customer-related services, such as marketing, sales, and customer support. On the other hand, the digitization of corporate processes allows their outsourcing to third-party firms, which is generally called business process outsourcing (BPO).

In recent years, the Philippines has seen significant growth as a recipient location for BPO. Based on export revenues, the country has the third-largest BPO industry after India and Canada (International Monetary Fund, 2007, p. 25). In 2007, BPO revenues hit US$4.9 billion, from US$1.5 billion in 2004, and the industry directly employed 300,000 personnel (National Economic and Development Authority, 2009, p. 29). For these reasons, the government expects BPO to be a major generator of foreign exchange and employment in the coming years.

However, it must be pointed out that BPO activities in the Philippines are highly uneven. According to the Trestle Consulting Group, 80% of all BPO activities in the Philippines are located in Metro Manila (Rivette, 2011, p. 4). A main factor is the availability of communications infrastructure, especially high bandwidth data. The concentration of BPO activities in Metro Manila attests its role in transforming labor into digitized information, which is transmitted to
various sites outside the Philippines as corporate processes that are necessary in the maintenance and support of transnational corporations. BPO activities are mostly either internal business functions or customer-related services of corporations from Europe and America. The time zone difference of seven to 12 hours between these areas and the Philippines makes night shift work common and necessary in the industry. According to an International Labor Organization study, 42.6% of BPO employees work the night shift to serve customers in distant time zones in real time. The study further reveals that of the BPO workers surveyed, 47.7% suffer from insomnia and 54.0%, from fatigue.\(^7\) It is not far-fetched, therefore, to suspect that continuous night shift work has been detrimental to the bioconditions of BPO workers in the Philippines.

From the previous discussion, it has been seen that the communications infrastructure in Metro Manila serves two similar and yet contrasting functions: the transmission of corporate commands from higher levels of the corporate chain of command and the transmission of business processes that satisfy these corporate demands. Although both functions are treated as information, the former embodies command and control, while the latter is produced by labor that is the object of command and control.

In this sense, therefore, connectivity through the communications infrastructure in Metro Manila is asymmetric. The area provides labor power to the

\(^7\) The information was retrieved from Department of Labor and Employment website. For details, see Messenger and Ghosheh, eds. (2010).
The Economic Role of Metro Manila in the Philippines

Global network in the form of services and, on the other hand, it receives orders in the form of supervision and decision implementation from global corporate command centers.

Transportation Infrastructure in Metro Manila

For a long time, Metro Manila has been serving as the transport hub linking localities within the Philippines, as well as linking the Philippines to other countries. Most land transport from the north of Luzon Island has to traverse Metro Manila, mainly by the North Luzon Expressway (NLEX) and MacArthur Highway. The South Luzon Expressway (SLEX) is the counterpart from the south of the island (Figure 2). Transport infrastructure is also concentrated within Metro Manila. Except for the Philippine National Railways (PNR) Southrail,8 which connects Metro Manila with southern Luzon, all passenger rail lines in the Philippines—the Yellow, Blue, and Purple Lines—are in Metro Manila (Figure 3). The total road length in Metro Manila as of 2007 constituted 3.5% of the country’s aggregate, even if the metropolis occupied a mere 0.2% of the country’s land area. Data from the Department of Public Works and Highways

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8 The PNR Southrail, a 479 km rail line connecting Metro Manila with the southern portion of Luzon island, is the only existing heavy rail line in operation. Due to damage brought by a typhoon in 2006, some portions were not yet in operation as of this paper’s writing.
also indicates that all roads in Metro Manila are made of high-quality materials (either asphalt or concrete), compared to only 72% elsewhere in the country.\(^9\)

The centrality of Metro Manila in Philippine transportation is corroborated by air transport statistics. In 2008, 36 million air transport passengers passed through the 85 airports scattered on the archipelago: 23 million were domestic passengers; 12 million, international passengers; and 1 million, general aviation or military passengers. Around 11 million (48%) of the domestic passengers passed through the Ninoy Aquino International Airport (NAIA), the country’s

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\(^9\)The information was derived from the webpage of the Department of Public Works and Highways.
major airport, which is located in Pasay City, Metro Manila.\textsuperscript{10} Practically half of all domestic air passengers either enplaned or deplaned at NAIA, a statistic that was confirmed by a survey of the domestic routes plied by the Philippines’ two major domestic airlines: Cebu Pacific Air and Philippine Airlines (PAL). Based on published weekly domestic schedules between March and October 2010, only 118 of PAL’s 1,138 weekly domestic flights and 478 of Cebu Pacific’s 1,542 did not land at or depart from Metro Manila.\textsuperscript{11} Furthermore, only seven of PAL’s 36 domestic routes and 21 of Cebu Pacific’s 51 did not include Metro Manila. Although direct flights between locations outside Metro Manila have increased in recent times, the need to pass through the metropolis persists in most cases. The data thus shows that Metro Manila is the mediating location for air travel between localities in the Philippines.

International air transport statistics paint the same picture. Between 2001 and 2008, the number of international air passengers increased from 8 million to 12 million—another indication of the Philippines’ increasing integration into the global network, partly due to the rising number of Overseas Filipinos Workers (OFWs). Around 11 million (92\%) of the international passengers passed through Metro Manila.

In air travel, therefore, it is clear that Metro Manila mediates the flow of people within the Philippines, and in and out of the archipelago. It can be said that since most of the country’s labor exports pass through it, Metro Manila mediates in labor power mobility; and since its transport hubs receive professionals and the managerial elite of transnational corporations, it also mediates in the implementation of decisions by global corporations through the mobility of corporate managers. Therefore, like communications infrastructure connectivity, transport infrastructure connectivity through Metro Manila is asymmetric.

\section{Consumption Concentration in Metro Manila}

Table 1 shows the 2007 occupational structure of various geographic areas in the Philippines. Some 33.7 million people were employed nationwide, of whom 32.0\% were in agriculture; 18.3\%, in wholesale and retail trade; and 9.1\%, in manufacturing and others. In Metro Manila, the structure is different: of the 4.1 million people employed, 25.7\% were in wholesale and retail trade; 12.7\%, in manufacturing; and 12.3\%, in transport, storage, and communication, and others.

\begin{table}[h]
\centering
\caption{Occupational Structure by Geographic Area (2007)}
\begin{tabular}{lrr}
\hline
Geographic Area & Agriculture & Whs./Retail & Manufacturing & Others \\
\hline
Nationwide & 32.0 & 18.3 & 9.1 & \\
Metro Manila & 25.7 & 12.7 & 12.3 & \\
\hline
\end{tabular}
\end{table}

\textsuperscript{10} The data was retrieved from Philippine Civil Aviation Authority website.

\textsuperscript{11} Based on the tabulation results of Cebu Pacific’s “Domestic Flight Schedule Effective 28 March – 26 October 2010” and PAL’s “Summer Domestic Timetable Effective 28 March until 30 October 2010.” Domestic flight schedules were retrieved from the Cebu Pacific and Philippine Airlines websites.
Consumption and Income Concentration

Among the sectors in Metro Manila, retail and wholesale trade had the biggest share of workers; at 25.7%, it was 1.4 times the country average of 18.3%. Furthermore, between 1993 and 2007, the sector had grown from 21.1% to 25.7%, indicating a trend towards greater concentration in the service sector. This is also an indicator of Metro Manila’s transformation into a post-industrial production site (details discussed in section 4).

The increasing proportion of retail and wholesale trade workers in Metro Manila is reflected in the mushrooming of huge shopping malls in the area. Although mall construction in the Philippines started as far back as the 1970s, the mall boom only began in the 1980s. There are more than 100 malls in Metro Manila, but the SM chain—known for the enormous sizes of its malls and extensive variety of products—is considered by many Filipinos as the quintessence of the species. Three SM malls line Epifanio de los Santos Avenue (EDSA), Metro Manila’s main thoroughfare: SM City North EDSA, SM Megamall, and SM Mall of Asia (Figure 3). SM City North EDSA in Quezon City, which sits on 16.1 hectares (ha) and boasts a total floor space of 42.5 ha, started operations in 1985. SM Megamall in Mandaluyong City, with a land area of 10.5 ha and floor space of 33.2 ha, opened its doors in 1991. SM Mall of Asia in Pasay City, which began in 2006, has the largest land area of the three—19.5 ha—and 38.6 ha of floor space. SM City North EDSA, the biggest shopping mall in the Philippines in terms of floor space, and advertised as the third largest shopping mall in the world, is visited by more than 300,000 people per weekday and more than 500,000 people per day on weekends.12

Along with the high proportion of retail and wholesale trade employees, the ubiquity of shopping malls in Metro Manila’s landscape denotes the geographic concentration of commodity acquisition and, consequently, disposable income in the area, which is partly caused by economic globalization. Under globalization, high-income managers and professionals converge in cities with high concentrations of corporate headquarters, which drives up consumption. In Metro Manila, the concentration of commodity acquisition is bolstered further by the growing number of OFWs. From the NAIA, many of them proceed to a shopping mall to buy presents and necessities for their families in the provinces. Not surprisingly, SM Mall of Asia is located very near NAIA (Figure 3).

The concentration of commodity acquisition in Metro Manila also reflects its cultural power in the concentration of profit-driven cultural production

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12 The information was retrieved from the webpage of SM Prime Holdings, which is the operator of SM shopping malls.
(details discussed in section 6). Cultural trends are produced in and diffused from Metro Manila. Often, products at the forefront of profit-driven cultural trends in the Philippines are only available in this metropolis. Thus, high-income consumers from other localities in the country come to Metro Manila to purchase these products.

However, the high-income consumption lifestyle requires low-income labor, such as sales personnel, masseuses, waiters, gardeners, maids, car mechanics, and others (Sassen, 1988, p. 127, 142; 2001, p. 9). In short, the concentration of high-income residents requires a simultaneous concentration of low-income residents in the same space.

Economic Inequality

In the 1990s, the spatial segmentation of high- and low-income residents in Metro Manila was manifest in the development of self-contained residential complexes for high-income residents and the proliferation of slums. *Eastwood City* in Quezon City, *Bonifacio Global City* in Taguig City, and *Rockwell Center* in Makati City are among the business districts integrated with residential complexes that were developed during this period. However, development was very much limited to specific areas and did not necessarily translate to better welfare for all Metro Manila residents, so that urban inequality became more pronounced. A perfect example of the inequality was the collapse of a garbage dump in *Payatas*, Quezon City in July 2000, resulting in the death of hundreds of people living and working at the dumpsite.

High-income residential enclaves in Metro Manila are generally self-contained and physically isolated from the surrounding areas. As bounded spaces, these areas are fitted with the infrastructure required by high-income residents, such as well-lighted and -paved streets, common areas for the residents and their guests, and gates and surrounding walls. However, low-income workers are needed to maintain and support these isolated spaces. Security personnel guard the gates, street cleaners sweep leaves and dirt off the streets, gardeners manicure the lawns and trim the trees, family cooks prepare meals, maids clean the houses, and nannies take care of the children.

The private households sector employs 5.0% of total workers in the Philippines (Table 1). In Metro Manila, this sector employs 9.5% of the workers—almost double the country average. Numerous bars, restaurants, and coffee shops,

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13 *Eastwood City* and *Bonifacio Global City* are private entities and are italicized to distinguish them from cities as local administrative units of the state.

14 In the 1990s, inequality in Metro Manila worsened, as shown by the Gini coefficient, which rose from 0.4282 in 1991 to 0.4822 by 2000 (data retrieved from the National Statistics Office website).
Table 1. 2007 Occupational Structure in the Philippines (Units: thousand persons, %).

<table>
<thead>
<tr>
<th></th>
<th>Total Number</th>
<th>Metro Manila</th>
<th>Northern Luzon</th>
<th>Central Luzon Region</th>
<th>Calabarzon Region</th>
<th>Southern Luzon</th>
<th>Visayas Group of Islands</th>
<th>Mindanao Group of Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number</td>
<td>33,672</td>
<td>4,128</td>
<td>3,807</td>
<td>3,396</td>
<td>4,197</td>
<td>3,023</td>
<td>6,950</td>
<td>8,169</td>
</tr>
<tr>
<td>Percentage Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Agriculture, Hunting and Forestry</td>
<td>32.0%</td>
<td>0.3%</td>
<td>48.5%</td>
<td>21.9%</td>
<td>15.4%</td>
<td>41.4%</td>
<td>35.5%</td>
<td>46.4%</td>
</tr>
<tr>
<td>Fishing</td>
<td>4.1%</td>
<td>0.4%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>3.4%</td>
<td>7.6%</td>
<td>6.0%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>0.4%</td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>0.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.1%</td>
<td>12.7%</td>
<td>4.4%</td>
<td>12.2%</td>
<td>19.1%</td>
<td>6.2%</td>
<td>8.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>0.4%</td>
<td>0.7%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.1%</td>
<td>7.2%</td>
<td>4.9%</td>
<td>7.4%</td>
<td>6.5%</td>
<td>4.3%</td>
<td>4.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Wholesale and Retail, Repair of Motor Vehicles, Motorcycles and Personal Household Goods</td>
<td>18.3%</td>
<td>25.7%</td>
<td>14.4%</td>
<td>21.9%</td>
<td>20.2%</td>
<td>16.0%</td>
<td>17.1%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Hotel and Restaurants</td>
<td>2.7%</td>
<td>6.2%</td>
<td>1.9%</td>
<td>3.7%</td>
<td>3.2%</td>
<td>1.5%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Transport, Storage and Communication</td>
<td>7.7%</td>
<td>12.3%</td>
<td>6.6%</td>
<td>11.0%</td>
<td>9.3%</td>
<td>5.6%</td>
<td>6.4%</td>
<td>5.7%</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------</td>
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<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>1.1%</td>
<td>3.0%</td>
<td>0.8%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Real Estate, Renting and Business Activities</td>
<td>2.6%</td>
<td>8.0%</td>
<td>1.3%</td>
<td>2.4%</td>
<td>4.1%</td>
<td>1.0%</td>
<td>1.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Public Administration and Defense, Compulsory Social Security</td>
<td>4.7%</td>
<td>4.7%</td>
<td>4.5%</td>
<td>3.7%</td>
<td>4.4%</td>
<td>4.9%</td>
<td>4.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Education</td>
<td>3.1%</td>
<td>2.8%</td>
<td>3.5%</td>
<td>3.6%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.2%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Health and Social Work</td>
<td>1.2%</td>
<td>2.5%</td>
<td>0.9%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.0%</td>
<td>0.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Community, Social and Personal Service Activities</td>
<td>2.3%</td>
<td>4.1%</td>
<td>2.0%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Private Household with Employed Persons</td>
<td>5.0%</td>
<td>9.5%</td>
<td>3.6%</td>
<td>4.4%</td>
<td>5.0%</td>
<td>3.9%</td>
<td>5.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Extraterritorial Organizations and Bodies</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

staffed by low-income waiters and bartenders, are located in business and commercial districts to service high-income managers and professionals. About 6.2% of such low-income employees (more than two times the country average) work in the hotel and restaurant sector.

Thus, whereas there is a concentration of consumption in Metro Manila, there is a simultaneous concentration of low-income workers to support that consumption. The concentration of high-income managers and low-income workers is taking place within Metro Manila’s transformation from an industrial production site to a post-industrial one. The following section discusses this transformation.

4 Metro Manila as a Post-Industrial Production Site

For a long time, Metro Manila had been the center of manufacturing in the Philippines. Using 1939 employment data, Doeppers (1984) had shown that manufacturing was disproportionately concentrated in the area. The situation has changed, however. An analysis of recent employment data reveals the geographic dispersal of manufacturing away from Metro Manila.

Geographic Dispersal of Industrial Production

Table 1 shows that Metro Manila continues to be a major manufacturing location in the Philippines; in fact, manufacturing remains the second-biggest employer after the wholesale and retail trade sector. At 12.7%, the proportion of manufacturing employees is still higher than the country average of 9.1%. Nevertheless, a longer historical analysis observes a decreasing trend in both the absolute number and percentage of manufacturing sector workers in Metro Manila.

According to employment data from 1993 and 2007, the proportion of workers in Metro Manila’s manufacturing sector shrank from 20.0% to 12.7%—a drop of 7.3 percentage points for the period. In contrast, there was an expansion in the share of the service sector (i.e., wholesale and retail trade, financial intermediation, and real estate). Furthermore, while the number of Metro Manila workers increased by 1.24 million during the same period, the number of manufacturing workers decreased by 65,000, from 589,000 in 1993 to 524,000 in 2007 (National Statistical Coordination Board [NSCB], various editions).

As the number of manufacturing sector workers in Metro Manila dwindled, that of the adjoining regions—Central Luzon Region to the north and Calabarzon Region to the south (Figure 2)—swelled. Calabarzon has become a major industrial site in the Philippines, while Central Luzon is emerging as a major industrial production site.
In Calabarzon,\textsuperscript{15} manufacturing sector workers increased from 715,000 in 2003 to 801,000 in 2007 (NSCB, various editions). More significantly, Calabarzon’s 2007 total exceeded that of Metro Manila. In third place is Central Luzon, as the number of its manufacturing workers more than doubled—from 185,000 in 1993 to 416,000 in 2007.\textsuperscript{16}

In 2001, there were 6,395 factories employing more than 20 workers each in the Philippines: 3,126 (49\%) were located in Metro Manila; 1,318, in Calabarzon; and 566, in Central Luzon (Table 2). Yet, the scale of industrial production in Calabarzon and Central Luzon is substantially larger than that of Metro Manila. The data for gross sales and total number of workers validates the preceding discussion based on occupational data.

Out of the 937,319 workers in this factory category, 331,390 were employed in Calabarzon; 311,597, in Metro Manila; and 90,369, in Central Luzon. Thus, the average number of workers per factory was 251 in Calabarzon, 160 in Central Luzon, and 100 in Metro Manila (Figure 4).

\textsuperscript{15} Under Executive Order No. 103 of 2002, the provinces classified under Southern Tagalog Region, except Aurora Province, were divided into the Calabarzon Region, which includes Cavite, Laguna, Batangas, Rizal, and Quezon; and the Mimaropa Region, which includes Mindoro, Marinduque, Romblon, and Palawan. Under the same Executive Order, Aurora province was transferred from Southern Tagalog to Central Luzon. For this reason, statistics prior to 2002 are usually not available for Calabarzon.

\textsuperscript{16} As a consequence of Executive Order No. 103 (see footnote no. 15), the data for Aurora Province prior to 2002 was not included in Central Luzon.

\begin{table}
\centering
\caption{Factories Employing more than 20 workers in 2001 (Units: Thousand pesos, persons).}
\begin{tabular}{|l|l|l|l|}
\hline
 & Number of Factories & Number of Workers & Total Sales \\
\hline
Total & 6,395 & 937,319 & 1,879,782,360 \\
Northern Luzon & 107 & 12,274 & 114,182,593 \\
Central Luzon Region & 566 & 90,639 & 208,204,048 \\
Metro Manila & 3,126 & 311,597 & 456,729,395 \\
Calabarzon Region & 1,318 & 331,390 & 841,037,550 \\
Southern Luzon & 72 & 4,829 & 8,511,745 \\
Visayas Group of Islands & 720 & 123,212 & 162,505,375 \\
Mindanao Group of Islands & 486 & 63,382 & 88,611,655 \\
\hline
\multicolumn{4}{|l|}{\textbf{Source:} 2006 Philippine Yearbook.}
\end{tabular}
\end{table}
Furthermore, out of the 1.88 trillion pesos (Php) total sales for the factory category, Calabarzon Region had the largest share at Php841 billion, followed by Metro Manila with Php456 billion, and Central Luzon Region with Php208 billion. Therefore, average total sales per factory amounted to Php638 million in Calabarzon, Php368 million in Central Luzon, and Php146 million in Metro Manila (Figure 4).

**Metro Manila’s Post-industrialization**

Simultaneous with the geographic dispersal of industrial production away from Metro Manila is the further concentration in the area of a higher-value economy. This is the result of the increased integration of the Philippines into the global economy through the establishment of global service producers, such as BPO firms, and the regional operating headquarters and area headquarters of global corporations (Mira, 2009, p. 9; Shatkin, 2007, p. 389). The demand for real estate to accommodate service producers caused office space lease and land
prices to soar. Accompanying the establishment of global service producers is the relocation of global managers and professionals, which increases the demand for accommodations and further raises real estate prices. The spiraling cost of land in Metro Manila in the 1990s is one of the reasons for the exodus of manufacturing firms from the area (Magno-Ballesteros, 2000a, 2000b).

Meanwhile, the OFWs’ real estate acquisition is also driving prices up. In 2006, capital inflow through OFW remittances was estimated at US$12.8 billion, or 10.1% of the Philippines’ gross national product (GNP). In fact, according to a study by Shatkin (2007, p. 389), much of the demand for new housing and consumer spaces in Metro Manila is attributed to OFWs. The heightened demand for real estate thus boosted land prices.

The robust demand for real estate resulting from the increased integration of Metro Manila into the global economy has spurred numerous integrated and self-contained urban development projects, beginning in the 1990s (e.g., as previously mentioned: Eastwood City, Bonifacio Global City, and Rockwell Center). These projects, especially Rockwell Center, embody Metro Manila’s transformation from an industrial to a post-industrial metropolis. Aside from seven residential buildings, a shopping mall, and a business school, Rockwell Center is where the local conglomerate Phinma and the transnational corporation Nestlé have located their headquarters. However, before the area became what is now a 15.5-hectare self-contained business and commercial area, it was the site of a 130-megawatt thermal plant built in the 1950s, which had continued to operate up to the early 1990s.

The effect of the Philippines’ further integration into the global economy is not limited to the transformation of Metro Manila into a post-industrial production site; it also includes the advancement of industrialization in the adjacent regions. In the face of intensifying competition spurred by global economic integration, industrial firms are forced to exploit economies of scale and a deeper division of labor to preserve and expand their return on capital. Industrial firms are compelled to set up large-scale industrial facilities that require expansive spaces. The need for huge spaces prompted the deindustrialization of Metro Manila and spill over of manufacturing firms to adjacent regions (i.e., Central Luzon and Calabarzon, as discussed in section 4.1).

The role of the government in facilitating industrialization of Calabarzon and Central Luzon, thereby also facilitating the post-industrialization of Metro Manila, cannot be ignored. Under intensifying competition due to the increasing global integration of industrial production, the government, in its Medium-Term Philippine Development Plan (MTPDP) 2001–2004, planned to enhance

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17 The remittance data was retrieved from the Bangko Sentral ng Pilipinas (BSP) website and the GNP data, from NSCB (2009).
18 The information was retrieved from the website of Rockwell Land, which is the developer of Rockwell Center.
the country’s competitiveness through “a focused active search of prospective investors” to “be complemented by efforts to push the clustering of horizontally and vertically linked investments. …” The strategy of clustering was meant to enhance capabilities across the value-chain of industrial production in a location, thereby making these areas attractive to the relocating industrial firms through the external economies that accrue to spatially proximate firms. The government’s strategy of clustering industrial production facilities likewise required extensive and contiguous spaces.

The Calabarzon and Central Luzon regions had large and contiguous tracts—former agricultural plantations or American military installation sites—for industrialization purposes. Since the former military installation sites, mostly located in Central Luzon, were government lands, their conversion into industrial production sites was straightforward through Republic Act 7227 or the Bases Conversion and Development Act of 1992. The conversion of agricultural plantations in the more industrialized region of Calabarzon was not as straightforward, though. According to Kelly (1998), the implementation of Republic Act 6657, or the Comprehensive Agrarian Reform Law (CARL) of 1988, hastened the process. Converting plantations into industrial sites was a way for the owners to avoid redistributing their lands.19

Another factor in the government’s decision to develop Calabarzon and Central Luzon as industrial sites is their proximity to Metro Manila. The MTPDP 2004–2010 states that “transport infrastructure shall be provided” to facilitate “the decongestion of Metro Manila via a transport logistics system that would ensure efficient linkages between its business centers and nearby provinces.” Proximity to the metropolis indicates a lower investment outlay needed to develop new and existing physical infrastructure linkages that will allow access to Metro Manila’s political, economic, and physical infrastructure, such as central government offices, corporate headquarters, commercial establishments, the airport, and the seaport.

Beginning in the 1990s, there was a marked increase in government activity in developing the physical interlinkages between Metro Manila and the Calabarzon and Central Luzon regions, mainly through public-private partnership. The NLEX, connecting Metro Manila with Central Luzon was rehabilitated to accommodate the construction of the Subic-Clark-Tarlac Expressway (SCTEX). Perpendicular to NLEX, the SCTEX traverses Central Luzon and connects the industrial production sites of Subic and Clark to Metro Manila. In the South, two major projects were undertaken. The SLEX, Metro Manila’s link to Calabarzon, was rehabilitated and extended up to the Batangas seaport in the southern portion of the region with the construction of Southern Tagalog

19 In his study, Kelly showed that land conversion was concentrated on regions adjacent to Metro Manila. He also showed that CARL accelerated land conversion and, in turn, industrialization in these regions (Kelly, 1998, pp. 39–41, 45–46).
Arterial Road (Figure 2). The Skyway, an elevated highway over a portion of the SLEX, was built as well.

The construction of physical infrastructure linkages and industrial production sites has sent construction workers to Calabarzon and Central Luzon, and thereby expanded the regions’ share of the country total. In Central Luzon,²⁰ the number of workers employed in construction increased from 125,000 in 1993 (11.3% of the country total) to 252,000 in 2007 (14.5% of the country total). The Southern Tagalog Region, under which Calabarzon was classified before 2002, had 143,000 construction workers in 1993 and 312,000 in 2007 (13.0% and 17.9% of the country total).

To summarize, it was shown in section 4.1 that the transformation of Metro Manila from an industrial to a post-industrial production site occurred simultaneously with the transformation of its neighboring regions, Calabarzon and Central Luzon, into industrial production sites. Section 4.2 discussed two important factors in the transformations: further integration of the Philippines into the global economy and government policy.

5 Concentration of Finance Capital

As a post-industrial production site, Metro Manila is the major producer of financial services. In 2007, workers in the area’s financial intermediary sector made up 32.0% of all financial intermediary workers in the Philippines (NSCB, 2008). In this section, the simultaneous dispersal from and concentration in Metro Manila of finance capital is discussed against the backdrop of the financial deregulation of 1980s and 1990s.

Two opposing tendencies similar to the general dynamics of uneven regional development can be observed in the circulation of finance capital in the Philippines. On the one hand, there is a tendency towards the spatial dispersal of finance capital within the larger dynamic of the equalization of conditions for development. On the other hand, there is also a simultaneous tendency towards the spatial concentration of finance capital within the larger dynamic of the separation of conditions for development.

Rural Banking under Deregulation

Research conducted by Crouzille et al. (2007) has shown that the presence of rural banks spurs economic development in the less developed areas of the Philippines. However, globalization and the government’s globalization strategy of banking deregulation have intensified the competition in the banking sector.

²⁰Refer to footnote no. 15.
and precipitated rural bank closures. Between 1995 and 2008, 206 rural banks stopped operations; by 2010, only 624 rural banks\textsuperscript{21} remained in operation countrywide.\textsuperscript{22} At the same time, between 1995 and 2006, the number of offices of the remaining rural and cooperative banks increased from 1,346 to 2,075.\textsuperscript{23} After the closures, an increase in the concentration of finance capital and in the scale of operations of the remaining rural banks has been observed.

The legal basis for the operation of rural banks was established through Republic Act 720 or Rural Banks Act of 1952, with the objective of increasing credit availability in rural communities. The Act did not include any provision for rural banks to establish branches. The inability to establish branches consequently kept rural banks rooted to their area of operations. However, there has been a recent trend of de-location of rural bank operations.

The government’s commitment to enhance competition in response to globalization engendered the Rural Banks Act of 1992. The law carries a provision allowing the establishment of rural bank branch offices within the same government administrative region, thereby initiating the de-location of the banks’ operations. Circulars subsequently issued by the country’s central bank, the Bangko Sentral ng Pilipinas (BSP), such as Circular No. 340 of 2002 and Circular No. 505 of 2005, gradually lifted locational restrictions, until capitalization became the major requirement for expansion.

The relaxation of locational restrictions broadened the geographical scale of operations of the existing rural banks. The expansion is reflected in the fact that numerous rural banks have altered their names; e.g., Rural Bank of Lantapan has become Asian Hills Bank and Rural Bank of Kapatagan Valley, 1st Valley Bank.\textsuperscript{24}

The de-location of rural banks has increased the geographic interpenetration and concentration of finance capital. Between 1993 and 2006, the number of offices of rural and cooperative banks grew 1.74 times countrywide, from 1,195 to 2,075; and 3.83 times in Metro Manila, from 18 to 69. In the same period, the total resources of rural and cooperative banks in the country increased 8.44 times, from Php18.4 billion to Php155.5 billion, and in Metro Manila, at a much faster 34.9 times, from Php554 million to Php19.334 billion.\textsuperscript{25} The deregulation of rural banks through de-location has actually boosted the concentration of finance capital in Metro Manila.

\textsuperscript{21} If cooperative banks were included, the total number would be 667.
\textsuperscript{22} The data was based on the NSCB (various editions) and the BSP website.
\textsuperscript{23} The information was retrieved from the BSP website.
\textsuperscript{24} Lantapan is a municipality in Bukidnon province and Kapatagan Valley, in Lanao del Norte Province (Figure 5).
\textsuperscript{25} The information was retrieved from the BSP website.
The Economic Role of Metro Manila in the Philippines

Transfer of Finance Capital

The spatial dispersal of finance capital in the Philippines was advanced by the government towards the end of the 1980s and continued into the 1990s through the implementation of wide-ranging financial deregulation, which included Central Bank of the Philippines (CBP)\textsuperscript{26} Circular No. 1188 series of 1988 and Republic Act 7721, or the Bank Liberalization Act of 1994.

\textsuperscript{26} The Central Bank of the Philippines was the precursor of the Bangko Sentral ng Pilipinas. Republic Act 7653 of 1994 gave the Central Bank greater independence in the management of monetary policy and renamed it Bangko Sentral ng Pilipinas.
CBP Circular No. 1188 eliminated the prerequisite to invest in government securities to be able to open branches and other bank offices (Dingcong, 1997). Meanwhile, RA 7721 liberalized the rules on the entry of foreign banks in the Philippines. The deregulation of the creation of bank offices and increased participation of foreign banks decreased the locational impediments to capital mobility; along with other factors, they increased the number of financial establishments and the availability of finance capital.

As a result of financial deregulation, the number of financial establishments increased from 12,440 to 20,953 between 1995 and 2006, and the number of bank offices, from 5,569 to 7,710. The rise in the number of financial establishments generally based in Metro Manila and the concomitant expansion of their geographic scope has increased finance capital circulation across a wider area in the Philippines.

Between 1993 and 2006, deposits in the banking system ballooned from Php650 billion to Php3.5 trillion (Figure 6), of which Php3 trillion (85.7%) was deposited in universal and commercial banks. The loan portfolio followed a similar path, surging from Php540 billion to Php2.4 trillion (Figure 7), of which Php2.076 trillion (86.5%) was provided by universal and commercial banks—considered the backbone of the Philippine banking system. Deposits to and loans by the banking system, excluding Metro Manila, increased from Php194.2 billion to Php1.093 trillion and from Php109.3 billion to Php254.9 billion (Figures 6 and 7). It is evident, therefore, that there is a positive relationship between financial deregulation and the increase in finance capital circulation, not only in Metro Manila, but in the rest of the country as well.

However, the opposite tendency of further geographic concentration of finance capital can also be observed.

The geographic distribution of the head offices of universal and commercial banks is highly uneven and concentrated in Metro Manila. As of September 2009, there were 38 universal and commercial banks with a total of 4,444 offices, which included 18 private domestic banks, three government banks, 14 branches of foreign banks, and three subsidiaries of foreign banks. Except for 27 Prior to the enactment of RA 7721, only four foreign banks were allowed to operate in the Philippines due to the moratorium that was placed in 1949 on the entry of foreign banks. RA 7721 lifted this moratorium, and by 2009, there were 17 foreign banks operating in the country.
28 The information was derived from the National Statistics Office (NSO), various editions; NSCB, various editions; and the BSP website.
29 The information was derived from the NSO (various editions), NSCB (various editions), and the BSP website.
30 The information was derived from the NSO (various editions), NSCB (various editions), and the BSP website.
31 The information was retrieved from the BSP website.
The geographic distribution of deposits and loans in Philippine banking is also highly uneven. Table 3 shows that in 2006, deposits in the banking system amounted to Php3.5 trillion and loans, Php2.4 trillion. The total deposits and loans of Metro Manila banking establishments are Php2.4 trillion and Php2.1 trillion—68.7% and 89.4% of the country’s aggregates.

Table 3 also suggests an increase in the transfer of finance capital to Metro Manila. While the loan portfolio to deposit liabilities ratio (LPDLR)\(^{33}\) for the

---

\(^{32}\) *Al-Amanah Islamic Investment Bank of the Philippines*,\(^{32}\) whose head office is in southwestern Mindanao, the head offices of all the other universal and commercial banks are in Metro Manila, 30 of which are in Makati City.

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---

\(^{32}\) *Al Amanah Islamic Investment Bank* is a government bank. Its operations, aimed at promoting the socioeconomic development of Islamic communities in the Philippines, apply the Islamic concept of banking.

\(^{33}\) The loan portfolio to deposit liabilities ratio is a simple ratio of the total loan portfolio to the total deposit liabilities for different regional groupings, and is conceptually distinct from the loans to deposit ratio (LDR) as used by the BSP.
country fell from 82.6% to 68.7% between 1993 and 2006, the LPDLR for Metro Manila posted only a slight decrease—from 93.9% to 89.3%. Metro Manila’s high LPDLR in 2006 (89.3%) is in sharp contrast to the LPDLR of other regional groupings, which hover between a low 16.0% and 32.6%.

Between 1993 and 2006, while the proportion of deposits in Metro Manila to total deposits in the country slightly decreased from 70.0% to 68.7%, the proportion of loans in the metropolis to total loans climbed from 79.6% to 89.4%. This indicates that finance capital is increasingly being transferred to Metro Manila.

Because the head offices of most banks are in Metro Manila, it functions as the regulating site in the use of finance capital. Significantly, due to finance capital transfer, Metro Manila’s economic growth rate is the highest in the country. At the same time, however, the availability of finance capital is essential for economic development outside Metro Manila. The increasing transfer of finance capital to Metro Manila, therefore, worsens the uneven regional development in the Philippines.
The Economic Role of Metro Manila in the Philippines

6 Corporate Command Center and Profit-Driven Cultural Production Site

This section first argues that the gross regional product (GRP) and regional average family income are insufficient for analyzing regional economic disparity. The section then analyzes the geographic concentration of corporate headquarters as a measurement of economic power.

Table 3. Regional Distribution of Deposit Liabilities and Loan Portfolio in 1993 and 2006 (Units: billion pesos, %).

<table>
<thead>
<tr>
<th></th>
<th>Deposit Liabilities</th>
<th>Loan Portfolio</th>
<th>Loan Portfolio to Deposit Liabilities Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>647.805</td>
<td>3,495.895</td>
<td>535.367</td>
</tr>
<tr>
<td>Percentage Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Northern Luzon</td>
<td>3.9%</td>
<td>3.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Central Luzon Region</td>
<td>4.7%</td>
<td>4.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Metro Manila</td>
<td>70.0%</td>
<td>68.7%</td>
<td>79.6%</td>
</tr>
<tr>
<td>Calabarzon Region</td>
<td>6.8%</td>
<td>6.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Southern Luzon</td>
<td>1.4%</td>
<td></td>
<td>0.7%</td>
</tr>
<tr>
<td>Visayas Group of Islands</td>
<td>8.5%</td>
<td>9.1%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Mindanao Group of Islands</td>
<td>6.1%</td>
<td>5.7%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Source: Bangko Sentral ng Pilipinas.
Note: 1. While the 1993 banking data of Aurora Province is included in the merged cell of Calabarzon Region and Southern Luzon, the 2006 banking data for the same province is included in Central Luzon as a result of the province’s transfer from Southern Tagalog Region to Central Luzon Region in 2002.
2. On Loan Portfolio to Deposit Liabilities Ratio, see footnote no. 33.
Concentration of Corporate Headquarters

The concentration of economic production in Metro Manila is evident in its share of GDP. Metro Manila’s land area is a mere 0.2% of the country’s total, yet it produced 37.2% of GDP in 2008. Data on per capita GRP does not alter this picture.

In 2008, Metro Manila’s per capita GRP was Php244,000, three times the country average of Php82,000. Moreover, GRP and GDP data from 1978 to 2008 show that Metro Manila’s GRP grew 51 times (5,100%), from Php53 billion to Php2.7 trillion, surpassing GDP growth of 42 times (4,200%), from Php178 billion to Php7.4 trillion. Hence, Metro Manila’s GDP share expanded from 29.6% to 37.2% during the period. Metro Manila’s higher GRP growth denotes a trend towards the greater concentration of economic production in the area.

GDP and average family income are often used to illustrate regional economic disparity in the Philippines. In 1994, the country’s average family income was Php83,000, while Metro Manila’s was Php174,000. In 2006, the average family income countrywide had reached Php173,000 and that of Metro Manila, Php311,000. Along with GDP, average family income also indicates the concentration of economic power in Metro Manila.

However, analyses based only on GDP and family income data do not give an accurate picture of the extent of Metro Manila’s economic power due to the existence of legal entities such as corporations. Therefore, adjustments are needed in the manner by which Philippine economic geography is analyzed. The income of corporations contributes to the total regional income, so that it is wrong to assume that the total family income of a region is equivalent to and an accurate indicator of total regional income. For the same reason, interregional corporate operations involve the interregional income transfer to corporate headquarters. For example, profits from mining operations are mostly transferred to or controlled by corporate headquarters, which are usually located far from the actual mining operations. Consequently, regional income produced or GRP is conceptually distinct from regional income received or controlled.

The importance of the scale of interregional income transfer can be inferred from the following: of the Php653 billion collected by the Bureau of Internal Revenue (BIR) in 2006, Php560 billion was collected in Metro Manila (NSCB, 2007). The significance of the scale of income controlled by corporations can be inferred from the 2007 tax data. It is not very accurate to derive the proportion of corporate income tax from total income tax, as personal and corporate income tax come under different tax regulations. However, it is useful to have a rough estimate of corporate income in the Philippines in the absence of more relevant data. Of the Php398 billion collected from taxes on net income and

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34 The information was retrieved from the NSO website.
The Economic Role of Metro Manila in the Philippines

profit, Php241 billion came from corporations (BIR, 2007). This paper argues that in order to analyze regional economic power based on the geographic control of income, it is necessary to take into account the geographic concentration of corporate headquarters.

A geographic tally of the top 5,000 corporations in 2002 based on their sales reveals a greatly uneven geographic distribution of corporate headquarters; the concentration is higher in Metro Manila than the GRP. Table 4 shows that Metro Manila has 3,447 corporate headquarters (68.9%); Laguna province, 294 (5.9%); Cavite province, 266 (5.3%); and Cebu province, 239 (4.8%). Of the country’s 79 provinces, 35 (44.3%) have no corporate headquarters. Because of the high geographic concentration of corporate headquarters in Metro Manila, most of the profits generated countrywide are transferred to or controlled from the metropolis.

In the same way that the provincial distribution of corporate headquarters in the Philippines is highly uneven, so is the distribution of corporate headquarters within Metro Manila. Of the 3,447 corporate headquarters in Metro Manila, 1,086 (31.5%) are located in Makati City; 539, in Quezon City; and 419, in the City of Manila. The Municipality of Pateros has but one corporate headquarters in its area—the fewest among the local government units of Metro Manila.

Table 4 also lists corporations by economic classification. It is mentioned above that 69% of corporate headquarters are located in Metro Manila. However, it is clear from the table that corporate headquarters of certain sectors are disproportionately concentrated in Metro Manila. These sectors are financial intermediary (90%); real estate (87%); community, social, and personal services (83%); transport, storage, and communication (80%); mining and quarrying (78%); hotel and restaurant (77%); construction (75%); and retail and wholesale (74%).

The concentration of financial intermediary corporations in Metro Manila serves to validate what was discussed in the preceding section—that finance capital gravitates towards Metro Manila. It can also be confirmed from the same table that among all the cities of Metro Manila, Makati has a very high concentration of financial intermediary corporations—229, or 59.8% of the country total. The concentration in Metro Manila of the headquarters of financial intermediary corporations establishes the area’s geographic power over outlying regions through its influence on investment decisions by the provision or non-provision of finance capital.

Table 4 further shows that 51.3% of agriculture and fisheries corporations and 78.3% of mining and quarrying corporations have their headquarters in Metro Manila, although the gross value added attributed to the metropolis

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35 Metro Manila is not classified as a province and is therefore not counted into the number of provinces.
for both sectors in 2008 was 0.0% (NSCB, 2008). This confirms that income transfer is a vital element of regional economy analysis. *Monterey Foods*, the country’s largest corporation involved in animal farming, and whose farms are located outside Metro Manila, has its headquarters at Mandaluyong City in the metropolis. *Philex Mining*, the biggest corporation involved in metallic ore mining, has its main mining operation in Benguet province in northern Luzon and its headquarters in Pasig City, Metro Manila.

Idea Production through Decision-Making and Cultural Production

The implication of the spatial separation of operations and control is not limited to income transfer. Rather, it includes the influence of corporate headquarters on the bioconditions of distant locations. Where the corporate headquarters are located is where management and operational standards—including safety and environmental standards—are decided, within recognized legal parameters. In this case, work conditions and operational standards, such as environmental standards affecting the ecosystem of the corporate operations site, are set by the headquarters in Metro Manila. Thus, long-distance corporate decisions affect the quality of life of the people and communities within the particular ecosystem.

The spatial separation of operations and control also means that investment decisions made by headquarters affect the economic development of distant locations through the provision or non-provision of vital resources. An example is *Dagupan Electric Corporation*, the 564th largest corporation, which has its headquarters in Quezon City, Metro Manila. The company is mainly involved in electric distribution in the central region of Pangasinan province.

As mentioned earlier, Metro Manila functions as the mediating site for the movement of people, goods, and capital. Being the seat of most corporate headquarters, it also mediates the intra- and inter-country flow of corporate ideas. Moreover, Metro Manila serves as a production site for ideas, including *profit-driven cultural products*.

The power of Metro Manila’s cultural products can be inferred from the increasing number of citizens who use Filipino as their mother language. Between 1980 and 2000, the proportion of native speakers of Filipino—the lingua franca of the metropolis—rose from 30.0% to 35.1% (NSO, 2007).

Of the top 5,000 corporations, 14 are involved in film production and distribution, and another 15 are classified under the broadcasting industry; the headquarters of the 29 firms are in Metro Manila. Meanwhile, 47 of the top 5,000 are into publishing, and 41 of them (87%) have their headquarters in the metropolis. The concentration of profit-driven cultural production in Metro Manila is evidence of its power to influence the Filipino identity and shape cultural trends among the citizens towards the consumption of its products.

According to Matejowsky’s analysis on fast food consumption habits in Dagupan City, which is located 250 km north of Metro Manila and whose
Table 4. Top 5,000 corporations.

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<th>Activities</th>
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<th>Philippine Total</th>
<th>Metro Manila Total</th>
<th>Makati City</th>
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residents are mostly Pangasinan people, of the Jollibee fast-food chain's being identified as a Filipino corporation is its strongest selling pitch against McDonald's (Matejowsky, 2008, p. 326).

The uniqueness and particularity of identities can be manufactured, transformed, and communicated to derive economic advantages. Competition between the different parts of capital has brought about the transformation of certain goods into private brands; as commodities, these are objectifications of labor that are generally homogenized and, therefore, undifferentiated. Whereas the consumption of a product as a commodity mainly satisfies existential needs, its consumption as a brand is the material form of the creation and recreation of identity based on differentiation from others (Lury, 2004; Giddens, 1991). Brands are thus cultural forms, and private brands are factors for profit realization. Through brand management and market expansion, corporations subsume localities under their calculation of capital accumulation. The spatial concentration of profit-driven cultural production in Metro Manila resulting from the presence of corporate headquarters is therefore another aspect of the area’s economic power. Like the film, broadcasting, and publishing industries, the advertising sector is also concentrated in the metropolis; all 15 advertising firms listed in the top 5,000 corporations have their headquarters here.

This section shows that the economic power of Metro Manila consists of the capacity to 1) control income that is generated outside its boundaries and 2) produce ideas, including operational standards and cultural products, which are then transmitted to distant localities.

7 Conclusion

This paper has six major points.

First, it shows that Metro Manila functions as the mediating site between different localities in the Philippines, and between the Philippines and other countries, through communications and transportation connectivity. The paper argues that although Metro Manila is highly connected to the global network, the connectivity is asymmetric. While it exports workers and receives high-level managers and elite professionals from overseas, it sends low-level workers through the transportation infrastructure in Metro Manila. Furthermore, while it sends processed labor power as business processes, it receives commands from global or regional operating headquarters through the communications infrastructure.

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36 This paper uses “Pangasinan people” to refer to people, who speak the Pangasinan language.

37 “Filipino” is italicized to refer to an identity mainly manufactured and transformed by profit-driven capital.
Second, this paper reveals that consumption is concentrated in Metro Manila due to its high-income residents, profit-driven cultural production, and transportation infrastructure. The paper also argues about the necessity of the concentration of low-income workers in Metro Manila to support the lifestyle of its high-income residents.

Third, this paper traces the transformation of Metro Manila from an industrial to a post-industrial production site. It argues that this transformation was accompanied by a geographic dispersal of industrial production to the neighboring areas of Calabarzon and Central Luzon and by the conversion of Metro Manila’s economy into a higher-value economy.

Fourth, this paper shows that finance capital is highly concentrated in Metro Manila, partly because finance capital is transferred from the country’s other regions to the area. Also, the financial deregulation being implemented by the government in response to globalization has further boosted finance capital concentration in the metropolis.

Fifth, this paper reveals that corporate headquarters are highly concentrated in Metro Manila and argues that GDP and regional average family income are inadequate indicators of regional economic disparity. The paper further states that corporate headquarters have economic power beyond their immediate locations through the income transfers from their operations; the control of operational standards, including environmental standards; the control of investments in their operations outside their location; and the generation of profit-driven cultural products.

Sixth, based on the findings it presented, this paper has shown overall that the dispersal of economic production away from Metro Manila through a dispersal of industrial production is not leading to a more balanced economic development among the regions. The reason is that the dispersal is happening simultaneously with the spatial concentration of economic production through Metro Manila’s transformation into a post-industrial production site. The post-industrialization of the area is concurrent with the concentration of income and consumption, and is heavily influenced by the globalization of economic production in two ways that are qualitatively different. One is the concentration of high-level of control within the capitalist processes through concentration of regional operating headquarters and area headquarters of global corporations. The second is the concentration of outsourced corporate processes that have a low level of decision-making. However, the post-industrialization of Metro Manila is not a phenomenon exclusive to economic globalization; it is as much the result of economic processes within the Philippines. The post-industrialization of Metro Manila is taking place within the context of the concentration of finance capital, corporate headquarters, and idea production.

Furthermore, this paper has shown that the post-industrialization of Metro Manila is not a homogenous process that only involves the concentration of the high-income class of workers and managers. Rather, the process also involves
the concurrent concentration of low-income production that services the needs of the high-income workers and managers.

Lastly, this paper has pointed out that idea production and physical infrastructure are major factors in maintaining Metro Manila’s centrality in the country’s economic processes. The metropolis has retained this role despite its observable deindustrialization and the Philippine economy’s further integration into the global economy. The concentration of idea production and physical infrastructure allow Metro Manila to facilitate both the concentration and dispersal of economic production. Based on the analyses in this paper, the economic power of Metro Manila is found in its ability to disperse and concentrate within economic processes.

To conclude, this paper lists possible important topics in both policy formulation and academic research, based on the paper’s analysis and research trends on uneven regional development research.

One such topic is the study of the economic basis of intergovernmental fund transfers between the central and local governments in the Philippines, within the context of the existence of income transfer from the provinces to Metro Manila, and not limited to the political objective of realizing a national minimum. Shima’s research can be used as a starting point. He points out that the problem of regional economic disparity is not simply a problem of public finance, since it is a manifestation of uneven development under monopoly capitalism and it defines the interrelationship of local public finances. He further elaborates that the interrelationship of local public finances, and the relationship between local and national public finance aggravate regional economic disparity. He concludes that the disparity is both a problem of an economy under monopoly capitalism and a problem of government, whose existence is maintained and supported by national and local public finances (Shima, 1951, pp. 7–10).

Another topic is the implication of uneven regional development in regional economic development and regional development sustainability.

Okada (2006) argues that while the globalization of capitalism has resulted in global corporations monopolizing strategic production processes and manufacturing site relocation through FDI, technology transfers to the relocation sites are insufficient. As profits are transferred to corporate headquarters, the economic benefits derived by the relocation sites are becoming less and less significant. Okada stresses that the key to regional development sustainability is intraregional reinvestment capability, which he sees as the capacity of a region or locality to circulate its own resources—people, goods, capital, and information—within its bounds. Only in this manner can a region or locality realize sustainable development that is connected to the well-being of its residents.

A possible theme for this topic is the reassessment of the development policy formulation of local government units (LGUs) in the Philippines, especially in view of the income transfer and finance capital transfer from the provinces to Metro Manila. The case of the endogenous economic development model
pursued by Kyoto Prefecture in the middle of the 20th century can be used as a reference. During the administration of former Governor Ninagawa (1950–1978), the prefectural government of Kyoto nurtured the growth of local banks, in part through the selection of a local bank in 1950 for the placement of prefectural funds (Kim, 1999, pp. 90–91). To Ninagawa, local banks were necessary for the development of local industries and, effectively, the welfare of local residents.

Another possible theme for this topic is the function of geographically based brands in the Philippines (e.g., Bonuan Bangus and Calasiao Puto) and the required standardization through the creation of a Philippine version of protected geographical status (PGS) in countering Metro Manila’s cultural products while promoting and securing local development.

Lastly, a possible research topic is positioning uneven regional development in the Philippines within the context of globalization of uneven regional development. For example, the flow of income derived by corporations in different localities in the Philippines does not stop in Metro Manila and may proceed to other localities in other countries as profit remittance or investment. In this regard, uneven regional development proceeds both within the framework of the national economy and that of the global economy. Therefore, research and policy formulation on equitable and sustainable development in the Philippines must consider both the global and national processes of uneven regional development.

**Acronyms**

- **BIR**: Bureau of Internal Revenue
- **BPO**: Business Process Outsourcing
- **BSP**: Bangko Sentral ng Pilipinas
- **CARL**: Comprehensive Agrarian Reform Law
- **CBP**: Central Bank of the Philippines
- **EDSA**: Epifanio de los Santos Avenue
- **FDI**: Foreign Direct Investment
- **GDP**: Gross Domestic Product
- **GRP**: Gross Regional Product
- **LDR**: Loans to Deposit Ratio
- **LGU**: Local Government Unit
- **LPDLR**: Loan Portfolio to Deposit Liabilities Ratio
- **MTPDP**: Medium-Term Philippine Development Plan
- **NAIA**: Ninoy Aquino International Airport
- **NSCB**: National Statistical Coordination Board
- **NEG**: New Economic Geography
- **NLEX**: North Luzon Expressway
- **NSO**: National Statistics Office
OFW: Overseas Filipino Worker
PAL: Philippine Airlines
PGS: Protected Geographical Status
PNR: Philippine National Railways
RA: Republic Act
SCTEX: Subic-Clark-Tarlac Expressway
SLEX: South Luzon Expressway

References


The Economic Role of Metro Manila in the Philippines


