

**Public-Interest Incorporated foundation
Research Institute for High-Life
Japan-Asia Collaborative Research Project
Study report "The New Trends in Asian Urban Lifestyle"**

"The New Trends in Urban Lifestyle in Manila" (serial in 4 parts)

Part 4: Consumer Markets in the Advent of Motorization, Japan-Philippines Relations and the Future



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(see reference page for details)

Introduction

The Philippines, with a population composed of 30% poor, 60% in the low-income bracket, 9 percent in the middle-income bracket, and only 1% wealthy, is said to be behind in development. However, due to the growth of domestic industries, IT-BPO industry and other overseas companies for the past 4-5 years, as well as the China plus one movement, the Philippine economy is enjoying a strong development that exceeds the other ASEAN countries. With remittances of approximately \$24 billion yearly from over 10 million migrant workers (OFWs) increasing the disposable income of each household, the consumer market in the Philippines is starting to be revitalized. In particular, middle class consumer positive attitude towards car ownership is on the rise, and new lifestyles brought about by this trend are showing signs of expansion. In this report, the status of the advent of motorization in the Philippines, changes in consumer lifestyle, and Philippines-Japan relations as well as the future of the Philippines will be discussed.

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1. Advent of motorization and new lifestyles

1. Advent of motorization
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1. Advent of motorization and new lifestyles

1. Advent of motorization

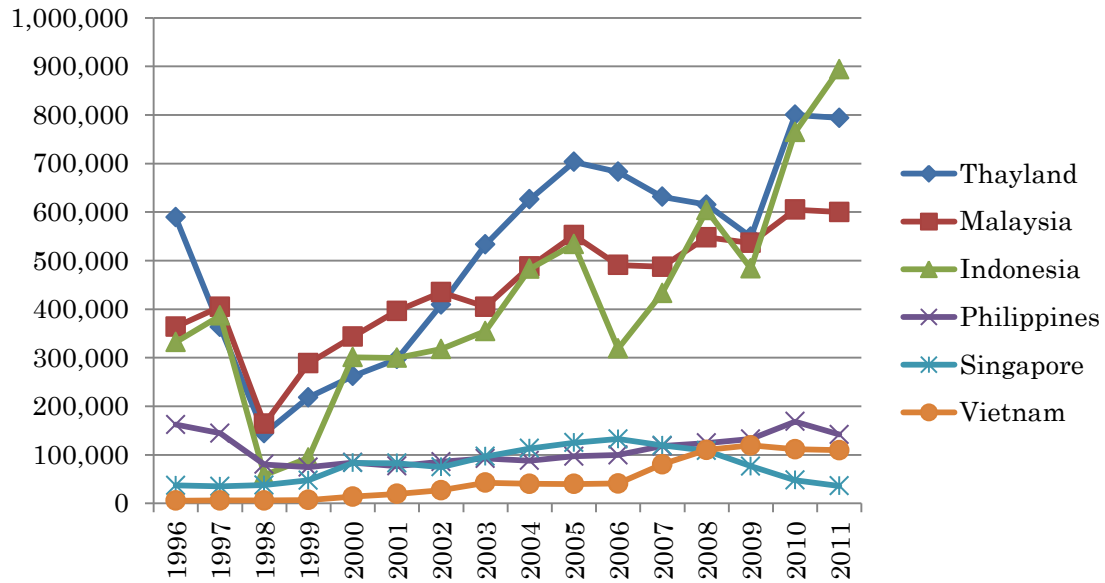
It has been said that the middle class in the Philippines has little purchasing power particularly regarding the automotive industry, but the strong domestic economy for the past 4-5 years as well as the large amount of money through OFW remittances has increased disposable income, and this is beginning to make the automotive industry more vibrant.

In 2012, new car sales in the Philippines was up 10.6%, reaching 156,649 units (Philippine Automobile Manufacturers Association / member companies), and up to 178645 units including Hyundai from Korea. With regard to market share, Japanese brands are strong, with Toyota (about 30%), Mitsubishi, Honda (7% each), Isuzu (6%), and Nissan (5%), but recently, South Korea Hyundai (12%) has been expanding in market share. This is reminiscent of the car sales outlook of 1914 where, amid a backdrop of good economy, sales had increased from 200,000 units to 210,000 units.

It is said that in general, motorization comes when the per capita GDP is about \$3000, but the current average per capita GDP in the Philippines is at \$2500, while the average in Metro Manila is at \$5500. For example, Indonesia with its 240 million

inhabitants reached an average GDP of \$3000 in 2010 and car sales exploded up to 70% higher. In the Philippines, it can be said that motorization is already at the heels of the expansion of the middle income bracket.

Graph 1: Shifts in automobile sales in ASEAN



(From top to bottom: Thailand , Malaysia, Indonesia, Philippines, Singapore, Vietnam)

Source: JETRO 2012

2. The future of domestic automotive industry

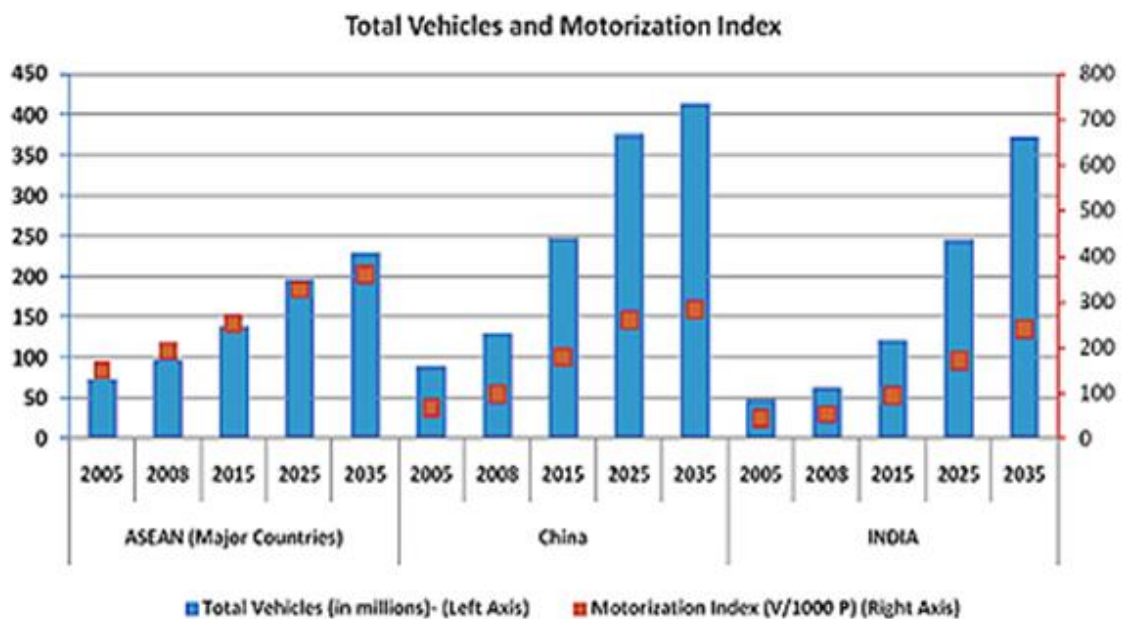
The problems in the Philippine automotive industry are not in the market, but in production and manufacturing. The Philippines has been noted as a good market for automobiles since the beginning, but due to political instability and economic stagnation, in the 90s automobile manufacturers were in a cycle of advancement and withdrawal. In the Asian currency crisis of 1997, annual sales plummeted from 160,000 units to 80,000 units. With no specific measures by the government geared towards the automotive industries, many overseas automobile companies withdrew, and the automotive industry in the Philippines was stagnant.

On the other hand, Thailand, Malaysia and Indonesia, which were directly hit by the financial crisis, now had high crisis awareness and thus aggressively offered incentives to foreign automobile and automobile parts manufacturers, which supported the development of the industry. As a result, automotive industries were integrated to such an extent they were able to export automobiles, and labels like the “Detroit of Asia”

were applied to Thailand and others. In the meantime however, the Philippines had a high tariff policy which led to no domestic manufacturing training, which resulted in an imported car ratio over 50%, being that the tariff barriers are the lowest among ASEAN.

The market growth for motorization in the ASEAN (car ownership rate per 1000) is expected to surpass India and China. However, with ASEAN and South Korean FTA and ASEAN China FPI, as well as the Common Effective Preferential Tariff scheme (CEPT) within ASEAN itself, import tariffs on automobiles will be lowered, and imports of completed automobiles are expected to grow further. As a result, Philippine local automotive manufacturers' will be deprived by other countries where production of popular brands such as Toyota and Mitsubishi are large. For this situation, the government is expect to promote measures for the active development of automobile industry, expansion of shares in the domestic automobile industry, and support for industries related to automobile production.

Graph 2. Motorization index for ASEAN is higher than China and India.



Source: United Nations Energy Program

3. Increase in car ownership and corresponding lifestyle changes

Those who buy automobiles in the Philippines are from the upper and upper middle classes, including their children, those working in large companies in Metro Manila in managerial positions, as well as migrant workers with relatively high income. The

target scale is around 3-5%, or 5 million in 300 million people. For example, people 35 years or older who graduated from college and work in large companies have a monthly salary of about 30,000-50,000 pesos (general salary is around 10,000-15000 pesos, 1 peso = 2.4yen). Married couples who both work and have comparable income, have a household income of around 50-80 thousand pesos per month, resulting in more people who will be able to afford cars with the use of loans.

Car buyers oft cited reasons for choosing a car are based on design, style and brand name. In addition, cars which are highly rated in the US also tend to be popular in the Philippines. Also, in terms of assets, cars which have a high resale value are also purchased more.

Regarding sales, the most popular vehicle is the Toyota Vios followed by the Innova, also from Toyota. User profiles for the Vios commonly include managerial-class employees in large companies, and middle-upper working couples with 1-2 children living in Metro Manila. Also, those living in the suburbs usually with their parents, with maids paid around 2000 pesos monthly (usual lowest rate is 2500 pesos). When traveling with the whole family, the 7-seater Innova is popular. This is the typical mass consumer market.

In the Philippines, the culture of family rather than just the nuclear family is prevalent. In accordance with Catholic teachings, bonds between family members are strong. Within the metropolis, living with parents even after getting married is common; and even if they choose to live apart, the parents and other family members are still kept in mind. In the suburbs, living with parents is the norm. As a result, on weekends, it is common to see entire families eating out together. For these people, cars are an indication of status, and a convenient way of traveling with the entire family.

Depending on the socioeconomic bracket, trips outside of metro manila are also common during weekends, even more so during long weekends (where either a Monday or a Friday is a national holiday). Common destinations include Tagaytay, where people enjoy beautiful scenery of Taal lake and volcano, and cooler temperatures compared to Manila. Other popular destinations include Baguio city in the north, also known as the “summer capital” of the Philippines, and the beaches in Batangas, Subic and Zambales.



* Vios, number 1 among the middle class
Photo from Toyota Philippines website



* Tagaytay, a popular getaway

4. Environment, traffic control, and other problems and corresponding measures

The popularity of automobiles has made getting around more convenient, but also brings its share of problems. In particular, air pollution and traffic congestion are serious concerns in Metro Manila.

With regard to vehicle emissions, the department of transportation has become more strict about acceptable levels of emissions, and emission testing centers have been built all over Metro Manila. In addition, one initiative is to replace the common jeepney with electronic jeeps, but the sheer number of jeepneys makes this a difficult undertaking.

With regard to traffic congestion, several measures have been implemented, but their success rate is questionable. One such measure was the number-coding scheme, which prohibits vehicles with a certain number ending in their plate number from being used on a certain day. For example, vehicles with plate numbers ending in 1 and 2 are not allowed in some cities in Metro Manila on Mondays, 2 and 4 on Tuesdays, and so on. However, rather than solving the problem of traffic congestion, most car owners simply ended up buying more than one vehicle in order to be able to drive every day.

On the other hand, many car owners blame the buses and jeeps for traffic congestion, claiming that buses and jeeps, particularly when they block the roads while waiting for passengers, are primarily responsible for traffic. In response to this, traffic enforcers have become more strict with specific bus stops for certain buses, and other measures. However, these measures are superficial, and traffic congestion remains to be a major problem in Metro Manila. For commuters, there are very limited options, as there are currently only 3 train lines (MRT, LRT1 and LRT2 servicing the entire Metro Manila.

Energy security of vehicles is also a major problem. 65% of the oil consumption of the whole country is automotive. Fuel demand has also increased significantly as motorization is expanding, and securing stable oil resources is required as a national

policy.

Various problems associated with automobile are not impossible to address. Development of public transport infrastructure, etc. should not be left to the private sector and conglomerates, but rather should be a concerted effort between the government, both on the municipal and national level, as well as the private sectors. Such policies should strongly be promoted., that the municipal government and out over the entire surface as well leave it to the private sector conglomerate, to promote strongly the policy is required be.

Table 1. Oil usage

Transport sector remains to be the biggest user of oil

| Sector | Mil. BBIs | Percent Share |
|-------------|-----------|---------------|
| Transport | 67.5 | 65.03 |
| Industry | 10.0 | 9.63 |
| Residential | 9.8 | 9.44 |
| Power | 8.3 | 8.00 |
| Commercial | 6.7 | 6.45 |
| Agriculture | 1.5 | 1.45 |
| Total | 103.8 | 100.00 |

Credit :Tamang 2011.



* Stop-anywhere Jeepneys, the commuter's choice



* Trains during rush hour

2. A vibrant consumer lifestyle

1. Factors in the expansion of the consumer market in Metro Manila.

The consumer mindset in Metro Manila has increased, with increased disposable income as well as the development of comfortable living and working environments in Makati and Bonifacio Global City, and other areas. The reasons behind this are the expansion of IT-BPO companies in urban areas, and the growth of domestic companies. In the fiscal year 2013, it has employed around 1 million people, all of which receive relatively high income, leading to the emergence of a new middle class. In turn, they have started their own new lifestyles and workstyles. This includes not only sending money to their families, but also consumption for their own pleasure.

The consumption trend in the Philippines has been affected by its colonial experience under the United States, including the presence of military bases in various areas, leading to an idealization of the American lifestyle. This is to an extent that many Filipinos dream of migrating to the United States. There are currently over 2 million Filipinos in the U.S., and lifestyles between the Filipinos in the U.S. and in the Philippines is seamlessly connected, so that what is popular in the United States is also popular in the Philippines. Consumption rather than savings is the trend, and the propensity to use money rather than stock it up is one of the major factors in the expansion of the consumer market.

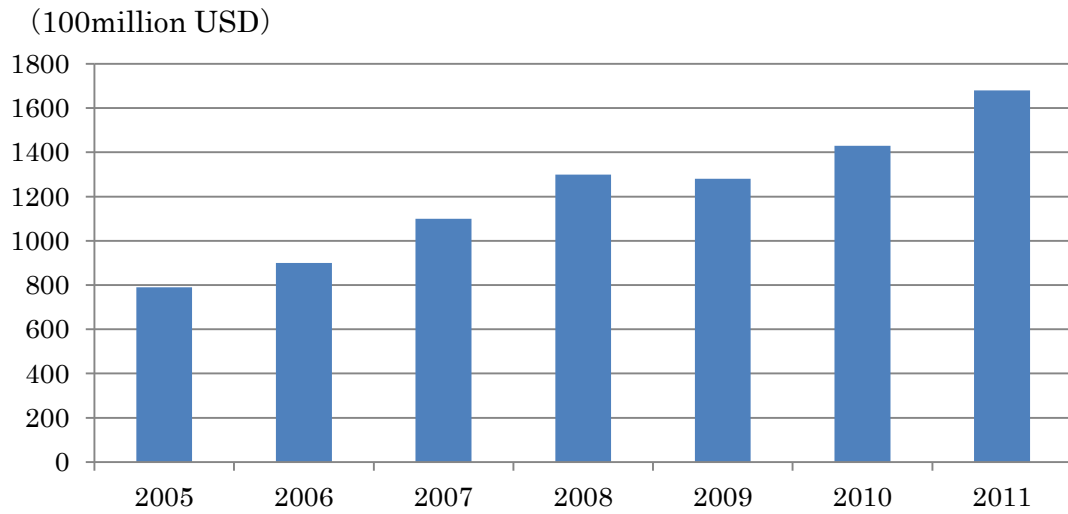
Also, the over 10 million Overseas Filipino Workers in Japan, U.S., Europe, Taiwan, Korea and other highly developed countries as well as the Middle East all bring the lifestyle experiences from these countries back to the Philippines, leading to changes in lifestyles and consumption trends.

Most Filipino's consumer activities revolve around the mall. As was discussed in a previous article, Malls are places where Metro Manila residents spend a lot of their leisure time, shopping, eating and drinking, watching movies or just spending time with family and friends.

While low-end products are very strong in general, Brand shops in malls are popular for middle upper and upper brackets. Each tenant store in every mall is strictly managed under POS, but withdrawal of brand shops is minimal, and there is profit. Currently, the competition among malls is fierce, but the SM conglomerate malls and most others are riding a profit.

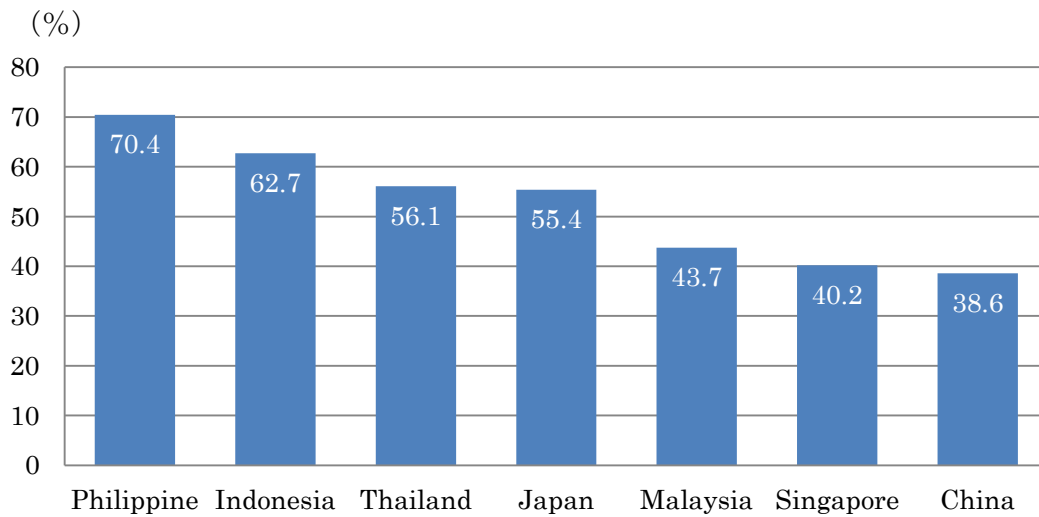
For these reasons, personal consumption in the Philippines (household consumption rate), reached as high as 70% of the nominal GDP of about \$ 250 billion in 2012. This is a percentage much higher than even other ASEAN countries.

Graph 3: Personal consumption rate in the Philippines



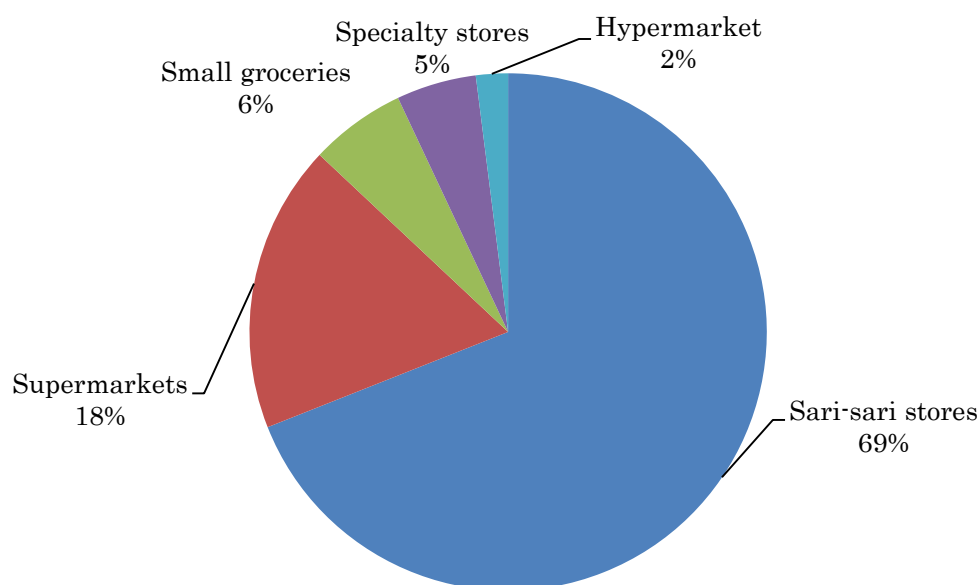
Source: National Statistical Coordination Board

Graph 4: Household consumption (personal consumption) and GDP, 2006.



Source : IMD World Competitiveness Yearbook 2007

Graph 5. Sales shares of food and groceries by store type 2009¹



Source : Euromonitor International Country Market Insite, January 2010

2. Upper and upper middle class lifestyles: making use of abundant manpower

In the Philippines, particularly for the middle-income brackets and up, it is common to have at least one maid who takes care of the housework, and this usually includes cooking and laundry as well. These are different from the *yaya* or nannies whose main job is to take care of the children, although some maids do work as *yayaas* well. Some households also have a separate *labandera* or laundry lady who comes once or twice a week to do laundry. Many families also have a family driver, who usually stays with the family. Family drivers are also usually in charge of cleaning and maintenance of the family's cars. For those living in smaller homes such as condominiums, and cannot accommodate maids or drivers, there are other options. Recently, laundry shops have become more and more common, lessening the need for *labanderas*. Part time cleaners or house keepers are also popular amongst condominium tenants, and these are usually paid several hundred pesos per visit. It is also possible to rent drivers with cars for out-of-town trips and the like. All of these services are particularly convenient for

¹Food grocery business category sales share; traditional low-cost distribution, such as sari-sari store or public market is still strong, but the convenient modern distribution such as Seven-Eleven and Family Mart, in hypermarkets and street corner s or malls are priced higher, but have expanded to target the emerging middle layer

working couples.

What makes this possible is the background of high income gap between urban and rural areas, and high unemployment rate among the young. For instance, the salary for live-in helpers in Cebu in the Visayas was around 2000 pesos monthly, and was raised to 2500 pesos by law. (Maids for foreigners are at around 10,000 pesos monthly). Being able to hire these workers builds up a comfortable lifestyle for the upper and upper middle classes.

3. Spread of digital gadgets, appliances and other durable consumer goods.

Filipinos are very fond of gadgets, and most will have either a laptop or a desktop computer at home, a smart phone, and a digital camera. Aside from smart phones, Tablet PCs have also become very popular recently, with manufacturers like Apple and Samsung at the top, followed by other brands such as Sony, HTC, Microsoft, Nokia, Acer, Blackberry, Asus, HuaWei, etc. Among younger consumers, gaming consoles such as Xbox, Wii, and Playstation are very popular as well.

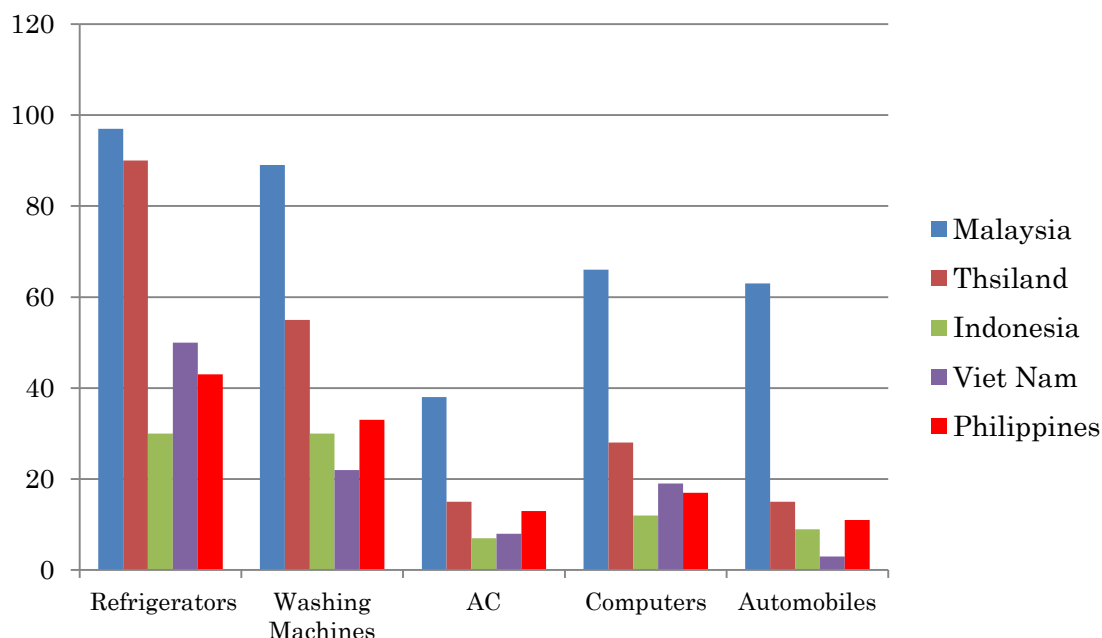
Even most low-income earners have cellphones, but ownership of the more expensive smartphones and computers is low. Also, for those who cannot afford continuous daily access to the internet and cellular networks, data plans for hourly and daily consumption are also available.

Most Filipinos enjoy watching movies, and many also have DVD players at home. Buying pirated DVDs is very common, especially when people do not have the time to watch movies at the cinema. Regarding the problems of copyright infringement and intellectual property rights, authorities are becoming more strict and crackdowns more frequent, but the high popularity of these pirated items makes it a hard problem to resolve.

Currently, consumer electronics companies, consider the Philippines as an export production base, but in the future, an increase in the new intermediate layer having purchasing power is expected, making the Philippines even more attractive as a consumer market.

Graph 6. Durable consumer goods penetration

Malaysia(Blue)Thailand (Brown) Indonesia (Green) Vietnam (Purple) Philippines (Red)



Source : Euromonitor International 2012

3. Rich food culture with Malay, Spanish, American, and other influences

1. Filipino food culture

Just as there are people of different ethnicities making up the population of the Philippines, Philippine cuisine is a mix of cuisines from various ethnicities, both from within the Philippines and from outside.

Of course, each ethnic minority has its own distinct culture and cuisine, but there are dishes widely eaten throughout the Philippines which are commonly labelled as the typical “Filipino cuisine”. These dishes are influenced by, or are adaptations different foreign cultures, including Chinese, Malay, Spanish, American and other cuisines. In addition, Filipino cuisine is often characterized by a pairing of flavors, sweet, salty, and sour, with two of these or even three present in many dishes. This has been translated to local adaptations of foreign cuisine as well.

One culture which had a big influence on Philippine cuisine is Malay. The use of coconut milk, bagoong (shrimp or fish paste), and dishes such as karekare and puso (rice wrapped in leaves and steamed) was brought about by trade with what is now Malaysia and Indonesia. Many regional dishes still retain these ingredients today. In particular, the Bicol region in southern Luzon is known for the use of coconut milk in its

cuisine.

Next, trade with Hokkien China during the Song dynasty brought soy-based products such as soy sauce and tofu, bean sprouts, fish sauce and cooking methods such as stir-frying. Other popular food items which have become part of Philippine cuisine include pancit noodles, lumpia or spring rolls, porridge, fried rice, and chopsuey.

333 years under Spain has brought many influences to Philippine cuisine. The Spanish brought food items like tomatoes, potatoes, chili peppers, and the use of garlic and onions in sautéing. Even today, tomato based dishes such as caldereta, menudo, and afritada are commonly served in Philippine homes. Other dishes like longaniza (garlic sausages), and tapa (cured beef) are commonly eaten during breakfast, along with pan-de-sal (a type of bread).

America has also had a big impact on Philippine cuisine. One major influence of the United States was the use of canned goods. Other products such as white bread (also known as pan de Americano or tasty bread), Jam, peanut butter, hotdogs, and of course, fastfood style eating were also brought by the Americans.

Many food items associated with other cultures have also become a regular part of the Filipino diet. In recent years, Korean, Turkish and middle-eastern cuisine have also started gaining popularity in the Philippines, partly due to the influx of Koreans and Turkish and other Middle Easterns into the country, as well as the experiences of OFWs. However, Filipino-style transformation of flavors, which goes back to the fondness for a combination of sweet sour and/or salty flavors can be seen with food from other countries as well.



* Common people's kitchen (public market), alcohol abounds



* sweet, sour and salty seasonings

2. Food lifestyle at home

Diet in the Philippines differs by income groups. Upper middle layer and the wealthy, buy food from restaurants and malls, supermarkets and food bazaars in exclusive residential markets. These food bazaars have become popular in recent years, taking place every weekend, such as in Legazpi Village and Salcedo Village in Makati, and in Mercato in Fort Bonifacio. Delicious cuisine and high-quality food, such as vegetables and meat and fresh fish are sold, making it even more geared toward the wealthy.

Common breakfast items include sinangag (fried garlic rice), eggs, tapa, corned beef, hotdogs, spam and other canned goods. Some prefer coffee and pandesal or other types of bread, while a more traditional breakfast might include tuyo (dried fish) and tomatoes, salted egg, and champorado (chocolate-rice porridge, which is also commonly eaten during merienda). American foods such as cereal and milk are also sometimes eaten. Dinner is usually prepared by the maid, and a wide variety of ingredients allows for many different kinds of dishes. Meat dishes are common, and nutritional balance is considered also. Dessert and coffee are sometimes taken after dinner, while chatting with the family.

On the other hand, meals for low income earners are usually prepared by the mother, with the assistance of the kids. The husband usually does not prepare food. The ingredients are bought from the local market. In the local market, fish, meat and vegetables are plentiful, and chatting with one's preferred shopkeeper is common. Sometimes these even give discounts for long-time customers. The staple food is rice, and richly flavored broth-based dishes are common, as the broth can be drizzled over the rice to give it more flavor. As the budget for food is limited, so is the variety of dishes per meal, usually just one viand with rice, and two types of viands per day. Although limited in variety, these dishes are delicious.

Regardless of socioeconomic brackets, when eating at home, it is customary to eat together as a family. When eating together, it is proper to wait until everyone has settled into their seats at the table before starting. Some families begin their meals with a short prayer. Mealtimes are opportunities to strengthen family ties.

With its hot climate, the liquor of choice in the Philippines is beer (such as the ubiquitous San Miguel beer). In the provinces, liquor made from rice, coconut water or sugarcane is also common. Each region's liquor complements the regional food as well.

3. Eating out, and the “merienda” custom.

The standard three meals – breakfast, lunch, and dinner is normal in the Philippines, but there is a charming habit of eating a snack in the morning or afternoon

(called “merienda”). Elementary school students usually bring lunch as well as merienda to school, although some prefer to just buy their food in school. High school and college students tend to favour buying food at the school cafeteria over bringing food from home. In some companies, a 15 minute or so break in the afternoon is spent for coffee or merienda. On birthdays, pasta (usually spaghetti), fried chicken, and pork barbecue are commonly bought by the one celebrating, and this is something that co-workers and family look forward to.

Eating out is common in the Philippines, regardless of income bracket. In shopping malls, there are restaurants to suit the various needs of customers, from expensive fine-dining for gourmets to very affordable fast food chains and food courts for those with less to spend. Cuisine includes Filipino, Chinese, Japanese, American, Italian, and many others. Popular fast food chains like Jollibee, McDonald’s, KFC, and Mang Inasal (a local grilled chicken fast food chain, also owned by Jollibee) and TokyoTokyo can be found in most every mall.

In particular, Jollibee is the popular go-to fast food chain for many Filipinos, and with over 700 stores nationwide, many Filipinos consider it superior to KFC and McDonald’s in terms of taste and also in terms of price. After school, a group of high school girls order an 80-peso fried chicken meal with rice and a regular cola, and spend some time in enjoyable conversation. In addition, the ever-popular Halo-halo, of shaved ice, fruits, milk, beans and other sweet toppings is the national dessert.

For office workers working normal hours, it is common to get a quick lunch at the nearest convenient location (usually fast food or a convenience store; but some office buildings have cafeterias). For call center and other BPO employees working late night shifts, it is still common to eat a meal or at least a snack at a convenience store or a 24-hour open fast food restaurant during break.

Aside from convenience stores or fast food restaurants, very small (often portable or mobile) street food stalls are also a common sight around schools and offices in metro manila. These street foods include things like fish balls, squid balls, hotdogs, fried potatoes, barbecue, and other snacks. However, unlike restaurants, these street food vendors are not always legal, and so they do not necessarily follow proper standards for hygiene and food safety.

In recent years, coffee shops of various types have opened in city malls, office buildings, and hotels. These include local chains such as Figaro, and foreign chains like UCC, Starbucks, etc. A cup of coffee sells for around 110 pesos or more (the same price as 2 kilograms of rice), but in spite of the price these shops have become popular. With most shops offering Internet WiFi, many people come to study or work, while some just

spend time in a relaxed atmosphere. This has become part of the new lifestyle of citizens.



* Delicious local cuisine piled high



* The very popular Jollibee rice meal

4. Media overflowing with variety

1. Foreign and local TV dramas

Television is big in the Philippines. There are 3 major television networks, ABS-CBN, GMA, and ABC. ABS-CBN and GMA are constantly fighting for top television ratings. The rivalry is fierce, most artists associated with one network sign contracts that make them exclusive to that network, and news involving artists are usually handled by their home-networks only. Regarding artists, it is common for TV networks in the Philippines to choose first based on looks rather than on acting ability, artists sign contracts with TV networks and undergo acting workshops if necessary.

Dramas are a major part of local television broadcasts. Aside from locally produced dramas, dramas from other countries are popular as well. In the 1990s, Spanish and Mexican dramas were very popular, with the Mexican star Thalia (who was in several popular dramas that were shown in the Philippines), becoming famous throughout the Philippines. This was followed by Taiwanese dramas in early 2000, with the drama titled Meteor Garden becoming hugely popular. (Meteor Garden is based on the Japanese manga/drama called Hana Yori Dango). The main characters, who formed an idol group called F4, had many fans in the Philippines. In recent years, Korean dramas have become a part of local television broadcast, with dramas such as Winter Sonata and Coffee Prince achieving popularity. As a result, the image of Korean-made electronic devices has also been improved. This is in line with aim of creating fans of Korean TV dramas and in turn improving the image of Korea that has been carried out in Asian countries. However, Korean content is popular, but it is unlike the Japanese "anything Korean". Japanese TV dramas are virtually unknown, but anime such as

Naruto (ABS CBN)

and Bleach (GMA) are widely popular among kids and even adults.

Analog TV and local TV programs are geared towards the masses, while the wealthy and the upper middle classes are more likely to have cable television. Philippine cable television is composed mainly of American television channels, with movie channels, nature and documentary channels, dramas and other series. As a result, American television programs and American artists are also very well-known in the Philippines. In addition, many Filipinos are exposed to and are influenced by American lifestyle through cable television.

2. Movies for the upper and lower classes

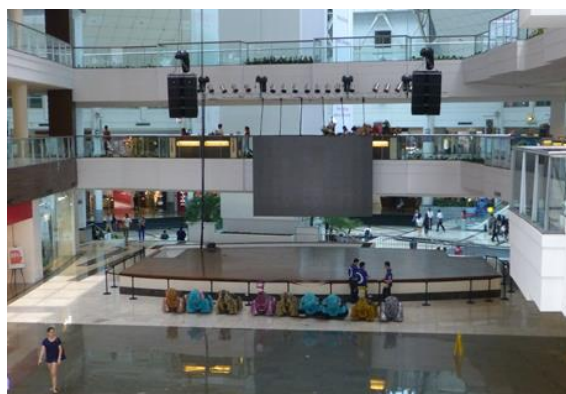
Movies are a pastime for those in Metro Manila, from the wealthy to the not so wealthy. Cinema complexes are a fixture in every mall, tickets can cost anywhere from 150-240 in the popular malls. Filipinos often watch during the weekends or holidays with family or friends, those working can still catch the last show at night after work even on weekdays.

Domestic movies have been dramatically reduced to about one quarter when compared to the golden age, but from time to time high quality works emerge, such as "Kinatay" (executions) by director Brillante Mendoza, who won best director at Cannes in for the same movie in 2009.

Local movies for the masses are often love stories, action or comedy, and many have themes highlighting inequalities in society. Of course, Hollywood movies are popular with everyone. Moreover, most of the blockbusters are screened at the same time as the United States. With majority of the population being able to understand English, movies are able to be released earlier compared to other parts of Asia where translation and dubbing take time.



* A cinema complex within a mall



* Various events are held in malls

5. The present and future of Philippines-Japan relations

1) Image of the Philippines that has been misunderstood in Japan

The Japanese are holding an image of the Philippines as follows: "security is not good", "there is corruption and fraud", "there are slums", "the political situation is not stable". This may be rooted in events such as the shooting of former senator Benigno Aquino, the Nyakuoji Incident, the struggles with the Moro National Liberation Front and other separatists, and other events.

Indeed, security has deteriorated in places such as Malate district and downtown Ermita which the Japanese used to frequent a long time ago, and walking around defenseless may be an invitation for petty crime. Also, because possession of guns is permitted just like the United States, shooting incidents also take place from time to time. However, apart from venturing into some risky areas, there is virtually no problem for those staying in areas like Makati and Fort Bonifacio where the wealthy and middle class dwell. From Japanese expatriates, there is a similar opinion in many cases. The revisit rate of people who visited for business and tourism in the Philippines is high, impression seems to turn for the better when one experiences the Philippines firsthand.

On the other hand, what kind of image Japan is there as seen from the Filipino point of view? In general, there is also some misunderstanding: "Japanese are all rich" and "high-tech country", "country of traditional culture", "good manners", the image is very positive in many cases. Some though, are accurate: "punctuality", "trains are on time", "prices are high", "it is hard to live for people who cannot speak Japanese". Through some impressions by Filipinos living in Japan, "polite but not warm", "environmentally conscious", "clean air", and the like; distance awareness and foreign gravitas of Japanese can be felt.

Possible reasons for Filipinos having a sense of closeness to Japan more than the ASEAN countries can include fondness for Japanese food and anime, and a positive view of Japanese products. To add to this however, there are similarities in temperament as well. Rice as staple food, being an archipelago, and cultural values like not being too assertive about the self, and so on might also be some reasons why there is a sense of closeness.

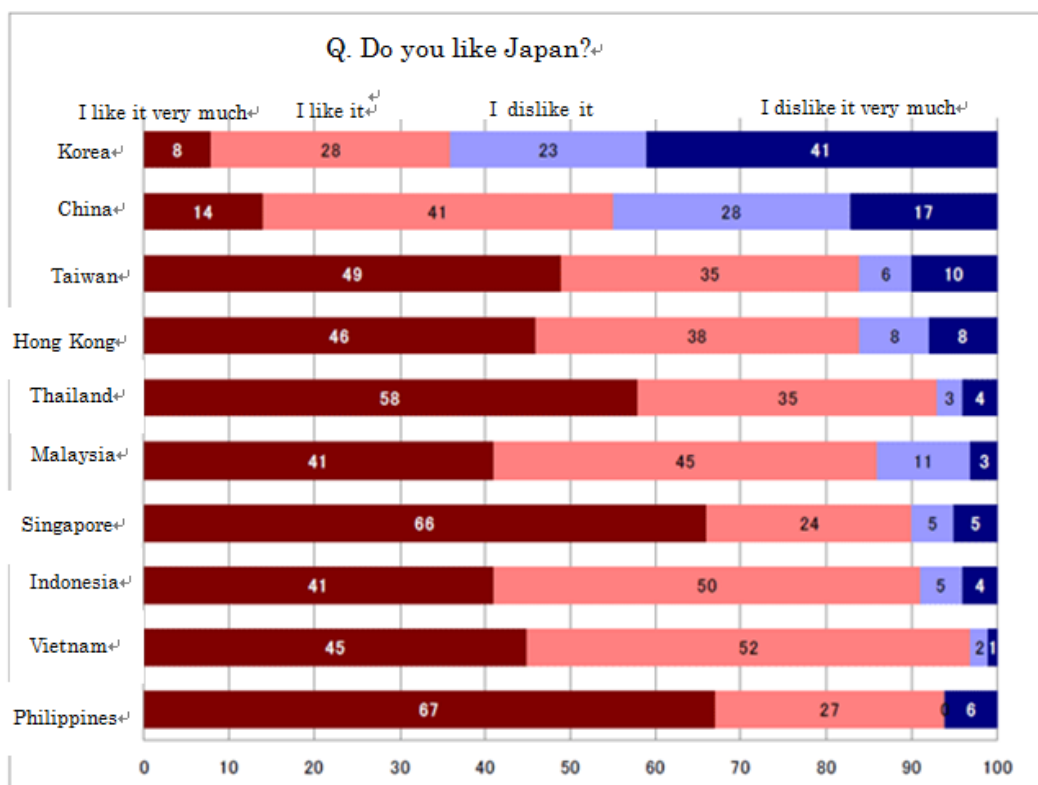
. In addition, there are about 210 thousand Filipinos living in Japan. In the 80's, many Filipinos came to work short-term as entertainers, in recent years many Filipinas have also married Japanese men, forming large communities. This may also be a reason why Filipinos have a sense of familiarity with the Japanese. Also it appears that Japanese companies as major sources of employment and development, as well as tangible

activities such as infrastructure construction through ODA from the Japanese government have also created a good impression.

Another commonality is that both the Philippines and Japan regularly face the threat of natural disasters. In recent years, the tragedy of the Tohoku Earthquake of March 11, 2011 is burned into the Filipino psyche. In the Philippines natural disasters also occur; many Filipinos have learned empathy for the Japanese in tackling the reconstruction in an orderly manner, without asking for assistance from others in any way. The Philippine government dispatched to the affected areas of Japan a medical team and rescue team of more than 100 people. Japanese and the Japanese government have been grateful for the support.

As of last year, the typhoon No. 30 November 8, 2013 "Haiyan" has led to extensive damage to central Philippines. Japan implemented disaster recovery support activities rapidly. That the Japanese and the Japanese government had not hesitated to spare time and expense to support the recovery is a testament to the strength of the friendly relations of Philippines and Japan. It is encouraging friends to each other as brethren of Asia.

Graph 7: Asia top 10 GDP countries' attitudes toward Japan



Source : AUN Consulting Inc.

Survey period: October 26 – November 2, 2012, survey on the Internet, valid responses from 1000 males and females (100 persons of each country) aged 18 year old and above.

2) Creating amicable relations between Japan and the Philippines

Looking at Japan-Philippines relations, direct investments from Japanese companies were on the rise in the 90s, but at start of the new millennium, the focus for Japanese investments shifted to China, Thailand, and Vietnam. However, in order to avoid investment risks such as wage hikes and flooding in Thailand, inflation in Vietnam, and underdeveloped power and road infrastructure in China, Japan has again reviewed the Philippines as an investment destination. For the time being, Japanese manufacturers, as a production base have started targeting the consumer market with the onset of the expanding middle class. Distribution industry such as convenience stores like 7-11 and Family mart have opened numerous stores already, engaging the expanding consumer market. These are now supporting the lifestyles of Metro Manila citizens. The fashion industry has also started, with Uniqlo and Muji forming partnerships with Philippine businesses in 2012, and these have gained quite a following since then.

In addition, the migration of people to Japan also has attracted attention from the Philippines, leading to the Japan-Philippines Economic Partnership Agreement (JPEPA), which entered into force in '08. The Japanese side has already begun to accept care worker and nurse candidates in response to its aging society. The Philippines filters eligible applicants (more than 3 years work experience, etc.) through the Overseas Employment Agency. However candidates, cannot work in Japan if they are unable to pass the national qualifications within 3-4 years. It is a very strict condition compared with other developed countries. However, it can still be said that a major first step of personnel exchange between Japan and the Philippines has been taken. The Philippines has a track record of sending out around 10,000 people each year to developed countries to work as nurses and caregivers. From the Japanese side, there seems to be a movement of opposition from various related organizations, but there is hope for more acceptance in the future.

On the other hand, between Japan and the Philippines, there is a case that has been successful in human resource development. NYK Line has been training high quality sailors, and has opened a school in Manila. Even during long voyages, Filipinos with their shared values are able to coordinate and communicate smoothly. For sailors, it is a prerequisite. In addition, mechanics and personnel with highly specialized ability trained in Manila under Komatsu and Toyota Motor Corporation and others, have been sent to African countries and the Middle East. Demand for Filipinos adaptability even among different ethnic groups and with different cultures is high.

A new movement capitalizing on Filipinos' English ability is also out. As English is also an official language, business is conducted in English and pronunciation is close to American English. Many students from other Asian countries and South Korea have started taking advantage of this. Japanese people's use of Skype and other methods to take English lessons with English conversation teachers in the Philippines is also increasing. Instructors typically receive specialized education in college, so the level is high but the prices are much lower compared to language education in Europe or the U.S. In addition, Japanese companies have carried out employee training in English in the Philippines with the onset of globalization. Filipino hospitality is another factor making the country convenient for English instruction from the point of view of Japan.

Neighbors across the sea, Japan and the Philippines shared values such as democracy. In the future, it is hoped that friendly relations are further strengthened through exchange in tourism, economy and various other fields, as well as mutual exchange of students, in order to continue to develop together as brethren in Asia.



* Uniqlo, popular among young people



* Convenience stores in the city

6. Filipino pride and the bridge to the future

1. Tasks and challenges

With an increase of 6.6% real growth rate and an inflation rate of 3.2% (2012), economic growth in the Philippines remains strong among the ASEAN countries. Major rating agencies have upgraded long-term government bonds to investment grade, and investors worldwide are re-evaluating the country. In recent years, foreign direct investment also increased. Domestic market consumption is booming, a reflection of the strong economy, and Metro Manila's new middle class is producing new lifestyles.

On the other hand, there are many problems such as income gap, education gap, rural impoverishment, high unemployment rate, poor social security, environmental

problems and underdeveloped infrastructure. In terms of economy, the balance of industrial structure is poor, as high as about 60% of the proportion is tertiary industry, such as real estate and distribution and service industries, and fear of plunging currency, and conglomerate-led economy are additional problems.

With immature supporting industries even compared to other ASEAN countries, and thinking about the future of economic development, growth foundation is weak. In terms of politics, the root problems are deep corruption and fraud, collusion and others. These problems cannot be solved in a day, but the government is in a situation that must be addressed with full force to solve problems for the development in the future. And in 2015, ASEAN economic integration is planned, so national strategies to protect the national interest of the Philippines in the huge market of 600 million is also an urgent issue.

2) Moving towards the future

In the Philippines, there is a factor to promote growth not found in other countries. In terms of population, there were around 60 million people in the Philippines in 1980, same level as Thailand and Vietnam. Now, the population growth in the provinces is striking (average birth rate is 3.1%) and the population has surpassed 100 million, making the Philippines second in the ASEAN in terms of population. And the average age is 23 years old, the demographic dividend of abundant labor force can be enjoyed until 2050, economic growth till then is expected.

The presence of 10 million migrant workers (OFW) is also large. They work in over 100 countries worldwide. Patience and flexibility, and cooperation, the temperament of Filipinos, has become a major factor in being able to work together with people of different cultures. In addition, English as the official language enables smooth communication with people around the world. When Filipinos go around the world in search for a variety of work, while adapting to the culture of various countries they have to absorb knowledge of the business along with a new culture. In the era of globalization, the accumulation , It entered the world in search of a variety of work, while adapting to the culture of the countries of destination work, they have to absorb the knowledge of the business and a new culture. In the era of globalization, this kind of temperament and accumulation of experience is of great help in terms of building good and friendly relations with other countries. And it has become possible by utilizing the experience of these, to create a new cultural and economic value of the Philippines.

In the future, it is hoped that the Philippines, in cooperation with Japan first and foremost, along with ASEAN, the U.S., Europe, China, Korea, Taiwan and the Middle

East will continue to develop. In recent years, the border dispute with China has broken out, but important to the future the Philippines is the strengthening of diplomatic power that does not depend on force. So is a strengthening of the economy. And even more important is manpower and cultural power in terms of dealing with other countries. Filipinos have a strong will and spirit; during the struggle for independence they were fighting for the pride and awareness of race, even while being oppressed under colonial rule. In addition, they also have the tolerance to accept different ethnic groups and different cultures . Moreover, this has also allowed for the assimilation of different cultures. The potential for exerting soft power effectively is high. It is hoped that the Philippines can play a role as a cornerstone of economic exchange and culture in Southeast Asia.



* Bonifacio, homes for the wealthy and middle class



* Homes in the vicinity of Quiapo Church

From A Japanese Researcher

Thinking on the Manila Lifestyle (Final)

In 1950, the Chinese businessman Henry Sy started from a humble shoe store and built up his fortune into what is now SM Prime Holdings, a conglomerate. In 2006 the SM Mall of Asia was opened, fronting Manila Bay, with a floor area of more than 390,000 square meters and with as many as 200,000 visitors every day. Facilities include shopping centers, cinema complex, and an ice skating rink. One conspicuously crowded fast food restaurant is Jollibee, which is also in Mall of Asia.

Jollibee is a fast food chain in the Philippines which has deployed approximately up to 750 stores, and just as on its website is the phrase, "Jollibee is the pride of the Filipino"

it is really loved by many Filipinos. This, can be understood if one enters the store. No matter which branch you go to, it is usually crowded. With a corporate mission advocating the principle of family, employees are working as part of a team in an organized manner. McDonalds and KFC are rivals of Jollibee, but it is interesting that even a global giant like McDonalds has lagged behind Jollibee in the Philippines. Seasoning sweet is a southern style, and probably matches the Filipino palate and eating habits. Even the ketchup popularly used here is made of banana instead of tomato. For food companies, localization of food is an issue that cannot be avoided. Thus, rice and fried chicken are also on the menu at McDonald's in the Philippines.

However, what surprised me the most was the way a group of high school girls were chatting away noisily the same way as in Japan. They order a set meal of fried chicken, rice and drink for 80 pesos. Taking a table seat and noisily chatting away and having a good laugh within the clean interior of the store, the scene was virtually indistinguishable from what one can see in Japan.

The gap between the rich and poor is large, the scene of the high school girls in Jollibee cannot be imagined within the context of the squatter areas introduced in the previous article, where a multitude of poor people live and help each other out with what limited money they have. Given the price of the food and the standard income level, spending 80 pesos (200 yen) after school can seem expensive, but such consumption activities have become commonplace in reality .

Several hypotheses come to mind. First, it is believed the cost spent from income on food is large. In the Philippines, there is approximately 45% Engel's coefficient that indicates the proportion of food expenditure to total consumer price index, which is very high. Because of the tropical climate, clothing is light and guessing income from the way a person dresses is difficult, so rather than pretentiously showing off branded clothing, there is a lifestyle of spending money on food without regret. Even when looking at residential areas of the wealthy who own several cars, so-called luxury cars are still not so common. Even in Metro Manila, first-class Lexus or Mercedes-Benz S-Class cars are hardly seen.

Alternatively, statistical data might be wrong. Remittances from overseas is huge, there is a possibility that revenue has not been accurately estimated, or has been underestimated. That number is unreliable in many cases in developing countries. In this case, it is hard to know unless something new is sold. Skills in marketing to popularize what is different also will be important in particular.

In addition, our prejudice in thinking that the Philippines is poor might not be in keeping with the changes in recent years. A thick middle income layer might be being

formed without our notice. If the numbers do not match, our prejudice can cause major errors in judgment.

I mentioned before that there is a social background in which integrated manufacturing is in slow progress, but it is possible that in the trend of China-plus-one, the integration of Japanese manufacturing industry progresses at an accelerated rate in the Philippines. I think that if that happens, the emergence of the middle income class will proceed, and Japanese brand presence in daily consumption will also rapidly increase.

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