The previous chapter ended with the hypothesis that household and cottage industries in rural villages in the Philippines were destroyed in the process of integration of its economy into the vertical division of labour with industrial economies in the West under the colonial rule. Indeed, until very recently, it was usually difficult to find significant manufacturing activities in rice villages in the Philippines, with East Laguna Village being no exception. Growing urban economic influences, which accelerated in the late 1970s and operated throughout the 1980s, mainly as a force to pull labour out of the villages as well as to increase employment in service activities, such as sari-sari stores, and jeepney and tricycle driving within the villages.

A dramatic change that occurred in East Laguna Village in the 1990s was a sudden surge of cottage manufacturing, which not only increased employment opportunities for villagers but also pulled a significant amount of external labour into the village. This chapter traces this new development, based on the three surveys on the industries within the village and its surroundings, as well as the marketing chains linking the activities with foreign markets. The first reconnaissance survey was conducted during July–August 1995; the second main survey was in August 1996; and the third, follow-up, survey was in March 1997.

THE NATURE OF NEW VILLAGE INDUSTRIES

When we first visited East Laguna Village in 1974, we were struck by the virtual absence of indigenous manufacturing activities for consumption at home or for sale to local markets, such as weaving, handicraft making and blacksmithing, which used to be very common in Japanese villages before Japan’s rise to a high-income stage in the 1960s. This impression was shared by the Japanese investigator who surveyed this village in 1966 (Umehara, 1967). The low reliance of the village economy on manufacturing continued throughout the 1970s and 1980s. Indeed, the share of manufacturing in the total household income in East Laguna Village remained at only 1 per cent between 1974 and 1987, but to our great surprise, the
This change resulted from the establishments of one paper mill and seven metalcraft factories during the period 1991–5. The paper mill produced folk art papers and paper crafts from local materials such as banana stems and cogon grasses, mainly to meet domestic demand; and the seven metal factories produced Christmas ornaments (such as candle holders) and other crafts from tin plate and wire, based on subcontract orders from export contractors operating in Metro Manila.

A subsequent search around neighbouring villages and surrounding municipalities found that similar manufacturing enterprises based on subcontract arrangements with export contractors had been springing up widely since the late 1980s. The most numerous were activities related to the production of ready-made garments, such as sewing and embroidery (Kikuchi, 1998). Metalcraft, paper, plastic and woodcraft industries manufacturing ornaments, gifts and toys followed the spread of the garment industries after a time lag of a few years. They were based on simple, highly labour-intensive technologies. The new wave of labour-intensive industrialization stemmed from foreign demand and has been progressing at such a rate as to become a significant income source, not only in towns but also in hitherto purely agriculture-based villages.

Further exploration in Metro Manila found that the waves of foreign demand for these labour-intensive, low-technology products began to reach the Philippines in the late 1970s/early 1980s. This was the period when newly industrializing economies (NIEs) in Asia, such as Taiwan, Korea and Hong Kong, began to shift in a major way to more sophisticated, high-value products corresponding to their sharp wage increases. The diversion of international demand for the labour-intensive products away from the NIEs spilled over into ASEAN and other low-wage Asian economies. However, the political turmoil associated with the downfall of the Marcos regime delayed Filipino entrepreneurs from capitalising on this opportunity. As the turmoil subsided, however, they began to recover the lost opportunity from the late 1980s, based on low wages relative to rich endowments of human resources, and especially the high level of education in the Philippines. In fact, the export contractors in Metro Manila whom we interviewed started their business mainly in the late 1980s.

These urban-based entrepreneurs tried to meet orders from foreign buyers initially by establishing their own factories. Later, as foreign demand continued to expand, they found it advantageous to contract-out parts of the production process to outside agents, especially those located in rural areas, where cheap labour is more abundantly available. They continue