

TEXTING CAPITAL: Mobile Phones, Social Transformation,
and the Reproduction of Power in the Philippines

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DEDICATION

For my mom, Joy Uy-Tioco, who encouraged me to be curious, intellectually and otherwise, and to the memory of my dad, George Uy-Tioco, who would have loved mobile phones, text messaging, and the Internet.

+AMDG

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LIST OF ABBREVIATIONS

Asia Pacific Economic Council	APEC
Average Revenue Per User	ARPU
Bank of the Philippine Islands	BPI
Banko Sentral ng Pilipinas.....	BSP
Business Processing Outsourcing	BPO
Commission on Filipinos Overseas	CFO
Conditional Cash Transfer	CCT
Consultative Group to Assist the Poor	CGAP
Department of Social Welfare and Development	DSWD
Ethnographic Content Analysis	ECA
Executive Order	EO
Knowledge Processing Outsourcing	KPO
General Agreement on Tariffs and Trade	GATT
General Telephone and Electronics, Inc.	GTE
Global System for Mobile Communication/Group Spécial Mobile	GSM
GSM Association	GSMA
Gross Domestic Product	GDP
Information International Monetary Fund	IMF
Metro Rail Transit.....	MRT
Microenterprise Access to Baking Services	MABS
Multimedia Messaging Service	MMS
National Telecommunications Commission	NTC
Overseas Filipino Worker	OFW
Philippine Long Distance and Telephone Company	PLDT
Philippine Overseas Employment Agency	POEA
Philippine Peso.....	PhP
Philippine Stock Exchange	PSE
Public Switched Telecommunications Network	PSTN
Structural Adjustment Program	SAP
Service Area Scheme	SAS
Short Message Service.....	SMS
United States Agency for International Development	USAID
World Bank.....	WB
World Trade Organization	WTO

ABSTRACT

TEXTING CAPITAL: MOBILE PHONES, SOCIAL TRANSFORMATION, AND THE REPRODUCTION OF POWER IN THE PHILIPPINES

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The mobile phone has arguably become the most ubiquitous information communication technology (ICT) in the world, including in the developing world. Introduced in the Philippines in the early 1990s, mobile phone penetration is expected to reach 100 percent in 2013, an interesting phenomenon since a third of the country lives below the poverty line. This dissertation examines the products and services offered by Philippine telecommunication companies that have led to the widespread use of mobile phones and the implications of this use on economic development and social relations. It investigates the adoption of the mobile phone against the backdrop of the Philippines as a postcolonial, developing nation within the larger context of globalization, modernization, and the development of a global network society. Because the mobile phone has been the most used ICT in the Philippines, telecom companies have seized on the opportunity to develop additional uses for the mobile phone beyond communication with another person, creating hybrid forms of technology use. Using three case studies, mobile

commerce, mobile banking, and DIY mobile phone plans, this dissertation critically examines the positive and celebratory discourse put forward by telecommunication companies, the government, and international development organizations. Through an examination of these products and services, the dissertation investigates whether they indeed bridge the “digital divide” between the rich and poor *within* the Philippines as well as *between* the Philippines and more developed nations. I argue that the relationship between the adoption of mobile phones, social transformation, and modernity in the developing world is complex and ever-changing. While widespread access to ICTs is celebrated, access to banking services is measured as economic development, and interactivity and customization offers consumers choice, they also further reinforce existing class structures, cultivate neoliberal models of citizenship, and pave the way for heightened consumer surveillance. In the end, this examination of the exciting and innovative uses of mobile phones in a developing country such as the Philippines reveal a number of complex contradictions that are indisputably tied to the larger project of neoliberal globalization.

CHAPTER 1

INTRODUCTION

Raymond Williams, in *Television: Technology and Cultural Form*, remarked that “television has altered our world” but “we have gotten so used to statements of this general kind, in our most ordinary discussions, that we can fail to realize their specific meanings.”¹ Almost forty years later, the same can be said of the mobile phone. From its beginnings as a clunky device that only the rich could purchase, the mobile phone has become the world’s most ubiquitous information communication technology (ICT) and has been adopted by billions across the globe, including those in the developing world. By examining mobile phones in the Philippines, this dissertation aims to understand how the diffusion of mobile phones have altered everyday life in the Philippines, with a particular focus on the consequences of this diffusion on social and economic relations. It investigates the widespread adoption of the mobile phone against the backdrop of the Philippines as a postcolonial, developing nation engaged in processes of modernization and globalization. Because of the prevalent use of the mobile phone, telecommunication (telecom) companies have seized the opportunity to create and develop additional uses for the mobile phone beyond synchronous voice communication, creating hybrid forms of technology use. Indeed, it is the uneven development of the Philippines which has pushed

¹ Raymond Williams, *Television: Technology and Cultural Form*, (1974. Reprint, with an introduction by Lynn Spigel, NH: Wesleyan University Press, 1992), 3.

both companies and consumers to develop new ways of using existing technologies, in order to participate in what Manuel Castells calls the global “network society.”

In 2005, only 36 percent of the population in the Philippines owned a mobile phone. By the end of 2011, that figure almost tripled as 92 percent of the population had mobile phones.² As a Filipino residing in the United States, but one who returns to the Philippines for a month each year, I have been astounded by the quick adoption of mobile phones, particularly because over one-third of Filipinos live below the poverty line.³ With each trip to my homeland, I discover new products and services for mobile phones that are distinct and different from the uses of my AT&T smartphone in the U.S. By products and services, I mean the various plans, uses, functions, and capabilities that Philippine telecommunication companies offer their subscribers that extend beyond voice communication.

Surprisingly, and crucially for the purpose of this dissertation, these myriad products and services are largely offered through the least glamorous and most basic of all mobile communication technologies: text-messaging or short message service (SMS). For example, through text messaging, Filipinos keep in touch with friends and the large extended family who are integral to Philippine life. For splintered families of Overseas Filipino Workers (OFWs) – especially women, nurses, and domestic helpers who have

² <http://data.worldbank.org/indicator/IT.CEL.SETS.P2>

³ United Nations Development Programme (UNDP). “2007/2008 Human Development Reports.” Available at <http://hdr.undp.org/en/>. Last accessed on 29 February 2009.

left children at home – text messaging allows them to “mother” their children despite physical distances.⁴

The humble text message also played a key role in the removal of Philippine president Joseph Estrada in 2001 in an event that has been called Edsa 2.⁵ When the news broke that a majority of the senator-judges in the on-going impeachment trial of President Estrada had voted to suppress important evidence proving his corruption, text messages were sent calling people to the Edsa Shrine to protest. Over four days, the crowd grew to thousands, the thousands grew to tens of thousands and then to over a million, receiving updates and instructions through their mobile phones. The success of this mass demonstration and the rise of Gloria Macapagal-Arroyo as president have been attributed to text messaging.⁶

Thus we see how the mobile phone and text messaging have become an integral part of daily life and politics in the Philippines, transforming private and public lives of users. With the adoption of mobile phones by Filipinos from all walks of life, telecom

⁴ Cecilia S. Uy-Tioco. “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” *Continuum*, Vol. 21, No. 2 (2007): 253-265.

⁵ Edsa is the Epifanio de los Santos Avenue, the main high way in Metro Manila that connects the cities and municipalities. Edsa 1, also known as People Power 1, was the four-day non-violent uprising in February 21-25, 1986 that led to the ouster of dictator Ferdinand Marcos and the installation of Corazon Aquino as the country’s new president. Edsa 2, also known People Power 2 and Edsa Dos, was the four-day non-violent uprising against another corrupt president, Joseph Estrada. It technically began late in the evening of January 16, 2001 and ended in the afternoon of January 20th with the oath taking of Gloria Macapagal-Arroyo as the 14th president of the Philippines.

⁶ See Pertierra et al. *Texting Selves: Cellphones and Philippine Modernity*. Manila, Philippines: De La Salle University Press, 2002; Cecilia S. Uy-Tioco, “The Cell Phone and Edsa 2: The Role of a Communication Technology in Ousting a President.” Paper presented to the 4th Critical Themes in Media Studies Conference, New School University, 11 October 2003; Vicente Rafael, “The Cell Phone and the Crowd: Messianic Politics in the Contemporary Philippines,” *Public Culture* 15(3): 399–425.

companies have created and developed products and services that expanded the use of mobiles beyond keeping in touch with friends, family, or clients, but also for facilitating business and commercial transactions—mobile commerce or m-commerce. Through products such as GCash and Smart Money, Globe Telecom and Smart Communications subscribers are able to remit money (locally and internationally), pay bills, pay government taxes, donate to charitable institutions, order food for delivery, purchase products such as food and clothing, and reload prepaid phones through text messaging.

Additionally, those in rural areas are able to access mobile banking services thanks to a program launched by the United States Agency for International Development (USAID), the Rural Bankers Association of the Philippines, and Globe Telecom. Mobile banking provides clients with payroll services, micro loan disbursements, micro loan payments, remittances, and deposits through mobile phones. Telecom companies also offer their subscribers a variety of products and services that allow users to customize their own mobile phone plans. Through these Do-It-Yourself products, mobile phone users have the flexibility to individualize the services they receive according to their personal needs and financial capabilities.

At first glance it would seem that the adoption of mobile phones by millions of Filipinos has been unambiguously positive. Users are able to keep in touch with family and friends near and far, those previously excluded from banking services now have access, those in the rural areas no longer need to travel far to pay their banking loans or receive remittances and payments, and users are able to access the Internet through their mobiles. The media and international development agencies often tout mobile phones as

the solution to the digital divide and the answer to a range of development problems, particularly in the developing world. But often left out of the discussion are questions surrounding the implications of mobile phone adoption within a social context marked by stark inequalities of wealth and status. The social consequences of the development and diffusion of new media technologies are never clear-cut. Together with the benefits of a new technology are costs and risks that are often unequally distributed throughout the society. Canadian scholar Harold Innis has pointed out that the diffusion of new communication technologies often entrenches or recreates hierarchical power structures. Communication media “confer monopolies of authority and knowledge on the state, the technical order, and civil law or on religion, the sacred order, and moral law.”⁷ Similarly, James Carey notes, “modern technology invites the public to participate in a ritual of control in which fascination with technology masks the underlying factors of politics and power.”⁸

For this reason, the rapid diffusion of the mobile phone in Philippines, the development of multiple SMS services reaching deep into Filipino society, and the promotion of these services by a variety of actors (including telecommunication firms, government agencies, and non-governmental associations like the Rural Bankers Association) all give rise to a number of important questions:

- What kind of unconventional (at least from the vantage of the USA or Europe) uses, products and services of mobile phones have developed in the Philippines?

⁷ James Carey, “Harold Adams Innis and Marshall McLuhan.” *Antioch Review* 27, no. 1 (1967): 12.

⁸ James Carey, *Communication as Culture: Essays on Media and Society*. (New York and London: Routledge, 1992), 195.

- Who uses these products and services, who benefits from them, and what are their implications on class politics and economic development?
- Does the widespread adoption of mobile phones result in changes in the material circumstances of users?
- What possibilities and/or limitations does text messaging open-up for full (or at least meaningful) participation in the global information society, particularly among low-income users?
- What role does the adoption of mobile phones play in economic development and process of modernity in the Philippines?

Thus, the task of this dissertation is to examine the implications of the extension of these mobile phone products and services to new populations on: 1) individual agency and empowerment for users, 2) social relations and class hierarchy, and 3) economic development. In short, this dissertation seeks to answer this central question: What are the implications of the widespread adoption and promotion of mobile phones as the answer to the “digital divide” in the Philippines with regard to personal empowerment, social relations, and economic development?

Previous Research on Mobile Phones

Communication Research on Mobile Phones

Much has been written about the widespread adoption of mobile phones around the world. For example an early collection, *Perpetual Contact*, edited by James Katz and Mark Aakhus, examines the growing ubiquity of mobile phones globally by studying the impact of mobiles on contemporary society in countries as varied as Finland, Israel, Italy, Korea, the U.S., and the Philippines.⁹ In *Handbook of Mobile Communication Studies*,

⁹ James Katz and Mark Aakhus, eds. *Perpetual Contact: Mobile Communication, Private Talk, Public Performance*. Cambridge, UK: Cambridge University Press, 2002.

Katz gathers essays that continue examining the social aspects of mobile phone communication from a global perspective.¹⁰ Gerard Goggin, in *Cell Phone Culture: Mobile Technology in Everyday Life*, examines mobile phones from its history, production, design, consumption, and representation drawing from a wide range of national and international examples.¹¹ In his edited volume, *Mobile Phone Cultures*, Goggin gathers various essays that attempt to understand the culture of mobile phones in various international contexts.¹²

There has also been a growing number of book-length country-specific studies such as Ito, Okabe, and Mastuda's *Personal, Portable, Pedestrian: Mobile Phones in Japanese Life* which focuses on Japan¹³ and Horst and Miller's *The Cell Phone: Anthropology of Communication* which explores mobile phone use in Jamaica.¹⁴ These studies focus on how mobiles are being used and largely highlight how they have re-shaped personal relationships and daily life. In *Mobile Phone and Society*, Manuel Castells, Mireia Fernandez-Ardevol, Jack Linchuan Qiu, and Araba Sey also examine the social effects of mobile phone adoption, but these authors pay particular attention to the relationship of mobiles and development.¹⁵ Through their data on global mobile phone

¹⁰ James Katz, ed. *Handbook of Mobile Communication Studies*. Cambridge, MA: MIT Press, 2008.

¹¹ Gerard Goggin. *Cell Phone Culture: Mobile Technology in Everyday Life*. London: Routledge, 2006.

¹² Gerard Goggin. *Mobile Phone Cultures*. London: Routledge, 2008.

¹³ Mizuko Ito, Daisuke Okabe, and Misa Matsuda, eds., *Personal, Portable, Pedestrian: Mobile Phones in Japanese Life*. Cambridge, MA: MIT Press, 2005.

¹⁴ Heather Horst and Daniel Miller. *The Cell Phone: Anthropology of Communication*. Oxford and NY: Berg, 2006.

¹⁵ Manuel Castells, Mireia Fernandez-Ardevol, Jack Linchuan Qiu, and Araba Sey. *Mobile Communication and Society*, Cambridge, MA: MIT Press, 2007.

adoption all over the world, Castells et al. also give a nod to the disparities of adoption and uses of mobile phones between the developed and developing worlds.

Mobile Phone Research in the Philippines

There have also been an increasing number of studies on mobile phones in the Philippines. Raul Pertierra in his co-authored book *Txt-ing Selves: Cellphones and Philippine Modernity* provides an excellent overview of mobile phones in the Philippines and illustrates how much it has become part of daily life, as well as its role in ousting a Philippine president in 2001.¹⁶ In a more recent article, Pertierra further explores the effects of mobile phones on identity, particularly sexuality and intimacy, and as well as the mobile phone's political possibilities.¹⁷ Similarly, Bella Ellwood-Clayton's research on mobile phones and dating in central Philippines focuses on the effects of text messaging on traditional courtship practices and its "potential to subvert traditional gender ideologies in the domain of young love."¹⁸ On the other hand, in recent essay, Lourdes M. Portus, focuses on how the urban poor in the Philippines "acquire, use, and ascribe meaning to the mobile phone."¹⁹ Mirca Mandianou and Daniel Miller's *Migration and New Media: Transnational Families and Polymedia*, drawing on extensive

¹⁶ Raul Pertierra, Eduardo Ugarte, Alicia Pinggol, Joel Hernandez, and Nikos Lexis Dacanay. *Txting Selves: Cellphones and Philippine Modernity*. Manila, Philippines: De La Salle University Press, 2002.

¹⁷ Raul Pertierra, "Mobile Phones, Identity and Discursive Intimacy," *Human Technology*, Vol. 1 (1), April 2005, 23-44.

¹⁸ Bella Ellwood-Clayton, "Virtual Strangers: Young Love and Texting in the Filipino Archipelago of Cyberspace," in *Mobile Democracy: Essays on Society, Self and Politics*, ed. K. Nyiri, (Vienna: Passagen Verlag, 2003), 226.

¹⁹ Lourdes M. Portus. "How the Urban Poor Acquire and Give Meaning to the Mobile Phone," in *Handbook of Mobile Communication Studies*, James Katz, ed., 105-118 (Cambridge, MA: MIT Press, 2008), 105.

ethnographic fieldwork, examines how Filipino parents and children maintain long distance relationships using an array of information communication technologies, particularly the mobile phone.²⁰ Finally, in my own research I have studied the role mobile phones played in the People Power II revolution of 2001 that resulted in the ouster of Philippine president Joseph Estrada²¹ and how mobile phones facilitate transnational mothering.²²

By focusing on the mobile phone industry through its products and services, rather than content and users, this dissertation complements these existing studies and contributes to the growing literature on mobiles in the Philippines. Instead of looking at the interpersonal relationships created or nurtured through mobile phone use, my focus is on the relationship between providers, services, and users, in the context of a developing nation linked to the global economy. To this end, with the goal of situating the production and use of mobile phone services within these wider historical, social, and economic contexts and relationships, I take a cultural studies approach to studying technology.

Studying Technology: A Cultural Studies Approach

Much of the research on mobile phones, and media in general, has been on the user or audience, focusing on issues of identity, representation, and consumption. As

²⁰ Mirca Mandianou and Daniel Miller. *Migration and New Media: Transnational Families and Polymedia*. (London & New York: Routledge, 2012).

²¹ Cecilia S. Uy-Tioco, "The Cell Phone and Edsa 2: The Role of a Communication Technology in Ousting a President." Paper presented to the 4th Critical Themes in Media Studies Conference, New School University, 11 October 2003.

²² Cecilia S. Uy-Tioco. "Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering," *Continuum*, Vol. 21, No. 2 (2007): 253-265.

David Morley notes, these traditional ways of looking at the media are inadequate and “media studies needs to place contemporary developments such as the constitution of cyberspace...in a much larger historical perspective.”²³ He further argues that we need to “develop a non-mediacentric analytical framework which will pay sufficient attention to the particularities of the media, without reifying their status and thus isolating them from the dynamics of the economic, social, and political contexts in which they operate.”²⁴

In similar terms, Shaun Moores notes, the media simply cannot be studied in isolation, but rather we must seek to understand how new media technologies are tied to the larger process of the development of modern societies. He argues, “it is necessary to appreciate the complex ways in which media of communication are bound up with wider institutional, technological, and political processes in the modern world, from the reproduction of social life on an everyday basis to the reorganization of social relations on a global scale.”²⁵ This de-centering of the media is very much in line with what can be called the cultural studies approach to the study of media and information technologies.

Thus, this dissertation, as a cultural studies project, examines the relationship between mobile phone adoption, the commercial firms and state agencies that produce mobile phone products and services, and the connection of these products and services to social relationships and experiences in modern everyday life. In taking a cultural studies approach, I am able to examine media and information technologies within cultural,

²³ David Morley, *Media, Modernity and Technology: The Geography of the New* (London and NY: Routledge, 2007), 2-3.

²⁴ Morley, *Media, Modernity and Technology*, 1.

²⁵ Shaun Moores, *Media/Theory: Thinking About Media and Communications*. (London: Routledge, 2005), 3.

social, political, and economic frameworks without falling into determinist traps. By contextualizing media and information technologies within everyday modern life, a cultural studies approach provides a better picture of their specific meanings and implications. One of the first and most influential examples is Raymond Williams' book, *Television: Technology and Cultural Form*.

In studying television, Williams was concerned with the relationship of modern communication media to social structures and social change; “their evolution as institutional practices; their degradation by social elites, particularly by the intellectuals; their rhetorical forms and textuality; their imbrication in the textures of everyday life; and their potential for creating a better world.”²⁶ Technologies, be they the television, the radio, or personal computers, when newly created and released to the market for consumption, are initially the new playthings of the wealthy and elite. As a technology improves, the product becomes cheaper and is then used and consumed by the larger population. When more and more people begin using a particular technology, it invariably becomes part of daily life, inscribed in our informal social knowledge—the “what everybody knows about the world”—without consciously knowing where or when they first learned it.²⁷ For Williams, cultural forms are historical and material practices, a part of the way people make their lives. As such, communication is part of material lived experience.²⁸ Any form of media is not simply a reflection of reality and our perceptions

²⁶ Lynn Spigel, introduction to Raymond Williams, *Television: Technology and Cultural Form*, (1974. Reprint, with an introduction by Lynn Spigel, NH: Wesleyan University Press, 1992), x.

²⁷ Paul du Gay, Stuart Hall, Linda Janes, Hugh Mckay and Keith Negus. *Doing Cultural Studies: The Story of the Sony Walkman*. (London: Sage Publications, Ltd., 1997; reprinted, 2001), 8.

²⁸ Spigel, introduction to Williams, *Television*, xi.

of it, but rather, forms of communications are in themselves a major way in which reality is continually formed and changed.²⁹

For their part, Paul du Gay and Stuart Hall propose that when examining media technologies culturally, “one should at least explore how it is represented, what social identities are associated with it, how it is produced, and what mechanisms regulate its distribution and use.”³⁰ Calling this a “circuit of culture,” they argue that it does not matter where on the circuit one starts, as long as the researcher goes around the circle to complete the study.³¹

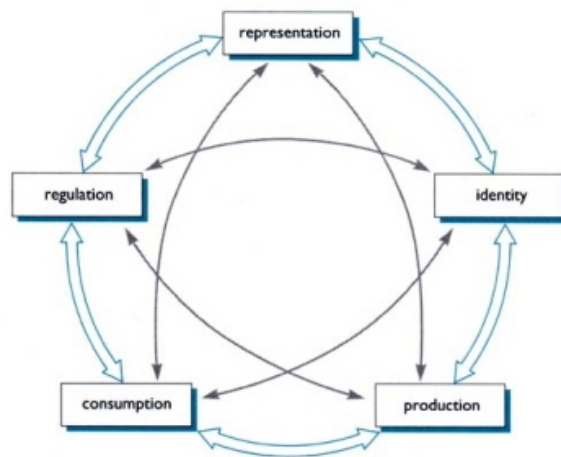


Figure 1: The Circuit of Culture³²

Similarly, Stephen Kline, Nick Dyer-Witheford, and Greig de Peuter propose “an integrated analysis of the lockstep dance of technological innovation, cultural

²⁹ Ibid., xiv.

³⁰ du Gay, et al. *Doing Cultural Studies*, 3.

³¹ Ibid., 4.

³² Ibid., 3.

diversification, and global consumerism” within the “mediatized global marketplace.”³³ Within the larger circuit of capital composed of production, commodity, and consumption, Kline, et al distinguish three subcircuits of culture, technology, and marketing. For Kline, et al, these three subcircuits are mutually constitutive and can, “in theory, be abstracted and described as semiautonomous moments. In practice, they interpenetrate and dynamize each other.”³⁴

Taken together, these two models echo Williams’ belief that “critical media analysis must take account of the dialectical interplay of technologies, culture, and economics.”³⁵ They also are aligned with Lawrence Grossberg’s more general argument that “cultural studies is committed to a radical contextualism, a contextualism that precludes defining culture, or the relations between culture and power, outside the particular context into which cultural studies imagines itself to intervene.”³⁶ By utilizing critical media and cultural studies approaches, scholars avoid the technological, economic, and cultural determinisms that both Williams and Grossberg caution against.

In this way, drawing on this “radical contextual” approach to studying technology, I hope to research mobile phones in the developing world beyond how these phones re-shape personal relationships, individual attitudes, and the micro-conduct of daily life. In exploring the implications of widespread adoption of mobile phones and text messaging in the Philippines in the context of its position as a developing nation in a

³³ Stephen Kline, Nick Dyer-Witheford, and Greig de Peuter. *Digital Play: The Interaction of Technology, Culture, and Marketing*. (Montreal: McGill-Queens’s University Press, 2003), 50.

³⁴ Ibid., 58.

³⁵ Ibid., 28.

³⁶ Lawrence Grossberg, “Can Cultural Studies Find True Happiness in Communication?” *Cultural Studies* Vol. 43 (3) 1993: 90.

global network society I explore issues of power, structure and agency, and the unevenness of social and economic development. This approach pushes me to analyze the complex relationships between telecoms, state regulators, commercial products, and users as a “circuit of culture” that is also inextricably linked to global capitalism and the emergence of what Castells’ calls the “network society.” It is necessary, therefore, to move from a discussion of theoretical frameworks which offer a general approach to the study of technology and society, to more specific bodies of scholarship that address the increasing centrality of information networks in daily economic, social, and political life.

Mobile Phones and Access to the Network Society

Theories of the “Network” or “Information” Society

According to John Thompson, “the use of communication media involves the creation of new forms of action and interaction in the social world, new kinds of social relationships and new ways of relating to others and to oneself.”³⁷ He notes that the development of communication media plays an integral part in the rise of modern societies.³⁸ Thompson is concerned with the “gradual expansion of networks of communication and information flow, networks which...have become increasingly global in scope...[and] with the ways in which these networks are interwoven with other forms of power—economic, political, and military—and how they have been used by actors,

³⁷ Thompson, *The Media and Modernity*, 4.

³⁸ John Thompson, *The Media and Modernity: A Social Theory of the Media* (Stanford, CA: Stanford University Press, 1995), 3.

both individual and collective, to pursue their aims.”³⁹ In a similar vein, Manuel Castells argues that the gradual expansion of communication networks has contributed to a qualitative change in the organization of society. New information technologies, for Castells, have been “a necessary, albeit not sufficient condition for the emergence of a new form of social organization based on networking, that is, on the diffusion of networking in all realms of activity on the basis of digital communication networks.”⁴⁰ Castells stresses that we must understand this shift in our world today because it is only in doing so that we can:

identify the means by which specific societies in specific contexts can pursue their goals and realize their values by using the new opportunities generated by the most extraordinary technological revolution in humankind, the one transforming our capacities of communication and enabling to modify the codes of life, that is the one giving us the tools to actually master our own condition, with all the potentially destructive or creative implications of this capacity.⁴¹

But what does Castells mean by the “rise of the network society?” In Castells’ work, “the network society” refers to a new kind of social structure, one “based on networks operated by information and communication technologies based in microelectronics and digital computer networks that generate, process, and distribute information on the basis of knowledge accumulated in the nodes of the networks.”⁴² While Castells notes that this new communication system is characterized by its “inclusiveness and comprehensiveness of all cultural expressions,” he cautions “it does

³⁹ Thompson, *The Media and Modernity*, 4.

⁴⁰ Manuel Castells. “The Network Society: From Knowledge to Policy” in M. Castells, and G. Cardoso, eds., *The Network Society: From Knowledge to Policy*. (Washington, DC: Johns Hopkins Center for Transatlantic Relations, 2006), 3.

⁴¹ *Ibid.*, 5.

⁴² *Ibid.*, 7.

not follow that there is a homogenization of cultural expressions and full domination of codes by a few central senders.”⁴³ It is precisely the presence of various nodes in the network that promote a diversity of forms of expression, interests, and perspectives. He is careful to note, however, that the “price to pay for inclusion in the system is to adapt to its logic, to its language, to its points of entry, to its encoding and decoding.”⁴⁴ Thus, it is important for Castells that a “multimodal, horizontal network of communication, of Internet type” is developed and implemented to promote different voices and perspectives in the network society.⁴⁵ In other words, Castells recognizes the unevenness that exists within the network society, depending on how individuals and local places are linked to the network.

In a network society, key social structures and activities are organized around electronically processed information networks. It is a global network because it transcends physical or political boundaries. For example, the emergence of global communication and transportation networks has enabled the re-organization of economic production into global networks of smaller firms, with each firm contributing a particular function to the overall production process (from research and development, to finance, legal and accounting, to production and distribution, to marketing and advertising). Such global production webs—stitched together via communication and transportation networks—often coalesce around short-term projects or initiatives, dissolving once the

⁴³ Manuel Castells, *The Rise of the Network Society*, 2nd ed. (Malden, MA: Blackwell, 2000), 405.

⁴⁴ Ibid.

⁴⁵ Ibid.

project is completed, only to reassemble in a different configuration for the next project⁴⁶

These disparate workers and firms, located in different places around the world, are linked by a networked “space of flows” defined by Castells as the “material organization of time-sharing social practices that work through flows.”⁴⁷ Flows, for Castells, are the “expression of processes dominating our economic, political, and symbolic life.”⁴⁸ Thus, those places that are linked by the “space of flows” are part of the network society, and able to compete for a share of economic growth, while places that do not have the technological ability are left out. Access to the network society is therefore essential in both the micro level (access of individuals to ICTs) and the macro level (economic development of a nation).

While Castells prefers the term “network society,” other scholars have used the term “information society” or “post-industrialized society” to describe the current moment. Daniel Webster attempts to define information society as technological, economic, occupational, spatial, and cultural, outlining the deficiencies of each.⁴⁹ He notes that however inadequately the term is defined, the information society signals a systemic change.⁵⁰ For Webster, among the thinkers who believe that a new form of society has emerged, Daniel Bell’s theorization of a “post-industrial society” is the best characterization of the information society.⁵¹ In a post-industrial or information society, “the production, processing, and communication of information in services and cultural

⁴⁶ Ibid., 409.

⁴⁷ Ibid., 442.

⁴⁸ Ibid.

⁴⁹ Frank Webster. *Theories of the Information Society*, 3rd ed. (London: Routledge, 2006), 8-9.

⁵⁰ Ibid., 22.

⁵¹ Ibid., 32.

commodities replaced the production and distribution of natural resources and industrial goods as the key sector of the economy.”⁵² According to Bell, the post-industrial society is “organized around knowledge, for the purpose of social control and the directing of innovation and change; and this in turn gives rise to new social relationships and new structure which have to be managed politically.”⁵³ In the post-industrial or information society, there is a shift from factory workers who labor to produce material, tangible goods to “knowledge workers” who communicate, accumulate information, and process data in the new economy.

For their part, Michael Hardt and Antonio Negri also argue that the “process of postmodernization or informatization has been demonstrated through the migration from industry to service jobs” that are “characterized in general by the central role played by knowledge, information, affect, and communication.”⁵⁴ For Hardt and Negri, a key feature of the informational economy is the replacement of the centralized, unionized assembly line by a more dispersed network of workers that is more flexible, less militant, and easily replaceable. Information technologies, for Hardt and Negri, thus transform “the quality and nature of labor,” both as a source of value to be exploited and as a collective political agent.⁵⁵ In other words, technological development and innovation drives the battle between labor trying to recompose itself to fight capital and capital trying to decompose labor by finding ways to maintain control over labor.

⁵² Kline, Dyer-Witheford, and de Peuter. *Digital Play*, 5.

⁵³ Daniel Bell. *The Coming of Post-Industrial Society: A Venture in Social Forecasting* (NY: BasicBooks, 1973), 20.

⁵⁴ Michael Hardt and Antonio Negri. *Empire*. (Cambridge, MA: Harvard University Press, 2000), 285.

⁵⁵ *Ibid.*, 289.

Whether we call it network society, information society, or post-industrial society, it is clear that a major shift within the capitalist mode of production is underway, driven at least in part through technological innovation. The implications of this networked re-organization of capitalist production are subject to much debate, with some scholars highlighting the increased power of (global) capital over (locally situated) labor, while others note the increased opportunities for individual agents linked into networks of production and communication. For his part, David Harvey points out that technological innovations have paved the way for increased mobility of capital as well as the production of goods and services to be carried-out despite distances of time and place. Transportation and communication technologies are used in particular to increase the advantage of capital over labor and to speed up the “turnover time” in the life-cycle of a commodity. For Harvey, the drive to compress space and time (i.e. the increase in the ability to send messages, goods, and people more quickly over wider distances) is rooted in the desire to reduce turnover times and to increase profitability.

According to Harvey, “as space appears to shrink to a ‘global village’ of telecommunications and a ‘spaceship earth’ of economic and ecological interdependencies...and as time horizons shorten to the point where the present is all there is, so we have to learn how to cope with an overwhelming sense of compression of our spatial and temporal worlds.”⁵⁶ Time and space have been the key barriers to the circulation of capital. New technologies that send messages, people, and goods over space in less time thus speeds-up the circulation of capital. This relentless pressure to

⁵⁶ David Harvey, *The Condition of Postmodernity* (Cambridge, MA and Oxford, UK: Blackwell, 1990), 240

reduce turnover time to increase productivity and productivity is the basis of time-space compression and is characteristic of what Harvey calls postmodernity.

Similar to Harvey, Scott Lash and John Urry in *Economies of Signs and Space* note the shift in capitalism from a Fordist, organized capitalist core to a new order “clustered around information, communications and the advanced producer services, as well as other services, such as telecommunications, airlines and important parts of tourism and leisure.”⁵⁷ But although Harvey saw this as a crisis and as part of the inherent contradictions of capitalism, Lash and Urry, believe it opens up possibilities for “the recasting of meaning in work and leisure, for the reconstitution of community and the particular, for the reconstruction of a transmogrified subjectivity, and for the heterogenization and complexity of space and of everyday life.”⁵⁸ Their focus is on what they call “reflexive modernization.” Reflexive modernity, according to Beck, means “the possibility of a creative (self-)destruction for an entire epoch: that of industrial society.”⁵⁹ It involves the disembedding followed by re-embedding of industrial social forms in Western modernity, as we have known it, by another modernity.⁶⁰ The new order that reflexive modernity is creating is itself a product or result of modernity.

For Lash and Urry, the increasing pervasiveness of information and communication structures has contradictory implications: while it forms the basis of today’s “free-floating” reflexive individual, at the same time these networks hold society

⁵⁷ Scott Lash and John Urry. *Economies of Sign and Space*. (London: Sage, 1994), 17.

⁵⁸ Ibid., 3.

⁵⁹ Ulrich Beck, “The Reinvention of Politics: Towards a Theory of Reflexive Modernization” in *Reflexive Modernization: Politics, Tradition and Aesthetics in the Modern Social Order*, Ulrich Beck, Anthony Giddens, and Scott Lash. (Stanford: Stanford University Press, 1994), 2.

⁶⁰ Ibid.

together.⁶¹ According to Lash, reflexive modernization “sets free individuals from collective and abstract structures.”⁶² Older structures such as family, job, class, government, schools, and church no longer are the basis of an individual’s identity, nor an individual’s consumption patterns. Rather, information and communication technologies present individuals with ways to form their identities and be consuming individuals.⁶³

Unlike Harvey’s rather pessimistic view, Lash and Urry have a more optimistic take on how the restructuring of the economy along more “flexible” and information-intensive lines, stretched across the globe, has opened up possibilities for “reflexivity” and creative individual decision-making. For them, there are possibilities for more participatory, independent, and creative forms of production in the workplace and more choices for leisure and consumption in the home, as well as new possibilities for reflexive construction of alternative political and social identities. In other words, the globalization of production made possible by the development of ICTs bring about social and economic consequences that range from maintaining relationships across time and space, increasing value of some forms of labor, and creating new places of production.

In short, despite their clear political differences and perspectives on capitalist economic relations, the theorists discussed above all point to the growing centrality of information and knowledge in social and economic life around the globe. The necessity

⁶¹ Lash and Urry, *Economies of Sign and Space*, 6.

⁶² Scott Lash, “Reflexivity and its Doubles: Structures, Aesthetics, Community” in *Reflexive Modernization: Politics, Tradition and Aesthetics in the Modern Social Order*, Ulrich Beck, Anthony Giddens, and Scott Lash. (Stanford: Stanford University Press, 1994), 115.

⁶³ Lash and Urry, *Economies of Sign and Space*, 61.

of having access to the global network economy thus fuels the discussion on how to bridge “the digital divide” and to find ways for developing nations to participate more fully in global networks of finance and production. This is clearly outlined by actors such as the World Bank and the United Nations who promote mobile phone technology as the answer to bridging this gap.

In this dissertation I explore the limits and possibilities of mobile phones and text messaging as a tool for accessing national and global economic networks and for bridging the “digital divide,” both *within* developing nations and *between* developing and more developed nations. In the following section, drawing particularly on Jack Linchuan Qiu’s work, the discussion will focus on the role information technologies play in (at least potentially) bridging the “digital divide” *within* developing nations like the Philippines. After looking at the “digital divide” within the Philippines, the discussion will turn next to an examination of the role of information technologies in the development strategies of developing nations like the Philippines, facing a global competition for capital investment.

A Working-Class Network Society

Drawing on his extensive ethnographic work in China, Jack Linchuan Qiu theorizes the rapid expansion of ICTs through low-end mobiles and access to Internet cafes as the rise of a *working-class* network society.⁶⁴ As the costs of ICTs go down and as they are more easily available, these technologies, low-end mobile phones, pirated DVDs, and used computers, become more closely intertwined with the everyday lives of

⁶⁴ Jack Linchuan Qiu, *Working Class Network Society: Communication Technology and the Information Have-Less in Urban China*. (Cambridge, MA: MIT Press, 2009), 2.

the working-class. In addition to cheaper mobile phone units or handsets (especially in China), the working-class is able to tap into products and services from which they were previously excluded. At the same time, rather than bridging the divide between the technological “haves” and “have nots,” Qiu argues that what we are witnessing is the creation of a middle group, the “information have-less.”⁶⁵ In other words, Qiu pushes us to examine “bridging the digital divide” in a more nuanced way, showing that mere diffusion of a technology does not close the divide, but rather create a whole new category of “have-less.”

In the case of China, Qiu points out that the information have-less includes large proportions of the working-class such as internal migrants, students, retirees, laid-off workers, and the unemployed. He calls them have-less because “compared to the upper classes, they have limited income and limited influence in the policy processes, although they have begun to go online and use wireless phones.”⁶⁶ Qiu points out that while it is difficult to quantify the have-less, it would be erroneous to “equate them with either side of the digital divide.”⁶⁷ Unlike the haves who are able to purchase the newest ICTs and have continual access, the have-less are limited to what is affordable. This is not to say they are completely left out of the network society the way the have-nots are, but rather, the have-less occupy a middle ground between the two.

In this way, Qiu points out that “exclusion and inclusion work not just on a single dimension of technology access...although have-less people have gained access...the

⁶⁵ Ibid., 3-4.

⁶⁶ Ibid., 4.

⁶⁷ Ibid.

core of the concept is the inferior market positions and the general lack of social power that prevent the have-less people from obtaining more choices and using working-class ICTs to better their life chances in a wider scope of technosocial and politicosocial possibilities.”⁶⁸ In other words, although the have-less do have access to ICTs and are characterized by the low-end technologies that they consume, the possibilities for participation in the network society are limited by “good enough” ICTs and “good enough” services. What this means is that the information have-less are limited to what is offered to them by telecoms and therefore are not able to enjoy what might be called “full citizenship” in the network society. Castells points out that the “setting of barriers to entry into this communication system...are critical cultural battles for the new society.”⁶⁹ Full citizenship to the network society would mean that users have access to the various nodes in the network where multiple forms of interests, points of view, perspectives, and expressions of conflict are available.⁷⁰ Thus, with the rise of the information have-less, structures of social inequality are affirmed and maintained.

Despite the limitations of “good enough” access, the adoption of technologies, albeit low-end, must not be ignored. Low-end ICTs, Qiu notes, “have been growing on a massive scale in multifarious ways, each adapting to the needs of the information have-

⁶⁸ Ibid., 235.

⁶⁹ Castells, *The Rise of the Network Society*, 405.

⁷⁰ Without full access to the network society, users are limited to what the telecoms offer them. “Good enough” service forecloses users’ access to the information and possibilities that the global network society provides. For example, Benkler recognizes that digital technologies pave the way for users to work with others to improve the experience of democracy and community. He cites political blogging as an alternative to the dominant influence of mainstream media. With “good enough” text messaging-based access to the network society, users are not only shut out of accessing alternative sources of information and knowledge, but also have less avenues to participate in creating these alternative sources.

less in diverse places and communities.”⁷¹ We see this happening in several parts of the globe with the growing popularity of M-Pesa⁷² or mobile money in Kenya and Tanzania, with the mobile-based literacy initiatives in Pakistan, and mobile-health programs in Mexico. While each has their successes and democratizing possibilities, they are also inextricably tied to the national and global social, political, and economic structures of today’s network society. To fully understand the nuances of the working-class network society and the specificities of “the have-less” in each nation, we must also understand how developing nations participate in the global network society. Qiu’s conception of the “information have-less” pushes me to think about the implications of widespread mobile phone adoption in the Philippines with regards to bridging the digital divide. His work calls me to re-examine the differences between the diffusion of ICTs versus the *kind* of access that is available to users, and what this might mean for social and economic relations, particularly the maintenance of class-based hierarchies. In addition, history shows us that the development in the Philippine telecommunication industry is intricately tied to shifts in the global economy and the rise of the global market. The following section examines the theories and approaches to globalization, particularly as it applies to the focus of this dissertation: the Philippines.

⁷¹ Qiu, *Working Class Network Society*, 236.

⁷² M-Pesa is the mobile phone-based money transfer and microfinancing in Kenya.

A Developing Nation in the Global Network Society

The Philippines as a Developing Nation

To understand the implications of the spread of mobile phone products in the context of Philippine modernity, one must first understand the nation's long history of colonialism. Colonization by Spain for almost 400 years and the United States for another forty years has profoundly shaped Philippine society politically, economically, and culturally. Since gaining independence in 1946, development in the Philippines has been slow and is still tied to its former colonizers, especially the U.S. One of the paradoxes that characterizes the Philippines is its rapid westernization and acceptance of modern technology, suggesting an open culture that readily adapts to prevailing conditions.⁷³ New technologies, media, ideas, and trends from the west, especially the United States, rarely face rejection. This initial acceptance of foreign influence is quickly indigenized and many of its significant features reshaped to suit pre-existing conditions.⁷⁴

As Arvind Rajogopal points out, “developing nations” are awkwardly situated; “they are not quite ‘there’ yet, or not comprehensively at any rate.... In non-Western societies, the modern is identified with the urban industrial sector, and its presence is acknowledged as partial and uneven.”⁷⁵ This is certainly true in the Philippines. Instead of evolving in a linear way, developing countries often follow non-linear paths to

⁷³ Raul Perterra. *Science, Technology, and Everyday Culture in the Philippines*. (Quezon City: Institute of Philippine Culture, 2003), 53.

⁷⁴ Jaime Bulatao, S.J. *Phenomena and Their Interpretation*, (Quezon City: Ateneo de Manila University Press, 1992) quoted by Raul Perterra. *Science, Technology, and Everyday Culture in the Philippines*. (Quezon City: Institute of Philippine Culture, 2003), 53.

⁷⁵ Arvind Rajogopal, “Theorizing reception in a non-Western society” in *De-Westernizing Media Studies*, eds. James Curran and Myung-Jin Park, (London and New York: Routledge, 2000), 295.

development that are dissimilar to the paths taken by developed countries, that is, they move quickly from a largely agricultural society into the information age, usually occupying both at the same time.

The evidence of uneven development can be seen everywhere in the Philippines. The major cities are filled with modern high-rise buildings, five-star hotels, and malls that feature world-known brands. Yet the majority of the country is still agricultural, where farmers tend the fields manually, running water and 24-hour electricity are non-existent, and most forms of scientific medical treatment is unavailable. As Vicente Rafael notes, “[l]ike many Third World countries recently opened to more liberal trade policies, the Philippines shares the paradox of being awash with the latest communication technologies, like the cell phone, while being mired in deteriorating infrastructures: roads, postal services, railroads, power generators, and land lines.”⁷⁶

The unevenness in development has created a situation where status as a modernized and developed country is not essential to participation in the information economy. Rather than following the linear path of agriculture-industrialization-information age that the (western) developed world has followed, developing nations like the Philippines leapfrog into the information age without fully being industrialized, leading to what Garcia Canclini calls hybrid cultures.⁷⁷ According to Michael Hardt, it is

⁷⁶ Vicente Rafael, “The Cell Phone and the Crowd: Messianic Politics in the Contemporary Philippines,” *Public Culture* 15(3): 402.

⁷⁷ Nestor Garcia Canclini *Hybrid Cultures: Strategies for Entering and Leaving Modernity* (Minneapolis: University of Minnesota, 1995), *Hybrid Cultures*, 3.

not necessary to pass through modernization before informatization.⁷⁸ So while a large portion of the country has not been fully industrialized, the Philippines can still participate in the global network society. In fact, the extensive use of text messaging in the Philippines and specific extraordinary uses (i.e. overthrowing the government in Edsa 2, mobile banking, and remittances) have put the Philippines on the global map as among the leaders in the industry. The following section is an overview of theories of globalization and modernity, which provides a framework in which to understand the role of a developing nation such as the Philippines in the global network.

Theories of Globalization and Modernity

Mike Featherstone and Scott Lash remind us that “different entities, such as nation-states, multi national corporations and international organizations, approach the global field with different resources (economic and cultural) and seek to set different agendas.”⁷⁹ To examine the role of the Philippines within global flows and networks of capital, I begin by drawing on work that theorizes the role of information technologies in the restructuring the global economy such as David Harvey and Saskia Sassen. I also employ globalization frameworks that focus on the uneven road to modernity that is transpiring in the developing world as theorized by Jesus Martin-Barbero and Nestor Garcia Canclini.

Globalization refers to the growing intensification of worldwide social relations where people, corporations, and nations interact and are linked economically, politically,

⁷⁸ Michael Hardt, “Affective Labor,” from http://io.khm.de/kr_www/content/io_dencies/io_lavoro_immateriale/texts_by_others/Hardt.pdf

⁷⁹ Mike Featherstone and Scott Lash, “An Introduction” in *Global Modernities* edited by M. Featherstone, S. Lash, and R. Robertson, 1-24 (London: Sage, 1995), 3.

culturally, and socially.⁸⁰ Whether globalization is characterized as late modern, postmodern, or postcolonial, it is rooted in the workings of the global capitalistic system where information and communication technologies have blurred the borders of nation-states allowing for the movement of information, goods, money, and services.

According to Harvey, the contradictions of capitalism (i.e. ruinous inter-firm competition and the tension between exploitation and under-consumption) produces periodic phases of over-accumulation that result in a crisis.⁸¹ This in turn leads to a process of “creative destruction,” where established regimes of capitalist production are restructured to restore conditions for renewed accumulation. In particular, in the early 1970s, the crisis brought about by the collapse of postwar Fordism provided a motive for global economic restructuring in time and space. This restructuring was facilitated by the development of new information technologies and led to renewed accumulation of capital, this time via flexible networks of firms linked together on a global scale. The development and deployment of new transportation and information technologies have thus always been a key part of this continual process of capitalist crisis and restructuring.

In this way, two interrelated issues emerge when we look at contemporary economic globalization: the extent of global economic integration and the rise of a new form of global capitalism especially as it relates to a new global division of labor and

⁸⁰ Anthony Giddens, *The Consequences of Modernity*, (Stanford, CA: Stanford University Press, 1990), 64; John Thompson, *Media and Modernity*, (Stanford, CA: Stanford University Press, 1995.), 149; John Tomlinson, *Globalization & Culture*, (Chicago, IL: University of Chicago Press, 1999), 2; John Tomlinson, “Cultural Globalisation,” in *The Media Reader* edited by Hugh Mackay and Tim O’Sullivan (London: Sage, 1999), 165; David Held and Anthony McGrew, *Globalization/Anti-Globalization: Beyond the Great Divide*. (Cambridge, UK: Polity, 2007), 2.

⁸¹ David Harvey, *The Condition of Postmodernity* (Cambridge, MA and Oxford, UK: Blackwell, 1990), 180.

distribution of power.⁸² For example, within these global production networks, the production of goods is often outsourced to localities where labor costs are low and regulations lax, thus creating conditions for a ruinous (at least for workers and families) competition among nations, regions, and cities for capital investment.

This global reconfiguration of economic production thus expresses itself unevenly across the globe. Instead of a “flat” or borderless global economy linked together in the information highway through the developments in technology and the global financial market, the work of Saskia Sassen shows us that geography still matters. As capital increasingly crosses national borders it has created new winners and losers in geographic terms. Competition is uneven, creating an international division of labor and international regional hierarchy, where Sassen’s global cities are at the top, directing flows of investments and labor around the world, providing what Sassen calls “producer services.” For Sassen, producer services “cover financial, legal, and general management matters, innovation, development, design, administration, personnel, production, technology, maintenance, transport, communications, wholesale distribution, advertising, cleaning services for firms, security, and storage.”⁸³ At the bottom, poorer, developing nations compete to provide cheap and pliable labor for the global market.

For its part, the Philippines is clearly not a financial hub or a key node in the global financial network. Its position as a source of low-wage labor and as an

⁸² David Held and Anthony McGrew, “A Global Economy?” in *The Global Transformations Reader: An Introduction to the Globalization Debate* 2nd Edition, eds. D. Held and A. McGrew (Cambridge, UK and Malden, MA: Polity, 2003), 299.

⁸³ Saskia Sassen. *The Global City: New York, London, Tokyo*. (Princeton, N.J.: Princeton University Press, 2001), 90.

outsourcing site both integrate the Philippines into the global economy and consign it to a subordinate position vis-à-vis cities and regions that specialize in what Richard Florida terms the “creative” industries (e.g., research and development, professional services, high value-added production, etc.).⁸⁴ This global economic context makes technological advancements all the more imperative for economic development and for the Philippines to be a player in the global economy.

At the same time, the role of the Philippines as the backroom for the global market does not preclude it from being creative and innovative in its use of technology. Although not a center of financial services, a center of high-tech value-added production, or research and development, the Philippines has been competing in the global economy as a source of cheap labor and semi- or high-skilled migrant workers. However, as this dissertation demonstrates, the innovations in the Philippine telecom industry have attracted the attention of the global telecom market, and have been promoted by state and commercial actors as a means for national economic development and (potentially) international competitiveness.

The case of the Philippines—and in particular the innovative uses of information technologies developed here—reminds us that, as Morley insists, we must interrogate our conceptions of geography and ethnocentric assumptions that define the “West” as “modern” and “the rest” as “developing” or “catching up.” As Morley writes, “the centrality of the West as the (necessary) cultural and geographical focus of the project of modernity (or indeed postmodernity) is thus put into question” by the technological

⁸⁴ See Richard Florida. *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*. (New York: Basic Books, 2002).

innovations stemming from the “Asian Tigers” of Taiwan, Hong Kong, South Korea, and Singapore.⁸⁵

In a similar way, Featherstone and Lash remind us that, “not every nation-state can be fitted easily into a developmental sequence derived from Western experience of tradition-modernity-postmodernity.”⁸⁶ Therefore, in order to frame my investigation of issues of technology and modernity in the Philippines, I draw on the work of Jesus Martin-Barbero and Nestor Garcia Canclini regarding hybridization, that is, “the ways in which forms become separated from existing practices and recombine with new forms in new practice.”⁸⁷ It involves both the “mixing of ethnic or religious elements” as well as “the productions of advanced technologies and modern or postmodern social processes.”⁸⁸

According to Martin-Barbero, new communication technologies represent a new stage in the continuous process of the acceleration of modernity that now takes a qualitative leap from the industrial revolution to the electronic revolution.⁸⁹ For Martin-Barbero, technology is “one of the strongest and most profound sources of standardization, while the differences, the cultural pluralism, unmask this standardization”⁹⁰ revealing the “discontinuities” that are present in the developing

⁸⁵ David Morley, *Media, Modernity and Technology: The Geography of the New* (London: Routledge, 2007). 135.

⁸⁶ Mike Featherstone and Scott Lash, “An Introduction” in *Global Modernities* edited by M. Featherstone, S. Lash, and R. Robertson 1-24 (London: Sage, 1995), 3.

⁸⁷ William Rowe and Vivian Shelling, *Memory and Modernity: Popular Culture in Latin America* (London: Verso, 1991), 231.

⁸⁸ Garcia Canclini *Hybrid Cultures*, xxxiv.

⁸⁹ Jesus Martin-Barbero. *Communication, Culture and Hegemony: From the Media to Mediations*. (London: Sage, 1993), 183.

⁹⁰ *Ibid.*, 185.

world. These theories lead me to further explore the contradictions of modernity in the developing world, particularly in the Philippines, and the role of ICTs in economic development in today's globalized world.

Using these theories, this dissertation thus reveals the discontinuities of modernization that is ongoing in the developing world. It shows that what we are witnessing in the Philippines is that it occupies two positions: provider of cheap labor and semi- and high-skilled migrants, as well as a leader of innovation in the telecom industry.⁹¹ It calls us to question and re-examine the binaries that are so often used to describe the global network economy where developed nations are the source of innovation while developing nations provide the labor to carry out these innovations. Therefore, the Philippines' position in the global labor market as a poor developing nation should not blind us to the other roles it may play simultaneously in the global economy.

Relevance to Cultural Studies and Contribution to the Field

Approaches to the study of mobile phones stretch over a variety of disciplines such as public policy, law, telecommunications, anthropology, sociology, media studies, and cultural studies. Much of the literature focuses on the impact of the technology on society, centering largely on behavior, identity, uses and consequences, everyday life, and the potential for democratization. A perusal of journal articles and books chapter titles shows that most of academic work on mobile phones is concentrated on the audience or

⁹¹ Ted Torres, "RP Leads in Mobile Banking Services," philstar.com. 9 March 2010. <http://www.philstar.com/banking/555832/rp-leads-mobile-banking-services>

user (i.e. youth, poor)⁹² and content (i.e. sexual text messages, text messages that lead to political uprisings, flash mobs).⁹³ There has been less focus, at least in academic writing, on the mobile phone industry, and the products they create and sell. While there have been academic books that broadly examine the mobile phone phenomenon,⁹⁴ not much has been written on the production of mobile phone products and culture. Goggin argues that the “cultural aspect of mobile phones has been underexplored” and that “there has been a lack of recognition and analysis of how power relations and structures shape cell phone culture.”⁹⁵ This dissertation endeavors to fill this gap by focusing on the products, services, and promotions offered by mobile phone companies in the Philippines and their implications on social relations and economic development.

According to Goggin, the mobile phone has become a metaphor for a “distinctively late-modern, technological culture or way of life.”⁹⁶ As such, the study of mobile phones is intertwined in how we understand modernity. For Goggin, it is important to explore the “overarching concept of modernity, and what its relationship is to the cell phone.”⁹⁷ He further emphasizes, that since early mobile phone theories have

⁹² See Andre H. Caron and Letizia Caronia. *Moving Cultures: Mobile Communication in Everyday Life*. Montreal & Kingston: McGill-Queens University Press, 2007.

⁹³ See Bella Ellwood-Clayton. “Desire and Loathing in the Cyber Philippines,” in *The Inside Text: Social, Cultural and Design Perspectives on SMS*, eds. R. Harper, L. Palen, and A. Taylor, 195-219. The Netherlands: Springer Dordrecht, 2005; and Bella Ellwood-Clayton, Bella. “Virtual Strangers: Young Love and Texting in the Filipino Archipelago of Cyberspace,” in *Mobile Democracy: Essays on Society, Self and Politics*, ed. K. Nyiri, 225-239, Vienna: Passagen Verlag, 2003.

⁹⁴ James Katz, *Machines that Become Us* (2003); Richard Ling, *The Mobile Connection* (2004), and Manuel Castells, et al, *Mobile Communication and Society* (2006)

⁹⁵ Gerard Goggin, *Cell Phone Culture: Mobile Technology in Everyday Life* (London: Routledge, 2006), 5.

⁹⁶ du Gay qtd. in Goggin, *Cell Phone Culture*, 8.

⁹⁷ Goggin, *Cell Phone Culture*, 14.

been shaped by Western concepts of modernity, we must interrogate whether these encompass Asian modernities and communication practices, particularly how “social and cultural appropriations in cell phones by different societies and traditions relate to questions of design and templates for use.”⁹⁸ The focus of this dissertation on mobile phones in the Philippines pays special attention to this call.

In his review of approximately 200 studies on mobile phones in the developing world, Jonathan Donner notes that while “the number of studies focused on mobiles in the developing world is growing steadily, these studies have appeared in relative isolation from each other.”⁹⁹ He categorizes studies around: determinants of mobile phone adoption, impacts of mobile phone use, and the relationships between mobile phones and its users. Within these categories, a secondary dimension to the study emerges: “the ways in which mobile use accelerates, complicates, or otherwise interacts with the process of economic development.”¹⁰⁰ This dissertation is not necessarily concerned with how and why mobile phones are adopted or the interpersonal relationships that are formed or altered, but rather what the widespread adoption of mobiles in the developing world tells us about the transformation of social relations and participation in the global network society.

Donner notes that “researchers will undoubtedly continue to look beyond the mobile itself, focusing on its use as a way to explore broader topics such as

⁹⁸ Ibid.

⁹⁹ Jonathan Donner. “Research Approaches to Mobile Use in the Developing World: A Review of the Literature,” *The Information Society* 24 (2008): 140.

¹⁰⁰ Donner, “Research Approaches,” 141.

‘development,’ ‘modernization,’ and ‘globalization’.”¹⁰¹ As a cultural studies scholar interested in the intersections of media studies, new media, and globalization, I take on a historical-materialist approach to the study of mobile phones in the developing world. By focusing on the widespread adoption of mobile phones and its products and services, the dissertation investigates whether they indeed bridge the “digital divide” between the rich and poor *within* the Philippines as well as *between* the Philippines and more developed nations.

Methodology

In line with my research questions and theoretical framework, this dissertation is based on a critical approach to social research, specifically drawing on the theory and method of historical materialism. Laurence Neuman notes that the critical approach to research “goes beyond surface illusions to uncover the real structures in the material world” revealing the underlying historical sources of contemporary social relations and power inequalities.¹⁰² By taking a historical materialist approach to examining the celebratory discourse surrounding the widespread adoption of mobile phones in the Philippines, I have sought to uncover what is absent from this discourse and bring to the forefront what is hidden. Cultural studies scholars have described the critical approach to

¹⁰¹ Donner, “Research Approaches,” 152.

¹⁰² Laurence Neuman, *Social Research Methods*, 3rd ed. (Needham Heights, MA: Allyn & Bacon, 1997), 74.

our research as “radically contextualized.”¹⁰³ Grossberg notes:

Cultural studies is a project not only to construct a political history of the present, but to do so in a particular way, a radically contextualist way, in order to avoid reproducing the very sorts of universalisms (and essentialisms) that all too often characterize the dominant practices of knowledge production, and that have contributed (perhaps unintentionally) to making the very relations of domination, inequality and suffering that cultural studies desires to change.¹⁰⁴

For John Frow and Meaghan Morris, the most innovative work has “been more interested in developing the *implications* of a particular forms of symbolic actions, and the *consequences* of particular moments of cultural practice”¹⁰⁵ I strove to approach my dissertation in a similar way, beginning from what Paul Smith has called “bottom feeding”¹⁰⁶ and what Frow and Morris have described as “starting with the particular, the detail, the scrap of ordinary or banal existence, and the working to unpack the density of relations and of intersecting social domains that inform it.”¹⁰⁷ Through this process, I uncovered new relationships between adoption of a technology, social transformation, and modernity. Rather than generating new empirical data, I am more concerned with understanding the contexts and conjunctures surrounding my research object.

¹⁰³ Lawrence Grossberg, “Does Cultural Studies have Futures? Should It? (Or What’s The Matter with New York?): Cultural Studies, Contexts and Conjunctures.” *Cultural Studies*, 20: 1, 1-32 (2006), 2.

¹⁰⁴ Ibid, 2.

¹⁰⁵ John Frow and Meaghan Morris, eds. *Australian Cultural Studies: A Reader*. (Champaign, IL: University of Illinois Press, 1993), xiv.

¹⁰⁶ This cultural studies method proposed and practiced in Professor Paul Smith’s CULT 806 Research Methods course requires the querying of assumptions within questions being asked of any object of research until such time as the researcher has reached the “bottom”—where the most basic questions are answered. For Smith it is only after addressing this bottom does the researcher move on to explore the answer to and implications of more complex questions.

¹⁰⁷ Frow and Morris, eds. *Australian Cultural Studies: A Reader*, xiii.

Through a contextual critical analysis of 1) the products and services offered by telecom companies, 2) the contribution of governmental and non-governmental organizations in the regulation and promotion of these services, and 3) the rhetoric put forth by telecoms, government, and international development organizations with regard to these services, this dissertation reveals what is hidden by the naturalization of mobile phones in everyday life. As such it examines a variety of texts such as websites, promotional materials from telecoms, press releases, annual reports, videos, advertisements, as well as other studies on mobile phones. In addition, it also looks at development reports such as the UNDP Human Development Reports and statistical data on mobile phone penetration and subscriptions to services and products.

Frow and Morris note, “text” in cultural studies research “involves practices, institutional structures and the complex forms of agency they entail, legal, political, and financial conditions of existence, and particular flows of power and knowledge, as well as a particular multilayered semantic organization; it is an ontologically mixed entity, and one for which there can be no privileged or ‘correct’ form of reading.”¹⁰⁸ Yet at the same time, “this ‘text’ exists only within a network of *intertextual* relations... The concept of text in cultural studies is more rich, more complex, more differentiated, and altogether more tricky than it is in the traditional interpretative disciplines.”¹⁰⁹ The influence of such texts is measured by examining their “wide international and national distribution, their extensive and diverse readership, and the extent to which they are ‘intertextually’

¹⁰⁸ Ibid., xix.

¹⁰⁹ Ibid., xix-xx.

incorporated in other texts (e.g. the media)...[as well as] how such texts are interpreted by people who read them and how they enter processes of meaning-making.”¹¹⁰

This dissertation required the examination of a variety of texts from websites, promotional materials from telecoms, press releases, annual reports, videos, advertisements, as well as other studies on mobile phones. As such I also employed ethnographic content analysis (ECA), defined by David Altheide as “the reflexive analysis of documents,”¹¹¹ used to “understand the communication of meaning, as well as to verify theoretical relationships.”¹¹² The reflexivity required by ECA is very much in-line with cultural studies approaches. As cultural studies scholars, we are asked to constantly be self-reflexive in our work. That is, we must be aware of our positions as researchers and recognize the structural forces that occupy our daily lives. Altheide points out that “ECA is embedded in *constant discovery* and *constant comparison* of relevant situations, settings, styles, images, meanings and nuances” drawing on and collecting numerical and narrative data.¹¹³

Following this ECA model of constant discovery and constant comparison, I worked upwards from the data, finding patterns (i.e. repeated claims or assertions, consistently articulated contrasts and oppositions), and building categories and themes through labeling and coding such instances. I took note of the relationships between the categories, constantly comparing and contrasting them, and paid attention to patterns of

¹¹⁰ Norman Fairclough. *Analysing Discourse: Textual Analysis for Social Research*. (London: Routledge, 2003), 13.

¹¹¹ David L. Altheide, “Ethnographic Content Analysis,” *Qualitative Sociology*, 10, no. 1 (Spring 1987): 65.

¹¹² Ibid., 68.

¹¹³ Ibid.

statements about mobile phones that may or may not add up to the naturalization of some ways of thinking and talking about development and mobile phones in the Philippines, particularly at the expense of other ways of thinking.

Chapter Outline

Following the theoretical and methodological mapping in this introduction, Chapter 2 of the dissertation opens with an overview of the Philippine telecommunications industry. This chapter begins by tracing the birth of the industry with the introduction of telephones in the late 1890s and the establishment of the Philippine Long Distance and Telephone Company (PLDT) in 1928 by a group of American businesses. It chronicles the developments in telecommunications vis-à-vis historical and political events such as the period of World War II, independence from the United States in 1946, Martial Law from 1972 to 1981, the return to a full democracy in 1986, as well as the geopolitical shifts during in the 1990s. The most significant transformations in telecommunications began with the liberalization and deregulation of the industry in the mid-1990s, which opened the doors to new players in the industry and introduced mobile phones. The chapter ends with a look at the necessity for re-regulation of the industry today.

Chapter 3 begins with a discussion of how marketers describe and categorize socio-economic class in the Philippines, and how the middle class and the poor cope with the precariousness of their everyday lives. It is followed by a discussion on two “killer applications” that led to the quick adoption of mobile phones by working-class Filipinos:

prepaid plans and text messaging. The chapter then introduces text messaging-based mobile commerce products such as GCash and Smart Money, which have made the mobile phone into a virtual wallet, giving consumers more ways to use their phones beyond interpersonal communication. Using Qiu's conception of a working class network society, I analyze widespread adoption of the mobile phone, as well as the growing use of m-commerce, against rhetoric that the mobile phone is the answer to the digital divide, bridging the gap between the information "haves" and "have-nots." Instead, the chapter reveals that a new category of information "have-less" has been created by the deployment of these mobile products and services.

Chapter 4 continues the discussion of mobile phone products and services, focusing on mobile rural banking, mobile banking and microfinancing, and the distribution of government aid through the mobile phone. Through the examination of these products and the rhetoric put forth by the telecoms, state, and international aid organizations, three key points for analysis emerge. First, m-banking and m-payment products and services these are purposefully marketed with the poor and lower class in mind and with the promise for economic development. Second, technologies such as m-banking and m-microfinancing have drawn individuals who were previously shut out into the formal financial systems. Third, while modernity is, "at least at root, a 'Western project,'" ¹¹⁴ the development and deployment of mobile phone technologies reveal the Philippines' ability to indigenize cultural products and practices from the West, drawing them into existing cultural and social practices. Thus, this chapter calls for a revisiting of

¹¹⁴ Shaun Moores, *Media/Theory: Thinking About Media and Communications*. (London and New York: Routledge, 2005), 39.

how we perceive a developing nation in globalization by showing that the Philippines is both a source of cheap labor and migrant workers *and* a site for technological innovation.

Chapter 5 focuses on the products and services offered to Filipino users in order to customize and individualize their mobile phone plans. In addition to purchasing specific quantities of voice calls and text messages in small increments, mobile phone users in the Philippines are also able to be co-producers through subscribing to promotions of products such as unlimited text messaging or web surfing for a specific period of time. Users are able to choose only the services they need and for the amount of money they are willing to spend. Using Web 2.0 theories of consumer as laborer and interactivity as surveillance, this chapter points out that as consumers interact with media technologies and individualize their consumption, they are also, in effect, *laboring* for the companies, providing them with data that saves firms from spending time and money for market research. Although users experience interactivity as empowering and liberatory, they are being more and more drawn into what Andrejevic calls the “digital enclosure,” providing telecom companies with data that can be used for commercial surveillance.

Finally, I conclude the dissertation by reflecting back on the implications of widespread adoption of mobile phones as well as their accompanying products, services, and promotions in the Philippines as a developing country in the global network society. While undoubtedly individual users experience their use of mobile phones as convenient and liberatory, the dissertation reveals the hidden implications and consequences of mobile phone use in the Philippines at the present conjuncture. The relationship between the adoption of mobile phones, social transformation, and modernity in the developing

world is complex, particularly as it is ever-changing and present. While widespread access to ICTs is to be celebrated, the kind of access presented in the Philippines further reinforces existing class structures. In addition, although mobile banking services draws the poor and previously unbanked into formal financial systems and is measured as economic development, they also turn users into better neoliberal subjects. And finally, the interactivity and customization that ICTs such as mobile phones offer users also pave the way for heightened consumer surveillance with users unwittingly providing telecom companies with data and information. In the end, these complex contradictions reveal that the exciting and innovative uses of mobile phones in a developing country such as the Philippines are indisputably tied to the larger neoliberal project of globalization.

CHAPTER TWO

TELECOMMUNICATIONS IN THE PHILIPPINES

Telephones were introduced in the Philippines in the 1890s. Unlike its many of its Asian neighbors which began with state-owned telecommunication industries akin to those in Europe, the Philippines' telecommunication industry has been owned and controlled by the private sector since the era of American colonialism.¹¹⁵ In this chapter, I first present a brief history of the Philippine telecommunications industry, focusing on the liberalization and deregulation that occurred in the 1990s. I then situate these shifts in the industry with larger political economic changes that were ongoing in the global marketplace after the international economic crises of the mid-1970s. Finally, I examine the ongoing debates surrounding re-regulation given the recent mergers that have consolidated the industry into the hands of just two large firms.

The Era Of Private Monopoly

The Philippine Long Distance Telephone Company (PLDT) was founded and fully-owned by a group of American companies led by General Telephone and Electronics, Inc. (GTE) in 1928, and granted "sole franchise by the Philippine legislature

¹¹⁵ Emilyn Cabanda, "A Comparative Study of Asian Telecommunications Policy Reforms: Japan, Malaysia, and the Philippines." *E-Aspac*. 2008-2009. <http://mcel.pacificu.edu/easpac/>

to establish and operate telephone services nationwide.”¹¹⁶ In 1968 a consortium of Filipino businessmen led by Ramon Cojuangco took control of the company.¹¹⁷ The group’s takeover of the firm, during a period of nationalist resurgence, was hailed as a victory for economic nationalism.¹¹⁸ But the succeeding years of martial law under President Ferdinand Marcos (1972-1981)¹¹⁹ and a concurrent economic decline prevented PLDT from flourishing. While President Marcos nationalized several utility agencies, PLDT remained nominally private but nonetheless in the control of a local group closely identified with the Marcoses.¹²⁰ Nationalist fervor aside, by 1980, twelve years after the takeover from GTE, there were only 1.3 telephones for every 100 Filipinos. In short, despite being virtually the only telecommunications company in the nation for over 50 years, PLDT had “little to show for on the virtues of either a private enterprise or of a

¹¹⁶ Mary Grace P. Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.” Paper presented at the Communication Policy Research (CPR) south2 conference, 15-17 December 2007, Chennai, India.

¹¹⁷ PLDT. <http://www.pldt.com.ph/about/Pages/history.aspx>

¹¹⁸ Teodoro Agoncillo. *History of the Filipino People* (Quezon City: Garotech Publishing, 1990) quoted in Raul Pertierra, Eduardo F. Ugarte, Alicia Pinggol, Joel Hernandez, and Nikos Lexis Dacanay. *Texting Selves: Cellphones and Philippine Modernity*. (Manila, Philippines: De La Salle University Press Inc., 2002), 33.

¹¹⁹ Ferdinand Marcos was president of the Philippines from 1965-1986. Although his presidency brought about massive infrastructure reform and attempts at economic reform, it is known more for its authoritarian rule, massive corruption, nepotism, and human rights violations. Marcos declared Martial Law in 1972 and continued until 1981. His government is believed to have orchestrated the assassination of opposition leader Senator Benigno Aquino, Jr. In 1986, Marcos called for a “snap election” a year before the end of his term. The opposition united behind Aquino’s widow, Corazon Aquino, and Marcos toppled from power at the end of the four-day People Power/EDSA Revolution.

¹²⁰ Ramonette B. Serafica. “Was PLDT a Natural Monopoly? An Economic Analysis of Pre-reform Philippine Telecoms,” *Telecommunications Policy* 22, No. 4/5 (1998): 362; Fernando Paragas, “Policy, Phones and Progress: Peculiarities and Perspectives in the Philippine Telecom Industry,” Available at http://www.portalcomunicacion.com/bcn2002/n_eng/programme/prog_ind/papers/p/pdf/P006SE03_PARAG.pdf

monopoly.”¹²¹ For instance, proponents of telecommunication monopolies (such as AT & T in mid-20th century America) note that with a large corporation, cross-subsidization of rural service by more lucrative urban and business service is possible. This, of course, would be possible if regulations requiring the cross-subsidizations exist and are enforced. PLDT, however, prioritized “business districts, export processing zones catering to multinationals, first-class hotels frequented by tourists, and exclusive subdivisions of the rich getting the lion’s share of the services”¹²² that gave them steady revenues and failed to supply those in the rural and poorer areas.

In his economic history of PLDT, Serafica notes that in the period leading to its liberalization in 1993, the telecommunications sector was “the epitome of inefficiency and underinvestment.”¹²³ In fact, many observers believed that Marcos and his cronies used PLDT revenues for their own benefit, resulting in telephone shortages and higher rates.¹²⁴ By 1993, PLDT owned at least 85% of local exchange capacity and the only extensive nationwide backbone transmission network, but the firm’s near-monopoly since 1968 yielded few benefits for the public.¹²⁵ In fact, it was reported that in early 1993, Singaporean President Lee Kwan Yew quipped, “98 percent of Filipinos are waiting for a phone line, and the other two percent are waiting for a dial tone,” which, according to one

¹²¹ Ramonette B. Serafica. “Was PLDT a Natural Monopoly? An Economic Analysis of Pre-reform Philippine Telecoms,” *Telecommunications Policy* 22, No. 4/5 (1998): 359.

¹²² R. Manapat. *Wrong Number: The PLDT Telephone Company*, (N.p.: The Animal Farm, n.d.) quoted in Raul Pertierra, Eduardo F. Ugarte, Alicia Pinggol, Joel Hernandez, and Nikos Lexis Dacanay. *Txt-ing Selves: Cellphones and Philippine Modernity*. (Manila, Philippines: De La Salle University Press Inc., 2002), 33-34.

¹²³ Ibid.

¹²⁴ Heather Hudson. *Global Connections: International Telecommunications Infrastructure and Policy* (New York, NY: Van Nostrand Reinhold, 1997), 313.

¹²⁵ Serafica, “Was PLDT a Natural Monopoly?” 360.

report, led a chastened Philippine President Fidel Ramos to strongly push for telecom reform.¹²⁶

In addition to PLDT's inefficiencies, the Philippines began to undertake political and economic reforms in early 1990s, particularly through President Ramos' "Philippines 2000" campaign. Intal notes that "Philippines 2000" was the government's drive to towards achieving the status of "newly industrialized country" like its neighbors Thailand and Malaysia by the year 2000.¹²⁷ Through this campaign, the Ramos administration sought to enhance privatization in key industries such as banking, electricity, telecommunications, shipping, and oil. In his second State of the Nation speech where he launched "Philippines 2000," Ramos declared, "in order to level the field of competition, we need to dismantle the structure of protectionism and controls, and re-structure the monopolies and cartels that operate against public interest."¹²⁸

More broadly, "Philippines 2000" and its policies of liberalization, deregulation, and privatization have also been viewed as Ramos' path to fulfilling the Structural Adjustment Program (SAP) agreement signed by Aquino (and later Ramos himself) to secure loans from the International Monetary Fund-World Bank (IMF-WB).¹²⁹ The SAP specified austerity measures in government spending "to assure them of continued

¹²⁶ "Philippine Telecommunications Deregulation Crowds the Field." *East Asian Executive Reports*, 15 April 1994, 6.

¹²⁷ Ponciano S. Intal, Jr.. "Visions for Philippines 2000: The Challenge of Economic Restructuring Towards Sustained Economic Growth," *Journal of Philippine Development* Number 39, Vol. XXII, no. 1 (1995): 1.

¹²⁸ Fidel V. Ramos, 12th President of the Philippines, Opening of the 2nd Regular Session of the 9th Congress, Delivered on July 26, 1993 at the Batasang Pambansa Complex, Quezon City. Available at http://en.wikisource.org/wiki/Fidel_Ramos'_Second_State_of_the_Nation_Address

¹²⁹ Courage Online, "Analysis on Privatization" Available at <http://www.skyinet.net/~courage/position/private1.htm>

foreign debt payments and the expansion of trade and investment liberalization.”¹³⁰

Although the IMF was lenient on the Aquino administration, “the SAP implementation that began in the Marcos years continued, especially with regard to trade liberalization, the dismantling of government-supported monopolies, and the implementation of the privatization program.”¹³¹ The 1995 signing of the General Agreement on Tariffs and Trades-World Trade Organization (GATT-WTO) by the Ramos administration further opened the Philippines to global trade, which in part necessitated the development of a strong telecommunications system that could help facilitate the exchange of goods and money across borders.

The Era of Liberalization and Deregulation

Reform of the Philippine telecommunications industry began during the administration of President Corazon C. Aquino (1986-1992). Through the passing of the Municipal Telephone Act of 1989, public calling stations were installed in all municipalities, extending telephone service to rural areas, and new licenses were granted for international gateway facilities, cellular mobile telephone systems, paging, and cable television.¹³² While this opened the industry to other players, PLDT remained the dominant telecommunications provider due to the “lack of clearer regulatory policies on

¹³⁰ Ibid.

¹³¹ Rene Ofreneo, “Philippine Industrialization and Industrial Relations” in *Employment Relations in the Growing Asian Economies*, eds. Anil Verma, Thomas A. Kochan, and Russell D. Landsbury (London: Routledge, 1995), 179.

¹³² Emilyn Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms: Japan, Malaysia, and the Philippines.” *E-Aspac*. 2008-2009. <http://mcel.pacificu.edu/easpac/>

interconnection and universal service.”¹³³ In 1991 there were 658,402 applications for telephones, many of which had been waiting for years.¹³⁴ By 1993, the number increased to 789,259¹³⁵ illustrating PLDT’s inability to meet the public’s demand for telephones. Furthermore, 76 percent of all private and business telephones were located in Metro Manila, and only 13 percent of municipalities and towns throughout the country had access to a telephone system.¹³⁶

The push towards liberalization and deregulation of the telecommunication industry strengthened under the subsequent administration of President Fidel Ramos (1992-1998). By opening the telecommunications industry to full competition, Ramos was also promoting investment and growth.¹³⁷ During the Ramos administration, three significant policies were initiated to create and encourage competition in the telecommunications industry. On February 24, 1993, President Ramos signed Executive Order 59 (EO 59), which mandated interconnection among local carriers and lower subscription rates for telephone subscribers. This was crucial because if PLDT, the incumbent, dominant carrier refused to connect new firms to its networks, then consumers would be faced with a choice between the incumbent firm (which connects most of the nation) and an upstart (which would connect a small fraction of the nation), resulting in consumers having no real choice of service provider. Not surprisingly, in the past, PLDT had often “stifled competition by either not physically interconnecting,

¹³³ Ibid.

¹³⁴ Manapat. *Wrong Number: The PLDT Telephone Company*.

¹³⁵ Ibid.

¹³⁶ Ibid.

¹³⁷ Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms.”

disallowing calls to terminate in its network or discriminatory pricing to non-affiliated networks” resulting in other telecommunication companies to have “difficulty in getting and retaining subscribers.”¹³⁸ In this way, according to Cabanda, the objective of EO 59 was to “create a universally accessible and fully integrated nationwide telecommunications network, thereby encouraging greater private sector investment in telecommunications.”¹³⁹

A second Executive Order, EO109 was signed on July 12, 1993 to improve local exchange carrier service, thus further loosening PLDT’s hold on the telephone industry. While EO 59 mandated that local carriers to be interconnected and lower telecom rates for consumers, EO 109 further created guidelines and policies for its implementation. Cabanda notes that EO 109’s goal was to “ensure the orderly development of a telecommunications sector through the provision of service to all areas of the country, to satisfy the demand for telephones, and to provide healthy competition among authorized service providers.”¹⁴⁰ EO 109 required Cellular Mobile Telecommunications System (CMTS) providers, such as Globe Telecom and Smart Communications, to install at least 400,000 fixed telephone lines over three years; as well, International Gateway Facility (IGF) operators, such as PLDT, BayanTel, Smart Communications (which was later

¹³⁸ Mary Grace P. Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.” Paper presented at the Communication Policy Research (CPR) south2 conference, 15-17 December 2007, Chennai, India.

¹³⁹ Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms.”

¹⁴⁰ Ibid,

acquired by PLDT), and Globe Telecom, had to install at least 300,000 lines within five years.¹⁴¹

Finally, to accelerate the penetration of telecommunication services into underserved regions, EO 109 required the implementation of the Service Area Scheme (SAS) and the three-year Basic Telephone Program. Under this plan, the country was divided into eleven service areas, each including both profitable and unprofitable areas, and to be serviced by eight different telecommunication carriers.¹⁴² The SAS was built on “cross-subsidies” so that priority could be given to underserved and unserved municipalities, expanding the national telecommunication infrastructure.¹⁴³ It was designed to accelerate implementation of telecommunication services in areas that were previously under the PLDT franchise, while at the same time preventing companies from only focusing on lucrative areas.¹⁴⁴ Through SAS, each telecommunication carrier would have similar risks (unprofitable areas) and gains (profitable areas).

Third, beyond the two executive orders, the Ramos administration won passage of the Public Telecommunications Policy Act of the Philippines (Republic Act 7925) on March 1, 1995. With the goal of promoting and governing the development of the Philippine telecom industry and the delivery of services to the public, this Act “affirmed that the role of the private sector was to be the engine of rapid and efficient growth in the

¹⁴¹ Johnson Chua, *Telecommunications Industry in the Philippines. The Impact of Liberalisation: Communication with APEC Communities*. (Melbourne, Australia: Australian APEC Study Centre at Monash University, 1998), 8.

¹⁴² Ibid.

¹⁴³ Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.”

¹⁴⁴ Rafaelita Aldaba, “Opening Up the Philippine Telecommunications Industry to Competition,” *World Bank Institute*, Singapore (2000): 21.

telecom industry” specifying that “a healthy, competitive environment is to be fostered, in which telecom carriers are free to make business decisions and to interact with one another in providing telecom services.”¹⁴⁵ RA 7925 was meant to complement EO 59 and 109, and “lay down the foundation for the administration, conduct, and direction of the telecommunications industry.”¹⁴⁶ The Asia-Pacific Economic Cooperation (APEC) viewed RA 7925 as a “milestone in the history of telecommunications in the economy and one of the greatest accomplishments of the Ramos administration.”¹⁴⁷ This act, in short, affirmed the belief that the private sector was needed to grow the telecom industry.

With regard to the liberalization of telecomm in the Philippines, two components of RA 7925 stand out. First, telecommunication companies were required to make a public offering of at least 30 percent of its aggregate common stock through listing in the Philippine Stock Exchange (PSE), mandating “a wide public ownership of telecommunication entities.”¹⁴⁸ I believe this was enacted to ensure that the telecommunication industry would remain within the private sector, but the same time, publicly traded to avoid the possibility of another oligarchy built on political patronage (as occurred in the Marcos era). Furthermore, the mid-1990s was the height of what has been termed the “East Asian miracle,” a period of unprecedented economic and financial growth in Asia. Joseph Stiglitz of the World Bank points out,

¹⁴⁵ Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms.”

¹⁴⁶ Epictetus E. Patalinghug and Gilberto M. Llanto, “Competition Policy and Regulation in Power and Telecommunications,” *Philippine Institute for Development Studies* (July 2005), 10.

¹⁴⁷ APEC. *The Impact of Liberalisation: Communicating with APEC Communities Summary Report—Canada, New Zealand, Peru, Philippines, and Thailand*. (Singapore: APEC Secretariat, November 1988), 183.

¹⁴⁸ Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms.”

The governments of East Asia recognized the limitations of markets but confined the government's role to:

- Policies that actively sought to ensure macroeconomic stability.
- Making markets work more effectively by, for instance, regulating financial markets.
- Creating markets where they did not exist.
- Helping to direct investment to ensure that resources were deployed in ways that would enhance economic growth and stability.
- Creating an atmosphere conducive to private investment and ensured political stability.¹⁴⁹

By enacting laws that paved the way for investors and promoted a robust stock market, the government directed resources to stimulate economic growth. Thus, by enforcing that 30 percent of telecommunication companies stocks be publicly traded, private investment was encouraged while at the same time promoting the financial market.

Second, the National Telecommunications Commission (NTC)—the government's primary telecommunication regulator— was authorized to enforce RA 7925 through facilitating the entry of qualified service providers, adopting pricing policies that would generate returns, and regulating rates and tariffs. Founded in 1979 through Executive Order No. 546, the NTC was conferred with regulatory and quasi-judicial functions that were previously held by the Board of Communications and the Telecommunications Control Bureau.¹⁵⁰ It has jurisdiction over the supervision, adjudication, and control over all telecommunications services throughout the country through the adoption and promulgation of guidelines, rules, and regulations concerning the establishment, operation, and maintenance of various telecommunications facilities

¹⁴⁹ Joseph Stiglitz, "Some Lessons from the East Asian Miracle, *The World Bank Research Observer*, vol. 11, no. 2 (August 1996): 156.

¹⁵⁰ <http://ntc.gov.ph>

and services nationwide. RA 7925 gave the NTC a number of new responsibilities, including the power to “establish rates and tariffs that provide for the economic viability of telecom entities and a fair return on their investment, considering the prevailing cost of capital in the domestic and international markets.”¹⁵¹ Through RA 7925, then, the NTC became the government agency tasked to ensure that telecommunications reform was enacted and maintained.

These three major policies, EO 59, EO 109, and RA7925, led to the dismantling of PLDT’s monopoly and the entrance of new players and telecommunication products into the market. They changed the Philippine telecommunication industry and the way people communicate in significant ways. Today, the fixed-line market is composed of PLDT, Digitel (which by the end of 2011 was majority owned by PLDT), BayanTel, and Globe Telecom, with total 6.783 millions users at the end of 2010.¹⁵² The largest impact of deregulation has been in the introduction of the mobile phone. Currently, there are two major mobile phone companies, Globe Telecom, Inc. and Smart Communication (owned by PLDT), which provide service to over 90 percent of the population.¹⁵³ These companies, their history, market share, and marketing strategies will be further discussed later in this chapter.

The Impetus to Privatize and Liberalize

Chua notes that the Philippines telecommunication industry is regarded as one of the strongest performers in the economy today and is recognized as one of the industries

¹⁵¹ Cabanda, “A Comparative Study of Asian Telecommunications Policy Reforms.”

¹⁵² Central Intelligence Agency, *The World Factbook* 2010. <http://cia.gov>

¹⁵³ Ibid.

where government efforts to introduce competition has succeeded.¹⁵⁴ In 1993, President Fidel Ramos, declared, “the Philippines needs modern methods of communication to further expand its growing economy, and I believe this can only be achieved by free competition between private companies.”¹⁵⁵ Although, as mentioned above, the Philippines’ telecommunications industry has always been in private hands, this declaration and the push of the Ramos administration had the same effect as the privatization of state-owned telecommunications enterprises, opening up the market to other players and encouraging competition.

As Ure and Vivorakij point out, viewing privatization “as a panacea for the most pressing problems besetting modernization and development of telecommunications has become...a widely accepted part of orthodox thinking.”¹⁵⁶ Privatization, broadly defined, “embraces denationalization or selling-off state owned assets, deregulation (liberalization), competitive tendering, together with the introduction of private ownership and market arrangements.”¹⁵⁷ It refers to “the broader process through which private capital is brought into the public switched telecommunications network (PSTN) likely to lead to an extension of private sector management and control over part or all of

¹⁵⁴ Chua, *Telecommunications Industry in the Philippines*, 7.

¹⁵⁵ Edward Weiss, “Privatization and Growth in Southeast Asia,” *Telecommunications* Vol. 28, no. 5 (May 1994).

¹⁵⁶ John Ure and Aranya Vivorakij, “Privatization of Telecoms in Asia,” in *Business Markets and the Government in the Asia-Pacific: Competition Policy, Convergence and Pluralism*, eds. Wu Rong-I and Yun-Peng Chu (South Melbourne, Australia: Addison Wesley Longman), 237.

¹⁵⁷ Keith Hartley and David Parker, “Privatization: A Conceptual Framework,” in *Privatization and Economic Efficiency: A Comparative Analysis of Developed and Developing Countries*, eds. Attiat Ott and Keith Hartley (Aldershot, Hants, England and Brookfield, VT: Edward Elgar Publishing Company, 1991), 11.

the PSTN.”¹⁵⁸ Understanding privatization in this broader context overlaps with the concept of liberalization where government controls of an industry are relaxed.

Ure and Vivorakji see the privatization of the telecommunications industry as a development issue for Asia, noting the changing role of telecommunications within modern societies.¹⁵⁹ The technological transformations in the 1980s and 1990s made the relationship between telecommunications industry and the wider economy much more intertwined. McChesney notes, “radical improvements in communication technology make global media flows and global business operations feasible and that, in general, this is all to the good.”¹⁶⁰ Ure and Vivorakji point out that, “with the world market encroaching upon every society, the developing countries of Asia know full well how strategic a modern telecommunications network is for their survival in a competitive global economy” especially as they become “integrated into a world system of production, trade and finance.”¹⁶¹ Thus, Asian economies needed to either commit more public funds to invest in the industry or open the telecommunications sector to private capital through privatization, liberalization, and deregulation.

This drive to privatize and liberalize applied with equal force to wireless communication as well. As Castells argues, “wireless communication has become an essential tool for economic and social development in our world, both for individuals and for countries...[it] is an essential medium to leapfrog toward full participation in the

¹⁵⁸ Ure and Vivorakij, “Privatization of Telecoms in Asia.”

¹⁵⁹ Ibid.

¹⁶⁰ Robert McChesney. *The Political Economy of Media: Enduring Issues, Emerging Dilemmas*. (NY: Monthly Review Press, 2008), 313.

¹⁶¹ Ure and Vivorakij, “Privatization of Telecoms in Asia.”

global economy.”¹⁶² The clear necessity of an advanced telecommunication infrastructure in order to access the global network economy has thus fueled a policy discussion on how to bridge the digital divide and find ways for developing nations to participate. This is clearly outlined by actors such as the World Bank, the United Nations, and the WTO who promote mobile phone technology as the answer to bridging this gap (as will be discussed further in Chapter 4).

WTO Basic Telecommunications Agreement

In this way, telecommunication reform in the Philippines and Asia did not occur in a vacuum, but rather was also influenced by shifts in the way telecommunications across the globe was perceived as neoliberal economic philosophy gained prominence in international policy circles. Nowhere was this turn toward liberalization and privatization in telecommunication policy more pronounced than in the WTO. In October 1986, the WTO (World Trade Organization, then the General Agreement on Tariffs and Trade, or GATT) launched the Uruguay Round that included trade in services on its multilateral agenda. While the Round was ongoing, three developments changed the telecommunications industry. First, the rise of digital technology forced a major reexamination of the opportunity costs of protecting traditional telecommunications equipment and service suppliers because an inefficient telecommunications market threatened competitiveness in the computer, software, and information industry

¹⁶² Manuel Castells, “Afterword,” in *Handbook of Mobile Communication Studies*, ed. James Katz (Cambridge, MA: MIT Press, 2008), 450.

markets.¹⁶³ Second, “after dislocations created by global stagflation through the early 1980s, reforms in the economic policies of developing countries stimulated interest in privatization of state enterprises as a tool of economic reform.”¹⁶⁴ And third, phone companies in the developed countries sought ways to expand their markets and create new business opportunities in the developing world, but were hampered by the limited access to foreign markets due to state-owned telecommunications companies.¹⁶⁵ Thus, as the Uruguay Round came to a close in 1993, it suddenly became evident that dismantling traditional telecommunications monopolies “had become a high profile test for the world trade system.”¹⁶⁶ Trade negotiations on telecoms service reopened as an extension of the Uruguay Round in 1994.

While the U.S. and most countries in Europe were skeptical or indifferent about including telecom services as part of the Uruguay Round, “the success of neoliberal economic reforms in Asia and South America had put even the most politically untouchable forms of monopoly up for reexamination in the mid-1990s.” This, combined with the economic successes of the information sector in the U.S., led many countries to believe that “a profound globalization of the information industry was both inevitable and a driving force for national economic growth.”¹⁶⁷ As McChesney notes, it was “the U.S. model of communication provision (including both media and telecommunications) that

¹⁶³ Peter Cowhey and Mikhail M. Klimenko, “The WTO Agreement and Telecommunications Policy Reform,” *World Bank Policy Research Working Paper* 2601 (May 2001), 2.

¹⁶⁴ *Ibid.*, 3.

¹⁶⁵ *Ibid.*

¹⁶⁶ *Ibid.*

¹⁶⁷ *Ibid.*

[was] being exported across the planet.”¹⁶⁸ In 1994, the WTO Basic Telecommunications Agreement was signed by 69 countries, including the Philippines, committing the signatories to liberalize basic telecommunications. For Noll, the neoliberal reform movement marks the start of “the third era in telecommunications policy in developing countries.”¹⁶⁹ The first era had been characterized by ownership of telecommunication companies by colonial governments or large foreign companies, followed by the second era where these companies were nationalized (or, in the case of the Philippines, placed into the hands of a private monopoly closely allied with the state). The third era is, by contrast, fully intertwined with the global neoliberal policies emanating from western developed nations. Like much of the developing world, the Philippines joined in adopting these neoliberal policies. It is therefore this larger shift toward neoliberal telecommunication policies that will set the stage for a discussion of the contemporary wireless communication industry in the Philippines further below.

Global Shift to Neoliberal Policies

According to David Harvey, “neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.”¹⁷⁰ Neoliberalism promotes a global labor force, deterritorialization, and the

¹⁶⁸ McChesney, *The Political Economy of Media*, 310.

¹⁶⁹ Roger G. Noll, “Telecommunications Reform in Developing Countries” *Working Paper 99-10* (AEI-Bookings Joint Center for Regulatory Studies, July 1999), 2.

¹⁷⁰ David Harvey. *A Brief History of Neoliberalism*. (Oxford and NY: Oxford University Press, 2005), 2.

movement of people across the borders of nation states. It advocates for minimal government intervention beyond the creating and preserving the institutional framework that promotes such practices and assumes that individual freedoms is guaranteed by freedom of the market and freedom of trade. While its origins are Anglo-American, neoliberalism has become “hegemonic as a mode of discourse...incorporated into the common-sense way many of interpret, live in, and understand the world.”¹⁷¹ This political-economic discourse has thus spread throughout the globe both informally through a process of informal policy transfer and more formally through the policies imposed by the World Bank (WB), the International Monetary Fund (IMF) and, as discussed above, the WTO.

Although neoliberalism has advocated for a global economy based on deregulation, free market, and free trade where capital flows freely beyond national borders, labor and the movement of people is not. It is important to note that while neoliberalism espouses a free market, this very much remains an idea and not a practice. There is always some form of government regulation and intervention, and a plea to increase such involvement in the “free market” often comes during moments of financial and economic crisis.

For Noll, the neoliberal reform era in developing economies had two causes: the economic crises that swept over many developing countries in the 1970s and 1980s and the poor performance of the telecommunications sector, irrespective of the larger

¹⁷¹ Ibid., 3.

economic conditions of developing countries.¹⁷² He believes that one poorly understood issue that cries out for more research is a more complete explanation for the cause and timing of reform in the telecommunication industry in the developing world. It is important to note that periodic economic crises in developing countries during this period caused a re-evaluation of all economic policies, not just those in telecommunications.¹⁷³ Noll points out that, the “centerpiece of neoliberal reform was domestic macroeconomic and international economic policies.”¹⁷⁴ While the crises of the 1970s and 1980s led to developing countries to adopt changes to promote fiscal balance, monetary restraint, openness to trade and foreign investment, and flexible exchange rates, “international and domestic macroeconomic reforms threatened significant additional short-term domestic economic disruption at a time when these nations were especially strapped for funds for policies that would ease the transition”¹⁷⁵ and neoliberal reforms could create a new tax base and generate revenue for the state. While Noll notes that “part of the impetus for neoliberal reform in telecommunications and other infrastructural industries had nothing to do with their performance, but instead the possibility to use their reform as a means to ease the pain of the larger neoliberal reform agenda,”¹⁷⁶ (Yet at the same time, PLDT’s record of poor service as part of the reason for the need for reform is difficult to argue against.)

¹⁷² Noll, “Telecommunications Reform in Developing Countries,” 13.

¹⁷³ Ibid.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

¹⁷⁶ Ibid.

Similarly, Harvey points out that the contradictions of capitalism (i.e. ruinous inter-firm competition and the tension between exploitation and under-consumption) produces periodic phases of over-accumulation that results in a crisis.¹⁷⁷ This in turn leads to a process of “creative destruction,” where established regimes of capitalist production are restructured to restore conditions for renewed accumulation. In particular, in the early 1970s, the crisis brought about by the collapse of postwar Fordism in the United States provided a motive for global economic restructuring in time and space. This restructuring was facilitated by information and communication technologies and led to renewed accumulation of capital, this time on a global scale. The development and deployment of new transportation and information technologies have always been a key part of this process of crisis and restructuring. Thus, the massive shifts of the telecommunications industry in Asia from state-owned or monopolies towards liberalization and deregulation were also linked to the larger crises in the economies at the core of global capitalism (including the US, Europe, and Japan).

As the United States and Western Europe expanded production of goods and services to the developing world, governments in the developing world needed to develop the information communication technologies (ICT) sector to draw foreign investors and companies to the country. Intal points out that, “growth in the process of industrialization involves initially the ‘rapid adaptation of products and techniques’ and later on, ‘rapid transformations of industries and technology.’”¹⁷⁸ To participate in the global economy as

¹⁷⁷ David Harvey, *The Condition of Postmodernity* (Cambridge, MA and Oxford, UK: Blackwell, 1990), 180.

¹⁷⁸ Intal, “Visions for Philippines 2000,” 35.

an outsourcing hub for call centers, business process outsourcing (BPO), or knowledge process outsourcing (KPO) developing nations must have the appropriate technological capabilities. As Intal further notes, “capital goods embody advances in production techniques or technology; hence, technological upgrading of a country in the process of tigerhood¹⁷⁹ can be done substantially by importing capital goods.”¹⁸⁰ The investment in improving telecommunications as a capital good is important in developing positive returns in other products and commodities. Although the Philippines is clearly not a financial hub or a key node in the global financial network, its position as a source of low-wage labor and as an outsourcing site integrate the nation into the global economy, bringing in international investors and providing jobs.

Developing nations thus recognized the importance of investing in telecommunication infrastructure necessary to attract outsourced production and export processing zones. Given both the debt crises and the larger turn toward neoliberal economic policies, the path many pursued to build-up the telecom sector was privatization, liberalization, and opening up to direct foreign investment. It is within this larger economic context that the Philippine mobile phone industry was developed in the 1990s.

¹⁷⁹ The term “Asian Tiger” refers to the highly developed economies of Hong Kong, Singapore, South Korea, and Taiwan. “Tiger Cub Economies” refer to the emerging economies of countries such as Indonesia, Malaysia, the Philippines, and Thailand who are trying to achieve “Tiger” status.

¹⁸⁰ Ibid.

The Mobile Phone Era

As discussed above, through Executive Order 109, mobile phones were introduced in the Philippines in the mid-1990s, almost simultaneously with the first rollout of the Internet. Originally only wealthy businessmen, doctors, and government officials could afford to use mobile phones, but by the latter part of the 1990s, mobiles gained popularity with housewives, college students, and young professionals. By 2000, the mobile phone had become necessary for people working and living in major cities such as Manila or Cebu. When pre-paid mobile phone cards were introduced into the market, it allowed those without credit history, a permanent address, or a stable source of income to purchase mobile phones. As prepaid minutes were used-up, the user simply bought additional minutes. This opened the market to students and people from lower income brackets (such as live-in domestic workers, family drivers, market vendors, etc.). The second-and third-hand market for used mobile phones also flourished after 2000, making it cheaper for users to buy mobile phones.¹⁸¹ Today, prepaid phones form the majority of mobile phone users. According to Globe Telecom's 2008 Annual Report, only 3 percent of its subscriber base was on a postpaid or monthly plan, but they accounted for 20 percent of total wireless service revenues.¹⁸²

By the end of 2010 there were 92.2 million mobile phone subscribers in a country of 102 million people.¹⁸³ This was largely covered by Smart Communications, the

¹⁸¹ This is evidenced by the proliferation of pawn shops that cater specifically to mobile phones, computers, video games, and other electronics.

¹⁸² 2008 Annual Report, Globe Telecom, 12.

¹⁸³ Central Intelligence Agency, *The World Factbook* 2010. <http://cia.gov>

industry leader and fully owned by PLDT, with 45.6 million subscribers,¹⁸⁴ followed by Globe Telecom at 26.5 million,¹⁸⁵ and Sun Cellular at 15 million.¹⁸⁶ However, in late 2011, Smart and Sun Cellular merged, ending the year with a combined 63.7 million subscribers, leading to concerns about the re-emergence of PLDT as a private telecommunications monopoly (as will be discussed later in the chapter).¹⁸⁷ By the end of 2011, mobile phone penetration was at 97 percent, approximately 28 times that of the country's fixed line penetration.¹⁸⁸ While 97 percent does not account for those who own multiple SIM cards or mobile numbers, it is still significant, particularly given that over a third of the population lives below the poverty line.¹⁸⁹ Furthermore, in 2005, only 36 percent of the population owned mobile phones, a number that almost tripled in five years. No other technology in the nation's history has been so quickly adopted by so many. In the following sub-sections I give a brief history of each of the leading wireless companies as well as an overview of their strategies and strengths.

Globe Telecom

In 1993, Globe Telecom was one of the first two companies granted licenses to operate under EO 109 and faced an uphill battle against the giant PLDT.¹⁹⁰ Its roots were in ship-to-shore radio and telegraph communications. With the opening of the markets

¹⁸⁴ 2010 Annual Report, PLDT, 8.

¹⁸⁵ 2010 Annual Report, Globe Telecom, 88.

¹⁸⁶ <http://www.suncellular.com.ph>

¹⁸⁷ PLDT 2011 Philippines Securities and Exchange Commission (SEC) Form 17-A. Available at <http://pldt.com.ph>

¹⁸⁸ Ibid.

¹⁸⁹ United Nations Development Programme (UNDP). "2007/2008 Human Development Reports." Available at <http://hdr.undp.org/en/>. Last accessed on 29 February 2009.

¹⁹⁰ Ryan C. LaBrie and Ajay S. Vinze, "Globe Telecom: Succeeding in the Philippine Telecommunications Economy," *Annals of Cases on Information Technology* 5 (2003): 337.

through EO 109, Globe, which was majority-owned by Ayala Corporation (AC), the largest and oldest conglomerate in the Philippines,¹⁹¹ partnered with Singapore Telecom International (SingTel) who owned 40 percent of the company, the maximum then allowed by Philippine law. Though this partnership, Globe was able to grow in capitalization and technological expertise. It is a full-service telecommunications company offering cellular mobile phones, fixed telephone and international communications services, Internet access, and other data communication services. Today, Globe is owned by Ayala Corporation (30.40 percent), Singapore Telecom (47.33 percent), and public/individual shareholders (22.20 percent). At the end of 2010, Globe's Annual Report showed 81 percent of its revenues coming from mobile phones, nine percent from Broadband, six percent from Fixed Line Data, and four percent from Fixed Line Voice.¹⁹²

Chua, in his report on the impact of liberalization to the Asia-Pacific Economic Cooperation (APEC)¹⁹³ noted that, "Globe Telecom's vision of leadership through technology led the company to carve its own niche in the market."¹⁹⁴ By investing in building infrastructure, installing and providing customers with state-of-the-art telecommunications products and services, Globe built a reputation of being the "premier

¹⁹¹ Ayala Corporation, http://www.ayala.com.ph/about_ayala_history.Php

¹⁹² 2008 Annual Report, Globe Telecom, 90.

¹⁹³ The Asia-Pacific Economic Cooperation (APEC) is an economic forum with 21 Member Economies that promotes free trade and economic cooperation in the Asia-Pacific region. According to its website, APEC is "the only international intergovernmental grouping in the world committed to reducing barriers to trade and investment without requiring its members to enter into legally binding obligations." It holds annual leaders meetings, policy and working level meetings, and has numerous publications, working papers, and meeting papers. See <http://www.apec.org/>.

¹⁹⁴ Chua, *Telecommunications Industry in the Philippines*, 16.

provider of high quality telecommunications services.”¹⁹⁵ According to LaBrie and Vinze, to succeed, Globe had to differentiate itself from PLDT by providing an all-digital network infrastructure, laying the foundation for high quality wireline, wireless cellular, and wireless text messaging.¹⁹⁶ Both its mobile phones and land lines integrated features such as caller ID, call waiting, three-way calling, call forwarding, last call memory, and phone lock that other telecom carriers did not offer. Through its early adoption of the Global System for Mobile Communications (GSM), Globe was the first to offer Short Message Service (SMS), more popularly known as text messaging, to its subscribers, which has become the primary way of using mobile phones in the Philippines.

Importantly, Globe was the first mobile phone subscriber to introduce personalized postpaid mobile phone plans, as well as the Blackberry and iPhone to the Philippine market.¹⁹⁷ Globe also paved the way for remittances from overseas Filipinos to be made through mobile phones (see Chapter 3), and has been a leader in Mobile Banking (discussed at length in Chapter 4). In 2010 it launched BPI Globe BankKO, Inc., a mobile microfinance joint venture with Ayala Corporation and the Bank of the Philippine Islands that extends wholesale loans to other microfinance institutions.¹⁹⁸ Although Globe is no longer the industry leader in terms of number of mobile phone subscribers, it is maintained its position as the innovator by being the first to introduce

¹⁹⁵ Ibid.

¹⁹⁶ LaBrie and Vinze, “Globe Telecom: Succeeding in the Philippine Telecommunications Economy,” 341.

¹⁹⁷ 2008 Annual Report, Globe Telecom, 3.

¹⁹⁸ 2010 Annual Report, Globe Telecom, 9.

the Blackberry and the iPhone, as well as a host of other mobile phone products and services.

Smart Communications

Smart Communications was formally established in 1991, but only began providing the public with mobile cellular phone service in 1994. In the APEC Report, Chua notes that through focused and aggressive marketing, Smart was able to create a brand that appealed to all segments of the Filipino population and has been credited for raising the level of competition in the mobile phone industry.¹⁹⁹ Chua credits Smart's "Price Buster" campaign launched in August 1994 in succeeding in giving the market with the most affordable and flexible rates by offering 10 different plans subscribers can choose from. Smart also became known for having the widest cellular coverage in the country²⁰⁰ encompassing remote rural areas through a mix of digital and analog service. Smart also launched the world's first service that allowed subscribers to give unused minutes or texts (or "load") to another subscriber. Called PasaLoad, a subscriber can pass on small denominations as low as \$.05 (PhP2.00—the equivalent of two text messages) to another Smart mobile user.²⁰¹ By targeting the lower income segment and by pushing for nationwide coverage, Smart has become the leader in mobile subscribers, reporting 45.6 million users in 2010.²⁰² Interestingly, less than 500,000 (one percent) subscribers

¹⁹⁹ Chua, *Telecommunications Industry in the Philippines*, 18. To be sure, the APEC report takes a somewhat promotional tone at times, perhaps due to its origins in a multilateral organization closely identified with the promotion of neoliberal trade and economic policies. Still, it offers a succinct view of recent developments in the Filipino wireless industry.

²⁰⁰ Ibid.

²⁰¹ <http://smart.com.ph/buddy/services/Load.htm>

²⁰² 2010 Annual Report, PLDT, 8.

are postpaid,²⁰³ meaning 99 percent of Smart subscribers did not need to provide evidence of good credit history, a permanent address, pay stubs or a steady source of income to obtain a mobile phone. Smart was acquired by PLDT in 1999 and is thus now part of the largest telecommunication company in the country. Chua credits Smart for “raising the level of competition in the industry and for spurring the use of more sophisticated pricing and marketing tools.”²⁰⁴ PLDT’s purchase of Sun Cellular in 2011 has made the combined company, once again, the largest telecommunications firm in the country.

Sun Cellular

Sun Cellular, began as a subsidiary of Digitel Telecommunications, Inc., which in turn was owned by JG Summit, another of the largest conglomerates in the Philippines with business interests in airlines, publishing, food manufacturing, petrochemicals, real estate, property development, shopping malls, and telecommunications,²⁰⁵ was launched in 2003. Despite being a late entrant in the mobile phone industry, Sun Cellular has been recognized as “the fastest growing mobile network provider in the country” with more than 15 million subscribers in seven years.²⁰⁶ Through its creation of an intra-network unlimited voice and text service, Sun immediately became popular among the lower-income markets, and quickly became the secondary mobile phone for many in the upper

²⁰³ Mary Ann Ll. Reyes, “Sun Cellular Grabs Lead in Postpaid Mobile Subscriptions,” *The Philippine Star*, 24 September 2010.

²⁰⁴ Chua, *Telecommunications Industry in the Philippines*, 18.

²⁰⁵ <http://www.jgsummit.com.ph/>

²⁰⁶ <http://www.suncellular.com.ph>

class. For as low as \$8.23 (PhP350.00) a month a postpaid subscriber could get unlimited voice calls and text messages within the Sun Cellular network.

With this focus on cost-conscious consumers, in September 2010, Sun became the first mobile phone provider to hit one million postpaid subscribers, beating Globe and Smart, which Sun's CEO Charles Lim attributes to "Sun's unmatched unlimited service and rates, both made possible by Sun's network which uses the latest technology available."²⁰⁷ According to Lim, "We can meet peak load demand without congestion. This is the advantage of being a latecomer in the business. We got the latest and the best infrastructure, and are offering rates that could reduce a subscriber's cost anywhere from 40 to 80 percent per month."²⁰⁸ Like many other JG Summit companies such as, airline Cebu Pacific and budget chain Go-Hotels, Sun is focused on giving its subscribers "no-frills service for less cost."²⁰⁹

In March 2011, it was reported that PLDT (Smart's parent company) was buying 52 percent equity in Digitel, which owns Sun Cellular, for PhP69.2 billion.²¹⁰ The deal would give the two telecoms 67 percent of market share, raising concerns of a return to a PLDT monopoly. Since its announcement the acquisition's closing date has been delayed twice due to regulatory issues. A key issue is the Digitel franchise of telecommunication airspace which is awarded by the government and cannot be sold or transferred. PLDT contends that they need the additional airspace to service their

²⁰⁷ Reyes, "Sun Cellular Grabs Lead in Postpaid Mobile Subscriptions."

²⁰⁸ Ibid.

²⁰⁹ Ibid.

²¹⁰ "PLDT to buy 52% equity in JG Summit's Digitel," *GMA News Online*. 29 March 2011, <http://www.gmanews.tv/story/216421/pldt-to-buy-52-equity-in-jg-summit39s-digitel>

combined 60 million subscribers.²¹¹ After much delay, the deal was finally completed in October 2011, with the NTC putting forth a number of conditions: First, Digitel/Sun Cellular must continue providing cheap, "unlimited" services to consumers; second, PLDT must divest (or reduce) its stake in subsidiary Connectivity Unlimited Resources Enterprise Inc. (CURE) which owns 10MHz of 3G frequency in the 2100 band; and lastly, both PLDT and Digitel were tasked to continue providing excellent service to consumers.²¹² Although PLDT and the NTC insist that this merger will not result in a monopoly, the newly combined company is projected to have 70 percent of the market share.²¹³ The regulatory issues raised by this merger will be discussed below, but first, a discussion of one key feature of the wireless market in the Philippines—the dominance of SMS or “text messaging”—is in order.

Text Messaging Capital of the World

Indeed, perhaps what is most striking about the use of mobile phones in the Philippines is the dominance of short message service (SMS) or text messaging as the primary way of mobile communicating. When text messaging was first introduced in 1993 by Globe Telecom, it was considered a novelty that only techno-geeks and early adopters used as an exclusive channel for communicating with each other.²¹⁴ SMS is a feature of mobile phones that has the capability of instantly sending short text messages

²¹¹ Neal H. Cruz. “NTC Should Reject PLDT-Digitel Merger,” *Philippine Daily Inquirer*, 29 September 2011, <http://opinion.inquirer.net/13079/ntc-should-reject-pldt-digitel-merger>

²¹² “PLDT Completes P69B Digitel Takeover” ABS-CBNnews.com. 26 October, 2011, <http://www.abs-cbnnews.com/business/10/26/11/ntc-approves-pldt-digitel-merger>

²¹³ Ibid.

²¹⁴ David M. Celdran. “Text Revolution: Texting has changed the way we live, love, and topple governments,” *Special Reports*, April-June 2002, <http://pcij.org/imag/SpecialReport/textrev.html>

of 160 characters from one telephone to another, using the telephone keyboard to input the message and the small display screen to read them. Since then, it has become a primary way of communicating and has created new ways of doing business in the Philippines. As a result, the Philippines is often called the “text capital of the world,” because the country’s residents send and receive more mobile phone text messages than citizens of any other nation.²¹⁵ For instance, in 2009, 600 text messages were sent per mobile subscriber each month from the Philippines versus 420 texts from the U.S.²¹⁶

The popularity of text messaging in the Philippines has been attributed primarily to its affordability. When GSM mobile phones first entered the market in 1994, text messaging was a free, add-on service. As its popularity grew, a cap on free texts (dependent on the mobile phone plan one subscribed to) was placed and additional text messages were charged to the sender. Users are not charged for text messages or voice calls that they receive. Despite this, the cost of text messaging remains considerably lower than that of voice calls. A text message costs one Philippine peso (PhP1.00), less than a penny, whereas voice calls are PhP7.50 (\$.18) a minute. A survey conducted by Siemens in December 2001, found that 80 percent of respondents said they prefer keeping touch via mobile phone rather than email because it is faster, more convenient, and relatively cheaper.²¹⁷ In 2003, the major mobile phone companies derived 25 percent

²¹⁵ David Diamond, “One Nation, Overseas,” *Wired*, June 2002, <http://www.wired.com/wired/archive/10.06/philippines.html>

²¹⁶ Shane Snow, “The Rise of Text Messaging,” *Mashable*, 17 August 2010, <http://mashable.com/2010/08/17/text-messaging-infographic/>

²¹⁷ Sol Jose Vanzi. “Cellphones Increasingly Play An Important Role In Social Life,” *Newsflash*, February 2002, <http://www.newsflash.org/2002/02/si/si001177.htm>

of their revenue from text messaging.²¹⁸ By 2008, average revenue per user (ARPU) for SMS data was at 53 percent.²¹⁹

However, beyond affordability, there are other cultural and social reasons why text messaging has taken root in Philippines society. In *Television: Technology and Cultural Form*, Raymond Williams challenges us to look at technology not as self-acting forces that create new ways of life or provides material for new ways of life, but rather as created and developed for certain purposes and practices in mind, and that these are known social needs.²²⁰ Lister et al point out that for Williams, “new technologies take forward existing practices that particular social groups see as important or necessary.”²²¹

In short, as Williams might predict, there were certain pre-existing Filipino cultural practices paved the way for mobile phone technology and text messaging to flourish. According to Pertierra et al, “the Philippines is primarily an oral society and speech is often used to maintain and reproduce traditional hierarchies. It is usually easier to challenge the restrictions of speech through writing.”²²² Pertierra further notes, cellphone technology challenges and subverts former hierarchies and structures.²²³ Through text messaging, hierarchal barriers of class, age, and gender are, at least potentially and provisionally, circumvented and challenged.

²¹⁸ Knowledge Institute, SGV & Co., “Philippine Telecommunications Industry,” 2003.

²¹⁹ *The Report: The Philippines 2009* (London: Oxford Business Group, 2009), 137.

²²⁰ Raymond Williams. *Television: Technology and Cultural Form*. (Hanover, NH: Wesleyan University Press, 1974, reprinted in 1992), 8.

²²¹ Martin Lister, Jon Dovey, Seth Giddings, Iain Grant, and Kieran Kelly. *New Media: A Critical Introduction* (London & NY: Routledge, 2003), 81.

²²² Raul Pertierra, Eduardo F. Ugarte, Alicia Pinggol, Joel Hernandez, and Nikos Lexis Dacanay. *Txt-ing Selves: Cellphones and Philippine Modernity*. (Manila, Philippines: De La Salle University Press Inc., 2005), 140.

²²³ Raul Pertierra. *Science, Technology, and Everyday Culture in the Philippines*. (Quezon City: Institute of Philippine Culture, 2003), 84.

In previous research I suggested that these cultural practices are: the importance of family, the concept of *hiya* (loosely translated as shyness or embarrassment), and the need to be in the know.²²⁴ The family—nuclear, extended, and transnational—is the cornerstone of Philippine culture and mobile phones have made keeping in touch easier, allowing for family bonds to be maintained or strengthened.²²⁵ Through text messaging teens are able to tell their parents they love them, spouses communicate throughout the day, and the extended family is kept abreast with one other. Whereas previously the family shared both physical space and communication in the home, and to leave the home was to leave both the physical space and most of the communication, nowadays the mobile phone keeps the family's communication intact when the home is left behind.²²⁶ For Overseas Filipino Workers (OFWs), the mobile phone is a tool to keep in touch with the family on a daily basis. Mobile phone technologies have empowered these migrant women, creating new ways to “mother” their children across time and space.²²⁷ Traditional ties are maintained despite the spatial distances separating overseas workers from their families.²²⁸

Although many Filipinos are culturally chatty, emotions and feelings are especially difficult to verbally convey, and confronting a person of the opposite sex, or

²²⁴ For a more detailed discussion on this, see Cecilia Uy-Tioco, “Cellphones as a Cultural Technology: New Ways of Communicating in the Philippines,” (MA Thesis, New School University, 2004).

²²⁵ Cecilia S. Uy-Tioco. “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” *Continuum*, Vol. 21, No. 2 (2007): 257.

²²⁶ Paul Levinson, *Cellphone: The Story of the World's Most Mobile Medium and How It Has Transformed Everything*. (NY: Palgrave Macmillan, 2004), 89.

²²⁷ Uy-Tioco, “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” 253.

²²⁸ Raul Pertierra, *Science, Technology, and Everyday Culture in the Philippines*. (Quezon City: Institute of Philippine Culture, 2003), 63.

person presumed to be superior (a parent, a boss, the wealthy, the religious clergy) is difficult and embarrassing.²²⁹ With text messaging, Filipinos have a venue to overcome this shyness or *hiya* and text what is difficult or awkward to say.²³⁰ Pertierra notes that texting is a way of saying the unsayable and avoiding confrontations.²³¹ Through text messaging, dating practices have also shifted as couples are able to keep contact with each other multiple times a day and have become bolder in their missives since they can say through text what would be embarrassing face-to-face.²³² Ellwood-Clayton points out, “texting is uprooting traditional courtship, and providing young Filipinas with a new site in which they can experiment with romantic agency.”²³³

For Filipinos, the need to always be in the know “stems from curiosity about the world around them and the day-to-day lives of family and friends, coupled with distrust of government and media resulting from years of colonization and oppressive governments.”²³⁴ Pertierra notes, the desire to be constantly connected is a national obsession.²³⁵ Filipinos have had to device other ways of finding information, especially during tumultuous times such as elections, Edsa 2, or a natural disaster. Through technologies such as the mobile phone, “news and information are gathered and verified

²²⁹ Uy-Tioco, “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” 257.

²³⁰ Ibid.

²³¹ Pertierra et al, *Txt-ing Selves: Cellphones and Philippine Modernity*, 93.

²³² Raul Pertierra, “Mobile Phones, Identity and Discursive Intimacy,” *Human Technology*, Vol. 1 (1), April 2005, 23-44.

²³³ Bella Ellwood-Clayton, “Desire and Loathing in the Cyber Philippines,” in *The Inside Text: Social, Cultural and Design Perspectives on SMS*, eds. R. Harper, L. Palen, and A. Taylor, 195-219. (The Netherlands: Springer Dordrecht, 2005), 214.

²³⁴ Uy-Tioco, “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” 258.

²³⁵ Pertierra, et al, *Txt-ing Selves: Cellphones and Philippine Modernity*, 88.

through a network of acquaintances, friends, and family” and “operates like a modern-day town crier or evening paper.”²³⁶

Because this add-on service has been around since 1994, Filipinos have become adept at text messaging, keying in messages using the telephone keys, some using both hands, some with just one hand and the thumb doing all the punching.

Sending messages by phone is an irritating skill to master, largely because 26 letters, plus punctuation, have to be created with only 10 buttons. Typing the letter C, for example, requires pressing the No. 2 button three times; an E is the No. 3 button pressed twice; and so on. After the message is composed, it can be sent immediately to the phone number of the recipient, who can respond immediately by the same process.²³⁷

Early GSM mobile phones only allowed for 160 characters per message, thus users became creative in shortening words. Most vowels are removed, such as in the case of “thanks” which can be shortened to “TNX” and sometimes numbers are used to substitute letters as in the word “late” which can be shortened to “L8.” This new “language” evolved as mobile phone use grew, and as more and more people used the technology, new, unspoken rules of language and etiquette have been created and has become inscribed in day-to-day life.

Given this complex synergy between traditional cultural practices and the technical features of SMS, it is not surprising then that Philippine mobile companies have focused on providing subscribers with a variety of products and services that are text messaging based. Through text, users are able to buy additional phone credits (called “load” in local

²³⁶ Uy-Tioco, “Overseas Filipino Workers and Text Messaging: Reinventing Transnational Mothering,” 258.

²³⁷ Wayne Arnold, “Manila's Talk of the Town Is Text Messaging,” *New York Times*, 5 July 2000, <http://www.nytimes.com/library/tech/00/07/biztech/articles/05talk.html>

parlance), pass on phone credits, purchase merchandise, receive remittances, pay taxes and school tuition, make charitable donations, etc. These services will be discussed in detail in Chapter 3 where I examine the different services that Philippine telecoms offer, focusing on Mobile Commerce. I pay particular attention on how these products contribute to what telecoms call their “commitment to innovation and to play an active role in the country’s economic development”²³⁸ and grapple with the contradictions between widespread adoption of a technology versus equal access. Unlike those in the developed world who performs such tasks using high-tech smart phones, these new uses do not require additional mobile phone applications and instead rely on the text messaging/SMS menu that has been standard in mobile phones since the 1990s. Thus, it begs the question whether these products and services really bridge the gap between the rich and the poor, or do they simply reinforce the status quo, relegating majority of mobile users in the Philippines to “second class” citizenship in the emerging information or network society.

Ongoing Debates: The Need for Re-regulation

Despite the opening of the telecom market in the 1990s, followed by new players in the landline business and the exponential growth and widespread adoption of mobile phones, regulatory and service problems persist in the Philippine telecom industry. While liberalization of the industry in the 1990s resulted in local and foreign investments as well as an increase in the number of industry players, growth in the telecom sector was

²³⁸ Globe 2008 Annual Report, 14.

encumbered by anti-competitive practices and the 1997 Asian financial crisis. Issues of interconnection persist and the possibility of a return to a monopoly and unfair competition has reared its ugly head.

As Mirandilla notes, “at the core of the anti-competitive practices was the use of interconnection to hinder competition.”²³⁹ This is especially true in the fixed-line/landline industry where the dominant carriers stifled competition by making it difficult to connect to other carriers and/or charged unreasonable fees to non-affiliated carriers. Although PLDT was required by Executive Order 59 to provide accesses to their networks, on the ground, this was often not the case. For example, BayanTel (established in 1994) subscribers often complained in the 1990s that they had difficulty connecting to PLDT users. Mirandilla notes that from the onset of liberalization, the NTC was unable to “discipline” the dominant carrier.²⁴⁰ While connectivity issues have lessened considerably, interconnectivity among the major fixed-line carriers (PLDT, BayanTel, and Globe) is not always seamless. As we will see, these connectivity issues are carried over to the wireless industry.

In the mobile phone sector, deregulation was critical to jumpstarting its exponential growth.²⁴¹ Due to its popularity and quick growth, Globe Telecom and Smart Communications quickly gained market power and regulators faced challenges in addressing interconnection issues between the major mobile carriers. Mirandilla notes

²³⁹ Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.”

²⁴⁰ Ibid.

²⁴¹ Ibid.

that in 2000, the interconnection issues in the mobile sector were nearing a crisis.²⁴²

Previous agreements were ineffective, and thus consumers chose mobile phone carriers according to what their dominant group membership—family, work, or friends—chose to avoid connection problems. In July 2000, the NTC began issuing new rules and guidelines for implementation. But as in the case with fixed-line interconnection issues, the regulator “did not have the teeth to enforce the policy.”²⁴³ According to Mirandilla, it was through the intervention of the country’s president, Joseph Estrada, that the two dominant carriers, Globe Telecom and Smart Communications, finally signed an interconnection agreement.²⁴⁴ While there is no documentation of this anecdote, Mirandilla notes that it does give us an important insight on the key role of the president in the Philippine telecom reform process.²⁴⁵

Although interconnection issues between mobiles have been resolved, it has come with a price. Unlike the United States, mobile phones in the Philippines have their unique area codes, each beginning with the number nine. Globe uses 905, 906, 915, 916, 917, 926, 927, 935, 936, 937, 996, and 997; Smart uses 907, 908, 909, 910, 912, 918, 919, 920, 921, 928, 929, 930, 938, 939, 946, 947, 948, 949, 989, and 999; and Sun uses 922, 923, 932, and 933. Thus, making a call from your mobile phone to a mobile from another provider is akin to making a long-distance call. Prepaid voice calls within the same network are at PhP6.50 per minute (\$.15) while calls to other mobile networks or

²⁴² Ibid.

²⁴³ Ibid.

²⁴⁴ Ibid.

²⁴⁵ Ibid.

landlines are at PhP7.50 (\$.18).²⁴⁶ Text messaging to any network is PhP1.00 (\$.02) per text message to any network. Most products and services offered (which will be discussed in detail in Chapter 5) such as unlimited text messaging or voice calls for a specific period of time are often limited to mobiles within the same network. In short, special plans, products, and services rarely cross network boundaries. Thus users from the same family, group or friends, or workplace still tend to use the same mobile phone carrier.

To address interconnectivity issues, especially between mobile phones and landlines, Globe Telecom launched Globe Duo which combines mobile and landline service in 2009.²⁴⁷ Subscribers to this additional service receives two numbers—a mobile phone number and a portable landline number—using just one subscriber identification module (SIM) card. As technology blogger Max Limpag describes it, “the word ‘landline’ becomes an adjective merely for the way calls are charged and phone numbers are formatted. Because when you think about it, portable ‘landline’ phones are really mobile phones.”²⁴⁸ Thus users receive both a Globe mobile phone number and a landline number with a specific area code (e.g. 02 for Metro Manila or 032 for Cebu). This can be seen as Globe Telecom’s way of circumventing connectivity issues between their network (fixed landlines or mobile cellular) and industry giant PLDT. No matter who

²⁴⁶ <http://globe.com.ph> and <http://smart.com.ph>

²⁴⁷ Max Limpag, “Globe offers unlimited calling to landlines with Globe DUO,” *Leon Kidlat: The Tech Experiments Blog*, 25 May 2009, <http://max.limpag.com/article/globe-duo-unlimited-calling-landline/>

²⁴⁸ Ibid.

your service provider is, landlines in a particular region (akin to the U.S. telephone area codes divided by state and/or region) have the same area code, thus, calls are free.

Finally, the merger between PLDT/Smart Communication and Digitel/Sun Cellular discussed earlier in this chapter has brought to the forefront concerns regarding PLDT once again becoming a monopoly and result in unfair competition. NTC Commissioner Gamaliel Cordoba defended the NTC's decision saying "We would also like to assure the general public that the PLDT-Digitel transaction will not a result in a monopoly and bring about unhealthy business competition that will be detrimental to the interest of millions of telecom users and subscribers."²⁴⁹ At the end of 2011, PLDT reported having 68 percent of mobile phone market share, covering "approximately 99 percent of all towns and municipalities in the Philippines, accounting for approximately 99 percent of the population."²⁵⁰ Despite efforts of Globe Telecom and concerned citizens and lawmakers, the NTC approved the merger with conditions including the ambiguous requirement that they must "continue to provide high quality service to the subscribers/users."²⁵¹ According to NTC deputy commissioner Carlo Jose Martinez, "If you look at the last condition, we placed there that in case any of the applicants fail to comply with the conditions, then the decision itself will be declared null and void, meaning the merger, in case, the parties fail to comply with it, it will be nullified."²⁵² How the NTC will monitor and take action on this over the years is, as yet, unclear.

²⁴⁹ "PLDT Completes P69B Digitel Takeover."

²⁵⁰ PLDT 2011 Philippines Securities and Exchange Commission (SEC) Form 17-A. Available at <http://pldt.com.ph>

²⁵¹ "PLDT Completes P69B Digitel Takeover."

²⁵² Ibid.

Conclusion

In this chapter I have given an overview of the history of telecommunications in the Philippines, paying particular attention to the wave of telecom liberalization and deregulation that was ongoing in Asia in the 1990s. In addition, I have shown how global neoliberal policies also aided in the opening up of the telecom industry to more players and foreign investment, noting the role technology plays in a developing nation's participation in the global economy. The adoption of mobile phones in the Philippines also resulted in some surprises, particularly in the way text messaging has become the dominant way of communicating, which in turn has led mobile phone companies to offer text messaging-based products for their subscribers. Among the peculiarities of technological adoption in the developing world is the role such technologies play the kind of development/modernity that is being pursued for the Philippines by various actors. I have illustrated that many international groups believe that information and communication technologies (ICTs) are vital tools in the economic development of countries in the developing world, and the Philippines had adopted this model as well.

In the following chapters I will carefully look at the various products and service offered by Philippine telecommunications companies. Through three case studies, I will examine the relationship of the adoption of these products and services in with regards to the Philippines' participation in the global network society, the transformation or entrenchment of existing social relations, particularly economic relations, and the role of a developing nation in globalization. The next chapter focuses on Mobile Commerce

where mobile phones are used for facilitating business and commercial transactions

Globe Telecom and Smart Communications subscribers are able to remit money (locally and internationally), pay bills, pay government taxes, donate to charitable institutions, order food for delivery, purchase products such as food and clothing, and reload pre-paid phones through text messaging. I grapple with the contradictions between widespread adoption of a technology versus equal access, further interrogating the concept of the digital divide.

CHAPTER 3

MOBILE COMMERCE: MORE THAN JUST A PHONE

Since the introduction of the mobile phone in the Philippines in 1993, its popularity has grown by leaps and bounds. Initially a device that catered solely to the elite, it quickly became a common appliance now being used by more than 90 percent of the population. The introduction of prepaid phones and text messaging, combined with the lowering cost of the technology, has made the mobile phone the most accessible information communication technology (ICT) in the Philippines. With this widespread adoption, telecommunication companies, together with the government and private corporations have developed products and services that expand the uses of the mobile phone beyond interpersonal communication.

This chapter begins with a brief discussion of social-economic class in the Philippines, providing a broad overview of how marketers have stratified the nation into particular class segments as well as a discussion of how the middle and lower classes cope with conditions of under-employment and precarity. The chapter then turns to discuss two important innovations in mobile phones which were of particular importance in the lives of working families in the Philippines and which built the foundation for the later emergence of mobile commerce—text messaging and prepaid mobile phone cards. This will be followed by a discussion on mobile commerce products provided by Globe

Telecom and Smart Communications in the Philippines. Here, I investigate the implications of widespread adoption and new uses of mobile against the rhetoric that the mobile phone is the answer to the “digital divide.” Drawing on Jack Linchuan Qiu’s work on the rise of a “working-class network society,” this chapter examines whether the proliferation of text messaging-based products and services bridges the digital divide. What are the limits of text messaging and prepaid m-commerce services, as means of bridging the digital divide? How does the roll-out of m-commerce services in the Philippines lead us to question the very concept of a binary “digital divide”?

Socio-economic Class in the Philippines

In the Philippines, socio-economic class is usually described and measured using market research categories of AB (upper-class), C1 (upper-middle-class), C2 (lower-middle-class), and DE (lower-class). These alphabetical categories, which had their origins in market research, “are now widely used in Manila and other urban centres as the main language for designating status and class division.”²⁵³ Generally, about 2-4 percent belong to the upper-class, another 2-9 percent belong to the upper-middle-class, and between 64-82 percent belong to the lower class.²⁵⁴ Consumer research in advertising firms and television networks use a broad set of class indicators that include income,

²⁵³ Michael Pinches. “Entrepreneurship, Consumption, Ethnicity and National Identity in the Making of the Philippines’ New Rich,” in *Culture and Privilege in Capitalist Asia*, ed. M. Pinches (London: Routledge, 1999), 291.

²⁵⁴ AGB Nielson 2006, quoted in McCann Erickson Philippines. “Media rEvolution & The Filipino Consumer: A Media Marketplace Update” 2008 Philippine Media Landscape. Makati City: McCann Erickson (2009). This is presented in ranges as the AGB Nielson report divides the country in regions in their report.

education, occupation, and household size/location/durability. As Filipino sociologist Jonathan Corpus Ong notes, “The term ‘lower-class’ in the Philippine context includes many of the unemployed and irregularly employed...[T]he more established Euro-American term ‘working class’ in this context may then be misleading in the connotation of employment in the word ‘working’.”²⁵⁵ Furthermore, the use of the term “lower class” is consistent with other academic work on the Philippines.²⁵⁶

Market researchers characterize the upper-class as enjoying a household monthly income of at least PhP50,001 (about \$1,160.00), an undergraduate degree from an “exclusive” university (including the state school, University of the Philippines), white-collar occupations as high-earning and “high-skilled” business executive or professional, and a house located in an “exclusive subdivision/expensive neighborhood enclave”²⁵⁷ or gated community. While traditionally the upper-class referred to the landed elites with interconnected familial lineages stretching as far back as the Spanish period (1521-1898), Pinches points out that since Philippine independence from the United States in 1946, this has been continually challenged by and expanded to include highly educated Filipinos

²⁵⁵ Jonathan Corpus Ong, “The Mediation of Suffering: Classed Moralities of Media Audiences in the Philippines” (PhD Dissertation, University of Cambridge, 2011), 68.

²⁵⁶ See F.V. Aguilar, “Global Migrations, Old Forms of Labor, and Transborder Class Relations,” *Southeast Asian Studies* 41, no 2 (2003): 137-161, Bobby Benedicto, “Shared Spaces of Transnational Transit: Filipino Gay Tourists, Labour Migrants, and the Borders of Class Difference,” *Asian Studies Review*, 33 (2009): 289-301, Amado Doronila, “The Transformation of Patron-Client Relations and Its Political Consequences in Postwar Philippines,” *Journal of Southeast Asian Studies* 16, no.1 (1985): 99-116, Jonathan Corpus Ong, “The Mediation of Suffering: Classed Moralities of Media Audiences in the Philippines” (PhD Dissertation, University of Cambridge, 2011), Nerferti Tadiar, *Fantasy Production: Sexual Economies and Other Philippine Consequences in the New World Order* (Quezon City: Ateneo de Manila Press, 2004).

²⁵⁷ McCann Erickson Philippines. “Media rEvolution & The Filipino Consumer: A Media Marketplace Update” 2008 Philippine Media Landscape. Makati City: McCann Erickson (2009).

(often educated in the nation's top universities as well as top universities abroad), successful entrepreneurs, and the Filipino-Chinese *taipans* (who are currently among the world's billionaires).²⁵⁸

Market researchers divide the middle class into two sub-categories. The upper-middle-class has a household monthly income range of PhP30,001 to 50,000 (approximately \$695.59-\$159.00), college-level education from state colleges (or the lower tier private colleges), are often junior executives or young professionals, and live in mixed neighborhoods of larger and smaller houses, with predominantly larger houses.²⁵⁹ The lower-middle-class, which comprises a larger segment of the "C" category, is characterized by a household monthly income between PhP15,001-30,000 (approximately \$348.00-\$695.00), some college-level education but did not graduate, are often middle-level supervisors, own small business or small farms, or are technical or skilled overseas workers (e.g. nurses or public school teachers abroad).²⁶⁰

Pinches notes that until the 1980s, "the most common language of social stratification simply distinguished between rich and poor, or *burgis* (bourgeois) and *masa* (masses), with only limited reference to a middle class."²⁶¹ As the C1 and C2 identification indicates, "there is now a popular perception, in urban areas at least, that there are new and substantial layers of people in between, that their collective existence is becoming more important, and their identities are to be discovered primarily in their

²⁵⁸ Five of the six Filipinos on the 2012 Forbes billionaires list are of Chinese ancestry. See <http://www.forbes.com/billionaires/list/>

²⁵⁹ Ibid.

²⁶⁰ Ibid.

²⁶¹ Michael Pinches. "Entrepreneurship, Consumption, Ethnicity and National Identity in the Making of the Philippines' New Rich," 291.

consumer practices and capacities.”²⁶² Despite these “perceptions of new opportunities for social mobility,”²⁶³ Ong points out that middle-class individuals are in a precarious position “because middle-class-ness could be easily ‘lost’ as a result of external calamities (e.g., financial crises, natural disaster) or family tragedies (e.g., death of breadwinner, family illness) in the absence of social safety nets and welfare state provisions.”²⁶⁴

The lower-class comprises majority of the population and are characterized by marketers as earning a monthly household income below PhP15,000 (\$347.00), high school or elementary education, occupations as “unskilled” labor workers (e.g. plumber, vendor, janitor, maid), farmhands or fishermen, as well unskilled overseas workers (e.g. domestic workers), often live in semi-permanent and temporary homes, usually in slum or “squatters” communities.²⁶⁵ While “the terms ‘lower-class,’ ‘*masa*,’ and ‘the poor’ are sometimes used interchangeably in journalistic accounts and everyday discourse, not all lower-class individuals are officially considered ‘poor’.”²⁶⁶ The UNDP reports over a third of the Philippine population lives below the poverty line,²⁶⁷ but the total number identified as “lower-class individuals” is double this number at around 64 percent of the population.²⁶⁸

²⁶² Ibid.

²⁶³ Ibid.

²⁶⁴ Ong, “The Mediation of Suffering,” 69.

²⁶⁵ McCann Erickson Philippines. “Media rEvolution & The Filipino Consumer: A Media Marketplace Update”

²⁶⁶ Ong, “The Mediation of Suffering,” 69.

²⁶⁷ United Nations Development Programme (UNDP). “2007/2008 Human Development Reports.” Available at <http://hdr.undp.org/en/>. Last accessed on 29 February 2009.

²⁶⁸ McCann Erickson Philippines. “Media rEvolution & The Filipino Consumer: A Media Marketplace Update”

How then do the majority of Filipinos who belong to the lower-class cope with everyday life? As Deolalikar et al point out, the “ability of the poor to survive adverse conditions and be resilient largely depends on their access to either bonding social capital (i.e., relationships among themselves) and/or bridging social capital (i.e., links to groups with access to influence and resources).”²⁶⁹ Social capital is gained through the family, community, and civil society. In the Philippines, the value of the family or belonging to a group or community helps because “social security for an individual often includes the income and/or assets of other members of his family, from whom he could claim financial support.”²⁷⁰ Reliance on social networks is vital and can take a lot of forms—from borrowing money, a cup of sugar, to asking one's neighbor to mind one's child for a short period of time, to asking wealthier relatives to help educate a child. This dependence on social networks makes access to ICTs even more crucial for working-class and working-poor families.

The International Labour Organization (ILO) points out that the poor are very unlikely to be unemployed, and “economic inactivity is far more common among the poor, which could reflect a combination of child rearing, reliance on income from other household members, family remittances or other factors. It is clear that the substantial majority of the poor must work to survive.”²⁷¹ Castillo notes that “it has become

²⁶⁹ Anil B. Deolalikar, Alex B. Brillantes, Jr., Raghav Gaiha, Ernesto M. Pernia, and Mary Racelis, “Poverty Reduction and the Role of Institutions in Developing Asia” *Asian Development Bank ERD Working Paper Series* No. 10 (May 2002): 30.

²⁷⁰ Eduardo T. Gonzalez and Rosario Gregorio Manansan, “Social Protection in the Philippines,” in *Social Protection in Southeast and East Asia*, eds. Erfried Adam, Micahel von Hauff, and Marei John (Singapore: Friedrich Ebert Foundation, 2002), 178.

²⁷¹ Steven Kapsos and Richard Horne, “Working poverty in the world:

increasingly clear that having a job is in itself no longer a guarantee of staying out of poverty,” thus the category of “working poor” seems to be more apt.²⁷² Similar to the working poor in other parts of the world, lower-class Filipinos juggle multiple jobs, engage in contractual work, and participate in the informal economy. Employment in Asia has increasingly become “informalized,” which includes the traditional informal sector “composed of the own account workers and the contributing family workers but also the ‘casualized’ (or contractualized) workers within formal establishments.”²⁷³

The Philippines describes the informal sector as “poor individuals who operate businesses that are very small in scale and not registered with any national government agency, and to workers in such enterprises who sell their services in exchange for subsistence wages or other forms of compensation.”²⁷⁴ The informal economy is composed of people working as ambulant street vendors,²⁷⁵ laundry women, *sari-sari* store owners,²⁷⁶ or other small businesses. They include work-for-hire carpenters and gardeners, and housemaids and family drivers. Employees of large corporations, particularly in the retail sector often engage probationary and/or contractual employees for six months, terminating their employment before they are legally bound to make them

Introducing new estimates using household survey data” in *International Labour Organization Key Indicators of the Labor Market*. <http://kilm.ilo.org/2011/download/Chap1AEN.pdf>

²⁷² Paulynne Castillo, “The Working Poor,” *Manila Bulletin*, 20 September 2004.

²⁷³ Sangheon Lee and Francois Eyraud, “Globalization, Deregulation and Workers: Changes and Outcomes,” Workshop on Globalization and Changes in Employment Conditions in Asia and the Pacific, Seoul: ILO and Korea Labor Institute (2007). Cited in Jorge V. Sibal “Measuring the Informal Sector in the Philippines and the Trends in Asia,” 10th National Convention on Statistics (NCS), Manila, Philippines. October 1-2, 2007.

²⁷⁴ Social Reform and Poverty Alleviation Act of 1988 (RA 9485)

²⁷⁵ Food, goods, or service vendors that are mobile, often selling their ware in the streets such as cigarettes, candy, shoe-shine, flower vendors, etc.

²⁷⁶ Home-front convenience stores.

permanent. Such employees do not have any job security or benefits such as health care, vacation and sick leave, and social security.

It is to this lower-class population that has limited access and connections to the formal market economy that mobile commerce services aim to tap. At the same time, as I will argue more directly at the end of this chapter, although technologies such as the mobile phone allow users to cope better with the vagaries of life under conditions of flexible accumulation, contingent and informal labor, and the core-periphery workforce, they do little to challenge these labor hierarchies. The rapid diffusion of text messaging/SMS, prepaid, and m-commerce, as discussed in this chapter, are what Qiu calls “microsolutions to macro-problems”²⁷⁷ or a response to the “existential demands” of life as a lower-class Filipino under conditions of economic restructuring and urban transformation.

Text Messaging and Prepaid Cards

While the opening of the market and technological advances have paved the way for more access to mobile phone technology, two important innovations that came with the introduction of mobile phones in the Philippines were instrumental in its widespread adoption. First, as discussed in the previous chapter, was the popularity of SMS or text messaging. For Mendes et al, this was the “killer application” that “helped make the GSM platform dominant in the market.”²⁷⁸ Second, the introduction of prepaid cards

²⁷⁷ Jack Linchuan Qiu, *Working Class Network Society: Communication Technology and the Information Have-Less in Urban China*. (Cambridge, MA: MIT Press, 2009), 123.

²⁷⁸ Ibid., 17.

allowed those without a permanent address, credit history, and employment to purchase mobile phones. This made mobile phones affordable for the majority who belong to lower income brackets. Previous to the introduction of prepaid mobile phone, those in the lower middle class and the poor were left out of any real access to ICTs. Goggin points out that “prepaid phone cards coupled with cheap phones (a consequence of mass diffusion, competition in manufacturing and provision, as well as technical and design advances) have seen the widespread use of mobiles by people on low incomes.”²⁷⁹ In 1992 the Philippines had one of the lowest levels of telephone penetration in Asia: slightly more than 1 per 100 inhabitants.²⁸⁰ By the end of 2010, after the innovations of text messaging and prepaid phone cards, mobile phone penetration was at 90 percent, 97 percent of which were on a prepaid system²⁸¹ and part of daily life for majority of Filipinos.

Text Messaging

Introduced in 1994 as a free, add-on service on GSM phones, text messaging has since “crept into every imaginable aspect of the Filipino way of life...for business or for pleasure, personal entertainment or public debate, *texters*—the collective term used to describe SMS users in the country—have turned to tapping messages on their mobile phone keypads as a new and faster way of broadcasting everything from private thoughts

²⁷⁹ Gerard Goggin, “The Mobile Turn in Universal Service: Prosaic Lessons and New Ideals.” *Info*. Vol. 10 No. 5/6 (2008): 47.

²⁸⁰ <http://www.internetworldstats.com/asia/ph.htm>

²⁸¹ Both Globe (*2010 Annual Report*) and Sun (http://suncellular.com/about_us.Php) reported just over one million postpaid subscribers at the end of 2010, while Smart had less than half a million. According to the CIA 2010 World FactBook, at the end of 2010, there were 92.2 million mobile phone subscribers in the Philippines (<http://cia.gov>).

to political commentary.”²⁸² In 2000, mobile phone companies began charging for text messages by putting a cap on free text messages for both postpaid and prepaid phone plans. Yet this did not deter users. By 2001, Smart Communications, together with its subsidiary Piltel, reported an average of 50 million text messages a day.²⁸³ The National Telecommunications Commission estimated that in 2005, 250 million text messages a day were being exchanged in the Philippines.²⁸⁴ Text messaging became even more popular when Sun Cellular entered the mobile phone market with the flat rate, unlimited “24/7” text messaging service for phones in their network in 2003.²⁸⁵ That the Philippines is considered the text messaging capital of the world cannot be understated. In 2009, 600 text messages were sent per mobile subscriber each month from the Philippines compared to the 420 text messages a month per mobile subscriber from the U.S.²⁸⁶

Mendes et al note that in many developed countries, the cost to send and receive text messages is equal a minute of voice calls, a ratio of 1:1.²⁸⁷ For prepaid AT&T customers in the U.S., a minute of voice calls is charged \$.10 per minute and a text message (outgoing or incoming) is charged \$.20.²⁸⁸ In the Philippines, as with many other countries in Europe, Asia, and Africa, incoming text messages are not charged to the

²⁸² David Celdran, “The Philippines: SMS and Citizenship,” *Development Dialogue* No. 1 (2002), 91.

²⁸³ Shawn Mendes, Erwin Alampay, Edwin Soriano, and Cheryll Soriano (2007) *The Innovative Use of Mobile Applications in the Philippines: Lessons for Africa*. (Stockholm: Swedish International Development Cooperation Agency, 2007), 18.

²⁸⁴ Ibid.

²⁸⁵ Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.”

²⁸⁶ Shane Snow, “The Rise of Text Messaging,” from <http://mashable.com/2010/08/17/text-messaging-infographic/>

²⁸⁷ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 20.

²⁸⁸ <http://www.wireless.att.com/cell-phone-service/cell-phone-plans/pyg-cell-phone-plans.jsp?requestid=10013>

recipient. The cost of a text message in the Philippines is at PhP1.00 (\$.02) while voice calls are at PhP6.50-7.50 (\$.15-.18) per minute. With the entrance of Sun Cellular into the Philippine mobile phone market in 2003 came the introduction of unlimited voice calls and text messaging, albeit within the same cellular network, for a low fixed monthly price. Mendes et al thus suggest that the intensity of SMS adoption in the Philippines could be attributed more to competitive pricing than cultural factors.²⁸⁹

At the same time, as discussed in the previous chapter, to “explain away the texting phenomenon as a function of marketing hype or price-point efficiency would be to miss the whole point of its popularity in the Philippines.”²⁹⁰ ICTs such as the mobile phone are not adopted simply because they are cheap, but also, as in the case of the Philippines, because there were pre-existing cultural and social practices that allowed for text messaging to take root. According to Celdran, “in the tight-knit communities of Philippine society, disconnection from the network of texters is tantamount to isolation and exclusion from community life itself.”²⁹¹ He notes, “as migration, urbanization and the phenomenon of the two-income household restructured the Filipino family and community, remaking bonds loosened by modernity became paramount to survival and security.”²⁹² Elena van Tooren of AC Nielsen agrees, “extended families are a real support system, and we have a higher need to relate.”²⁹³ While strengthening these

²⁸⁹ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 18.

²⁹⁰ Celdran, “The Philippines: SMS and Citizenship,” 96.

²⁹¹ Ibid.

²⁹² Ibid.

²⁹³ Paul Kaihla, “The Philippines’ Other Revolution. (Think Wireless.): The Poor Pacific Nation is the World’s Leader in Text Messaging,” *Business 2.0* (8 May 2001) <http://www.business2.com/articles/wen/print/0,1650,11659,FF.html>. Last accessed 25 November 2002.

traditional Filipino cultural values, Celdran also recognizes the possibilities that the privacy of text messaging brings. Through text messaging, “intimate communication otherwise considered embarrassing, presumptuous or aggressive by Filipino cultural standards...what cannot be expressed orally is better communicated confidentially by text.”²⁹⁴

In the Philippines, text messaging has taken the place of email since overall Internet use at the end of 2010 was stuck at just under 30 percent,²⁹⁵ lagging far behind mobile phone use. And because mobile phones are portable, they facilitate asynchronous conversations throughout the day. It is also through text messaging that value-added services such as purchasing prepaid credit, using the mobile to purchase goods, and paying bills are conducted, benefitting both users and telecommunication companies. For their part, mobile phone users have access to new and convenient ways to conduct commercial transactions, and telecoms have extended their reach in the society and added new streams of revenue. These are discussed further later in this chapter

Prepaid Mobile Phones

Although text messaging, which began as free and marketed as a no-cost way of communicating with a mobile phone (as discussed in the previous chapter, as text messaging became more popular, telecommunication companies began charging for or putting limits on the number of for outgoing messages), it was the introduction of prepaid phone cards in 1998 that pushed for mobile phones, and as a result, text messaging, to

²⁹⁴ Celdran, “The Philippines: SMS and Citizenship,” 97.

²⁹⁵ Internet World Stats. <http://www.internetworldstats.com/>

gain a critical mass.²⁹⁶ Within a year of its introduction to the public, there were 7.7 million mobile phone users with a prepaid account.²⁹⁷ By the end of 2010, over 89.4 million mobile phone users in the Philippines were prepaid.²⁹⁸ For the telecommunication companies, the popularity of prepaid mobile phones “reflects one of the distinguishing characteristics of the Philippine cellular market,”²⁹⁹ allowing for the rapid increase and broadening of the subscriber base. Furthermore, companies “enjoy fairly rich margin [sic] given that there are no handset subsidies extended, reduced billing and administrative costs on a per-subscriber basis, as well as to control credit risk.”³⁰⁰

Prepaid phone cards were first introduced in 1998 by Smart Communications, with Globe Telecom quickly following suit. Mendes et al note that prepaid phones “helped increase access to owning a cellular line by overcoming previous barriers to ownership.”³⁰¹ All one needed to have access was to buy a mobile phone and prepaid SIM card. To add credits (or “load” in local parlance), the user would simply purchase a prepaid scratch card, similar to a gift card, and activate it using the numbers and PIN found at the back of the card. Initially prepaid card denominations were between \$4.63-\$9.25 (PhP250.00-PhP400.00) and consumable over a two-month period, but this was too

²⁹⁶ Celdran, “The Philippines: SMS and Citizenship,” 95.

²⁹⁷ Quest Research for ABS-CBN Interactive, “As Usages, Attitudes and Image Study on the Cellphone and Landline Markets,” June 2002. Quoted in Celdran, “The Philippines: SMS and Citizenship,” 95.

²⁹⁸ Both Globe (*2010 Annual Report*) and Sun (http://suncellular.com/about_us.Php) reported just over one million postpaid subscribers at the end of 2010, while Smart had less than half a million, thus total postpaid subscribers were less than 2.5 million. According to the CIA 2010 World FactBook, at the end of 2010, there were 92.2 mobile phone subscribers in the Philippines (<http://cia.gov>), thus over 89 million users are prepaid.

²⁹⁹ PLDT 2011 Philippines Securities and Exchange Commission (SEC) Form 17-A. <http://pldt.com.ph>

³⁰⁰ Ibid.

³⁰¹ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 19.

costly for majority of the population.³⁰² Despite the seemingly low cost of less than \$5.00 for which a prepaid subscriber had about 30 minutes of voice calls and four text messages a day for a two-month period,³⁰³ many were still left out. Telecom companies needed to find ways to tap into the broad Filipino working-class.

In May 2003, Smart Communications introduced SmartLoad, an “over-the-air prepaid airtime reloading service in sachet-like³⁰⁴ retail packages.”³⁰⁵ This was the first of its kind in the world.³⁰⁶ Basic packages started at PhP30 (\$.69) and went as high as PhP200 (\$4.63). Instead of purchasing a physical prepaid card from retailers, mobile phone subscribers hand in their payment to the convenience shop owner, neighborhood corner store, or entrepreneurial individual retailer who then sends the additional credits to from his or her mobile phone to the subscriber’s phone. The subscriber receives a text messaging confirming the amount that has been added to their account and its expiration date. While this electronic form of buying credits or “load” allowed for users to purchase smaller denominations, they must be used up over a shorter period of time. To be a retailer for over-the-air credits, the mobile phone user goes to a Smart Communications

³⁰² Ibid., 21.

³⁰³ Kaihla, “The Philippines’ Other Revolution. (Think Wireless.)”

³⁰⁴ “Sachet marketing” refers to the strategy to make products more accessible to consumers by marketing it in small variants (i.e. units, volume or packaging). Small variants equate to low cash outlay and therefore offering minimal risk on the consumer’s part. This effective strategy, typical in underdeveloped countries, is an appealing option for those sampling new products or for the day wage earner whose scarce budget and expenses are determined day-to-day. For example, because a whole bottle of shampoo is too expensive, one can buy a “sachet” of shampoo that is enough for 1-2 baths. This kind of marketing and selling of products was built upon the traditional “sari-sari” or corner convenient store where one could literally buy necessities in small denominations such as a cup of sugar or cooking oil, a single breath mint, or single cigarette stick.

³⁰⁵ <http://smart.com.ph/corporate/about/technology/MCommerce.htm>

³⁰⁶ “Get a Load on Smart’s Latest Innovation” from <http://www.smart.com.ph/SMART/About+Us/Technology/Get+a+%27load%27+on+SMART%27s+latest+innovation.htm>. Last accessed 17 February 2004.

office and fills-out the necessary application forms. Upon approval, the user will be given a retailer SIM card that allows them to sell mobile phone “load.” Within the first year, Smart had over 150,000 retailers selling SmartLoad. According to Smart’s Billy Racho, “SmartLoad is very well received because it makes airtime more affordable especially for the cash-strapped.”³⁰⁷

Globe Telecom quickly followed suit and also launched its over-the-air reloading system in the latter part of 2003. Through AutoloadMax subscribers were able to add credits in denominations of PhP100.00 (\$2.31) and PhP50.00 (\$1.16). According to Globe, AutoloadMax “significantly increased reloading pervasiveness and accessibility to its subscribers by being present up to the tertiary levels of distribution such as *sari-sari*”³⁰⁸ stores.”³⁰⁹ By offering lower prepaid rates, both Globe and Smart were able to expand to lower income groups³¹⁰ At the end of 2004, Globe’s prepaid subscribers grew by 45 percent, while solidly maintaining its postpaid subscribers.³¹¹ For small business owners who had become mobile phone airtime retailers, the results were positive. Six months after introducing its lower denomination loading service, SmartLoad received positive feedback from its partner-retailers such as Mel Capistrano who says, “*Ang daming may phone ngayon kaya nagiging basic need na rin yata ang airtime load. Ang Buddy Load*

³⁰⁷ “Smart Buddy Load in Your Nearest Convenience Store” from http://www.smart.com.ph/SMART/About+Us/News_Events/Smart+Buddy+Load+in+your+nearest+cornerstor.htm. Last accessed 17 February 2004.

³⁰⁸ A sari-sari store refers to a tiny convenience store where an assortment of commodities are often sold in small increments. For example, consumers may purchase a cup of sugar or vinegar, a single cigarette stick, a can of soup, or a piece of candy.

³⁰⁹ Globe Telecom, Inc. 2003 Annual Report, 13. <http://globe.com.ph>

³¹⁰ Qui points out that this was a necessary move for commercial telecoms. In order to show investors continuing growth rates and profits once elite markets reached saturation, telecoms had reach out to the larger mass market Qiu, *Working Class Network Society*, 56.

³¹¹ Globe Telecom, Inc. 2004 Annual Report, 15. <http://globe.com.ph>

para na syang tinging suka at toyo, except it's hi-tech!" (There are many who now have [mobile] phones and thus it seems airtime load has become a basic need. The [Smart] Buddy Load, it's like vinegar and soy sauce [in small packs,] except it's hi-tech!").³¹²

In early 2010 Globe Telecom launched a PhP10.00 (\$.23) prepaid card called TingiLoad, which refers to retail purchases made in tiny increments. TingiLoad is valid for three days and can be used for voice calls, text messaging, and Internet access. What is striking about this product is that instead of selling these cards through Globe stores or its partners (such as neighborhood convenience stores or grocery stores), Globe Telecom tapped into street vendors, public transportation drivers, and fast-food workers as resellers so that "instead of having to hunt high and low for prepaid load, the load now comes right to you."³¹³ It's akin to allowing bus drivers, subway booth operators, and hotdog vendors in New York City to have a small side business selling prepaid AT&T or Verizon phone cards. Thus, working-poor entrepreneurs are able to earn extra cash by linking-up with the telecom companies. According to Globe chief marketing officer Menchi Orlina, "We really want to give our subscribers more convenient and affordable choices for them to stay Globe-connected."³¹⁴ For Globe, this marketing strategy also "empowers the marginalized sector of the community like the *tingi* and street vendors by

³¹² "Smart Buddy Load in Your Nearest Convenience Store" from http://www.smart.com.ph/SMART/About+Us/News_Events/Smart+Buddy+Load+in+your+nearest+cornerstor.htm. Last accessed 17 February 2004.

³¹³ "Tingi Loading Makes Summer a Breeze," http://site.globe.com.ph/press_releases/tingi_loading_makes_summer_a_breeze?sid=TsvuCsuxpRYAAEtkn20AAACXe

³¹⁴ Mary Ann Ll. Reyes "Globe launches first all-in P10 prepaid load." *The Philippine Star*, 13 March 2010.

giving them added income opportunities.”³¹⁵

The introduction of Smart’s PasaLoad and Globe’s Share-A-Load which allows subscribers to share “load” or credits with other subscribers within their network further gave mobile phone users flexibility in adding “load” when needed.³¹⁶ Instead of having to look for a retailer to add “load,” users can ask their friends and family to help tide them over until they are able to top-up their phones, emphasizing the importance of social ties. The mobile phone not only connects people with each other, but friends and family can also facilitate the connection by ensuring phones are functioning. Subscribers are able to share or pass on their own credits in small increments of PhP15 (\$.35), PhP10 (\$.23), PhP5 (\$.11) or PhP2 (\$.04) that must be consumed in a day.³¹⁷ Globe took this a step further creating a service called Ask-a-Load allowing subscribers to ask their friends and family for credits through text messaging.³¹⁸ In 2004, Globe further expanded these reload services to Overseas Filipino Workers (OFWs) in HongKong, Singapore, and Japan through its Globe Kabayan program.³¹⁹ The popularity and success of these products were astonishing and by the end of 2004, Autoload Max and Share-a-Load accounted for 90 percent of Globe’s total reload transactions and 62 percent of total reload value.³²⁰ Mendes et al, observe, “the exchange of mobile credits or ‘loads’ has become a de facto form of microfinance in the Philippines.”³²¹

³¹⁵ Ibid.

³¹⁶ <http://smart.com.ph/corporate/about/technology/MCommerce.htm> and Globe Telecom, Inc. 2004 Annual Report, 14. <http://globe.com.ph>

³¹⁷ <http://smart.com.ph/corporate/about/technology/MCommerce.htm>

³¹⁸ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 21.

³¹⁹ Globe Telecom Inc. 2004 Annual Report, 14. <http://globe.com.ph>

³²⁰ Ibid., 9.

³²¹ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 21.

The major advantage of prepaid plans is users can purchase only what they need and at the increments that they can afford. When prepaid was first introduced, it was clear that those with postpaid phones had an advantage—they spent less on their monthly phone bill as whole and less on each minute of voice calls and each text message sent. But as telecommunication companies began offering more options with regards to building a monthly postpaid plan or choosing prepaid services such as voice calls, text messaging, data plans, surfing the web, and international direct dialing, comparing costs of per minute voice calls and individual texts become moot. Instead, postpaid and prepaid plans must be evaluated with regards to the kind of services the user wants or needs, the capacity to pay for such services in bulk or in increments, and kind of mobile phone device the user has or intends to buy. The advantages of postpaid plans include a regular monthly bill, less restrictions on services, wider range of free or reduced-cost phones (particularly smart phones such as the iPhone, Android, and Blackberry), and convenience when travelling abroad.³²² Prepaid users, on the other hand, spend only what they can, when they need it, and only for services they are going to immediately use. They are not locked into multi-year contracts and can switch numbers and providers whenever they want.

Thus said, prepaid users do face several disadvantages including being closed-out from discounted or free phones, particularly smart phones, the need to keep tabs of each new product and service offered, and time spent on purchasing a specific service (e.g. two hours of surfing for a 24-hour period). Sometimes, telecommunication companies

³²² Globe and Smart's websites (<http://globe.com.ph> and <http://smart.com.ph>) describe the various products and services they offer in great detail.

unload inventories of old phones as new models are about to be introduced. For example, in the last quarter of 2010, in anticipation of the release of the iPhone 4 in 2011, Globe offered prepaid customers the option to buy the iPhone 3GS, payable over 12 months with zero interest.³²³ Given the socio-economic make-up of Philippine society, the popularity of the mobile phone, and the easy accessibility and low cost of services and products, it is not surprising the majority of the nation's mobile phone users are on prepaid.

Your Mobile is Your Wallet

The success of text messaging and the re-loading of credits on prepaid phones paved the way for other kinds of commercial transactions to be carried-out through mobile phones. Mobile Commerce or m-Commerce refers to the buying and selling of goods and services through wireless handsets. It involves the storage, payment, receiving and sending of “electronic currency” through the use of mobile phones.³²⁴ Despite the fact that 90 percent of the population own mobile phones, only a fraction are able to afford smart phones with Internet capabilities, not to mention that 3G and 4G connections are slow and data plans expensive. Since text messaging has been the primary way Filipinos use their mobiles, mobile phone companies—together with other corporations, entities, and government agencies—have been developing ways to take advantage of this widespread use. Although Mobile Commerce is closely associated with Mobile Banking,

³²³ I was in the Philippines over the holidays in 2010 and took note of this promotion which my brother and his then fiancée took advantage of.

³²⁴ Ibid., 30.

as it is banking services that allow for transactions to be made, this chapter focuses on how mobiles are used for the transfer of ownership of good and services through the use of mobile phones and/or devices linked to mobile phones. To this end, both Smart Communications and Globe Telecom have set-up their own system of Mobile Commerce.

Smart Money

Smart Communications, in partnership with a retail bank, Banco de Oro,³²⁵ launched Smart Money in 2000 and which considered a breakthrough in mobile commerce in the world.³²⁶ Essentially, Smart Money is a debit card, linked to a Smart mobile phone number that can be accessed through a BancNet³²⁷ ATM machine, a credit card terminal, or a mobile phone. To enroll in Smart Money, mobile phone subscribers must physically go to a Smart Wireless Center to sign up. While there is no cash deposit or minimum balance required, users are charged PhP220.00 (approximately \$5.10. Also the cost of two Big Macs³²⁸ or two percent of a registered nurse's monthly salary³²⁹) for a Smart Money debit Mastercard that can be used to withdraw cash or charge purchases. Subscribers are also able to send money from one Smart Money account to another, pay bills, and reload airtime credits.³³⁰ In each Smart phone is a Smart Money menu that helps the user navigate the intricacies of using the service. All transactions are tracked and confirmed through text messaging. To add funds to a Smart Money account,

³²⁵ Banco de Oro is one of the largest commercial banks in the Philippines. See <http://www.bdo.com.ph/>.

³²⁶ Mendes, et al. *The Innovative Use of Mobile Applications in the Philippines*, 30-31.

³²⁷ BancNet is the largest ATM consortium in the Philippines with a network of over 30 banks. See <http://www.bancnetonline.com/>.

³²⁸ A Big Mac is PhP105.00 (<http://www.munchpunch.com/2391/mcdonalds-makati-cinema-square/menu>)

³²⁹ <http://www.worldsalaries.org/philippines.shtml>

³³⁰ <http://www1.smart.com.ph/money/what/>

subscribers can either transfer money from a linked bank account, deposit money through a Smart Wireless Center or through any of the Smart Money Centers (merchant partners of Smart Communications). At the end of 2006, it was estimated that 20 percent of Smart's prepaid users were registered with Smart Money.

GCash

GCash, according to Globe Telecom, is a “flagship M-Commerce service was born from a simple goal of transforming a mobile phone into a wallet”³³¹ and “expand the use of mobile phones beyond communications.”³³² Launched in October 2004, GCash operates under Globe's wholly-owned subsidiary, G-Xchange, Inc. It allows Globe and Touch Mobile (subsidiary of Globe aimed towards the lower income market, also known as TM) subscribers to use their mobile phones for “purchases and payments, person-to-person or P2P transactions, and domestic and international remittance.”³³³ GCash is an expansion of over-the-air reloading products AutoloadMax and Share-A-Load. To enroll, Globe subscribers simply locate the GCash menu on their mobile phones and follow the step-by-step instructions, and tutorials are available online and at the Globe stores. GCash wallets can hold from PhP1.00-PhP10,000.00 (\$.02-\$231.53) at a given time.³³⁴ Because Globe has the responsibility over all its financial transactions through their mobile network, they, in agreement with the central bank (Banko Sentral ng Pilipinas or BSP) and the Anti-Money Laundering Council, have set for GCash users a maximum transaction limit of PhP40,000 (approximately \$926.14) per day and a maximum

³³¹ “How GCASH started” from <http://globe.com.ph>. Last accessed 11 March 2010.

³³² Globe Telecom Inc, *2004 Annual Report*, 5. <http://globe.com.ph>

³³³ Ibid.

³³⁴ Ibid., 12.

transaction limit of PhP100,000 per month (both for incoming and outgoing transactions).³³⁵

Globe Telecom's website lists four general categories in which GCash is used. First is GCash Mobile which "is the faster, more affordable, and secure way to send [and] receive money, buy load, pay bills, and do a lot of money related transactions, anytime, anywhere using your Globe or TM mobile phone."³³⁶ Through GCash, subscribers are able to remit money, make donations, pay bills and loans, disburse salaries and commissions, pay for food delivery, purchase movie tickets, online gaming credit, pay tuition fees, loans, etc. through text messaging.

Second, as online shopping gained popularity in the Philippines, GCash became the "preferred payment method in sites such as eBay.ph and Multiply.com for purchases over the web."³³⁷ To further facilitate online shopping, Globe launched GCash Click in 2009 which brings together online shopping and mobile payments. Through partnering with the shipping and delivery company Delbros, Globe is able to "offer online shoppers and sellers a way to buy and sell online while ensuring a safe and convenient means of delivery."³³⁸ Among the major obstacles in online shopping in the Philippines has been the lack of payments systems (credit cards have a low penetration rate) and unreliable delivery systems. These will be discussed further in this chapter.

Third, is GCash Online, a web-based facility for GCash subscribers who prefer to

³³⁵ "Ways to Use Globe GCash"

http://nymphsandco.multiply.com/journal/item/3/Ways_to_use_Globe_G-CASH

³³⁶ <http://gcash.globe.com.ph/what-is-gcash.html>

³³⁷ Globe Telecom, Inc. *2009 Annual Report*, 33. <http://globe.com.ph>

³³⁸ GCash Click integrates e-commerce with offline delivery." [abs-cbnNEWS.com](http://abs-cbnnews.com). 12 August 2009. <http://abs-cbnnews.com>

conduct GCash transactions through the Internet. GCash Online “offers more opportunities for customers in the US to remit funds to the Philippines.”³³⁹ Through the PayPal platform, US-based account holders can fund GCash registered mobile phones in the Philippines. This is especially convenient for Overseas Filipino Workers (OFWs) as it gives them ways to directly send funds bypassing banks and other remittance service providers such as Western Union.

Lastly, GCash Remit is a “cash-pick up service that is supported by a wide cash-handling network, including leading local and international remittance companies backed by reputable settlement banks.”³⁴⁰ To send remittances from abroad, the sender sends funds through a GCash Remit international partner such as Speed Remit (a leading global money transfer network with 50,000 locations around the world), Al Fardan Exchange (the largest remittance network in Qatar), and Softbank Payment Service Corp. (a subsidiary of Softbank Corp., a Japanese telecommunication and Internet corporation).³⁴¹ For domestic remittances, senders go through any GCash Remit partners nationwide. In both cases, recipients, whether or not they are Globe Telecom subscribers, receive a text message containing a reference number so funds may be easily claimed from the various Globe partners in the Philippines. A more detailed discussion on remittances can be found later in this chapter.

In addition, Globe continues to establish partnerships with corporations, organizations, and government institutions to use GCash in making commercial

³³⁹ <http://gcash.globe.com.ph/what-is-gcash.html>

³⁴⁰ Ibid.

³⁴¹ <http://gcash.globe.com.ph/news>

transactions. For example, in 2005, Globe launched G-Pass, a payment application for Metro Rail Transit (MRT) commuters. Instead of a regular paper ticket, commuters purchase a small round chip using RFID technology and tap it on the sensor at the turnstiles. The G-Pass can easily be re-loaded through GCash. In 2010 Globe introduced a GCash card that provides customers with access to over 9,000 ATM machines giving them more ways to retrieve cash. By mid-2011, GCash saw a 50 percent increase in its transactions from the previous year.³⁴²

Mobile Commerce: Providing Financial Convenience to the Unbanked

The rising popularity of GCash, Smart Money, and other m-commerce services should not be surprising, given that most citizens lack access to traditional banking services. Through Smart Money and GCash, users bypass any direct contact with banks, avoiding questions about credit and employment histories and minimum balances. The main difference between Smart Money and GCash is the physical Mastercard associated with the Smart Money service, which essentially is like any other debit card. GCash, on the other hand, focuses on using mobile phones and text messaging to create new ways to conduct commercial transactions. Both, however, focus on providing financial services to the un- and under-banked.

Globe and Smart make no bones that GCash and Smart Money are products aimed at those without or have limited access to formal banking institutions. In fact it is interesting that Globe's website switches language from English to Filipino when

³⁴² "GCASH transactions up 50%" BusinessWorldOnline. 15 June 2011.
<http://www.bworldonline.com>

explaining how GCash Remit works, a telling sign that its target market is the lower income bracket whose facility with the English language is not strong. Through mobile commerce, consumers no longer have to carry large amounts of cash to make purchases or payments.

The unbanked and under-banked are indeed a large slice of the Filipino mosaic. A pilot of a nationwide survey conducted in the first quarter of 2008 by the Banko Sentral ng Pilipinas (BSP), showed that only 20 percent of respondents had bank accounts.³⁴³ In April 2012, the BSP released the findings of the full survey, the first ever Consumer Finance Survey, affirming the pilot, finding that eight in ten Filipino households (78.5 percent) did not have a deposit account.³⁴⁴ Of the deposits, only six out of ten were accounts that earned interest, thus indicating that a significant number of bank accounts failed to meet the minimum deposit requirements to earn interest.³⁴⁵ Furthermore, only four percent of sample household respondents had credit cards, 63.6 percent of whom only owned one credit card.³⁴⁶ This low penetration rate is attributed to a “general lack of familiarity with consumer credit and the absence of a credit culture.”³⁴⁷ There are no credit bureaus, thus banks and their subsidiary credit card companies are tasked by the BSP to exercise due diligence in making sure that applicants have a good credit standing and are financially capable of fulfilling their credit commitments.³⁴⁸ Through GCash and

³⁴³ Winecito L. Tan. “Consumer Credit in the Philippines,” BIS Papers 46 (May 2009), 117.

Accessed through <http://www.bis.org/>

³⁴⁴ Banko Sentral ng Pilipinas. “BSP Releases Results of First Consumer Finance Survey in the Philippines.” <http://bsp.gov.ph>

³⁴⁵ Ibid.

³⁴⁶ Ibid.

³⁴⁷ Tan. “Consumer Credit in the Philippines.”

³⁴⁸ Ibid., 118.

Smart Money, telecommunication firms are therefore able to provide users with a system of payments that previously would have been cash-based transactions.

A key feature of GCash and Smart Money is the ability of users to pay utility bills without having to physically go to payment centers of each individual utility company or a bank to make payments. Unlike in the U.S., payments of bills through mail was never developed due to the public's distrust of the arguably inefficient Philippine Postal Service. Those with access to traditional banking services can arrange for auto-debits or pay for their bills online. But as shown above, much of the population does not have bank accounts, and thus would need to physically go to payment centers or banks to pay their bills. This is a burden on low-wage earners because it means spending their lunch hour, break times, or days off queuing at payments centers, whereas those with access to the formal banking systems expend less time and energy accomplishing such tasks.

Through GCash and Smart Money, these bills can be paid for quickly and efficiently. A confirmation of transactions is sent to the mobile phone via text message, and users can pay their bills anytime and anywhere. Purchases through mobile phones, whether for food deliveries, online purchases, or payment of bills, is seen as more efficient for its immediacy, convenience, and accessibility. Although neither Smart nor Globe have released a definitive report on how many of their subscribers use mobile commerce regularly, the research firm Frost and Sullivan predicted in 2010 that mobile payments are expected to double globally by 2015, particularly in the Philippines where

access to banks is limited.³⁴⁹

Mobile Commerce: Reducing Barriers to Overseas Remittances

In 2010, the Philippine Overseas Employment Agency (POEA) reports that 1,470,826 Overseas Filipino Workers (OFW) were deployed overseas.³⁵⁰ In 2012, the Commission on Filipinos Overseas (CFO) estimated that there were 9,452,984 Filipinos living abroad.³⁵¹ However, Mandianou and Miller, while researching Filipino migrants and new media, point out that the figure is more likely 12 million.³⁵² OFWs have been hailed by the Philippine government as “new heroes” for the services they provide to the world and (especially) for the remittances they send back. In 2011, OFWs sent back \$20 billion in remittances³⁵³ supplying 10 percent of the country’s GDP.³⁵⁴

In previous research, I found that the rise of mobile phone use has been particularly helpful for Filipino domestic workers to maintain familial ties with the children they left back home and at the same time reinforce the existing socio-economic systems that push them to leave home in the first place.³⁵⁵ Through mobile phones, Filipino domestic workers in the U.S. have been able to text their children multiple times a day, asking

³⁴⁹ “M-payments seen doubling in five years” *BusinessWorld Online*. 7 October 2010.
<http://www.bworldonline.com>

³⁵⁰ Philippine Overseas Employment Administration. Overseas Employment Statistics 2010.
<http://poea.gov.ph>

³⁵¹ Commission on Filipinos Overseas, “Stock Estimate of Overseas Filipinos,” December 2010.
<http://cfo.gov.ph>

³⁵² Mirca Mandianou and Daniel Miller. *Migration and New Media: Transnational Families and Polymedia*. (London & New York: Routledge, 2012), 17.

³⁵³ Banko Sentral ng Pilipinas. <http://www.bsp.gov.ph/statistics/keystat/ofw.htm>

³⁵⁴ According to the World Bank, the Philippines GDP for 2010 was at \$199,589,447,424.
<http://data.worldbank.org/country/philippines>

³⁵⁵ Uy-Tioco, “Overseas Filipino Workers and Text Messaging,” 264.

them mundane, everyday questions, such what they had for breakfast or if they had done their homework. Thus, they are able to maintain and assert their role as “mothers” despite physical distance. In addition, through the mobile phone children left behind were able to text their mothers when they needed more money wired home.³⁵⁶ Overseas Filipino mothers, in their use of ICTs such as the mobile phone, are able to cope with familial and financial demands and obligations brought about by migration.

Since 2004, both Smart and Globe, through their Smart Money and GCash programs, have been facilitating mobile remittance services, “cross-border payments utilising mobile phone technology to send and/or receive remittances.”³⁵⁷ Through partner service providers all over the world Filipino migrants able to send money home to loved ones in the Philippines at lower costs. Sending remittances home composes a very private part of the transnational social field, “it is sustained by a system of legalized exchanges, structured and officially sanctioned by the Philippine state.”³⁵⁸ Migrants, especially those who send money home regularly are hailed as “new heroes” by the Philippine government. While the government is not directly involved in developing the system for remitting funds via mobile phones, through the BSP it creates the policy and regulatory space for ideas and products to flourish, creating the environment for innovation while

³⁵⁶ Ibid., 259.

³⁵⁷ Sam Porter, “Mobile Remittances: A Study of the Philippines and Tonga,” December 2009, 7. <http://www.microfinance-pasifika.org/assets/newsitefiles/papers/Mobile-remittances.pdf>

³⁵⁸ Nina Glick Schiller, Linda Basch, and Cristina Blanc-Szanton. “A New Analytic Framework” in *Towards a Transnational Perspective on Migration: Race, Class, Ethnicity, and Nationalism Reconsidered*, eds. N. Glick Schiller, L. Basch, and C. Blanc-Szanton, (New York: New York Academy of Sciences, 1992), 4.

ensuring risks are identified and adequately managed.³⁵⁹ Specifics on banking regulations and policies will be further discussed in the following chapter on mobile banking.

M-commerce remittances offer clear advantages to overseas workers and their families back home. A study by the United Nations and the International Fund for Agricultural Development notes, sending money home using mobile phones “eliminates the need for costly travel to the nearest bank; it can include international as well as domestic transactions; it can reach rural areas; it is a near-instantaneous transfer mechanism; and it allows transactions in small denominations.”³⁶⁰ Most banks in the United States, for example, charge a wire fee of \$10-25 per wire transaction—a prohibitive fee when the migrant worker is only sending home \$50 or other similar small denominations. In addition, some banks charge incoming wire fees of \$10-\$15.³⁶¹ Furthermore, because wire transfers are made by wiring money from one institution to another, recipients would need to have a bank account so they can be sent. To access funds, recipients would need to physically go to the bank, unless they have ATM or online banking access. But, as discussed above, most Filipinos are not involved in the formal banking system. Thus the un-banked rely more commonly on remittance networks and money transfer organizations such as Western Union which charges lower fees.³⁶²

³⁵⁹ Email message from the head for Financial Inclusion Department of the Banko Sentral ng Pilipinas, 30 May 2012.

³⁶⁰ Rosemary Vargas-Lundius, Guillaume Lanly, Marcela Villarreal and Martha Osorio. “International Migration, Remittances and Rural Development,” International Fund for Agricultural Development (IFAD), 2008, 19.

³⁶¹ See <http://bankofamerica.com> and <http://capitalone.com>

³⁶² To send \$150 to the Philippines from Fairfax, VA, Western Union charges a \$12 fee. See <http://westernunion.com>

Instead, to send remittances to a mobile phone user in the Philippines, the overseas worker would go to a GCash Remit or Smart Padala international partner and fill out the appropriate paperwork. Once the transaction is made, a text message is sent informing the recipient of the money transfer. He or she then brings his or her mobile phone to the nearest Smart or Globe store or local partner to receive the funds. In addition to the cheaper cost, mobile phone stores are located in shopping malls that have late evening closing hours and are open on weekends, unlike Philippine banks that close mid-afternoon and are only open for business on weekdays. In 2006, Globe launched a “cross-border Single-Currency Remittance with CSL (a telecom company) of Hong Kong”³⁶³ paving the way for overseas Filipino workers who use CSL mobile phones to send money directly from their Hong Kong mobile phones to their family members’ Globe phones back home through text messaging. This minimized costs for transferring of funds (the cost would be that of a text message) and bypassed the need for the overseas worker to go to a GCash partner outlet during their days off from work. The following year, Globe entered into a similar agreement with a mobile phone company, Maxis, in Malaysia.

Globe’s GCash Remit is currently available in 36 countries and territories outside the Philippines where remittances can be sent and over 18,000 locations in the Philippines where remittances may be collected.³⁶⁴ Frost and Sullivan note, since the Philippines is the fourth largest recipient of remittances next to India, China, and Mexico, “the huge flow of remittances from abroad offers a very attractive opportunity to the

³⁶³ “Harnessing The Power Of The Mobile Phone For Low Cost, Fast & Accessible Cross Border Remittances – A GCASH Case Study.” Globe Telecom presentation, Asia Pacific Regional Forum, Bangkok, Thailand, 20 May 2011.

³⁶⁴ <http://globe.com.ph>

mobile operators.”³⁶⁵ Analyst Shaker Amin points out, “the benefits [of mobile payments] are enormous. For mobile operators, it provides a means to add value to their commercial offerings with new services enabling new revenue streams; for banks, it helps in reducing cash handling and costs; for merchants, it helps to speed-up transaction time and generate more transactions.”³⁶⁶ In 2011, PLDT/Smart reported that approximately 50 percent of their cellular revenues were derived from data usage, which includes all text messaging-related services, as well as, value-added services (Internet browsing, PasaLoad, SMS-based services such as info-on-demand, and MMS-based services such as ringtones, logo and music downloads) and wireless broadband.³⁶⁷ Globe, on the other hand, reports that in 2011, “mobile telephony revenues from domestic voice, regular, unlimited and bucket SMS, mobile browsing, and other value-added services were up 14 percent year-on-year.”³⁶⁸ These growths in revenue are quite significant in an already mature mobile phone market.

For the OFW, these mobile phone-based remittances have made their lives and that of their families left behind better in real and tangible ways. Just as the mobile phone and other ICTs have made communicating with loved ones far away easier and more convenient, mobile remittances has presented easier and cheaper ways of sending money home. Paradoxically, these innovations that provide overseas workers with access to maintaining ties with the family in the Philippines simultaneously serves to reinforce the

³⁶⁵ “M-payments seen doubling in five years” *BusinessWorld Online*. 7 October 2010. <http://www.bworldonline.com>

³⁶⁶ Ibid.

³⁶⁷ PLDT 2011 Philippines Securities and Exchange Commission (SEC) Form 17-A. <http://pldt.com.ph>

³⁶⁸ Globe Telecom 2011 Annual Report. 7. <http://globe.com.ph>

structural reliance of the Philippine economy on migrant workers. The ease of communicating with loved ones and sending money home helps maintain familial ties and has reduced, yet again, another barrier to the migration decision.

Widespread Adoption: Bridging the Digital Divide?

As we have seen above, the widespread adoption of mobile phones has led to the development of new and intriguing uses for the mobile phone. While computers and the Internet have thus far failed to reduce the chasm between the “haves” and “have-nots,” the mobile phone’s growing popularity in the poor and developing countries of the world is seen to hold some promise for reducing social inequality. No longer is it simply a tool for communicating with another person, but it has also become a source of information, a way to conduct financial transactions, and way to participate in global information networks. The 2006 report *Measuring ICT for Social and Economic Development*, states, “like electrical power before it, ICTs have been recognized as a ‘*General Purpose Technology*’ (GPT) that transforms economic relations, enhances productivity and creates new services and markets.”³⁶⁹

Information and communication technologies (ICTs)—fixed telephone lines, mobile phones, and the Internet—give access to relevant information needed to “provide crucial knowledge inputs to enable productive activities in rural and poor households, make markets more accessible, increase the reach and efficiency of the delivery of social

³⁶⁹ International Telecommunication Union. *World Telecommunication/ICT Development Report 2006: Measuring ICT for Social and Economic Development, Executive Summary* (Geneva, Switzerland: ITU, 2006), 16. <http://www.itu.int>

services, and give people a chance to influence policy and decision-making.”³⁷⁰

According to the *World Telecommunications/ICT Development Report 2010*, ICTs

underpin almost every single activity undertaken in the modern world, and affect everyone on the planet—even those who do not themselves have first-hand access to ICTs. Good examples include food distribution, power networks, water supplies or mass transportation, all of which are controlled and managed today by ICT networks and applications.³⁷¹

For Castells, the world we live in today is increasingly organized around networks.

“While the networking form of social organization has existed in other times and spaces,”

he writes, “the new information technology paradigm provides the material basis for its pervasive expansion throughout the entire social structure.”³⁷² Qiu points out, “it is time to see the social role of ICTs in a different light—not as a tool of profit making but as welfare, a mechanism of equity and social inclusion beyond computers in the classroom, beyond telemedicine, beyond conspicuous consumption, or any short-term uses of ICTs for economic development.”³⁷³ In a network society, key social structures and activities are organized around electronically processed information networks and for this reason providing access to ICT must be seen as a right of citizenship in the information age.

In the Philippines, the Commission on Information and Communications Technology (CICT) was created on 12 January 2004 by Executive Order 269, to “develop the country as a world-class ICT services provider, provide government services to

³⁷⁰ Mirandilla, “Achieving Universal Access Through Liberalization, Regulation, and Deregulation: The Case of the Philippine Telecommunications and ICT Sector.”

³⁷¹ Hamadoun I. Touré, “Foreword,” *World Telecommunications/ICT Development Report 2010: Monitoring the WSIS Targets: A mid-term review* (Geneva, Switzerland: ITU, 2010), iii.

³⁷² Manuel Castells, *The Rise of the Network Society*, 2nd ed. (Malden, MA: Blackwell, 2000), 500.

³⁷³ Qiu, *Working Class Network Society*, 151.

stakeholders online, provide affordable Internet access to all segments of the population, develop an ICT enabled workforce, and create an enabling legal and regulatory environment.”³⁷⁴ This is important, because as Castells et al note, “connectivity via telecommunications is an essential prerequisite for development in our globalized world. The connectivity gap is one of the most formidable obstacles to developing countries and poor regions linking up with the dynamic global economy and with the global communication networks that offer access to information, education, and services.”³⁷⁵

With these benefits of ICTs in mind, international development organizations have embraced “universal, ubiquitous, equitable and affordable” access to ICTs as a global mission,³⁷⁶ yet clearly universal access remains an imposing challenge. People in poor, remote areas, especially in the developing world, lack access to telecommunications and ICT infrastructure, thereby creating a “digital divide” between those with access and those without. The term “digital divide” began appearing in the 1990s and is conventionally understood in terms of access to and usage of digital technologies.³⁷⁷ For Cammaerts and Van Audenhove, it refers to “unequal access to technologies or digital exclusion at an international as well as a local level.”³⁷⁸ It is also understood as the dichotomy between the “information haves” and “information have-nots,” and despite the

³⁷⁴ Commission on Information and Communications Technology (CICT), <http://www.cict.gov.ph/content/view/45/82/index.html>

³⁷⁵ Manuel Castells, Mireia Fernandez-Ardevol, Jack Linchuan Qiu, and Araba Sey. *Mobile Communication and Society: A Global Perspective*. (Cambridge, MA: MIT Press, 2007), 242.

³⁷⁶ World Summit on the Information Society (WSIS), 2004; Asian Development Bank (ADB), 2003; United Nations Conference on Trade and Development (ITU/UNCTAD), 2007.

³⁷⁷ Panayiota Tsatsou, “Digital divides revisited: what is new about divides and their research?” *Media Culture Society*. Vol. 33 No. 2 (2011): 318.

³⁷⁸ B. Cammaerts and L. Van Audenhove. “Dominant digital divide discourses,” in *Beyond the Digital Divide: Reducing Exclusion, Fostering Inclusion*, eds. B. Cammaerts, B et al. (Brussels: VUB Press, 2003), 7.

efforts of the international community, the digital divide between the rich and the poor seems to grow wider.³⁷⁹

In a 2002 report, the World Bank identified two primary dimensions of the digital divide: poverty and isolation.³⁸⁰ To expand telecommunications service in the developing world, the report proposed overcoming the “market efficiency gap” and the “access gap.” These two gaps are often conflated under the umbrella concept of “access,” but the World Bank carefully points out that “market efficiency gap” refers to “the difference between the level of service penetration that can be reached under current plans and market conditions and the level one could expect under optimal market conditions” which can be closed through sound market policies led by the private sector.³⁸¹ Such practices would include investing in networks, providing service, liberalization of the markets, and stable regulatory environments. On the other hand, the “access gap” exists because of market limitations called the “affordability frontier.”³⁸² Despite the most efficient markets, there are groups that cannot be reached commercially without intervention and subsidies to encourage the entrance of service providers.³⁸³

³⁷⁹ A variety of indices such as the International Telecommunication Union show that digital access of developing nations are much lower than that of developed nations (http://www.itu.int/newsroom/press_releases/2003/30.html). The Digital Divide Institute notes that broadband growth in developed nations such as Australia (37.7 percent) is growing exponentially while developing nations such as Philippines (1.7 percent) show slow growth (see <http://www.digitaldivide.org/digital-divide/data-points/data-points/>). Furthermore, World Development Reports by the World Bank (<http://worldbank.org>) show the development disparities across the globe.

³⁸⁰ Juan Navas-Sabater, Andrew Dymond, and Nuna Juntunen. “Telecommunications and Information Services for the Poor: Toward a Strategy for Universal Access.” *World Bank Discussion Paper* No. 432 (April 2002): 7.

³⁸¹ Ibid.

³⁸² Ibid., 8.

³⁸³ Ibid.

Clearly the “digital divide” is understood here as access *to* telecommunication without any attention to the *kind* of access that is provided. The World Bank’s development reports insist that the market forces alone cannot be relied on to solve the problem of access. There will always be areas of a country that are too remote or consumers that are too poor to be served profitably by the private sector. To address this “market failure,” government policies and subsidies must be enacted. But the “access” the World Bank is pushing for is too abstract. The key issue is not simply about access to ICTs but rather about the kind of access that consumers can afford or that is afforded to them within the class hierarchy.

Tsatsou is careful to point out that “although the conventional divisions of access to and usage of ICTs seem to have shrunk at the national and international levels and for particular population groups, digital divides are still in place and present new, more qualitative nuances.”³⁸⁴ For Tsatsou, the discourse on digital divides is increasingly moving beyond the issues of access to and usage of technology, towards a focus on the question of their contextualization.³⁸⁵ It should be viewed as “evolving and closely dependent on the socio-cultural and decision-making context in which technology is designed, developed and consumed.”³⁸⁶ Thus, the widespread adoption of a technology does not necessarily mean that everyone is able to use these technologies in the same

³⁸⁴ Tsatsou, “Digital divides revisited: what is new about divides and their research?” 317.

³⁸⁵ Ibid., 319.

³⁸⁶ Ibid.

way. As Kelly et al point out, “the new digital divide is about quality, not just quantity.”³⁸⁷

In this way, what we are witnessing is the emergence of new forms of social stratification that are not based purely on a binary inclusion or exclusion from information technologies. What we are seeing instead is the development of rather finely-tuned gradations of access to information networks, based on one’s accumulation of economic and cultural capital. What has emerged in the Philippines, then, is not a reinforcement of the distinction between the information “haves” and “have nots” but rather a new distinction between the “haves” and what the sociologist Jack Lichuan Qiu calls the “information have-less,” with the “have nots” occupying a truly marginal social space.

The Information Have-Less and the Working Class Network Society

In his work on China, Qiu notes the rise of a working-class network society that consists of three fundamental transformations: the increasingly widespread use of inexpensive ICTs, the rise of a new social category called the information “have-less,” and the importance of network labor³⁸⁸ in China’s growth. While Qiu’s work is focused solely on contemporary China as it joins the global economy, it is helpful in

³⁸⁷ Tim Kelly, Michael Minges and Vanessa Gray. *World Telecommunication Development Report 2002: Reinventing Telecoms, Executive Summary*. (Geneva, Switzerland: International Telecommunication Union, March 2002): 6. <http://www.itu.int>

³⁸⁸ In Qiu’s book the concept “network labor” refers to a wide variety of blue-collar, “gray-collar” (semi-skilled) and low-rank white collar workers who offer China’s burgeoning technology industries extreme levels of flexibility in terms of assembling and re-assembling work and production processes, see Jack Lichuan Qiu, *Working Class Network Society: Communication Technology and the Information Have-Less in Urban China*. (Cambridge, MA: MIT Press, 2009), 237.

understanding the implications of mobile phone products and services in a developing nation such as the Philippines. Qiu points to the emergence of a socio-technological “space” between the high-tech universal access of the “haves” and the complete exclusion of the “have-nots.”

First, ICTs have become “less expensive, more widespread, and more closely integrated with the life of working-class people.”³⁸⁹ Together with the production of high-end ICTs for the West and the elite is the development of low-end, working-class ICTs for a market hungry for second hand phones, pirated DVDs, and used computers. In the Philippines, second and third hand phones are easily available in the lower-end shopping malls, markets, and through the Internet. Neither Globe nor Smart has low cost mobile phone units for sale on their websites for prepaid lines, relying on the retail stores and kiosks in malls and markets to provide users with handsets. Filipinos have also become savvy in “unlocking” mobile phones that had originally been bought through a telecommunication company. For example a mobile phone that had been tied to a specific mobile phone company can be unlocked for a less than PhP500.00 (approximately less than \$12)³⁹⁰ and thus can be used with any mobile phone SIM card. Phones bought through a telecom company are usually “locked,” meaning they can only be used with a Globe or Smart SIM card. Small businesses that sell mobile phones (whether high end, cheaper China-made, or used), accessories, cases, replacement batteries, etc. often sell “unlocking” services as well. It is quite common for users to have “unlocked” phones that

³⁸⁹ Qiu, *Working Class Network Society*, 3.

³⁹⁰ <http://cellphoneforums.net/>

can be used with any SIM card and goes hand-in-hand with the flexibility brought about by prepaid phones.

Second, Qiu points out that “the diffusion and appropriation of working-class ICTs have given rise to a new social category of the *information have-less*: low-end ICT users, service providers, and laborers.”³⁹¹ These “have-less,” unlike the elites, have limited income, but have access to some forms of ICTs. They may not own computers or smart phones, but find ways to access to the Internet (either at work or in cyber-cafes) and own mobile phones. Qiu contends that in China, the have-less encompasses large proportions of the working class population: internal migrants, retirees, laid-off workers, and students.³⁹² The question of the digital divide then is not about the “haves” and the “have-nots,” which implies that adoption of a technology and access to the network society magically unleashes entrepreneurialism and social development. But rather, the digital divide includes the category of a “have-less” which takes into account the adoption and dissemination of ICTs, but not necessarily the same kind of technologies and/or the same uses of technologies as the “haves.” This third category in the digital divide continuum is evident in the proliferation of prepaid phones and the text messaging products and services offered by telecoms in the Philippines, particularly those that expand the uses of the mobile beyond person-to-person communication, and that are aimed specifically for those in lower income brackets.

The lives of Filipino lower-income/working class is characterized by insecure, contingent, short-term, and sometimes, informal (cash economy) labor. It is also

³⁹¹ Qiu, *Working Class Network Society*, 3-4.

³⁹² *Ibid.*, 4.

characterized by a reliance on a social network of family and friends to survival—including reliance on remittances from overseas workers. Because majority of Filipinos fall within this category, mobile phone companies have developed low-end, text-messaging products and services targeted to the particular needs and lives of these contingent working-class workers/consumers. Telecommunication companies recognize that less affluent consumers are the majority and require different applications than the rich who have access and the ability to spend for broadband services and smart phones. However, the creation of the information “have-less” category is not solely a result of a top-down effort led by the telecom companies. Indeed, the telecom companies’ desires to reach broader markets have resulted in the creation of new products and new distribution systems. Hand-in-hand with their efforts at garnering a wider subscription base and developing products for the lower class and the working poor are bottom-up innovations and uses of mobile phones. The emergence of the second-and third-hand handset market, the practice of “unlocking” phones, and the development of ringtones, décor and accessories for mobiles were not necessarily planned or developed by the telecom companies. Rather, these came from entrepreneurial users who built small businesses to cater to the needs of the working class consumers, creating this “third space” that Qiu calls the information “have-less.”

Prepaid phones, text messaging, and commercial services based on SMS, give the “have-less” ways to access information, to keep in touch, and participate in the commercial digital market—functions that the elite and the western world would use credit cards, bank accounts, and the Internet for. Qiu notes that the “essence of working-

class network society is about understanding the logic of the vast middle ground between the haves and the have-nots, between high-end services and the absence of access, where technosocial process often takes unexpected turns, including this turn to the new class politics of the twenty-first century.”³⁹³ It is in this “space” of the have-less that low-end ICTs are developed, adapting and adjusting to the needs of the consumers. As Qiu points out, “what matters more for the burgeoning working-class network society is the actual function of the informational services, how they motivate different players, and how they facilitate social networking among the less wealthy and less powerful.”³⁹⁴

Ultimately, these products and services provide the lower class with the tools to better pursue tactics of coping and survival. As Bayat notes, the relationship between the elites and the marginal in the developing world is not characterized by resistance or passivity, but rather through what he calls the “quiet encroachment of the ordinary.”³⁹⁵ It is “the silent, protracted but pervasive advancement of the ordinary people on the propertied and powerful in order to survive and improve their lives.”³⁹⁶ Through the availability of cheap mobile phones, reasonable costs for voice calls and text messages, and the various add-on services and products offered, those in the margins find ways to make the best of the vagaries and difficulties of working-class life in a developing country occupying a subordinate space in the modern global economy. Bayat points out,

³⁹³ Ibid., 235.

³⁹⁴ Ibid., 236.

³⁹⁵ Asef Bayat. “From ‘Dangerous Classes’ to ‘Quiet Rebels’: Politics of the Urban Subaltern in the Global South. *International Sociology*. Vol. 15 No. 3 (2000): 545.

³⁹⁶ Ibid.

“modernity is a costly affair; not everyone can afford to be modern.”³⁹⁷ Yet while majority of ordinary Filipinos now have access to ICTs and the information network, they are not at par with or as convenient as the products and services that the elites enjoy (constant broadband access, better connections, high-tech smart phones, etc.). Despite the growing popularity of these innovations, they do not directly challenge the material conditions that make working-class life on the periphery insecure and difficult. Instead of developing systems to provide universal access, what is instead created and implemented is “good enough” access, which allows the working poor to better navigate their position within an unchanged labor hierarchy. Mobile commerce products and services such as those discussed in this chapter illustrate the informational needs of the Filipino lower class to “deal with the existential issues created by the transformation of the city, exacerbated by existing structural inequalities.”³⁹⁸ The information have-less in the Philippines use mobile phones to navigate the instability and insecurity of daily life—to find out what’s going on around them, to keep in touch with family and friends far away, and to participate in financial systems. Thus, working-class ICTs are “micro solutions to meet the informational needs at the grassroots...bottom-up, micro answers to systemic structural change at the macro level.”³⁹⁹

Lastly, Qiu notes that “a range of political, economic, and cultural issues has emerged on the technosocial basis of working-class ICTs and the information have-less, producing distinct practices, new urban places, and critical events that pave the way for a

³⁹⁷ Ibid., 549.

³⁹⁸ Qiu, *Working Class Network Society*, 239.

³⁹⁹ Ibid., 240.

fledgling working-class network society. Central to this is the making of a new working class, *network labor*, that is indispensable to China's growth as a global IT power."⁴⁰⁰ As China shifted from agriculture to the industrial and service sectors, its population has also moved from countryside to cities, finding jobs in the private sector. Giddens has noted, "the modes of life brought into being by modernity have swept us away from *all* traditional types of social order."⁴⁰¹ In China, rapid industrialization and urbanization has atomized traditional communities and sparked the largest internal migration in human history, forcing individuals and families to systems of housing, health care, education, and other necessities of urban life that are increasingly being provided by private sector. China's role as the world's provider of cheap labor is a "combination of traditional-style manufacturing with ICT production and service provision and increased flexibility of work and accumulation operating in a global scale."⁴⁰²

In this regard, the Philippines is nowhere near China's importance in the global economy. Yet its growing role as a provider for service outsourcing and business processing outsourcing, as well as the inroads it is making in developing and producing products and services for the mobile phone makes it part of Qiu's "network labor." These create a new kind of working class that draws upon and is integrated with information technologies and networks. Unlike the laborers in factories and export processing zones that sew clothing, package food, or manufacture parts, network laborers range from blue-collar, gray-collar, and low-rank white collar, and are in jobs that are skilled, semi-

⁴⁰⁰ Ibid., 5.

⁴⁰¹ Anthony Giddens. *The Consequences of Modernity*. (Stanford, CA: Stanford University Press, 1990), 4.

⁴⁰² Qiu, *Working Class Network Society*, 236.

skilled, or unskilled.⁴⁰³ Network labor can be found in medical transcription, call centers, low-end animators, backroom programmers for mobile banks, creators of mobile phone ringtones, and GCash and Smart Money partners all over the country. They are part of the production chain that makes the global network society function, simultaneously using ICTs to navigate the complexities of modern, networked life. Thus, as Qiu argues, “the rise of working-class ICTs and the information have-less in this sense results from microlevel social innovations responding to the challenges posed by large-scale transformations of industrialization, privatization, and globalization.”⁴⁰⁴

Conclusion

While we can laud the widespread adoption of mobile phones in the Philippines, we must also recognize that the products and services offered maintain class divisions between the haves and the have-less. Qiu reminds us that, “Although the have-less people have gained access to digital technology, they may still be excluded as outsiders or, more commonly, as passive consumers excluded from policy-making processes.”⁴⁰⁵ While the have-less are “included in the market system as consumers, laborers, and microentrepreneurs, the prevalence of discrimination and power domination—over and through the uses of working-class ICTs—proves to be an essential source of alienation.”⁴⁰⁶ As users (and commentators) are caught up in the thrill and novelty of the diffusion of technological gadgets across the class hierarchy, issues of social inequality

⁴⁰³ Ibid., 237

⁴⁰⁴ Ibid., 6.

⁴⁰⁵ Ibid.

⁴⁰⁶ Ibid., 240.

are ignored and excluded from the discussion. Although telecommunication companies in the Philippines are creating mobile phone products and services specifically for those with lower incomes, rather than bridging the divide and advancing toward the goal of universal, equal access, a new category has been created, affirming existing structures of social inequality. As Qiu points out, “working-class ICTs and network labor are used as the main instruments of accumulation, whose output is transferred to feed high-end projects and traditional power structures.”⁴⁰⁷

In the next chapter, I continue with the examination of mobile phone products and services aimed at bridging the digital divide. I will focus on banking, microfinancing, and the distribution of government aid through the mobile phone network and trouble its use as a tool for economic development.

⁴⁰⁷ Ibid., 238.

CHAPTER 4

MOBILE RURAL BANKING, MOBILE MICROFINANCING, AND MOBILE GOVERNMENT AID

According to Castells et al, the “growth in mobile-phone subscriptions in developing countries has attracted considerable interest in the international community, in particular with the expectation that mobile phone telephony may be the answer to the ‘digital divide’ and promoting development.”⁴⁰⁸ Mosco similarly points out that beginning in the 1980s, it was believed that the media, together with urbanization, education, and other social forces, would stimulate economic, social, and cultural modernization in the developing world. Research, from both the academic and multilateral institutions such as the World Bank insisted that information and communications technologies (ICTs) would “ameliorate global poverty and inequality.”⁴⁰⁹ This in turn has encouraged developing nations such as the Philippines to equate technological advancement with economic development.

In this chapter I focus on mobile phone banking and financial systems that have been purposefully created with the poor and underprivileged in mind. Lorica notes, “it’s useful to distinguish between mobile banking—mobile phone access to existing bank

⁴⁰⁸ Manuel Castells et al, *Mobile Communication and Society*, 215.

⁴⁰⁹ Vincent Mosco, *The Political Economy of Communication*, 2nd ed. (London and New York: Sage, 2009), 74.

customers—and mobile banks—financial institutions that arose with mobile phones.”⁴¹⁰

However, both mobile banking and mobile banks are also aimed at attracting the unbanked (people without bank accounts). Using Lorica’s frame, this chapter begins with a focus on mobile banking, with a particular emphasis on services offered by rural banks. Although this discussion shares some features with the mobile commerce applications discussed in the previous chapter, the partnership between telecom companies, rural banks, and international organizations (such as USAID) brings up a different set of issues and questions regarding information communication technologies and economic development.

To this end, I present three case studies to illustrate the various mobile financial and banking services that have been created for the poor and lower class. First, I begin this chapter with a discussion of mobile rural banking in the Philippines—a joint project between the Rural Bankers Association of the Philippines (RBAP) and the United States Agency for International Development (USAID)—that brings mobile phone-based banking to farmers and fishermen in the rural areas. Next, the chapter will turn toward a discussion of BPI Globe BankKO, Inc., the country’s first mobile microfinance bank, created through a partnership between Globe Telecom, Bank of the Philippine Islands (BPI), and Ayala Corporation. According to Globe’s 2008 Annual report, BPI Globe BankKO “has the potential to significantly expand the reach of banking services to a much broader consumer base, and can positively change the way small-scale entrepreneurs

⁴¹⁰ Ben Lorica, “Mobiles and Money in the Developing World.” *Release* 2.0.12, April 2009, 3.

develop and grow their businesses.”⁴¹¹ Finally, I will discuss Globe Telecom’s role as the government’s distributor of conditional cash transfer for the needy in far-flung areas of the country. Following the discussion of these case studies is an examination of the commercial and public policy rationales motivating these programs, interrogating their implications with regards to the role of mobile media technologies on economic development, as defined and pursued by the state, telecoms, and international NGOs.

Because these programs have been developed specifically for the poor and for development (versus the commercial purposes discussed in the previous chapter), they raise questions concerning the place ICTs play in economic development. But can the simple diffusion of technologies transform existing social relations of inequality and underdevelopment? Does the widespread adoption of mobile phones change people’s material circumstances? What possibilities does text messaging open-up for full (or at least meaningful) participation in global information networks, and what are the limitations of text messaging in this regard? Finally, do these products and services contribute to economic development? In short, what do these services, and the relationships between providers, regulators, and users of these services, tell us about the particular forms of modernization currently underway in the Philippines? This chapter thus hopes to explore the nuances, the contradictions, and the possibilities and limits of promoting mobile banking as a lever of economic and social development.

⁴¹¹ Globe 2008 Annual Report, 9.

Mobile Rural Banking

In 2004, the Microenterprise Access to Banking Services (MABS), a program launched by the United States Agency for International Development (USAID) and Rural Bankers Association of the Philippines (RBAP), partnered with Globe Telecom to develop and implement mobile banking services to rural bank clients. According to the Banko Sentral ng Pilipinas (BSP, the Central Bank of the Philippines), rural and cooperative banks are the more popular type of banks in rural communities, as opposed to regular commercial banks that have higher minimum deposits and provide financial products more suitable for those in the urban areas. These rural banks also provide financial services to over 85 percent of the municipalities and cities of the Philippines.⁴¹² Rural and cooperative banks specialize in providing banking services that help farmers through the stages of production, from buying seedlings to marketing their produce.⁴¹³ Whereas rural banks are privately owned and managed, cooperative banks are organized/owned by cooperatives or a federation of cooperatives of farmers. Customers of rural banks are usually farmers or small business owners in the countryside.

Although the make-up of ownership differs, the functions of rural and cooperative banks are generally the same. As the Rural Banks Act of 1992⁴¹⁴ states:

The State hereby recognizes the need to promote comprehensive rural development with the end in view of attaining a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and in expanding productivity as a key to raising the quality of

⁴¹² <http://www.rbapmabs.org/home/index.Php/about-mabs>

⁴¹³ <http://www.bsp.gov.ph/banking/bspsup.asp>

⁴¹⁴ Republic Act (RA) 7353, “An Act Providing for the Creation, Organization and Operation of Rural Banks and Other Purposes.”

life for all, especially the underprivileged. Towards these ends, the State hereby encourages and assists in the establishment of rural banking system designed to make needed credit available and readily accessible in the rural areas on reasonable terms.⁴¹⁵

This illustrates the main purpose of rural banks—to assist those in the rural farming areas, particularly those who are underprivileged. From 1998-2008, Philippine rural banks had loaned more than \$323 million to 457,000 of the poorest Filipinos, many of which were in increments of \$50-\$300.⁴¹⁶

Founded by the USAID and RBAP in 1998, MABS “is an initiative designed to accelerate national economic transformation by encouraging the Philippine rural banking industry to significantly expand access to microfinance services.”⁴¹⁷ Since its inception, MABS has helped provide training to the more than 700 RBAP member rural banks in the Philippines through technical assistance and implementation by international development consulting firm, Chemonics International.⁴¹⁸ For their part, Chemonics International⁴¹⁹ provides participating rural banks with training and technical services—“a systematic, step-by-step training and technical assistance package followed by rural banks as they develop the full capability to profitably provide loan, deposit, money transfer, and other financial services to micro-entrepreneurs and low-income

⁴¹⁵ Chan Robles Virtual Law Library, <http://www.chanrobles.com/republicacts/republicactno7353.html>

⁴¹⁶ Chemonics International http://www.chemonics.com/Projects/search_contract.aspx?contract_id={C24AFEF9-E997-48F6-AA9B-FA2DB58373BB}

⁴¹⁷ Microenterprise Access to Banking Services (MABS). <http://www.rbapmabs.org/home/>

⁴¹⁸ Ibid.

⁴¹⁹ Founded in 1975, Owned entirely by employees, Chemonics International is an ISO-9001 certified international development company. For more than 36 years, it has partnered with local and international organizations to promote social and economic change around the world.

households.”⁴²⁰ Overall, according to the RBAP’s mobile phone banking website, the MABS initiative is designed to accelerate national economic transformation in partnership with the Philippine rural banking industry to significantly expand access to financial services for microentrepreneurs and other lower income groups.”⁴²¹ Furthermore, it is “among the principal elements of USAID/Philippines’ efforts to accelerate economic growth through financial inclusion of lower-income groups.”⁴²² Among their various ways MABS tries to achieve these goals is using ICTs, particularly the widely adopted mobile phones in the Philippines.

In partnering with Globe Telecom in 2004, rural banks working with MABS have been able to utilize the popularity of mobile phones and text messaging to offer more convenient banking services to those in rural areas who don’t have immediate access to banks. With technical training for rural banks, education to micro-entrepreneurs, and continual implementation of new technologies such as mobile phones, rural banks are able to provide services to those in remote areas of the country.

According to microfinance expert and MABS chief of party, John Owens, “rural banks process over a million transactions totaling more than PhP5 billion (approximately \$11.5 million) to their clients to provide everything—from payroll services, micro loan disbursements, micro loan payments, remittances, and even facilitating deposits—without

⁴²⁰ <http://www.chemonics.com/OurWork/OurProjects/Pages/Microenterprise-Access-to-Banking-Services-IV.aspx>

⁴²¹ <http://www.mobilephonebanking.rbap.org/>

⁴²² <http://www.chemonics.com/OurWork/OurProjects/Pages/Microenterprise-Access-to-Banking-Services-IV.aspx>

having to go to a bank.”⁴²³ Through these services, low-income and rural users who have no access to the conveniences of online services are able to conduct banking business remotely. Owens believes that, “it will be natural that the Philippines will be a leader in using the phone more and more and you don’t just see it happening, but it’s [commercial transactions via mobile phone] happening in a much bigger scale much more dramatically than people realize.”⁴²⁴ Furthermore, he says, “mobile commerce reaches all levels of society. From those who are considered the unbanked [i.e., people with no bank accounts], to rural household where the whole infrastructures...of ATMs and physical bank networks won’t reach—the mobile phone does [sic].”⁴²⁵

Thus, the MABS initiative was conceived to bring mobile banking services to rural households, using SMS (text-messaging) technologies. But what is “mobile banking” in this context? Mobile banking, sometimes called m-banking, involves the use of a mobile phone or another mobile device for financial transactions.⁴²⁶ While Lorica reminds us to distinguish access to bank accounts through mobiles (e.g. Bank of America’s mobile app) from financial institutions (and instruments) that arose with mobile phones,⁴²⁷ the term “mobile banking,” at least in the context of the developing world, also involves “the delivery of financial services outside conventional bank

⁴²³ Tom S. Noda, “Philippines to Lead in Mobile Commerce, Expert Says,” *Computer World*, 19 April 2010. Accessed through <http://news.idg.no>

⁴²⁴ Ibid.

⁴²⁵ Ibid.

⁴²⁶ Jamie Anderson, “M-banking in developing markets: competitive and regulatory implications” *Info* Vol. 12 No. 1 (2010): 18.

⁴²⁷ Ben Lorica, “Mobiles and Money in the Developing World.” *Release* 2.0.12, April 2009, 3.

branches using mobile phones and nonbank retail agents.”⁴²⁸ The Banko Sentral ng Pilipinas (BSP, the Central Bank of the Philippines) has identified two ways of conducting mobile banking: 1) the bank-centric or bank-led model (such as Smart Money and its tie-up with Banco de Oro), and 2) the telco-centric or non-bank-led model (such as Globe’s GCash).⁴²⁹ Of the two models, the telco-centric model of Globe’s GCash is of particular interest. Globe’s GCash is run by Globe’s wholly-owned subsidiary, GXChange, Inc. (GXI), which is registered with the Central Bank of the Philippines as a “remittance agent” and is responsible for the electronic money exchanges. As a non-bank entity, GXI and Globe have been able to partner with groups such as the RBAP in developing and implementing mobile phone banking applications and mobile commerce services for rural banks and their clients.⁴³⁰

Overall, the RBAP-MABS-Globe/GXI partnership has been acknowledged as a good example of cooperation among organizations. Funded by the USAID, MABS was able to provide training to over 60 rural banks in the Philippines.⁴³¹ As Kumar, et al point out, while GCash was already gaining popularity in the urban centers, it was not yet present in rural communities, thus “a network of GCash resellers (similar to check cashing businesses) was built up in these communities thanks to the support provided by the rural banks.”⁴³² Individually, each rural bank was too small to provide significant

⁴²⁸ Kabir Kumar, Claudia McKay, and Sarah Rotman. “Microfinance and Mobile Banking: The Story So Far,” *CGAP Focus Note* 62 (July 2010), 1.

⁴²⁹ Core Information Technology Specialist Group, Bangko Sentral ng Pilipinas (BSP) “E-money and E-banking in the Philippines,” PowerPoint presentation.

⁴³⁰ <http://www.mobilephonebanking.rbap.org/>

⁴³¹ Kumar, et al. “Microfinance and Mobile Banking: The Story So Far,” 5.

⁴³² Ibid.

revenue for Globe, but as a collective association under the RBAP, they became a group with over 2,000 branches and millions of potential customers.

The partnerships between rural banks and Globe/GXI require several steps. First, to become an accredited rural bank providing mobile banking services, the rural bank must be a member of RBAP, its staff must have attended and completed the RBAP Mobile Phone Banking Training, the bank must have a CAMELS rating of at least 3.0,⁴³³ and must have certified results of Users' Acceptance Test (UAT).⁴³⁴ The rural bank then goes into an agreement contract with both Globe and GXI who together provide the technical system and user interface that deliver banking services to clients via SMS. In effect, Globe/GXI is the link between the client/mobile phone user and the rural bank.

On the user end, clients access the rural banking services through the already-familiar Globe GCash platform as discussed in the previous chapter. Rural bank clients must have a GCash account that is linked to their bank accounts. Users file the necessary paperwork at the rural bank where their account is held. After this initial step that must be done in person, the user can easily access his/her bank account remotely. With the approval of the BSP, rural banks now offer mobile phone-based services that include Text-A-Payment for loan payment, Text-A-Remittance to transfer money locally and abroad, Text-A-Deposit for remote deposit mobilization, and Text-A-Withdrawal where clients can withdraw electronic money directly from their savings account to their mobile

⁴³³ A bank is rated on a scale of 1 (strongest) to 5 (weakest) on the basis of the adequacy and quality of its Capital, Assets (loans and investments), Management, Earnings, Liquidity, and Sensitivity (to systematic risk) or CAMELS. See

<http://www.businessdictionary.com/definition/CAMELS-rating.html>

⁴³⁴ <http://www.mobilephonebanking.rbap.org/article/articlestatic/15/1/12/>

wallet.⁴³⁵ Similarly, merchants who would like to provide their customers with the option to pay for goods through their mobiles (e.g., neighborhood convenience stores, water suppliers, hardware stores, bakeries, etc.) must activate their GCash accounts with Globe, and then link these accounts with their banks.

Since its implementation in 2004, MABS's Owens notes, mobile banking has changed "the way rural microentrepreneurs operate and make a living."⁴³⁶ Because mobile banking transactions can be done anywhere, banking clients save time and money, whereas previously they had to travel long distances to do their banking. As a client from Green Bank of Caraga, Mindanao in southern Philippines points out, "We don't have to waste our time and money going to the bank anymore...just one text and we're done."⁴³⁷ This is no small matter. For example, consider the residents of a small mountainous village such as Barangay Paniquian, in Northern Mindanao. For these residents, going to the bank entails a 30 minute walk to the center of the village to take a 15 minute ride on a *habal-habal* (a motorcycle jugged with plank extensions so it can carry five passengers) which costs PhP60 (\$1.42) roundtrip.⁴³⁸ Since the cost of traveling to the bank usually ranges from \$0.20 to \$2.40 and exceeds the cost of converting cash to GCash (\$0.20 or 1 percent, whichever is higher) bank customers are willing to pay the GCash conversion or processing fee instead of the cost of traveling to the rural bank branches.⁴³⁹ This

⁴³⁵ http://www.mobilephonebanking.rbap.org/page/about_us

⁴³⁶ "Mobile-phone Banking Expands to Rural Philippines," Chemonics International, 24 May 2006. <http://www.chemonics.com>

⁴³⁷ Ibid.

⁴³⁸ "Mobile Phone Banking Services Expands Access in Rural Communities," <http://blog.mobilephonebanking.rbap.org/>

⁴³⁹ Kabir Kumar, Claudia McKay, and Sarah Rotman. "Microfinance and Mobile Banking: The Story So Far," *CGAP Focus Note* 62 (July 2010), 13.

conversion or processing fee is the cost that is incurred when depositing to (cash-in) or withdrawing from (cash-out) a GCash account at a neighborhood retailer. Registering to GCash, checking your balance, sending GCash, checking your last transaction, and changing your Mobile-PIN through the GCash menu on a mobile phone are all free of charge.⁴⁴⁰

Rural banks experience similar benefits, especially for those who deploy loan officers to various villages to collect loan payments. Account officers typically spend three hours a month per client simply collecting payments.⁴⁴¹ Owens points out that, “using mobile phones to send and receive money allows rural banks to expand their services to clients in rural areas without increasing costs or taking on additional risks.”⁴⁴² With the implementation of GCash, loan officers travel less and no longer need to carry large cash amounts from collections that often made them prime targets for theft and robbery. Improved efficiency and reduced administrative costs also allow banks to lower interest rates.⁴⁴³ Green Bank calculated that by reducing the costs of field-based collection, customers who paid their loans via GCash could receive reduced interest rates from a flat monthly rate of 2.50 percent to 2.00 percent, as well as reduce its service charges from 3 percent to 2.5 percent.⁴⁴⁴ At the end of 2009, the BSP reported “rural

⁴⁴⁰ “Mobile Phone Banking for Clients of Rural Banks: Frequently Asked Questions.” <http://www.mobilephonebanking.rbap.org/article/archive/9/0>

⁴⁴¹ “Reducing Transaction Costs to Extend Access: New Technology,” Globe Telecom presentation at CGAP Annual Meeting, November 2005. http://www.microfinancegateway.org/gm/document-1.9.24647/30839_file_Gcash_presentation.pdf

⁴⁴² Ibid.

⁴⁴³ *Mobile Banking in the Philippines*, video produced by Chemonics International (2008). Accessed through <http://www.youtube.com/watch?v=hXuccv7QVFw&feature=related>

⁴⁴⁴ Kumar, et al. “Microfinance and Mobile Banking: The Story So Far,” 13.

banks have lowered interest rates for clients that use the ‘text-a-payment’ platform, by 50bps [basis points] for instance. Mobile phones have also dramatically reduced domestic remittance costs: from 6-7 percent of the remittance amount down to one percent.”⁴⁴⁵

By the end of 2010, Globe Telecom reported that mobile phone banking transactions (commercial and rural) through GCash was at PhP3.6 billion, up 50 percent from the previous year, “on the back of a steady increase in more rural banks using mobile commerce to serve more clients in the countryside.”⁴⁴⁶ In 2010, almost 700,000 rural bank transactions such as bills and loan payments, bank deposits, and remittances, were made through GCash, 27 percent more than in 2009.⁴⁴⁷ This number can only be expected to increase as more rural banks receive training and technical equipment and as knowledge of mobile banking products continue to spread. Mobile rural banking and mobile commerce solutions can thus “transform the rural banking industry and empower millions of individuals with a new affordable, easy, and secure way to transact business and access financial services.”⁴⁴⁸

The Philippines is considered to have one of the “best levels attained for mobile banking for microfinance, under-banked, and unbanked”⁴⁴⁹ and is notable for the close relationship between telecom companies, the banking sector, and the government that

⁴⁴⁵ Amando M. Tetangco, Jr. “Innovations Toward Financial Inclusion,” speech delivered at the Mobile Money Transfer Conference, Edsa Shangri-la Hotel, Pasig City. 8 December 2009. Text available at <http://www.bsp.gov.ph/publications/speeches.asp?id=372&yr>

⁴⁴⁶ “Globe G-Cash Transactions hit P3B Mark,” *Philippine Daily Inquirer*, 22 June 2011. <http://inquirer.net>

⁴⁴⁷ Ibid.

⁴⁴⁸ “Mobile Phone Banking,” [n.d.] video clip accessed 14 August 2012, *YouTube*. <http://www.youtube.com/watch?v=hXuccv7QVfw>

⁴⁴⁹ Ted P. Torres, “RP Leads in Mobile Banking Services.” *Philippine Star News Online*, 9 March 2010.

have or continue to contribute to the development of mobile money. While Kenya and its M-Pesa system “posted the highest and fastest growth rate in mobile money services due to the environment and limited competing channels...the Philippine mobile financial services model is considered to be one of the best primarily due to the very positive regulatory enabling environment.”⁴⁵⁰ For their part, Philippine regulators have been “open to developing mobile banking, showing flexibility and depth in regulations without sacrificing proper governance, sound banking practices, and regulations under the international anti-money laundering environment.”⁴⁵¹ BSP (the Central Bank of the Philippines) acknowledges that, although Globe and GXI are not banking institutions, they “fully cooperated with BSP in designing its business model to achieve market acceptance.”⁴⁵²

In fact, the rollout of services sometimes precedes the development of regulatory systems. It is interesting to note that while both GCash and Smart Money were introduced and allowed to operate in 2004 and 2001 respectively, it was not until 2009 that the BSP issued Circular 649, which provided the guidelines for “governing the issuance electronic money (e-money) and the operations of electronic money issuers (EMI) in the Philippines.”⁴⁵³ It was only after learning more about how GCash and Smart money was working, its benefits and risks, that the BSP crafted regulation for e-

⁴⁵⁰ “Philippine Experiences in Mobile Phone Banking highlighted during the Asia Pacific Mobile Financial Services Summit,” 8 September 2011.

<http://www.rbapmabs.org/blog/2011/09/philippine-experiences-in-mobile-phone-banking-highlighted-during-the-asia-pacific-mobile-financial-services-summit/>

⁴⁵¹ Torres, “RP Leads in Mobile Banking Services.”

⁴⁵² Core Information Technology Specialist Group, Bangko Sentral ng Pilipinas (BSP) “E-money and E-banking in the Philippines,” PowerPoint presentation.

⁴⁵³ Bangko Sentral ng Pilipinas Circular 649. <http://bsp.gov.ph>

money.⁴⁵⁴

At the end of 2010 the BSP indicated that the number of mobile banking transactions in the country had reached an aggregate of 150 million, totaling PhP440 billion (\$10.4 billion).⁴⁵⁵ The GSM (Global System for Mobile Communications) Association, has recognized the Philippines as “among the most advanced mobile money markets in the world.”⁴⁵⁶ GSMA named three reasons for the success of mobile banking in the Philippines: 1) the high SMS (short-message service, also known as text messaging) literacy rate of Filipino mobile users; 2) the involvement of BSP in supporting mobile banking, such as through BSP Circular 649, which established a regulatory framework for e-money and e-money issuers; and 3) actions taken by two of the country’s telecommunications companies – Smart Communications and Globe Telecom.⁴⁵⁷ As Rizza Maniego-Eala, president of Globe’s G-Xchange, Inc. notes, “We are dead set of proving a hypothesis: Good return to our shareholders can go together with reaching the poor... We offer banks a way to reach out to new markets downstream in a reliable and affordable manner and the potential to consider or introduce new products.”⁴⁵⁸ Globe’s goals of “reaching the poor” or “providing opportunities for the working poor” is a constant refrain in the way they discuss their mobile products and services. Its successes with GCash in m-commerce and mobile rural banking paved the

⁴⁵⁴ Head for Financial Inclusion Department of the Banko Sentral ng Pilipinas (BSP), email correspondence with author, 30 May 2012.

⁴⁵⁵ Carol Kim. “The Philippines Mobile Banking Market Handles \$10b in Transactions.” <http://microcapital.org>

⁴⁵⁶ <http://www.gsm.org/>

⁴⁵⁷ Ibid.

⁴⁵⁸ Rizza Maniego-Eala, “It’s Really our Core Business,” *Upsides*, November 2007, 48-49.

way for more m-banking opportunities tapping the poor as its consumer base.

BPI Globe BanKO: The First Mobile Bank

With the success of its partnership with MABS and the inroads made in the rural banking system, Globe Telecom, together with its sister-companies, the Bank of the Philippine Islands (BPI), a leading commercial bank, and Ayala Corporation, a leading conglomerate,⁴⁵⁹ created a new entity, BPI Globe BanKO, Inc., the country's first mobile microfinance bank. While mobile rural banking focuses on partnering with existing rural banks in the Philippine countryside, BPI Globe BanKO is in itself a banking entity that aims to attract customers from all over the country. BPI Globe BanKO is a completely new corporation created to provide banking services to the unbanked in both rural and urban areas. Whereas with the MABS partnership, Globe Telecom provides the technological systems for mobile banking to exist, with BPI Globe BanKO it is part owner of a new banking entity. While they could arguably be competing with rural banks for the same market, they do not offer the same types of products. For example, a rural bank's main business is in agricultural loans, which BPI Globe BanKO does not offer. BPI Globe BanKO's business is focused on microsavings, microloans, and microinsurance. In addition, BPI Globe BanKO provides wholesale loans to microfinance institutions (MFIs). Thus, their main thrust is in microbanking and microfinancing.

⁴⁵⁹ Ayala Corporation, founded in 1834, is the oldest and largest Philippine conglomerate with a portfolio of diverse business interests, including investments in retail, real estate, banking, telecommunications, water infrastructure, renewable energy, electronics, information technology, and management and business process outsourcing. <http://www.ayala.com.ph/>

Unlike traditional banks that are often imposing and daunting, BPI Globe BanKO boasts that clients will be served “not by men in *barong*⁴⁶⁰ or women in business suits, but by a democratized new breed of bankers who will most probably be dressed down and who will, quite literally, speak their language.”⁴⁶¹ Following the GCash model, BPI Globe BanKO utilizes a network of small businesses and entrepreneurs with whom banking transactions are coursed. While there are a handful of brick and mortar branches of the bank, most transactions are made remotely and through local partner merchants. According to its website, “BanKO’s mission is to provide financial inclusion to the country’s unbanked and extend access to formal financial services. BanKO’s combined expertise in banking and telecommunications delivers a powerful microfinance platform for sustainable social development.”⁴⁶²

While GCash and Smart Money have successfully established systems wherein banking and commercial transactions may be conducted, BPI Globe BanKO is the prime example of Lorica’s definition of mobile *banks*—“financial institutions that arose with mobile phones.”⁴⁶³ BPI Globe BanKO’s goal is to “offer not only a mobile wallet but participate in full banking services in partnership with a new bank.”⁴⁶⁴ The joint venture aims to “fulfill the needs of the country’s fledgling microfinance industry by offering a

⁴⁶⁰ The *barong* Tagalog is the traditional formal shirt for men made of linen, pineapple fiber, or jusi (abaca fiber), a version of which can be used for work like the business suit.

⁴⁶¹ “BanKO brings mobile banking, microfinance to the masses.” *DateLine Philippines*. 27 Jan 2010.

⁴⁶² <http://www.banko.com.ph/pages/view/about-us>

⁴⁶³ Ben Lorica, “Mobiles and Money in the Developing World.” *Release 2.0.12*, April 2009, 3.

⁴⁶⁴ Rizza Maniego-Eala. “A new strategy for mobile banking in the Philippines,” *CGAP*. <http://technology.cgap.org/2009/11/16/a-new-strategy-for-mobile-banking-in-the-philippines/>

mobile savings bank with microfinance as its main thrust”⁴⁶⁵ and promote financial inclusion to those without access to traditional banking systems. According to Globe, “this partnership has the potential to significantly expand the reach of banking services to a much broader consumer base, and can positively change the way smallscale entrepreneurs develop and grow their businesses.”⁴⁶⁶ Using Globe’s GCash platform, the new bank offers loans to individuals and microfinance institutions (MFIs). In its first year of operation, BPI Globe BanKO had “released a total of PhP1.059 billion in wholesale loans and collected PhP608 million in deposits from more than 4,600 depositors.”⁴⁶⁷

According to their website, BPI Globe BanKO “offers financial empowerment and growth opportunities to the lower income segments, allowing them to safeguard their hard earned savings and to generate more income by providing secure and easily accessible microfinance services which are accessible even on their mobile phones.”⁴⁶⁸ BPI Globe BanKo offers three categories of products to its customers: PondoKO (Microsavings), PaniguroKO (Microinsurance) and PuhunanKO (Microloans). In addition, BPI Globe BanKO offers loans to microfinance institutions (MFIs) such as thrift and rural banks, non-government organizations (NGOs), and cooperatives for their use in portfolio re-lending at competitive interest rates. BanKO also offers extended developmental capacity-building loans to MFIs for officer and staff training, expansion of networks, and the development of management information systems.

⁴⁶⁵ “BanKO brings mobile banking, microfinance to the masses.” *DateLine Philippines*. 27 Jan 2010.

⁴⁶⁶ 2009 Globe Annual Report, 9.

⁴⁶⁷ 2010 Globe Annual Report, 23.

⁴⁶⁸ <http://www.banko.com.ph/news/view/122>

PondoKO is a personal savings account with no minimum balance, although PhP100.00 (\$2.29) is needed to set up the account (PhP50.00 for an ATM card and PhP50.00 initial cash deposit). Deposits that hit an average daily balance of PhP2,000.00 (\$45.76), “earn 1 percent interest per annum plus free life insurance benefit five times the ADB (maximum of PhP200,000 coverage), or 3 percent interest per annum.”⁴⁶⁹ Meaning, “in the event of death—regardless of the cause—his or her beneficiary will get five times of the amount of cash in the account.”⁴⁷⁰ Withdrawals through the ATM are charged a service fee of PhP20.00 (\$.46), thus encouraging customers to use their mobile phones for transactions. Like all other bank accounts, the PondoKo account is insured by the Philippine Deposit Insurance Co. (PDIC) up to PhP500,000.00 (\$11,440). To open an account, customers can apply at any BanKO partner outlets such as neighborhood convenience stores, pawnshops, grocery stores, water stations, Internet cafes, etc.⁴⁷¹

Through PuhunanKO, BanKO offers small-scale loans to its PondoKo customers that allow them to borrow up to double their current account balance and average daily balance. According to BanKO’s website, loans start at PhP5,000 (\$114.00) and go up to PhP150,000 (\$3,432.00), and is subject to a credit/background check.⁴⁷² To qualify for loans, customers need to have held their PondoKo account for at least three months. Loans have a three percent monthly interest rate,⁴⁷³ a three percent processing fee, and a

⁴⁶⁹ <http://www.banko.com.ph/products/view/110>

⁴⁷⁰ Ann Rozainne R. Gregorio, “BPI microfinance bank ventures into microinsurance.” *Business World Online*. 30 September 2011. <http://www.bworldonline.com/>

⁴⁷¹ For a full list of BPI Globe BanKO partner outlets, see <http://www.banko.com.ph/pages/view/contact-us>

⁴⁷² <http://www.banko.com.ph/products/view/109>

⁴⁷³ While this seems steep, the Banko Sentral ng Pilipinas notes that it is within the 2-3 percent monthly interest rate that the industry average for microfinance loans. This high rate is due to cost

required life insurance premium that is deducted upon the disbursement of the loan.⁴⁷⁴

They are payable in fixed weekly installments over a period of 1-12 months. PuhunanKO provides both life insurance and loan coverage. In the case of death, the customer's beneficiary is entitled to PhP10,000 (\$229.00) and to 100 percent loan coverage.⁴⁷⁵ Both PondoKO and PuhunanKO are offered in partnership with BPI-Philam (an alliance between BPI and the Philippine American Life & General Insurance Company, the country's largest insurance firm). Thus, BPI Globe BanKO customers have access to loans that can help them start-up small home-based business (such as a small piggery, sari-sari store, etc.), pay medical bills, pay for school supplies and uniforms (public education is free but often come with miscellaneous fees), and other such needs that arise due to financial insecurity.

The last category of products is PaniguroKO, which offers insurance protection against damage to property and accidental death.⁴⁷⁶ For this product, BPI in partnership with Mitsui Sumimoto Insurance Corp. (BPI/MS) offers account holders access to a life insurance policy that costs only PhP365.00 (\$8.35) for a year of coverage. With PaniguroKO, an account holder is entitled to a PhP50,000.00 coverage for accidental death, PhP5,000.00 assistance in case of fire and PhP2,500.00 assistance in case of flood, typhoon and earthquake.⁴⁷⁷ Just like the PondoKO transactions, customers who wish to

to process and deliver the loans, but is still cheaper than the 20 percent monthly rate in the black market, illegal "5-6 Loan" (Email correspondence with author, 14 August 2012). In a "5-6 Loan," for every PhP5 borrowed from a loan shark, one must pay PhP6 per month until the loan is paid.

⁴⁷⁴ <http://www.banko.com.ph/products/view/109>

⁴⁷⁵ Gregorio, "BPI microfinance bank ventures into microinsurance."

⁴⁷⁶ <http://www.banko.com.ph/products/view/111>

⁴⁷⁷ Gregorio, "BPI microfinance bank ventures into microinsurance."

purchase this insurance can do so with their mobile phones. Clearly BPI Globe BanKO is tapping a market that previously had no access to any sort of insurance. As BPI/MS president and CEO notes, “Getting an [sic] insurance used to be expensive or at least that’s what a lot of people think, especially those who are not familiar with it. Through the BanKO-BPI/MS partnership, we hope more people will realize the value in securing one.”⁴⁷⁸ According to BPI Globe BanKO president Teresita B. Tan, “BPI Globe BanKO will work hand-in-hand with MFIs⁴⁷⁹ to service the entrepreneurial poor even at the base of the economic pyramid...Our strategy is to provide innovative products and services, establish a market-oriented ecosystem, and utilize of alternative low-cost channels of delivery.”⁴⁸⁰ To open a BPI Globe BanKO account, Globe mobile phone users simply need to go to one of the BanKO partner outlets with their mobile phone, valid identification, and PhP100.00 (PhP50.00 for the initial deposit and PhP50.00 for the ATM card).

BanKO’s aim is to “find new products that link mobile with microfinance activities that could help propagate financial inclusion to more than half the Philippine population still unable to have access to various financial services.”⁴⁸¹ Clearly, their target marker is the poor and unbanked population. In a discussion in an online forum on

⁴⁷⁸ Ibid.

⁴⁷⁹ “A microfinance institution (MFI) is an organization that provides financial services to the poor. This very broad definition includes a wide range of providers that vary in their legal structure, mission, and methodology. However, all share the common characteristic of providing financial services to clients who are poorer and more vulnerable than traditional bank clients.” From <http://www.cgap.org/p/site/c/template.rc/1.26.1308/>

⁴⁸⁰ “BPI Globe BanKO: New Hope for Unbankable Entrepreneurs in their First Time Business Loan.” <http://entrebanks.com/bpi-globe-banko-new-hope-for-unbankable-entrepreneurs-in-their-first-time-business-loan/>

⁴⁸¹ Maniego-Eala. “A new strategy for mobile banking in the Philippines.”

the merits of opening an account with BPI Globe BanKO, someone posted,

“BanKO's market are people who can't afford the regular bank's P5000 maintaining balance, those who are not comfortable entering a bank for fear of being ridiculed, etc. In short *mga masa talaga*: CDE market...*Nung tinanong namin kung bakit hanggang P40k lang, paano kung mas malaki pa dun ang savings nila* those from BanKO told us *na kung may ganung pera ang mga kliyente, ibig sabihin lang nun na hindi sila ang target market ng Banko.*” (“In short, the market is the masses: CDE or the lower class market... When we asked why the limits were PhP40,000, what happens if the client had more funds, those from BanKO told us that if clients had that much money, all it means is they aren’t the target market of BanKO.”)⁴⁸²

To which another user replied, “That's why the ad is in Filipino...At first glance, I just thought that it is just another BPI product...*Yun pala* (“Apparently”), it’s meant to make the other market comfortable in saving.”⁴⁸³ We see here that mobile phone users are able to articulate how it is different from a regular bank account and who the target market of BPI Globe BanKO is.

Overall, according to the firm’s *2008 Annual Report*, the opening of the country’s first mobile micro-finance bank is very much in line with Globe Telecom’s “commitment to innovation and to play an active role in the country’s economic development.”⁴⁸⁴

Stephen James Clark, BPI-Philam’s president and CEO, echoes similar sentiments, “Through BanKO’s ‘banking the unbanked’ concept, the market that other banks have failed to reach will be given options and this is a very good way of giving back. We at BPI-Philam are hoping that more from the lower income segment will be empowered and

⁴⁸² CoolCucumber. “BPI Globe BanKO” *Pinoy Exchange Forum*. 8 February 2012.

<http://www.pinoyexchange.com/forums/showthread.php?t=553913>

⁴⁸³ freelancer_babe. “BPI Globe BanKO” *Pinoy Exchange Forum*. 8 February 2012.

<http://www.pinoyexchange.com/forums/showthread.php?t=553913>

⁴⁸⁴ 2008 Globe Telecom Annual Report, 14.

will appreciate the need to save.”⁴⁸⁵

Mobile Government Aid

In November 2010 Globe’s GCash Remit program was commissioned to “be a channel for disbursements for financial aid to indigent families in very remote areas” for the Department of Social Welfare and Development’s (DSWD) Conditional Cash Transfer (CCT) program.⁴⁸⁶ CCTs are “safety net programs that have become popular in developing countries in the last decade.”⁴⁸⁷ Each nation has its own specific programs, but “they all share one defining characteristic: they transfer cash while asking beneficiaries to make specified investments in child education and health.”⁴⁸⁸ In the Philippines, the CCT program, known as Pantawid Pamilyang Pilipino Program (4Ps, Filipino Family Relief Program) is “a vital component of the Philippine government’s poverty alleviation agenda...[that] aims to help the country’s poorest families through cash assistance in order to enable family members to pay for healthcare, nutrition, and education.”⁴⁸⁹ Beneficiaries are selected by the DSWD through the National Household Targeting System for Poverty Reduction (NHTS-PR) and comply with various co-responsibilities that include attendance at Family Development Sessions (conducted by the DSWD), pregnant mothers must have pre- and post-natal care and must be attended

⁴⁸⁵ Gregorio, “BPI microfinance bank ventures into microinsurance.”

⁴⁸⁶ 2010 Globe Annual Report, 23.

⁴⁸⁷ Ariel Fiszbein, Norbert Rüdiger Schady, Francisco H. G. Ferreira. *Conditional Cash Transfers: Reducing Present and Future Poverty*. (Washington, DC: The International Bank for Reconstruction and Development/The World Bank, 2009), xi.

⁴⁸⁸ Ibid.

⁴⁸⁹ Paolo Baltao, “Globe Telecom’s GCash Remit in Support of the Government’s Poverty Alleviation Programs,” interview by Chris Bold. <http://technology.cgap.org/2011/03/29/globe-telecom-s-gcash-remit-in-support-of-the-philippine-government-s-poverty-alleviation-programs/>

by a health professional during childbirth, continual education of children till they are 14 years old, and regular vaccinations and check-ups.⁴⁹⁰ Previously, funds were disbursed by the Land Bank of the Philippines. However, beneficiaries of this program were often in remote areas of the country and the DSWD and Land Bank had to hire helicopters to physically bring the cash to beneficiaries.⁴⁹¹ In many cases, beneficiaries would spend hours travelling to and queuing at distribution centers, often spending as much as 30 percent of their CCT grants to pay for transportation.⁴⁹² Through GCash Remit, families in remote areas can receive their funds through their mobile phones and partner retailers in their neighborhoods.

Furthermore, through a partnership between Globe Telecom and the DSWD, Pantawid Pamilya beneficiaries are able to open a BPI Globe BanKO bank account with a minimum balance of PhP50 (about \$1.20). According to DSWD Secretary Corazon “Dinky” Soliman, “We would like to teach Pantawid Pamilya beneficiaries the importance of saving money by encouraging them to open a bank account for as low as P50.00. It is never too late to help them learn and appreciate the benefits of saving.”⁴⁹³ Through various field offices across the nation, DSWD workers have incorporated training sessions that include saving through BPI Globe BanKO in their various programs.⁴⁹⁴ During the program’s launch in May 2012, 212 individuals opened BPI

⁴⁹⁰ The Pantawid Pamilyang Pilipino Program. <http://pantawid.dswd.gov.ph>

⁴⁹¹ Ibid.

⁴⁹² Ibid.

⁴⁹³ Claro A. Lanipa, “4Ps beneficiaries may open bank account for only P50.” *Philippine Information Agency*. 22 May 2012.

<http://www.pia.gov.ph/news/index.Php?article=1351337656056>

⁴⁹⁴ See the various newsletters and press releases by the DSWD. <http://dswd.gov.ph>

Globe BanKO accounts. As education and awareness about the program grows, this number is expected to increase.

According to Globe, these partnerships with the government is “in line with our vision of providing financial services to the unbanked and under-banked markets”⁴⁹⁵ and gives them the opportunity to “demonstrate the possibility of merging technology, business, and social responsibility in a program that not only assists the government but also extend services to the poorest of the poor.”⁴⁹⁶ Similar to other banking and commercial transactions, Globe benefits from the fees incurred by the text messages sent to process the payments as well as service fees charged for converting GCash to actual cash. Five months into the program GCash Remit was servicing 300,000 CCT grant beneficiaries, distributing an estimated PhP1 billion (\$23 million) in grants to almost 70 areas in 16 of the most remote districts of the country.⁴⁹⁷ In the first four months of 2012, 20 percent of CCT cash distributed was through GCash.⁴⁹⁸ Globe is currently exploring the possibilities of working with other government agencies in distributing payments and grants through GCash.

Impacts of Mobile Banking and Microfinancing on Economic Development

The Economist, in 2005, points out that, “plenty of evidence suggests that the

⁴⁹⁵ 2010 Globe Annual Report, 23.

⁴⁹⁶ Baltao, “Globe Telecom’s GCash Remit in Support of the Government’s Poverty Alleviation Programs”

⁴⁹⁷ Ibid.

⁴⁹⁸ Department of Social Welfare and Development, “Pantawid Pamilyang Pilipino Program Program Implementation Status Report 2nd Quarter of 2012,” 12. <http://www.dswd.gov.ph/wp-content/uploads/2012/09/2ndqtr2012.pdf>

mobile phone is the technology with the greatest impact on development”⁴⁹⁹ and it has the most potential in bridging the “digital divide” between rich and poor.⁵⁰⁰ As the Vodafone Policy Paper Series reports, “mobile telephony has a positive and significant impact on economic growth, and this impact may be twice as large in developing countries compared to developed countries.”⁵⁰¹ Furthermore, in 2005, “all else equal...a country with an average of 10 more mobile phones for every 100 people would have enjoyed a per capita GDP growth higher by 0.59 percent.”⁵⁰² In 2009, the World Bank conducted a new study testing the impact of telecommunications penetration on economic growth rates at country-level. Covering 120 countries, this study noted that for every ten percentage point increase in the penetration of mobile phones, there is an increase in economic growth of 0.81 percentage points in developing countries, versus 0.60 percentage points in developed countries.⁵⁰³ According to Qiang, “telecommunications services help improve the functioning of the markets, reduce transaction costs and increase productivity through better management in both the public and private sectors. These issues were more acute in developing economies than in developed ones.”⁵⁰⁴

How mobile phones are used in the developing world for economic is as varied as

⁴⁹⁹ *The Economist*, “The Real Digital Divide: Technology and Development” March 12, 2005, Vol. 347, Issue 8417, 9.

⁵⁰⁰ *The Economist*, “Calling and End to Poverty: Mobile Phones and Development” July 9, 2005, Vol. 376, Issue 8434, 53.

⁵⁰¹ Melvyn Fuss, “The Impact of Telecoms on Economic Growth in Developing Countries,” in Africa: The Impact of Mobile Phones, *The Vodafone Policy Paper Series: Moving the debate forward*, Number 2 (March 2005): 11

⁵⁰² *Ibid.* 18.

⁵⁰³ Christine Zhen-Wei Qiang, “Mobile Telephony: A Transformational Tool for Growth and Development,” *Private Sector & Development* (November 2009), 8.

⁵⁰⁴ *Ibid.*, 8-9.

the problems each village, town, and country face. Bhavnani et al point out that “many developing country governments and developing agencies are focusing on extending telecommunications services into rural areas, as they seek to alleviate poverty, encourage economic and social growth, and overcome a perceived ‘digital divide’.”⁵⁰⁵ It is believed that “access to information is essential for the emergence of global information and knowledge based economy and has the ability to empower poor communities, enhance skills, and link various institutions involved in poverty reduction.”⁵⁰⁶ Rashid and Elder note that mobile phones in the developing world are seen to make inroads in rural livelihoods, health, distance learning, and disaster intervention.⁵⁰⁷ In the Philippines, the development of mobile phone services and products for the poor have been focused on commercial uses making it a “global leader in mobile commerce”⁵⁰⁸ and, as we have seen in the discussion above, making banking and financial services available to those with limited or no access to traditional banking systems.

To assess the impact of ICTs in national development, Sein and Harindranath suggest a hierarchy: “the first order effects are simply counts of the actual number of ICTs in a population (penetration rates); second-order effects are direct increases in the phenomena associated with the technologies (more mobile phones lead to more phone

⁵⁰⁵ Asheeta Bhavnani, Rowena Won-Wai Chiu, Subramaniam Janakiram, and Peter Silarszky, “The Role of Mobile Phones in Sustainability Rural Poverty Reduction.” World Bank ICT Policy Division, Global Information and Communications Dept. (June 2008), 3.

⁵⁰⁶ Ibid., 4.

⁵⁰⁷ Ahmed Rashid and Laurent Elder. “Mobile Phone and Development: An Analysis of IDRC-Supported Projects,” *The Electronic Journal on Information in Developing Countries* Vol. 36, No. 2 (2009).

⁵⁰⁸ Malcolm Foster. “Cell Phones Vital in Developing World,” *The Washington Post*, 27 January 2007. <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/27/AR2007012700662.html>

calls, more m-banking leads to more banking); tertiary effects are systemic or social and are not very easily observed without careful analysis.”⁵⁰⁹ These tertiary effects are the focus of the following sections of this chapter.

The Poor as the Target Market: Neoliberal Subject

As we have seen above, mobile banking and financial services being offered are targeted at a rather specific audience: the working poor. Mobile banking for rural banks is specifically aimed to “expand access to financial services for microentrepreneurs and other lower income groups.”⁵¹⁰ BPI Globe BanKO aims to provide service the “entrepreneurial poor even at the base of the economic pyramid”⁵¹¹ with the goal of empowering those in the lower class.⁵¹² Through partnering with Globe, the government can disseminate “cash assistance in order to enable family members to pay for healthcare, nutrition, and education”⁵¹³ and teach them to “appreciate the benefits of saving.”⁵¹⁴ In targeting these mobile banking, financial services, and aid to the working poor, framing the offerings as “empowering” and “enabling” we see a particular “neoliberal subject” being invoked.

⁵⁰⁹ M.K. Sein & G. Harindranath, “Conceptualizing the ICT Artefact: Toward Understanding the Role of ICT in National Development.” *The Information Society*, 20 (2004): 19.

⁵¹⁰ <http://www.mobilephonebanking.rbap.org/>

⁵¹¹ “BPI Globe BanKO: New Hope for Unbankable Entrepreneurs in their First Time Business Loan.” <http://entrebkph.com/bpi-globe-banko-new-hope-for-unbankable-entrepreneurs-in-their-first-time-business-loan/>

⁵¹² Gregorio, “BPI microfinance bank ventures into microinsurance.”

⁵¹³ Paolo Baltao, “Globe Telecom’s GCash Remit in Support of the Government’s Poverty Alleviation Programs,” interview by Chris Bold. <http://technology.cgap.org/2011/03/29/globe-telecom-s-gcash-remit-in-support-of-the-philippine-government-s-poverty-alleviation-programs/>

⁵¹⁴ Soliman, quoted in Lanipa, “4Ps beneficiaries may open bank account for only P50.”

David Harvey notes that “neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.”⁵¹⁵ It advocates for minimal government intervention beyond the creating and preserving the institutional framework that promotes such practices and assumes that individual freedoms is guaranteed by freedom of the market and freedom of trade, “call[ing] into question any and all collective structures that could serve as an obstacle to the logic of the pure market.”⁵¹⁶ While its origins are Anglo-American, neoliberalism has become “hegemonic as a mode of discourse...incorporated into the common-sense way many of interpret, live in, and understand the world.”⁵¹⁷ Technologies, and the conveniences that come with it, allow users to cope better with the complexities of living in the neoliberal world of flexible accumulation, contingent and informal labor, and the core-periphery workforce. Harvey further notes that “capitalism is becoming even more tightly organized through dispersal, geographical mobility, and flexible responses to labour markets, labour processes, and consumer markets, all accompanied by hefty doses of institutional, product, and technological innovation.”⁵¹⁸

At the same time that a particular constellation of intellectuals and policy-makers were reshaping national and international economic policies along neoliberal lines, there

⁵¹⁵ David Harvey. *A Brief History of Neoliberalism*. (Oxford and NY: Oxford University Press, 2005), 2.

⁵¹⁶ Pierre Bourdieu, “The Essence of Neoliberalism,” *Le Monde diplomatique*, December 1998.

⁵¹⁷ Harvey. *A Brief History of Neoliberalism*, 3.

⁵¹⁸ Harvey, *The Condition of Postmodernity*, 159.

has been, according to scholars like Laurie Oullette and James Hay, a parallel movement to cultivate a “neoliberal subject”—that is, a movement to cultivate, at the level of culture and subjectivity, ways of thinking and being broadly consonant with neoliberal values of self-discipline, self-empowerment, and individualistic competition. Oullette and Hay point to the “bipartisan effort to ‘reinvent’ government (particularly in the United States) and to remodel the welfare state through dispersed networks of privatization and self-responsibilization.”⁵¹⁹ Embracing the narrative that welfare results in lazy and dependent citizens, “the state relies primarily on the private sector rather than the public bureaucracies to produce ‘good’ citizens.”⁵²⁰ As we have seen in the discussion above, this “good” or “ideal” citizen is formed through the articulation of the state and corporations and promoted through the products and services they offer. The neoliberal subject is driven by the ideology of “individualized consumption, postmodernism, specificity/adaptation, and individualization”⁵²¹ and interprets its innovative consumption experiences as self-empowerment. Instead what is occurring is further entrenchment into the neoliberal system. As Bourdieu notes, “thus, we see how the neoliberal utopia tends to embody itself in the reality of a kind of infernal machine, whose necessity imposes itself even upon the rulers.”⁵²²

Mobile banking’s reliance on its network of local partners and its desire to help the entrepreneurial poor are also tied to the production of what Paul Smith calls then

⁵¹⁹ Laurie Oullette and James Hay. “Makeover Television, Governmentality and the Good Citizen.” *Continuum: Journal of Media and Cultural Studies* 22, no. 4 (2008): 473.

⁵²⁰ Ibid., 474

⁵²¹ Harvey, *The Condition of Postmodernity*, 179.

⁵²² Bourdieu, “The Essence of Neoliberalism.”

neoliberal “subject of value.” Smith points out that this subject is primarily characterized by “self-interested rationality”⁵²³ and “a subject that is simultaneously appetitive and calculating, a subject that is, at one and the same time, able to recognize its fundamental needs and also capable of calculating the best way to attain those needs.”⁵²⁴ The network of local partners that the telecommunication companies rely on exemplifies Smith’s “subject of value” buying into the promise of convenience, freedom, and choice brought about by mobile banking while simultaneously promoting and selling the products for profit. Through the rhetoric and the products offered, an imagined “ideal citizen” is invoked. This citizen may be poor and marginalized, but works hard and is entrepreneurial in finding ways to overcome poverty. To achieve this, they must be given tools, such as microfinancing and banking services, which will help them pursue their self-interest and individual desires. Smith’s concept of the “subject of value” nicely captures the imagined “ideal user” or “ideal citizen” that seems to be at the center of the initiatives put forward by telecoms, corporations, and the government.

Not only does the discourse of the “entrepreneurial poor” further entrench individuals into the formal financial and banking system, but it also provides a rationale for abandoning a definition of social welfare—where every citizen has the right to a basic standard of living, and the government provides systems and infrastructure to ensure such rights. Caring for the poor and marginalized is now framed as “empowering” individuals to take responsibility for themselves. This is done through the products and services

⁵²³ Paul Smith. *Primitive America: The Ideology of Capitalistic Democracy* (Minneapolis, MN: University of Minnesota Press, 2007), 30.

⁵²⁴ Smith. *Primitive America*, 31.

offered to them by corporations and banks, “enacting market-based strategies of governing and reconstituting citizenship as the ‘free exercise’ of choice and responsibility.”⁵²⁵ Instead of services to alleviate poverty and help to the poor being provided by the state, responsibility to empower citizens to be economically independent is transferred to the private sector. For Oullette and Hay, this is part of the reconfiguring of the state into a public-private partnership where “social services from education to medical care are outsourced to commercial firms, citizens are also called upon to play an active role in caring for and governing themselves through a burgeoning culture of entrepreneurship.”⁵²⁶ In the case of the Philippines, we see the telecommunications industry playing a role in providing for and cultivating this culture of entrepreneurship through the development of m-banking and microfinancing services. These services not only provide users ways to participate in formal financial systems, but also promote entrepreneurial possibilities for the working poor to become partner outlets.

This is not to say that the government has abandoned welfare and caring for the poor completely, but rather “it produces new formations of welfare by providing citizens with the resources that currently valorize their freedom and empowerment.”⁵²⁷ Through the reliance of the telecommunication companies, the rural banks, and the government on the network of small business entrepreneurs to provide mobile electronic banking services to the rural poor, Filipinos are able to fulfill their banking needs from what they perceive to be on their own terms and at their convenience. Services and opportunities are

⁵²⁵ Laurie Oullette and James Hay. *Better Living Through Reality TV: Television and Post-Welfare Citizenship*. (Malden, MA: Blackwell, 2008), 36.

⁵²⁶ Oullette and Hay. “Makeover Television, Governmentality and the Good Citizen,” 472.

⁵²⁷ *Ibid.*, 481.

extended to bring people into the formal financial systems, but their position is nonetheless continually precarious (no job security, susceptible to crisis, etc.). These products and services, as well as the discourse of individual empowerment surrounding them, indicate another step in a longstanding retreat from one model of social welfare that promotes equality and social responsibility to another where opportunity and individual responsibility is deemed as most important. In the following sections, I further examine the implications mobile banking services for the poor have on economic development and participation in the global information society

Disembedding and Re-embedding Systems

Donner and Tellez note that, “policy-makers and the development community have expressed enthusiasm about m-banking/m-payments systems, presumably because they expect that widespread use of such systems would be a desirable outcome for the unbanked in the developing world.”⁵²⁸ This is indeed evident—customers no longer need to travel far to conduct banking business, domestic and international remittances are easily accessible, and fees are considerably less. Through mobile phones, domestic remittance costs have dramatically reduced from 6-7 percent of the remittance amount down to one percent.⁵²⁹ In 2009 the Consultative Group to Assist the Poor (CGAP) and the Global System for Mobile Communications Association (GSMA) through the Mobile

⁵²⁸ Jonathan Donner and Camilo Andres Tellez. “Mobile Banking and Economic Development: Linking Adoption, Impact, and Use.” *Asian Journal of Communication* Vol. 18, No. 4 (December 2008): 328.

⁵²⁹ Amando M. Tetangco, Jr. “Innovations Toward Financial Inclusion,” speech delivered at the Mobile Money Transfer Conference, Edsa Shangri-la Hotel, Pasig City. 8 December 2009. Text available at <http://www.bsp.gov.ph/publications/speeches.asp?id=372&yr>

Money Market Sizing Study found that over a billion people worldwide lack bank accounts, but have mobile phones, thus “providing a dramatic opportunity to achieve greater financial inclusion.”⁵³⁰ The study not only showed how unbanked people use mobile money services, but also provided “a framework based on industry best practices to help mobile operators drive initial adoption and progress towards more sophisticated offerings, such as savings and credit.”⁵³¹

The part of the study that was conducted in the Philippines found that half of mobile money users in the Philippines were previously unbanked. Of that population, 16 percent had previously had bank accounts but closed them because they no longer needed them or deemed them too costly.⁵³² It was also found that 98 percent of unbanked Filipinos “receive their income in cash, and overwhelmingly use informal saving instruments, such as keeping their money at home in a safe hiding place, giving the money to a friend or family to hold, or join a saving club.”⁵³³ Rotating credit associations called *paluwagan* is common savings club where at the beginning of each month, participants deposit a specified amount of money to an assigned collector, which is then given to the member who drew that specific month as his or her collection date.⁵³⁴ Through this system, the individual is able to plan his or her spending, particularly for big-ticket items, in the absence of access to a formal credit system. Contrary to popular

⁵³⁰ “Mobile Banking: From Concept to Reality” <http://cgap.org/p/site/template.rc/1.26.10806/>

⁵³¹ Mark Pickens. “Mobile Money by the Numbers...Part 2” <http://technology.cgap.org/2009/06/10/mobile-money-by-the-numberspart-2/>

⁵³² Ibid.

⁵³³ “Mobile Banking: From Concept to Reality”

⁵³⁴ Rhacel Salazar Parreñas. *Servants of Globalization: Women, Migration, and Domestic Work*. (Quezon City, Philippines: Ateneo de Manila University Press, 2003): 211. Also published by Stanford University Press, 2001.

belief, this shows that the poor actively manage their money and rely on informal financial systems. CGAP and GSMA estimate that low-income Filipinos save an estimated \$450 million in informal systems that are managed with regular deposits to and withdrawals from cash accounts physically held by the collector or assigned member of a savings club.⁵³⁵

Savings clubs, while community-based, are not without risks. Problems arise when a member is unable to deposit his or her share on time, which then results in delays in the disbursement of funds. In addition, while the members of a *paluwagan* are often good friends or belonging to the same community, there is always a risk that the assigned collector can run away with the funds. The *paluwagan* or savings clubs are informal and are not registered entities, thus more often than not there is no written agreement among its members. Aggrieved members are therefore unable to press formal charges against those who have broken the club's rules or agreements.⁵³⁶ Yet despite these risks, Filipinos all over the world join such savings clubs. As one member puts it, "*Paluwagan* is a part of a Philippine tradition which builds on mutual trust and group solidarity to meet the needs of individuals in the community. Thus, the aim of this scheme is not only to save, but we want to help empower each other to initiate developmental strategies through collective action."⁵³⁷

⁵³⁵ "Mobile Banking: From Concept to Reality"

⁵³⁶ "Is Investing in *Paluwagan* Safe?" *Inquirer.net* 16 September 2008. <http://business.inquirer.net/money/personalfinance/view/20080916-160960/Is-investing-in-paluwagan-safe>

⁵³⁷ Hector Pascua. *ABS-CBN Europe News Bureau* "Pinoys join 'paluwagan' to ease financial crisis." 2 April 2009. <http://www.abs-cbnnews.com/pinoy-migration/04/02/09/pinoys-join-paluwagan-ease-financial-crisis>

Despite their advantages for individuals, extending m-banking services may also end up having a complex set of consequences for rural and low-income communities. For existing rural bank customers, the ease of conducting banking transactions remotely and efficiently is clearly beneficial. They no longer need to travel distances to reach their banks and funds are more easily accessible through Globe's distribution network. That households are able to retain a higher proportion of the money by paying lower fees is a positive impact.⁵³⁸ For the previously unbanked, participating in a more formal system of managing funds may lead to security and assurance that their funds are in a "safe" place and lessen the chances of loss and theft. Donner and Tellez also challenge us to look at the indirect impacts such as "increased family savings rates, increased incomes, and resilience to financial shocks."⁵³⁹ Similarly, a McKinsey study notes,

Beyond the commercial potential, mobile money can have social and economic benefits. Access to financial services lowers the cost of sending and receiving remittances, improves the safety and security of cash, and makes payments more convenient. More important, it promotes saving and borrowing, allowing families to pursue economic initiatives, generate income, and accumulate small amounts of net worth. As a result, it may make it easier for lower-income families to meet their periodic expenses, such as school fees and rent, or to buy seeds at planting time and fertilizer over the growing season. Mobile money also offers a savings cushion against expected and unexpected events, such as weddings or health emergencies.⁵⁴⁰

The advantages of access to formal financial services are thus significant and should not be lightly dismissed.

Yet at the same time, Von Reijswoud points out that mobile banking could begin

⁵³⁸ Donner and Tellez, "Mobile Banking and Economic Development," 328.

⁵³⁹ Ibid.

⁵⁴⁰ Christopher P. Beshouri and Jon Gravråk. "Capturing the promise of mobile banking in emerging markets," *McKinsey Quarterly* (February 2010), 2-3.

to change the family dynamics concerning saving and sharing.⁵⁴¹ Participation in the formal banking sector could lessen the dependence on the family, particularly the extended family, as well as friends and neighbors belonging to a savings club, reconfiguring the traditional ties that bind communities together. Instead of relying on each other in times of crisis, individuals may instead draw more on the financial systems to which they now belong. As Giddens points out, the transformation brought about by modernity “have come to alter some of the most intimate and personal features of our day-to-day existence.”⁵⁴²

Thus, what we are witnessing with the roll-out of these services is, following Giddens, a process of time-space distancing, or, put slightly differently, a process of *dis-embedding* financial systems from local contexts and stretching these systems across wider geographies, administered by distant formal authorities. According to Giddens, in this process of time-space distancing, “social relations are ‘disembedded’ or ‘lifted out’ from local contexts of interaction and restructured across indefinite spans of time-space.”⁵⁴³ For Giddens, “one of the most characteristic forms of disembedding in the modern period...is the expansion of capitalistic markets” and the extension of formal financial systems across regional and national boundaries.⁵⁴⁴ With the rise of mobile banking, particularly for the rural poor in the Philippines, there is therefore an ongoing displacement of local, embedded financial systems and practices (e.g. savings clubs,

⁵⁴¹ Victor von Reijswoud. “Mobile banking—an African perspective,” 2007. Accessed 22 November 2011 from <http://www.regulateonline.org/content/view/948/63/>

⁵⁴² Giddens, *The Consequences of Modernity*, 4.

⁵⁴³ Ibid., 21.

⁵⁴⁴ Ibid., 26.

giving money to relatives, etc.) with a disembedded, stretched system linking rural families with broader financial systems both nationally and internationally.

According to Giddens, one of the key mechanisms of time-space distancing and the disembedding of social relations is the formation of what he calls “expert systems.” For Giddens, expert systems are “systems in which the knowledge of experts is integrated influence many aspects of what we do in a continuous way.”⁵⁴⁵ Expert systems “remove social relations from the immediacies of context” and provide “‘guarantees’ of expectations across distanced time-space.”⁵⁴⁶ We see this even more clearly with mobile banking where not only are transactions made from afar, but that these transactions are made based on the trust consumers place in the distant financial and technical expertise of the telecom and banking industries.

The lifting out of savings and lending from local contexts to these disembedded m-banking systems raises intriguing questions both about the potential changes to community life and social relationships as well as the role of trust in speeding or deterring the diffusion of m-banking. For his part, Giddens has argued that the development of disembedded expert systems raises important issues of trust. Giddens points out that trust “is also about the binding of time and space, because trust means giving commitment to a person, group or system across future time.”⁵⁴⁷ How have Filipinos, particularly those in the rural areas, come to trust these expert systems? While a full answer to this question lies beyond the scope of this dissertation, one potential

⁵⁴⁵ Ibid., 27.

⁵⁴⁶ Ibid., 28.

⁵⁴⁷ Anthony Giddens and Christopher Pierson, *Conversations with Anthony Giddens: Making Sense of Modernity*. (Stanford, CA: Stanford University Press, 1998), 101.

source of trust-building lies in the now long-term relationships poor and working-class Filipinos have with the mobile technologies through which these services are delivered. Research by the consulting firm McKinsey shows that the Philippine poor “shows an openness to using mobile devices” and “that nearly 55 percent of those we surveyed were interested in savings products, compared with 17 percent in insurance and 12 percent in straight credit.”⁵⁴⁸ The existing familiarity of Filipinos with using GCash and Smart Money functions to top-up or add “load” to their prepaid phones makes them open to try new products. Through using the mobile phone to engage in commercial transactions, users have grown accustomed to associating the mobile as a repository for money. Because money-related transactions through mobile phones such as remittances have become common practice, there is not much of a leap for consumers to adopt m-banking systems, particularly since they operate within the same platform. In other words, the user interface is already familiar.

Furthermore, both Globe and Smart continually release advertising campaigns to educate consumers on new products and services. This includes skits that are embedded in daytime game shows,⁵⁴⁹ ads aired locally and internationally (on Filipino cable channels around the world), and print ads in newspapers. In addition, MABS and Chemomics produced teaching videos demonstrating on how to use mobile rural banking services, how to be distribution partners, and what training rural bank personnel would need. Thus, Filipinos have a previous level of comfort with the uses and capabilities of

⁵⁴⁸ Beshouri and Gravråk. “Capturing the promise of mobile banking in emerging markets,” 6.

⁵⁴⁹ See “Melai - Pokwang For Gcash Remit - April 17, 2010”

<http://www.youtube.com/watch?v=Ine-GwoPBIE&feature=related>

their mobile phones and have developed a kind of trust in the products and services offered to them.

While Filipinos have clearly begun to put their trust in the “expert systems” of mobile banking, the McKinsey study takes pains to note, “when a cash agent (the small business entrepreneur such as the neighborhood corner store) is more than 15 minutes away, mobile money has relatively little appeal, and customers use it once or twice a month. But when the agent is less than 10 minutes away, usage rises to 10 times a month—and for those within 2 minutes of an agent, to 30 times a month.”⁵⁵⁰ This clearly highlights the importance the vast distribution network Globe and Smart have invested in. Proximity of access to agents and familiarity with the neighborhood convenience store is crucial in getting the unbanked to move from informal financial services to mobile money.

Tomlinson points out, “modern people’s routine interaction with these expert systems represents a ‘stretching’ of social relations, since we relate to the abstract system embodying technical knowledge rather than to the specific personnel” who would facilitate the transaction.⁵⁵¹ Mobile banking consumers place their trust on an abstraction, presuming that the text message they send to transfer money, pay for a bill, or receive a remittance will be honored. Trust, for Giddens, is a “medium of interaction with the abstract systems which both empty day-to-day life of its traditional content and set up globalizing influences.”⁵⁵² While people in the modern world may not trust in every

⁵⁵⁰ Beshouri and Gravråk. “Capturing the promise of mobile banking in emerging markets,” 8.

⁵⁵¹ Tomlinson, *Globalization and Culture*, 56.

⁵⁵² Giddens, *Modernity and Self-Identity: Self and Society in the Late Modern Age*, 3.

aspect of the systems they live with, “nevertheless have to adopt a routine attitude of trust—almost as a ‘default position’—in their daily lives.”⁵⁵³ Global modernity, then, is the “increasing structuring of social existence in relation to webs of rationalized organizations, inevitably opening our local lifeworlds up to distant—ultimately global—influences.”⁵⁵⁴

The Microenterprise Access to Banking Services (MABS), the Department of Social Welfare and Development (DSWD), Globe Telecom, and Globe BPI BankO have gone through great lengths to build users’ trust in using mobile phones for accessing banking and microfinancing needs, as well as receiving government aid. By creatively drawing on existing social networks and institutions built up by the adoption and successes of prepaid mobile phones, the adoption of these distant “expert systems” has displacing informal face-to-face financial systems such as savings clubs that were built on family and community ties. The growing reliance on “expert systems” and the invocation of a new kind of “neoliberal subject” discussed in the previous section is ultimately about the breaking down of intimate family and community ties in traditional communities in the modern information society. For Beck, “‘individualization’ means the disintegration of the certainties of industrial society as well as the compulsion to find and invent new certainties for oneself and others without them. But it also means new interdependencies, even global ones.”⁵⁵⁵ Drawing on Giddens work, Beck reminds us

⁵⁵³ Tomlinson, *Globalization and Culture*, 57.

⁵⁵⁴ Ibid.

⁵⁵⁵ Beck, Ulrich. “The Reinvention of Politics: Towards a Theory of Reflexive Modernization” in *Reflexive Modernization: Politics, Tradition and Aesthetics in the Modern Social Order*, Ulrich Beck, Anthony Giddens, and Scott Lash. 1-55. (Stanford: Stanford University Press, 1994), 14.

that, “individualization and globalization are in fact two sides of the same process of reflexive modernization”⁵⁵⁶ which involves “first the disembedding and second the re-embedding of industrial social forms by another modernity.”⁵⁵⁷ The following section further analyzes the kind of modernity evolving in the Philippines with the deployment of mobile phone products and services.

Mobile Banking and Modernity in the Developing World

The case of M-banking and microfinancing in the Philippines illustrates that globalization and the spread of Western modernity is not a homogenous process, but rather one that is more complex where the nuances and contexts of national localities are at play. Giddens points out that information technologies, such as the mobile phone, are “bound up with the workings of a global economy, but many other forces are involved, including the driving power of capitalism and industrialism. Modernity, for Giddens, is, “at least at root, a ‘Western project,’” without equating globalization as simply “Westernization.”⁵⁵⁸ He reminds us that while implying some forms of universalism, globalization is an uneven process. For Giddens it is a “process of uneven development that fragments as it coordinates—introduces new forms of world interdependence, in which, once again, there are no ‘others.’”⁵⁵⁹ Similarly, Tomlinson points out that benefits

⁵⁵⁶ Ibid.

⁵⁵⁷ Ibid., 2.

⁵⁵⁸ Shaun Moores, *Media/Theory: Thinking About Media and Communications*. (London and New York: Routledge, 2005), 39.

⁵⁵⁹ Giddens, *The Consequences of Modernity*, 175.

and risks are unevenly distributed and differentially experienced.⁵⁶⁰ This is especially evident in the developing world, against what some wrongly see as standardization and universalism through technology and the spread of western capitalism.

According to Martin-Barbero, in today's global economy, "communication technologies...represent a new stage in the continuous process of the acceleration of modernity that now takes a qualitative leap from the industrial revolution to the electronic revolution."⁵⁶¹ He further points out, "No country can afford, economically or culturally, not to be part of this leap ahead."⁵⁶² Globalization, notes Pertierra, "is exerting greater pressure on the Philippines to improve its technological expertise."⁵⁶³ While the media, business sector, and government extol the importance of technology for the nation, investing in the scientific infrastructure in the Philippines is often limited.

Yet as we have seen above, when it comes to mobile phones, Filipino telecommunication companies and the government have worked together to promote the widespread adoption of the technology and to invest in creating products and services based on text messaging. Lorica notes that some of the large players in the mobile banking business in the developing world have become "*world-class* financial service providers" and use "complex software systems that handle more (near) real-time transactions than traditional banking systems."⁵⁶⁴

⁵⁶⁰ Tomlinson, "Cultural Globalisation: Placing and Displacing the West," 166.

⁵⁶¹ Jesus Martin-Barbero. *Communication, Culture and Hegemony: From the Media to Mediations*. (London: Sage, 1993), 183.

⁵⁶² Ibid., 183.

⁵⁶³ Raul Pertierra. *Science, Technology, and Everyday Culture in the Philippines*. (Quezon City, Philippines: Institute of Popular Culture, 2003), 39.

⁵⁶⁴ Ben Lorica, "Mobile Banks in the Developing World Prove Simple is Better," *Conversations for a Better World*. 17 May 2010. <http://conversationsforabetterworld.com>

Pertierra further notes, “One of the many paradoxes that characterizes the Philippines is its rapid westernization and acceptance of modern technology.”⁵⁶⁵ Although this implies that the Philippines readily adapts itself to outside western influences, “this initial acceptance of foreign influence is quickly indigenized and many of its significant features reshaped to suit preexisting conditions.”⁵⁶⁶ That the most-used function of the mobile phone in the Philippines would be text messaging was unforeseen by the telecoms and mobile phone companies. Neither could they predict that by offering prepaid mobile phone plans would result in widespread adoption of the technology and the development of other uses of the mobile phone. In many ways, this has pushed the Philippines “ahead” of or to become more advanced than its western counterparts. Certainly, as we have seen above, the innovations in mobile banking, mobile microfinancing, and mobile payment systems have made the Philippines a leader in the developing world.⁵⁶⁷

The concepts of indigenization and hybridization refer to the ways in which outside forms and practices take on a local flavor. Rowe and Shelling define hybridization as “the ways in which forms become separated from existing practices and recombine with new forms in new practice.”⁵⁶⁸ For Garcia Canclini, it is “not only the mixing of ethnic or religious elements but the productions of advanced technologies and

⁵⁶⁵ Ibid., 53.

⁵⁶⁶ Jaime Bulatao, SJ quoted in Pertierra, 53.

⁵⁶⁷ Malcolm Foster. “Cell Phones Vital in Developing World,” *The Washington Post*, 27 January 2007. <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/27/AR2007012700662.html>

⁵⁶⁸ William Rowe and Vivian Shelling, *Memory and Modernity: Popular Culture in Latin America* (London: Verso, 1991), 231.

modern or postmodern social processes.”⁵⁶⁹ This can be seen in the ways text messaging has been taken up locally in the Philippines, not just by users (as it has in the past by families of migrant workers and during the 2001 Edsa II mass protest when the president was overthrown), but also by telecom companies, financial institutions, government, and international organizations to promote economic development as discussed earlier in this chapter. Castells notes that in spite of the fact that most of the uses of mobile phones are “local, even sedentary, and related to close personal interaction,” it is “being increasingly perceived as an instrument of global communication.”⁵⁷⁰ For Filipino users, this is most evident in how transnational family members are able to keep in touch, how funds are remitted from abroad, and also through the ability of mobile phones to connect to the Internet and the World Wide Web. It also through the lifting out of previously embedded financial services from local communities (e.g. informal savings clubs) with a disembedded, stretched system linking rural families with broader financial systems both nationally and globally.

Technology, notes Martin-Barbero, “with its ‘logo-tecnica’ is one of the strongest and most profound sources of standardization, while the differences, the cultural pluralism, unmask this standardization by bringing to light the ‘discontinuities’ making up the cultural reality of the [Latin American] region.”⁵⁷¹ For Martin-Barbero, discontinuity is “the nature of a ‘modernity which is not contemporary.’”⁵⁷² The

⁵⁶⁹ Nestor Garcia Canclini *Hybrid Cultures: Strategies for Entering and Leaving Modernity* (Minneapolis: University of Minnesota, 1995), xxxiv.

⁵⁷⁰ Castells et al, *Mobile Communication and Society*, 174.

⁵⁷¹ Martin-Barbero, 185.

⁵⁷² Martin-Barbero, 151.

developing world's capacity to “‘indigenize’ Western cultural imports, imbue them with different cultural meanings, and appropriate them actively rather than be passively swamped.”⁵⁷³ The unique banking practices that mobile banking presents illustrates how Filipinos, through banking products and services provided by telecommunication companies, banks, the government, and international organizations, have, taken a technology and adapted it to its needs, drawing on cultural and social practices that are existing. Unlike having access to your bank account through a mobile phone app, telecommunication companies have developed banking products and services utilizing a popular use of the mobile in the Philippines: text messaging. By harnessing the popularity of text messaging as well as drawing on the growing familiarity with mobile commerce products such as GCash and SmartMoney, mobile banking and mobile microfinancing services were created specifically for the Philippine poor. Through utilizing existing uses of the mobile phone, Philippine telecommunication companies and the government have bypassed the need to provide broadband access to the whole nation, instead creating its own system that is uniquely local and yet connecting to the global.

Like Martin-Barbero's Latin America, modernity in the Philippines is tied to establishing local markets that are invariably tied to the international market. This political economic dependency reveals the ⁵⁷⁴ In the case of the Philippines, majority of the country is poor and largely agricultural while cities such as Manila, Davao and Cebu have access to the newest and fastest technologies. The cities may be keeping up or at par with the larger project of modernity and globalization, the rural areas have difficulty in

⁵⁷³ Tomlinson, “Cultural Globalisation: Placing and Displacing the West,” 169.

⁵⁷⁴ Martin-Barbero, 150.

doing so. With the spread of mobile phones, and thus mobile banking and mobile payment systems, those in the rural areas have become connected and part of the commercial and financial markets.

Conclusion

This chapter sought to examine the implications of mobile banking products and services that have been developed for the poor and underprivileged in the Philippines. Although mobile phone companies such as Globe are able to offer rural and working poor subscribers connectivity and access to technologies, as we have seen in the previous chapter that this has created a new form of social stratification with the rise of the technology “have-less.” While users experience the very real benefits of saving and lending at a distance, and have been linked into national and international systems of capital and telecommunication as a result, their participation these systems is limited to what text messaging and partnerships between corporations can offer.

However, as shown in this chapter, drawing in the unbanked and underbanked into the formal financial systems has raised some issues. In producing these products for the “poor” to “empower” and “enable” them, a particular kind of “neoliberal subject” is invoked. Mobile banking and mobile financial services are presented and seen as convenient and thus empowering, while simultaneously pulling users into participating more fully in the formal banking system. Further, in placing trust in the “expert systems” of mobile banking, local systems of saving and lending, based in longstanding traditions and social ties, are displaced by disembedding systems that link individuals more

profoundly to the national and global financial networks. This reliance on the “expert systems” of mobile banking brings about shifts in the way everyday existence brought about by the extension of modernity.

Whether widespread adoption mobile communication makes significant inroads in economic development is a debate that continues. Castells cautions that there is no overwhelming evidence to support that mobile phones result in “leapfrogging” development.⁵⁷⁵ Yet through the discussion above we see that there are significant impacts on economic growth, particularly as it is measured by the increase in circulation of capital in the formal economy. However, progress in mobile communication and banking services cannot alone result in economic development and the alleviation of poverty. It must exist together with developments in other areas of economic and social structures such as roads, running water, education, etc. We have seen that mobile banking has eliminated the need for brick and mortar banks to be built in rural areas. Yet further investment in electricity, mobile phone towers, and broadband access will be necessary to further develop the countryside.

While mobile banking and mobile financial services via text messaging is undeniably beneficial to the individual user and has brought about measureable growth we must remember that, “wireless communication is no panacea for development.”⁵⁷⁶ Yet at the same time, Castells recognizes that the “connectivity gap is one of the most formidable obstacle to developing countries and poor regions linking up with the dynamic global economy and with global communication networks that offer access to

⁵⁷⁵ Castells et al, *Mobile Communication and Society*, 216.

⁵⁷⁶ Ibid., 243.

information, education, and services,” and that “developmental projects from all corners of the planet, are embracing the potential of new technology and are using it for their own purposes according to what they are able to achieve.”⁵⁷⁷ Thus, while it doesn’t solve the inequalities in the developing world, the necessity of connecting to the global communication networks is nonetheless an important advance.

In the next chapter, I continue to explore Philippine mobile phones products and services and the ways they are used to navigate modernity, particularly as users become laborers. There, I will focus on the interactive features that telecommunication companies offer to users giving them control of their mobile phone use and expenses.

⁵⁷⁷ Ibid., 242-243.

CHAPTER 5

DIY MOBILE PHONE PLANS

A characteristic of the network society in which we live is our ability to be interactive consumers. Increasingly consumers are invited to individualize and pick and choose the media they consume, in the time frame of their choosing, and within the boundaries of what they are willing to spend. We are living in what Yale law professor Yochai Benkler calls the “networked information economy,” where increasingly individuals are able to take a more active role in exchanging information, knowledge, and culture.⁵⁷⁸ In previous chapters, we have seen that the proliferation and the popularity of prepaid mobile phones in the Philippines have led to the development of new ways of using the mobile for commercial and banking transactions. In this chapter, I focus on the different promotions, products, and services being offered by telecommunication companies that enable users to be co-producers of their own mobile phone plans. By subscribing to services such as unlimited text messaging or web surfing for a specific period of time, users are able to further customize and personalize their mobile phone use to their individual needs and financial capabilities.

⁵⁷⁸ Yochai Benkler. *The Wealth of Networks: How Social Production Transforms Markets and Freedom*. (New Haven and London: Yale University Press, 2006), 2.

According to Globe Telecom, such services allow subscribers to “be in control” of their Globe experience”⁵⁷⁹ and with such products “you can personalize your plan by choosing and paying only for the services that you need.”⁵⁸⁰ At the same time, ignored in the discussion of these empowering capabilities are the potential costs of interactivity such as the unpaid provision of interactive labor and enhanced possibilities of commercial and state surveillance. To analyze these, this chapter begins with an examination of the personalization of mobile phone plans by drawing on the different ways mobile phone users in the Philippines customize their own mobile phone plans. This is followed by a discussion of the meanings of interactivity as consumer empowerment, drawing on Benkler’s work on the networked information economy and Jenkins’ celebration of the convergence culture. I then discuss how their views on consumer empowerment through interactive technologies connect, in part, to the views of the autonomous Marxists with a discussion of the work of Hardt and Negri and Dyer-Witheford. Next, I consider more nuanced and cautionary views on technology and interactivity as discussed by Andrejevic, Terranova, and Deleuze, particularly on questions of commercial surveillance and interactive labor. By discussing the ostensible consumer empowerment using these theories, I develop the argument that these DIY phone plans have resulted in the construction of mobile phone users as interactive laborers, further drawing those previously excluded from telecommunication services into the “digital enclosures” of telecom firms, and thus providing telecoms with enhanced opportunities for commercial surveillance.

⁵⁷⁹ “Prepaid Services.” Accessed 25 May 2010. <http://globe.com.ph>

⁵⁸⁰ “My Super Plan FAQs.” Accessed 25 May 2010. <http://globe.com.ph>

While this chapter, like the previous chapters, draws on archival data such as annual reports, industry reports, newspaper articles, telecommunication websites, mobile phone advertisements, and promotional materials, I also draw on the posts, comments, and feedback offered by mobile phone users on blogs as well as comments posted on social networking sites such as Twitter and Facebook. The blogs that I have drawn on are consumer advocacy blogs and popular professional lifestyle blogs, particularly those focused on users' relationships to mobile phone products and firms. For example, *TextBuff News* describes itself as a “blog focused on SMS technology and how it facilitated the growth of text messaging and other SMS services in the Philippines.”⁵⁸¹ Similarly, *TxtPower* is “an organization of cellphone users that aims to empower Filipinos both as consumers and as citizens.”⁵⁸² *AthenaTria.com*, a lifestyle blog that contains film and television reviews as well as information on new technologies, including mobile phone promotions and services, has also won a number of blogging awards. These blogs, along with company Twitter feeds and Facebook posts, offer a particular window into the views and thoughts of at least some mobile phone users.

Personalizing Your Mobile

As I have illustrated in Chapter 3, the innovation of prepaid plans, along with the roll-out of various methods through which users could top-up or add “load” to their phones, have meant that working-class Filipinos have been able to individualize what they were willing to spend on mobile phone service. As one blogger put it, with the

⁵⁸¹ See <http://news.txtbuff.com>

⁵⁸² See <http://www.txtpower.org>

introduction of over-the-air prepaid loading in 2003, both Globe Telecom and Smart Communications “further expanded the base of consumers who can afford to sustain the usage of cellular phone service.”⁵⁸³ For Globe, the launch of AutoloadMax, “significantly increased reloading pervasiveness and accessibility to its subscribers by being present up to the tertiary levels of distribution such as *sari-sari* stores...coupled with the launch of lower denominations (PhP100 and PhP50, approximately \$2.46 and \$1.23) making it more affordable, especially to the cash-strapped market.”⁵⁸⁴ In 2010, Globe introduced even cheaper ways to load phones through the PhP10.00 (approximately 23 cents) TingiLoad promotion. In other words, by lowering the cost of mobile phone usage, and by offering a variety of payment options, Philippine telecoms have been able to attract a broader subscriber base, drawing on the lower class and the poor.

In addition to these innovations designed for cost-conscious consumers, Globe also launched products, services, and promotions that gave prepaid and postpaid mobile phone users more ways to *personalize* their phone plans in other ways. One important promotion, for instance, allows users to purchase “unlimited” text messaging for a fixed period of time. For example, in 2010, in texting “Unlitxt80” to 8888, PhP80 (approximately \$1.86) will be deducted from your phone’s current balance and entitle the user to five days of unlimited text messages within the same network. “Unlitxt40” (PhP40, approximately \$.90) bought two days of unlimited texts and “Unlitxt20 (PhP20, approximately \$0.45) bought one day.”⁵⁸⁵ Smart Communications offers their subscribers

⁵⁸³ 2003 Globe Telecom Annual Report, 6.

⁵⁸⁴ Ibid., 13.

⁵⁸⁵ <http://wap.globe.com.ph/unlitxt>

similar products. In addition, products and services such as Smart's "AllTxt20" for Php20 (approximately \$0.45) gives users unlimited texts for a day to any Philippine mobile network,⁵⁸⁶ provides users with cheap ways to communicate with friends and family even if they are on the Globe Telecom network . With products and promotions such as Unlitxt and AllTxt, mobile phone users are able to customize not only how much they spend but when, and under what conditions, they have service. Users then can decide for themselves what services they need (and when they need them), depending on individual everyday life circumstances.

As well as customizing how much one is willing to spend and at what length of time, Filipino users can also customize their mobile Internet access. This ability to customize Internet access on a mobile phone is crucial for lower-income users who cannot afford traditional broadband access (via cable, fiber optic, or satellite). As Madanmohan Rao notes, in the Southeast Asian region, there are a growing number of "mobile only" Internet users "for whom mobile is more important than landlines, fixed line Internet, TV and newspapers."⁵⁸⁷ In many cases, users are "mobile first," meaning their first experience of ICTs and first time to access the Internet is through their mobile phones.⁵⁸⁸ Although the Philippines is seen as the fastest growing market for smartphone adoption, "feature phones [which offer voice, text, and basic graphic capabilities] still reign as the more prevalent mobile phone type used by consumers in the region's

⁵⁸⁶ <http://www1.smart.com.ph/prepaid/offers/sms/2011/09/12/alltxt>

⁵⁸⁷ Madanmohan Rao, "Crossroads of Innovation," *Mobile Southeast Asia Report 2012*, 4.

⁵⁸⁸ Ibid., 11.

emerging markets.”⁵⁸⁹ Smartphone penetration is currently at 29 percent, half the penetration rate of neighboring Indonesia.⁵⁹⁰ Thus the majority of mobiles in the Philippines are either basic phones (voice calls and text messages) or feature phones (voice, text, and limited graphic Internet capabilities).

Yet, as we have seen, having a basic phone does not shut out users from more elaborate uses. For instance, the m-commerce, m-banking (including remittances), and m-microfinancing products and services discussed in previous chapters are text messaging based, thus all that is needed is the most basic mobile phone. Furthermore, all that is needed to access basic Internet services (browsing, social networking, etc.) is a small upgrade to a feature phone. Buying a smartphone is thus not required for mobile Internet access. As a result, as the World Bank has noted, because “mobile broadband coverage is often limited to urban areas...developing-country users are using what they have. Text messaging, mobile money, and simple Internet access work on many low-end phones.”⁵⁹¹

For this reason, Philippine telecoms have been moving aggressively to offer low-end users basic Internet access using basic and feature phones. Since 2010, the number of mobile-based products and services offered by telecommunication companies has increased and has grown to include access to social networking sites such as Facebook or Twitter, as well as surfing and data plans on their feature phones, mid-range Internet-capable mobile phones. To do so, users access the service menus on their mobiles. Globe

⁵⁸⁹ Gerard Tan, GfK digital technology account director, quoted in Paolo G. Montecillo, “Philippines fastest growing market for smartphones in SE Asia: 1 in 4 mobile devices in PH a smartphone, says GfK,” <http://www.inquirer.net>, 7 September 2012.

⁵⁹⁰ Rao, “Crossroads of Innovation,” 18.

⁵⁹¹ World Bank. *Information and Communications for Development 2012: Maximizing Mobile*. (Washington, DC: World Bank, 2012), 12.

users type *143# and press the call buttons on their phones to access a full menu of Globe products, promos and services. This menu is meant to help users “with basic account management and promo registrations without the need to memorize complex keywords or varying access numbers, and a whole lot of other services.”⁵⁹² Among the choices offered by the menu are: GoSAKTO, Surf Promos, Combo Promos, International & Roaming Services, Call Card, Share-A-Load/Promo, Balance Inquiry, GCASH, and Infotainment & Downloads. Users pick the service they want from the list and will be given prompts on how to activate the service they want. For example, to access Facebook, users pick “Surf Promos” from the menu options, which in turn leads them to a listing of the Facebook promotions being offered such as “SuperFB,” which allows users unlimited Facebook access, in increments of one day (PhP10 or \$.25), two days (PhP15 or \$.37), seven days (PhP50 or \$1.23), or 30 days (PhP199 or \$4.90).⁵⁹³

Globe also has created “Surf Bundles” so users may access social networking sites through their feature phones. For PhP20 (approximately \$.50), users can purchase “Social20” which gives them a full day of unlimited access to Facebook, Twitter, and Multiply, or “Mail20” which gives full day unlimited access to Facebook, Yahoo Mail, and Gmail, or “Fun20” which provides unlimited access to Facebook and Youtube for a day.⁵⁹⁴ For prepaid users who need access to the Internet, Globe offers “PowerSurf” which allows users to purchase a specific amount of time (one hour to unlimited) and volume of megabytes (20MB to 1GB), valid for a specified number of days (1 to 30 days)

⁵⁹² <http://www.globe.com.ph/help/143-faqs>

⁵⁹³ <http://surf.globe.com.ph/plan/superfb>

⁵⁹⁴ <http://surf.globe.com.ph/plan/surf-bundles>

for a fee (PhP15-PhP499 or \$.25-\$4.90).⁵⁹⁵ Smart's "Always On" provides similar surfing capabilities. Users can choose 1-30 days of surfing at 45-2,000 megabytes, for PhP20-PhP995 (approximately \$.49-\$24.50).⁵⁹⁶ Products such as these are available for the mid-range feature phone as well as for smart phones, thus providing all prepaid users, whether low-income or elite, a variety ways to access their apps and use the Internet.

Despite these innovations, some users are still unable to access the Internet. Therefore, telecom companies continue to search for ways to provide more advanced services to lower-end phones. For instance, in late 2012, Google partnered with Globe Telecom to allow "users of even the most basic Internet-enabled phones to access some smartphone-esque functions."⁵⁹⁷ Called "Free Zone Powered by Google," the free service gives users "the ability to surf websites, check Gmail, and use the Google+ social media app" albeit "undoubtedly stripped down from the myriad of functions that smartphone users enjoy," and clearly limited to Google products.⁵⁹⁸ Users cannot simply type in a URL of a website they want to visit: they must access it through the Google page; thus this free Internet access must begin within the confines of the Google universe. Yet, at the same time, this partnership paves the way for mobile phone users in the Philippines to access the Internet without Wi-Fi and avoiding costly data charges.

Through these mobile phone products and services, low-income users are able to access a wide range of services, customized to the contours of their everyday life, and

⁵⁹⁵ <http://surf.globe.com.ph/plan/powersurf-prepaid>

⁵⁹⁶ <http://www1.smart.com.ph/prepaid/offers/data/2012/02/21/always-on>

⁵⁹⁷ Shibani Mahtani, "Google Introduces Service for Not-So-Smart Phones in the Philippines." <http://wsj.com> 8 November 2012.

⁵⁹⁸ Ibid.

within the confines of their limited resources. By purchasing “load” for Internet surfing or accessing their favorite social networking sites in small increments, Filipino mobile phone users, especially those with limited financial resources, are able to avoid costly data fees. Finally, they are able to have access to applications on the Internet and the World Wide Web that would otherwise be out of reach.⁵⁹⁹

With the introduction of prepaid or pay-as-you go products and services, mobile phone users in the Philippines are therefore able to personalize their access to and participation in national and global telecommunication networks. From the perspective of the firm, with these flexible options, Filipino mobile phone users are not simply stuck with a handful of options given by telecom companies. Instead, decisions on how to use their mobiles, for what periods of time, and how much to spend are left to the consumer. Indeed, compared to users of low-end mobiles in the U.S., Europe, and other parts of the developed world, Filipinos seem to have much more in terms of choice and flexibility. Framed in terms of interactivity and consumer “control,”⁶⁰⁰ telecommunication companies thus share the responsibility of creating “the product” with the consumer.

According to Benkler, this move toward the personalization or “mass customization” of telecommunication products and services is part of a larger phenomenon in the communication and media industries—the “emergence of a new information environment, one in which individuals are free to take a more active role

⁵⁹⁹ In a population of 103 million Filipinos, Internet penetration is at 30 percent while mobile Internet users is at 20 percent. Thus, two-thirds of Internet users are accessing the Internet through mobile devices. See Rao, “Crossroads of Innovation,” *Mobile Southeast Asia Report 2012*, 6.

⁶⁰⁰ <http://globe.com.ph> “Prepaid Services.” Last accessed 25 May 2010.

than was possible in the industrial information economy of the twentieth century”⁶⁰¹ He calls this new, interactive information environment, the “networked information economy.” But what kind of active role are individuals playing? What are the implications of interactivity now that the user is participating in creating the product or service being used? What kind of labor are mobile phone users providing? For example, as mobile phone users “build” their own mobile phone plans, what kinds of data are they generating for the telecom companies, and how might this user-produced data be used, either now or in the future?

Interactivity, Convergence, and the Networked Information Economy

According to Lister et al, interactivity “stands for a more powerful sense of user engagement with media texts, a more independent relation to sources of knowledge, and individualized media use, and greater user choice.”⁶⁰² Through prepaid plans and promotions that offer unlimited use for a specific amount of time, Filipino users anticipate how they would be using their mobile over a span of days and plan according to their individual needs, in collaboration with the telecom companies. Andrejevic points out that interactivity ostensibly promises consumers a means of overcoming “the forms of differentiation and abstraction associated with mass society, in particular the separation between consumption and production.”⁶⁰³ Instead of the homogeneous, impersonal, mass

⁶⁰¹ Benkler. *Wealth of Networks*, 2.

⁶⁰² Martin Lister, Jon Dovey, Seth Giddings, Iain Grant, and Kieran Kelly. *New Media: A Critical Introduction* (London & NY: Routledge, 2003), 20.

⁶⁰³ Mark Andrejevic. *iSpy: Surveillance and Power in the Interactive Era*. (Lawrence, KS: University Press of Kansas, 2007), 24.

consumption of media products, users are able to experience some form of re-connection to the products they consume.⁶⁰⁴ Consumers become co-producers, customizing their mobile phone use for their individual preferences and needs, creating their own mobile phone plans. The mobile phone, then, is being presented as an innovative technology that creates space for consumer innovation and user flexibility.

For his part Benkler argues that the interactive features of digital networking technologies provide individuals with “a significantly greater role in authoring their own lives, by enabling them to perceive a broader range of possibilities, and by providing them a richer baseline against which to measure the choices they in fact make.”⁶⁰⁵

Although he focuses most of his attention on the Internet, Benkler’s views on the “enhanced autonomy” of individuals are applicable to mobile phones users. He points out that digital networking technologies improve

the practical capacities of individuals along three dimensions: 1) it improves their capacity to do more for and by themselves; 2) it enhances their capacity to do more in loose commonality with others, without being constrained to organize their relationship through a price system or in traditional hierarchical models of social and economic organization; and 3) it improves the capacity of individuals to do more in formal organizations that operate outside the market sphere.⁶⁰⁶

Thus, users of mobile phones have more opportunities to “act and cooperate with others in ways that improve the practiced experience of democracy, justice and development, a

⁶⁰⁴ In his book *iSpy: Surveillance and Power in the Interactive Era*, Andrejevic discusses interactive services such as TiVo which liberate consumers from broadcast schedules. I argue that the same can be said for mobile phone users in the Philippines through the users’ abilities to build their own unique mobile phone plans.

⁶⁰⁵ Benkler, *Wealth of Networks*, 9.

⁶⁰⁶ *Ibid.*, 8.

critical culture, and community.”⁶⁰⁷ Furthermore, for Benkler, the Internet opens up the possibility of providing goods and services outside of market relationships. For example, in the realm of news and entertainment, consumers are no longer restricted to cultural goods produced and sold by the commercial media industry. Instead, reductions in the cost of digital media production and distribution mean that consumers are now able to access (and even in some cases *produce*) amateur and non-profit entertainment and news (via YouTube and the blogosphere, for example). Thus, for Benkler, the boundaries between producers and consumers—boundaries which were very clear in the previous “industrial information economy”—are now quite blurred in the “networked information economy.”

For his part, Henry Jenkins similarly celebrates the potential for new media technologies to liberate and empower audiences and users. According to Jenkins, convergence is “the flow of content across multiple media platforms, the cooperation between multiple media industries, and the migratory behavior of media audiences who will go almost anywhere in search of the kinds of entertainment experiences they want.”⁶⁰⁸ Convergence, he argues, should not be understood only as a technological process bringing together multiple media functions within the same devices, but rather, it “represents a cultural shift as consumers are encouraged to seek out new information and make connections among dispersed media content.”⁶⁰⁹ Jenkins believes that convergence culture enables new forms of participation and collaboration from users or consumers. No

⁶⁰⁷ Ibid., 9.

⁶⁰⁸ Henry Jenkins. *Convergence Culture: Where Old and New Media Collide*. (NY: New York University Press, 2006), 2.

⁶⁰⁹ Ibid., 3.

longer are the passive spectators of media products, rather, they are *interactive* participants, commenting, recommending, and even co-creating media they consume. In the Philippines, in particular, the dominance of prepaid, the various ways prepaid accounts are “loaded,” and the menu of options on the kinds of prepaid services that can be purchased together signal that Filipino users are proactive in co-creating the ways they engage with mobile phones. Moreover, as social networking and Internet services become available on cheap mobile phones, lower-income users experience an enhanced ability to engage in user feedback and interactive communication with telecom firms. The next two subsections discuss these two complementary modes of interactivity in more detail.

Interactivity as DIY Phone Plans

As we have already seen, the first form of interactivity between telecom firms and users lies in the enhanced ability of users to customize or co-produce their phones, drawing on a rich range of menu options provided by the firm. And indeed, the ability of Filipino mobile phone users to individualize and personalize their mobile phone has yielded tangible benefits for consumers. As a commenter on a local text messaging blog points out,

“i’ve been a user of this [Unlitxt] for almost a year *na*. for me it’s super *sulit!* i’m using this to communicate to my hubby in the middle east. at least i dont have to be online using a computer. =)”⁶¹⁰ (“I’ve been a user of this for almost a year now. For me it’s super worth it. I’m using this to communicate to my hubby in the Middle East. At least I don’t have to be online using a computer.”)

⁶¹⁰ Renz, 13 September 2010, comment on Caroline Sinel, “Globe Stops Unlimited Texting Service Again” *Text Buff News Blog*, 10 December 2007, <http://news.txtbuff.com/globe-stops-unlimited-texting-service-again/>

Here we see the user enjoying the flexibility of being able to keep in touch with a loved one who is overseas, at a low cost. She is not restricted to being bound to a computer, which requires being in a physical place, and Internet access. Instead, no matter where she is, she can keep in touch with her husband through text messaging. Tangible and real lived experiences such as this are what makes the adoption of these promotion and products part of everyday life. Users experience the convenience and the low costs as positive, thus they continue to keep tabs on new innovations from the telecoms.

Keeping up with all of the options for customizing one's phone and phone plan can sometimes feel like a full-time job, but many users (at least those captured on consumer blogs) seem to embrace the development of these DIY promotions and plans. Another example of this enthusiasm for DIY customization came recently in early 2013, when Globe launched a new product, GoSAKTO, which allows users to create their own prepaid promotion or product.⁶¹¹ In other words, using GoSAKTO, users can choose how much voice calling, text messaging, and/or mobile surfing they need, determine the length of time, speed (for surfing), and the cost. Blogger Athena Jeunnesse Mae Tria points out, "I've been a loyal Globe subscriber for years. And I believe this is one of their greatest offer [sic]. The subscriber gets the chance [to choose] the promo they want and name the promo. Globe's newest feature is awesome and would be beneficial to almost all of their subscribers."⁶¹² User Manuel So notes, "Winner *sa akin ang* Unli call at 100

⁶¹¹ <http://www.globe.com.ph/gosakto>

⁶¹² Athena Jeunnesse Mae Tria. "Globe's Newest Feature: Customize Your Own Promo With GoSAKTO!" *Athena Tria Blog*, 7 February 2013. <http://athenatria.com>

text to all networks *dahil malaking tulong ito sa aking negosyo. #GoSAKTO*”⁶¹³

(“Unli[mited] call and 100 text to all networks is a winning product for me because it helps my business.”).

As another blogger notes, “This service does not only empower prepaid users but also gives them more value for their money. It spares them from promo availment [sic] barriers such as maintaining balances, capping and limited price points. GoSAKTO promos can be as low as P7.00 and may co-exist with another promo – simply put, you have the complete control.”⁶¹⁴ Some comments on the #GlobeSAKTO Twitter hashtag note, “I just registered to #GoSakto. Happiness because it is sooo easy and sooo *sakto* [exact or just right] for my budget on @enjoyGLOBE prepaid”⁶¹⁵ and “I do this all the time, UNLI texts to all net & 20 minutes of call for only 31 PHP/ day! #GoSAKTO Network hindrances no more! SAKTONG SAKTO [It’s just right]!”⁶¹⁶

In this way, users thus celebrate the flexibility and personalization that Globe’s GoSAKTO offers, noting that it frees them from what they perceive as “barriers” or “network hindrances,” hinting that even the most minimal requirements telecom companies require, such as minimum balances, the number of days a promotion or product is valid, or the total megabytes of surfing allowed can be bothersome. In her blog, Tria recognizes that users still need to pay for the services but notes the

⁶¹³ Manuel So, Twitter post, 1 March 2013, 11:36am. <https://twitter.com/manuelso412>

⁶¹⁴ Tetel, Globe launches GoSAKTO, lets prepaid subs create their own promo,” *Pinoy Tech Blog*, 14 February 2013. <http://www.pinoytechblog.com/archives/globe-launches-gosakto-lets-prepaid-subs-create-their-own-promo>

⁶¹⁵ D’Artagnan Aguilar, Twitter post, 26 February 2013, 6:10pm. <https://twitter.com/bunnymaguilar>

⁶¹⁶ Yron Manaig, Twitter post, 25 February 2013, 7:51pm. <https://twitter.com/yronimuz>

individualization is worth it, “*kaso mahal pa din haha! pero ok super ikaw na talaga pipili ng gusto mong promo*” (“But it’s still expensive! But it’s OK since you really get to pick the promos you want.”)⁶¹⁷

Thus we see here that the language of empowerment used to describe these promotions, products, and services is not simply corporate-speak, but has also been picked up by users. Mobile phone users enjoy and value the flexibility of DIY mobile phone products that allow them to customize their own phone plans. They are cognizant of the products they purchasing and understand the costs and benefits involved. And part of the benefits of such products is the pleasure one experiences from creating their own phone plans, spending less, and getting a better deal.

Interactivity as Consumer Feedback

The second form of consumer-firm interactivity opened up in recent years is the enhanced ability for all users—including lower-income users—to speak back to the firm. As Jenkins has noted, digital convergence has allowed for more consumer participation and collaboration, and this participation can range across multiple digital platforms. Whether this consumer feedback comes in the form of hard-core fans of the television program *Survivor* unearthing and publicizing “spoilers” online, or whether it comes as Harry Potter and Hogwarts-inspired online fan fiction, we see consumers using whatever technologies they have to respond to the media they consume, illustrating Jenkins’ point that “new technologies have been designed to be more responsive to consumer

⁶¹⁷ Athena Tria, 12 February 2013, response to comment on Athena Jeunesse Mae Tria. “Globe’s Newest Feature: Customize Your Own Promo With GoSAKTO!” *Athena Tria Blog*, 7 February 2013. <http://athenatria.com>

feedback.”⁶¹⁸

This kind of consumer-firm interaction can be seen in the Philippine telecom industry as well, particularly on social media platforms like Facebook and Twitter. Globe Telecom, for instance, has been able to use their presence on these platforms to address users’ needs quickly, not just in regard to promotions, products, and services, but also with technical issues such as dead spots and low signals. For example a recent discussion between a user and the Globe Specialist on Twitter went as follows:

Gabbie CC. Ybanez: @JenOfGlobe Yes may #GoSakto kayo pero how will you market it sa affordable price? Db, sa 120, in one week? Sana dun n lng ako sa COMBO75.⁶¹⁹ (Yes, we now have #GoSakto but how will you market it at an affordable price? Isn’t it PhP120 in one week? I’d rather have the [old promo] of COMBO75.)

Jen of Globe: @viatchigab we get a lot of positive feedback about #GoSakto so it may be working for them :)⁶²⁰

Similarly, on Globe Telecom’s Facebook page, interchanges like this are common:

Reymund Maltu Edra *Gusto namin mawal [sic] si 800mb limit para maging tunay na unlimited.*⁶²¹ (We want the 800MB limit to go away so we can have real unlimited access.)

Globe Telecom Reymund Maltu Edra: Hi! SuperSurf promo is normally used for emailing and browsing and the said service is not designed for the following activities: sharing software and downloading files in large format (i.e., music, movies, and pictures). Please be informed that the promo has a maximum volume capacity of 800MB per day. If you reaches [sic] it, you will be temporarily unable to browse for 1 day but service will be restored the following day. You have the option to browse again by deactivating the service, thus, forfeiting the remaining hours/days of subscription. If you choose this option, unused hours will no longer be

⁶¹⁸ Jenkins, *Convergence Culture*, 133.

⁶¹⁹ Gabbie CC. Ybanez, Twitter post, 22 February 2013, 5:53am. <https://twitter.com/viatchigab>

⁶²⁰ Jen of Globe, Twitter post, 22 February 2013, 6:29am. <https://twitter.com/JenOfGlobe>

⁶²¹ Reymund Maltu Edra, Facebook post, 8 March 2013, 3:56am. <https://www.facebook.com/globeph>

credited back. For your reference, you may also refer to the website <http://globe.com.ph/broadband/fup>⁶²²

And on Smart Communications' Facebook, a user posted a complaint after the telecom shared photos of recent awards they had just received from the public relations association.

Ronel Irinco talaga daming award.... tapos putol putol naman ang signal! @smart communication ang daming paliwanag tuloy.... bakit hindi masolusyonan yong ganong problem????⁶²³ (A lot of rewards...but your signal is choppy! @smart communication keeps giving out a lot of explanations...but why can't you find solutions for these kinds of problems????)

Smart Communications, Inc. Ronel Irinco: Sorry to know of your experience. For checking, please PM us your SMART/SMART Bro number, location, date/time of difficulty. Thank you.⁶²⁴

Thus, what we see here are small examples of the kind of consumer feedback that Jenkins argues is enhanced in the networked information economy.⁶²⁵

This enhanced consumer-firm interaction can even lead to changes in a telecom company's strategies. For example, on 18 December 2007, TxtPower, an online consumer advocacy group sent a letter of complaint to the National Telecommunication Commission (NTC) "asking [that it] bring back Globe's unlimited texting service and to

⁶²² Globe Telecom, Facebook post, 8 March 2013, 8:51am. <https://www.facebook.com/globeph>

⁶²³ Ronel Irinco, Facebook post, 10 March 2013, 8:58pm. <https://www.facebook.com/SmartCommunications>

⁶²⁴ Smart Communications, Inc. Facebook post, 10 March 2013, 9:48pm. <https://www.facebook.com/SmartCommunications>

⁶²⁵ Although socio-linguistic analysis is not within the scope of this dissertation, a quick scan of the Twitter posts and blog comments suggests that products are reaching beyond the middle- and upper-classes, and that lower-income users are taking advantage of the opportunities to speak back to telecom firms. While a significant majority of the posts are in Taglish (a mix of Tagalog and English), they also often forms of slang and spelling which suggest that they may come from working-class or rural backgrounds.

rollback rates to pre-Feb. 1, 2007 levels.”⁶²⁶ Apparently on 15 December 2007, Globe had stopped their unlimited texting without giving fair warning or notice to its subscribers. Two days later, on December 20th, Globe sent out this text message to its users:

Globe Advisory: *Ang* Globe Unlitxt All Day 20 *ay* available *na!* Enjoy 1 day unlimited texting for only P20. Just text UNLITXT20 to 2870 to register. Til 1/20/08. No free advisory? Reply STOP.⁶²⁷

Although not all unlimited texting promotion options were brought back by Globe, consumer feedback and advocacy through multiple technological platforms have arguably given users a sense of empowerment and participation in the technologies they consume.

Circuits of Capital, Circuits of Struggle

But what should critical communication scholars make of these forms of consumer-firm interactivity in the mobile industry? Interestingly Benkler and Jenkins’ more celebratory views on the democratizing possibilities of digital technologies find at least some overlap with the writings of autonomous Marxists. As Gehl and Gibson point out, scholars such as Michael Hardt, Antonio Negri, and Nick Dyer-Witheford, “while certainly attuned to the ways in which online cooperation and creativity can be exploited for profit, nonetheless also view the [digital networking technologies] as a crucial means

⁶²⁶ Tonyo, Blogpost on “TXTPower asks NTC to bring back Globe’s unlimited texting rates,” *TxtPower Blog*, 18 December 2007. <http://www.txtpower.org/2007/12/txtpower-asks-ntc-to-bring-back-globes-unlimited-texting-rates/>

⁶²⁷ Caroline Sinel, “Globe Telecom brings back UNLITXT All Day 20,” *TxtBuff News Blog*, 20 December 2007. <http://news.txtbuff.com/globe-telecom-brings-back-unlitxt-all-day-20/>

toward rebuilding, or ‘re-composing,’ grassroots activism and struggle (specifically, in their work, resistance to global capitalism).”⁶²⁸

With regard to mobile phones and text messaging in the Philippines, we see this most clearly in the role of the technology in the 2001 uprising that led to the ouster of a corrupt president.⁶²⁹ While it is undeniable that the various promotions, products, and services that telecom companies offer are created with enhanced profits in mind, we can also see this move to DIY mobile plans as opening up possibilities for political organizing and activism, particularly as more and more lower-income users gain access to the communication networks needed to organize and express their frustrations.

To theorize these political possibilities, Dyer-Witheford has attempted to chart a more dialectical “middle path” between neo-Luddism, a strain of Marxian thought which focuses on technology as tool of capitalist domination (technology-as-domination) and what he calls “post-Fordist” perspectives, which look more optimistically at a technologically mediated reconciliation between labor and capital (technology’s potential to liberate).⁶³⁰ Charting this dialectical path, he argues “that the development of new means of communication vital to the smooth flow of capital’s circuit—fax, video, cable television, new broadcast technologies, and especially computer networks—also create

⁶²⁸ Robert W. Gehl and Timothy A. Gibson. “Building a Blog Cabin during a Financial Crisis: Circuits of Struggle in the Digital Enclosure,” *Television & New Media* 13 no. 1(2010): 51.

⁶²⁹ See Cecilia S. Uy-Tioco, “The Cell Phone and Edsa 2: The Role of a Communication Technology in Ousting a President.” Paper presented to the 4th Critical Themes in Media Studies Conference, New School University, 11 October 2003 and Vicente L. Rafael, “The Cell Phone and the Crowd: Messianic Politics in the Contemporary Philippines,” *Public Culture* 15.3 (2003): 399–425.

⁶³⁰ Nick Dyer-Witheford. *Cyber-Marx: Cycles and Circuits of Struggle in High Technology*. Urbana-Champaign: University of Illinois Press, 1999), 38-39.

the opportunity for otherwise isolated and dispersed points of insurgency to connect and combine with one another”⁶³¹ and that “the very communication channels that circulate commodities also circulate struggles.”⁶³² He further says, “at one pole, technology is an instrument of capitalist domination, a means of for the intensification of exploitation and the enchaining of the world in commodity exchange...at the other, it is the basis for the freedom from want and the social intercourse that are prerequisites for a communist society.”⁶³³

Dyer-Witheford’s interplay of circuits of capital and circuits of struggle is derived from the writings of the autonomous Marxists that emerged in Italy in the 1960s. Antonio Negri, a key figure among the Italian autonomists, affirms the battle between capital and labor, and yet “reinterprets this antagonism within a horizon that emphasizes...the diverse sites over which this conflict is fought.”⁶³⁴ For the autonomists, this constant battle between labor trying to recompose itself to fight capital and capital trying to decompose labor by finding ways to maintain control is, in fact, what drives technical innovation. Technologies are created to divide, conquer, and exploit labor. Yet these same technologies can be re-appropriated by labor for their own needs. Thus, for autonomists, the technologies created to intensify control over labor in the “circuit of capital” are also used to emancipate labor in a “circuit of struggle.”

Dyer-Witheford’s discussion of the technological re-composition and de-composition of labor helps us better understand the dual roles of new media technologies

⁶³¹ Ibid., 92-93.

⁶³² Ibid., 146.

⁶³³ Ibid., 42.

⁶³⁴ Ibid., 171.

like mobile phones. Through the various products and services available for mobile phones, users may find ways to struggle against the cycles of capital accumulation in which they find themselves enmeshed, at the same time that their creative uses are recaptured by these same cycles of capital. When mobile phones were first introduced, text messaging was a free, add-on service. For instance, as we have seen in Chapter 2, because of its popularity in the Philippines, mobile phone users began utilizing text messaging in ways that could not have been foreseen by its creators. And as Chapters 3 and 4 of this dissertation has shown, telecommunication companies have subsequently taken the unexpected popularity of text messaging and developed a new generation of products and services that take advantage of this technology, opening new markets for its wares in low-income communities across the Philippines. Thus the cycle of development, appropriation, and re-appropriation continues.

Following Dyer-Witheford, then, on the one hand, the widespread use of prepaid mobile phones has certainly widened the mobile phone market, allowing even those with very small incomes to participate as committed telecom users. As Globe notes in its 2008 Annual Report, “In a period of shrinking consumer wallets, we sought to expand our subscriber base, stimulate greater usage, promote brand loyalty, and increase our share of mobile spend in our key customer segments. We introduced affordable, easy-to-use and relevant services for our customers.”⁶³⁵ Rather than feeling powerless at the hands of large corporations, mobile phone users instead experience they are in control and are capable of regulating their own mobile phone expenses. As a blogger trying out

⁶³⁵ Globe 2008 Annual Report, 10.

GoSAKTO put it, “It is really a liberating thing to be able to create and choose your own.”⁶³⁶

However, on the other hand, with each purchase of “load,” or unlimited texts or GoSAKTO, the mobile phone user is unwittingly supplying the telecoms with information on the promotions, products, and services they are purchasing. The question that then arises is what do telecom companies do with this data? In the following section, I discuss in detail the potential for surveillance and data mining brought about by the widespread adoption of mobile phones and its products and services.

Interactive Labor, Surveillance, and Societies of Control

Unlike Benkler and Jenkins, Andrejevic does not see the relationship between new media producers and users as symmetrical and transparent. Instead, he notes that the forms of interactivity offered on privatized digital platforms are radically asymmetrical in terms of the relationships established between firms and users. Like Dyer-Witheford, Andrejevic thus pushes us to grapple with thorny questions of structure and agency. In particular, Andrejevic’s work encourages scholars to examine two potential asymmetries: (1) interactivity and the problem of users’ “free labor,” and (2) interactivity and the problem of commercial surveillance.

Interactivity as Free Labor

In his work on interactivity and digital media, Andrejevic notes how new interactive technologies have paved the way for forms of accumulation characterized by

⁶³⁶ “You Can Be Smarter With Globe GoSakto,” *My Happy Beginnings Blog*, 1 March 2013. <http://myhappybeginnings.blogspot.com/2013/03/you-can-be-smarter-with-globe-gosakto.html>

flexible production, specificity/adaptation, and individualization—all processes that can speed up and intensify circuits of production and consumption.⁶³⁷ According to Andrejevic, in this broader push toward flexible forms of production and consumption, a new type of individualized consumer or user has been created: “one prepared to devote time and energy to developing the skills necessary to participate in an increasingly interactive media economy.”⁶³⁸ These largely self-taught skills include the ability to use a computer and surf the Internet, as well as mastering devices such as the video remote control programmers, mobile phones, Palm Pilots, and video games.

The contemporary telecommunication consumer, in short, must invest significant amounts of time and energy—that is, their human labor—in order to effectively function in the telecomm marketplace. For instance, in Chapter 2, I discussed how Filipinos became adept at text messaging, quickly mastering how to repeatedly punch number keys to get the desired corresponding letter and learning to keep messages under the 160-character limit of early mobile phones. Filipino mobile phone users found ways to educate themselves on the possibilities and limits of their phones and the services they subscribe to, whether through asking friends and family or, increasingly, through the Internet. Furthermore, learning about new products and services and how they work is vital because both Globe and Smart continually change the promotions they offer.

Examples of this kind of self-education are not difficult to find in online platforms devoted to discussing mobile phones. For instance, in 2010 when unlimited texting was still a new service, a user posted this on Globe Telecom’s Twitter feed: “*mahirap ba mg*

⁶³⁷ Harvey, *The Condition of Postmodernity*, 179.

⁶³⁸ Andrejevic, *iSpy*, 143-144.

UNLITXT? - *nahihirapan ako! .. oh my.. kanina pa ako ngtatry.. hmmmmm .. haha nakakapanibago...*⁶³⁹ (“Is it difficult to use UNLITXT? I’m having some difficulty! Oh my... I’ve been trying [to get it to work] for some time now...hmmmmm.. haha it takes getting used to...”), seeking assistance from other users. Blogs such as *Text Buff News*, *AthenaTria.com*, and *Pinoy Text Blog*, as well as Twitter feeds and Facebook posts keep mobile users up to speed with the ever-changing promotions and products offered by telecom companies. Frequent comments on these blogs are that of thanks for explaining new products and stories on how users have benefited from the information. For example, a response to *AthenaTria.com*’s post on Globe’s ALLNET20 promo read, “This blog really helps me *makatipid*. hehe :) Thanks much *sa gumawa at nagshare*. :)”⁶⁴⁰ (This blog really helps me save. Hehe :) Thanks much to the maker and for sharing :) In short, what we see here are users spending their time and working in concert to become familiar with and to customize the mobile phone promotions and products they consume.

In this way, framed as interactivity, consumers are asked to take the responsibility for customizing products and services to their needs—a process that requires consumers to invest their limited time and energy. Andrejevic further points out that this kind of free and interactive labor is typically “portrayed as a means of overcoming the forms of alienation associated with both mass production and mass consumption.”⁶⁴¹ And no doubt

⁶³⁹ Maanne Fernandez. Twitter post, 29 January 2010, 4:51am. <https://twitter.com/dhezzanne>

⁶⁴⁰ Maria Gracia Pobocan, September 12, 2012, 1:17am, comment on Athena Tria, “Globe’s Best Promo Ever: ALL20,” *Athena Tria Blog*, 26 August 2012. <http://athenatria.com/globes-best-promo-ever-all20/>

⁶⁴¹ Ibid., 145.

some users interpret their experience in precisely this way.⁶⁴² At the same time, drawing on Andrejevic, we must remember that as mobile phone users individualize their phone plans, they are also, in effect, *laboring* for the telecom companies—saving firms money on consumer education and marketing research, in addition to supplying firms with a steady stream of data that can be used in ways that return value to the firm.

This notion of the user or audience as laborer is not specific to new media technologies. Over thirty years ago, Dallas Smythe, in his work on television, theorized the audience commodity and viewed “watching as work.”⁶⁴³ For Smythe, audiences “labor” as they are watching commercial television, and their consciousness is exploited by networks and advertisers. Jhally, a student of Smythe’s, took this notion further, arguing that “[w]atching is a form of labor...when the audience watches commercial television, it is working for the media, producing both value and surplus labor...watching is an extension of factory labor.”⁶⁴⁴

While Smythe and Jhally write about the labor of television, Terranova explores free labor, “a trait of the cultural economy at large, and an important, and yet undervalued, force in advanced capitalist societies.”⁶⁴⁵ The freely donated labor of

⁶⁴² As the GoSAKTO video says, “Promo *na gawa mo...ikaw mismo*” (A promotion that you create yourself, yes, you yourself!). Blogger Tria notes, “Being able to customize the promo you want or need is, I think, probably the best feature a telecom can offer.” See “GoSAKTO with Xian Lim” video. <http://www.globe.com.ph/gosakto> and Tria. “Globe’s Newest Feature: Customize Your Own Promo With GoSAKTO!”

⁶⁴³ Dallas Smythe. *Dependency Road: Communications, Capitalism, Consciousness, and Canada*. Norwood, NJ: Ablex, 1981.

⁶⁴⁴ Sut Jhally. *The Codes of Advertising: Fetishism and the Political Economy of Meaning* (New York and London: Routledge, 1990), 83.

⁶⁴⁵ Tiziana Terranova, “Free Labor: Producing Culture for the Digital Economy.” In *The Politics of Information: The Electronic Mediation of Social Change*, edited by Marc Bousquet and Katherine Wills. Stanford, CA: Alt-X Press, 2003), 99.

users—that is, the unpaid, unwaged labor which users invest in their blogs, their Facebook profiles, and on consumer review sites like Yelp and TripAdvisor—forms the material basis for much of the value that is produced and exchanged online.

Along these lines, I propose that building mobile DIY phone plans should also be viewed as “free labor” as it is the consumer creating the kind of mobile phone plan they need, freeing the telecom companies from doing laborious market research to develop plans that “hit” with market segments. In essence, the willingness of consumers to “build their own plans” allows firms to take a menu approach to marketing—the firm supplies the options, and user builds his or her phone. The free labor of users thus supplies data that telecoms and advertising firms would previously pay huge sums of money to obtain.

No doubt most mobile phone users do not see assembling a personalized constellation of “load” and “services” as labor. For the Filipino prepaid user, it is simply part of everyday life with a mobile phone. Users simply want to get the best deal for the telecom services they need. But what they often do not realize is that, in engaging in the labor necessary to personalize and customize their phones, they are producing something valuable—not only their own value as a loyal consumer of telecom services, but more tangibly a stream of valuable data and information to the telecom companies.

Interactivity and Surveillance

In addition to raising questions about the ethics of “free” interactive labor, Andrejevic’s work also draws our attention to the enhanced powers of surveillance opened up by digital networks and databases. In particular, he points to how the use of interactive technologies (including mobile phones) generates a stream of digital traces

containing personalized information on users' behavior, preferences, and tastes. This data can then be commodified and sold to marketers and advertisers. As hinted by Jen of Globe, the company takes user feedback into consideration as it creates and rolls out new promotions, products, and services. In short, data and feedback from users act as an unpaid focus group by telecoms.

The ability to monitor mobile users goes way beyond message boards and blogs. At first glance, however, it may seem that lower-income users, who access mobile services mostly via prepaid plans, might be immune to more invasive forms of commercial monitoring. As discussed in previous chapters, the advantage of prepaid mobiles is that almost anyone, of whatever means, can purchase a mobile phone and add "load" with a prepaid card or over-the-air reloading services. Purchased in this way, the identities, addresses, genders, ages, incomes, and other identifying markers of individual users cannot be traced. In fact, here in the U.S., these phones are sometimes referred to as "disposable phones" because they can easily be thrown away or replaced.

However, this ability to escape monitoring disappears once users of Globe and Smart register with mobile money products, such as GCash and Smart Money. From that point forward, the name and mobile number of a user are linked. When the mobile is used to pay utility bills, links between the mobile and the specific utility is established. This is necessary component of financial transactions in order to confirm who owns funds deposited and record that payments have been made. Once a user is engaged in banking and financial services, he or she becomes traceable. Finally, a record of each transaction and payment is created providing companies with data on how many mobile phone users

engage in GCash or Smart Money, what ways they use it, how much money is exchanged, etc. this data can then in turn be used to support marketing and promotion initiatives.

Furthermore, when Globe subscribers need to access customer service support, whether through Globe Telecom's Talk2GLOBE Facebook page⁶⁴⁶ or website,⁶⁴⁷ they need to provide their name, mobile number, and email address when reporting their complaint or concern. On the website, subscribers must include their birthday, mother's maiden name, and billing address. Thus, once a prepaid mobile user needs customer service, he or she is no longer anonymous, and a link between a mobile number and the user's personal contact information can be established. We can speculate that Globe uses this information to build data on the kinds of problems or service issues they receive, how users report their mobile phone problems (Facebook, website, toll-free number, or in-person), and to have a service record for the customer.

While telecom companies may not be particularly interested in the specific texts or calls sent by individual subscribers, they are clearly interested in patterns of use across multiple segments of the population. As Andrejevic points out, mobile phone users unwittingly "surrender to the forms of surveillance associated with cell phone use."⁶⁴⁸ For example, since the introduction of prepaid mobile phones, telecoms have monitored the "churn rate," defined as the rate in which SIM cards or mobile numbers are discontinued. Telecom companies are interested in determining the areas of the country

⁶⁴⁶ https://www.facebook.com/globeph/app_243315415736760

⁶⁴⁷ <http://www.globe.com.ph/talk2globenow?jsid=36444A90672F3B7DB124E806C1D4F1ED.11363164174622>

⁶⁴⁸ Andrejevic. *iSpy*, 3.

where the highest churn rates are and “use this data as a basis for determining where to push their prepaid products more.”⁶⁴⁹ By tracking which products are being purchased (i.e. Unlitxt, SuperFB, SuperSurf, etc.) telecoms are able to analyze “which of their prepaid products sell best and worst in relation to different areas.”⁶⁵⁰ This data is used to determine which products need to be promoted, renewed, or retired. In addition, telecoms supplement these quantitative data by running focus group discussions of their prepaid customers to determine “whether the two data sets affirm each other and prioritize action on those problem points that have the strongest empirical support.”⁶⁵¹

For his part, Andrejevic calls this type of data collection the “digital enclosure” where “the use of interactive technologies—new media devices—lends itself to the generation of cybernetic information: feedback about the transactions themselves.”⁶⁵² This feedback becomes the property of the corporations, and they have free use of data collected. In this way, for mobile phone users in the Philippines, each act of buying “load,” each purchase of a special promotion, or each access of m-commerce or m-banking services, generates data on individual users that can be aggregated and used by telecom firms and their partners in various ways.

What is fascinating about the extension of mobile phones into lower-income and working-class communities is that it opens up previously foreclosed opportunities for this sort of commercial (and even state) surveillance. For example, Filipinos from the lower classes, particularly those who are daily wage earners, are usually “off the grid”—that is,

⁶⁴⁹ Manager at a Philippine telecom company, email correspondence with author, 5 March 2013.

⁶⁵⁰ Ibid.

⁶⁵¹ Ibid.

⁶⁵² Andrejevic, *iSpy*, 3.

they are excluded from advanced forms of commercial or state monitoring using social security or tax identification numbers. A domestic worker, for example, most likely does not have a bank account, lives at her employer's residence, does not pay taxes or contribute to social security. But she usually owns a mobile phone. Even then, data about her name, age, income, gender, or home address would be difficult to trace by the telecoms (unless volunteered), a record of the transactions of her specific mobile phone number, whether it be adding load, buying surfing time, or giving away load to others can be traced.

If a domestic worker uses m-commerce and m-banking services, however, even more information about her individual consumption and financial habits would be recorded and could be traced by telecoms. As discussed in Chapter 2, to access GCash and Smart Money, users need to register with the telecom companies, thus linking a name and address with a previously anonymous prepaid mobile phone number. Of course this policy is for the protection of the mobile money user. If the mobile phone is lost or stolen, GCash and Smart Money funds remain intact and can be accessed because of the registered name on the account. In addition, both the telecoms and the banks need to keep track of each m-banking transaction to make sure that they are within with maximum limits that is allowed and complying with anti-money laundering laws. However, what users typically do not realize is that they are also providing telecoms and banks with data that can be used for marketing and advertising purposes.

In this way, the data that is collected draws people more into what Deleuze calls *societies of control*, where every person, every transaction, every idea is mapped,

recorded and traced. For Deleuze, we have moved from Foucault's "society of discipline" where institutions like the church, schools, factories, and prisons disciplined and regulated society into particular behaviors. According to Deleuze,

In the societies of control, on the other hand, what is important is no longer either a signature or a number, but a code: the code is a password, while on the other hand disciplinary societies are regulated by watchwords (as much as from the point of view of integration as from that of resistance). The numerical language of control is made of codes that mark access to information, or reject it. We no longer find ourselves dealing with the mass/individual pair. Individuals have become "*dividuals*," and masses, samples, data, markets, or "*banks*." [...] The disciplinary man was a discontinuous producer of energy, but the man of control is undulatory, in orbit, in a continuous network.⁶⁵³

While Deleuze did not have developing societies in mind when he wrote about societies of control, we have seen above that in the Philippine context, consumers-as-laborers provide information to the telecoms. Because the mobile phone is often the first information communication technology (ICT) for most Filipinos, their first experience of banking and banking-like transactions, and their first link to the Internet, those who formerly lived "under-the-radar" have been brought into the digital enclosure. While the extent to what is being done with this data is uncertain, telecoms, at the very least, are using this for marketing purposes. They are able to record how many users in a geographical area have registered for GCash and Smart Money and are able to track the amount of money being exchanged, and thus can use this information for further marketing m-commerce and m-banking products. Indeed, they can further tailor their products/services to make the most of the market as the market changes.

Whether the information gathered is being sold to third party marketers is

⁶⁵³ Giles Deleuze, "Societies of Control," *October*, 59, (Winter, 1992): 5-6.

speculative at this point. However, if we look at how the state and corporations in developed societies, such as the United States, use these kinds of data, we can speculate on what could happen in the Philippines in the future. For example, Philippine telecom companies could sell the data to marketing companies who in turn could use the information to customize advertising to low-end markets. The data culled by telecoms could also be used in conjunction with other state agencies for the purposes of policing, crime prevention and prosecution, and monitoring of populations using social services such as welfare. In addition, as more and more people use the mobile phone to purchase and sell goods, the government could track small, home-based businesses that are not formally registered or paying taxes. While there is no evidence that these are currently being done, the possibilities that these kinds of surveillance and monitoring might be done in the future are very real.

Conclusion

The ability to personalize and individuate one's mobile phone plan gives the user a sense of being in charge of their mobile phone use and expenditures. While users seemingly have more freedom and control over their consumption, these services (and the online platforms devoted to discussing these services) offer telecommunication firms new tools for the commercial surveillance of a whole new category of users (the poor, the rural, the working-class) and the appropriation of consumer's "free labor" in constructing their DIY plans. As I have noted in previous chapters, a significant number of mobile phone users in the Philippines are the working class poor who have previously had zero

or very little contact with information communication technologies (ICTs). As Filipinos use their mobile phones for uses beyond person-to-person communication such as banking, mobile commerce, social networking sites, etc. they leave traces of their consumption practices that marketers, as well as government agencies, can tap with varying degrees of precision (depending on the service accessed). These types of data provides telecom companies with important information, saving them, at the least, countless hours of focus groups to come up with individual plans targeted to individual users.

Because many of these users were previously excluded from ICTs, they were also excluded from systems that could trace their consumption practices. As their participation in the network society increases, so does their entanglement in systems of monitoring and surveillance. As Dyer-Witthford notes we see “how capital uses high technologies to enforce, command, by imposing increased levels of workplace exploitation, expanding its subsumption of various social domains, deepening its penetration of the environment, intensifying market relations, and establishing an overarching panoptic system of measurement, surveillance, and control through digital networks.”⁶⁵⁴ The more users individuate their mobile phone use and consumption, the more they engage in self-education on tech blogs and company Twitter feeds, and the more services they access (including the m-commerce and m-banking services discussed in previous chapters), the more they entangle themselves in the expanding digital systems of commercial and state surveillance. And if today the data these working-class ICT users generate are mostly

⁶⁵⁴ Dyer-Witthford, 92.

used to hone the sales and marketing practices of telecoms, as discussed in the previous section, this may not always be the case in the future.

CHAPTER 6

CONCLUSION

This dissertation has sought to study the adoption of the mobile phone against the backdrop of the Philippines as a postcolonial, developing nation within the larger contexts of globalization, modernization, and the development of a global network society. Mobile phones as a cultural object allows us to examine the contradictions and tensions that emerge when global capitalism intersects with the everyday life of people living with and through technological innovations. By focusing on the products and services developed and marketed by Philippine telecoms that extend mobile phone use beyond synchronous voice communication, this dissertation reveals a number of complex contradictions that are tied to the larger project of neoliberal globalization.

The widespread adoption of mobile phones and their accompanying products and services in the Philippines illustrates what Dyer-Witheford has called the interplay of “circuits of capital” and “circuits of struggle,” where technology is a tool for both the

domination of capital and the struggles against it. On one hand the development of technologies has historically been viewed as progress, both socially and economically. The World Bank, for example, once wrote that information and communication technologies (ICTs) would “ameliorate global poverty and inequality.”⁶⁵⁵ Thus it is not surprising that telecommunication firms, government agencies, and international development organizations have lauded the widespread adoption of mobile phones and their accompanying products and services as an unambiguously positive development—a development capable of promoting social and economic development in the Philippines and other places in the developing world. On the other hand, it cannot be denied that technological innovation is a product of the system of global capital that permeates in everyday life as well as a tool that ensures the extension of capitalist economic relations across the globe.

Indeed there is much to celebrate about mobile phones and the products and services associated with them being extended to populations that were previously excluded from access to ICTs. Throughout this dissertation, I have shown how individual users experience a sense of agency and empowerment. For example, in Chapter 3, I point out how users of GCash and Smart Money have celebrated the ease in which they can conduct financial transactions and banking services using text messaging. Through m-banking and other m-microfinancing products discussed in Chapter 4, we see users, particularly in the rural areas, experiencing the convenience of banking from remote areas through their mobiles. Similarly, the rural poor are able to receive government

⁶⁵⁵ Mosco, *The Political Economy of Communication*, 2nd ed., 74.

assistance more quickly and with less red tape. Finally, in Chapter 5, I discuss how through the innovations in prepaid mobiles, users have been able to customize their mobile phones according to the products and services they need.

These experiences of empowerment echo Henry Jenkins' argument that media technologies enables users more participation in their use and experiences of media products.⁶⁵⁶ Digital media, for Jenkins, allows users to be comment, recommend, and co-create the media they consume. Similarly, in writing about the Internet, Clay Shirky portrays a world where digital tools open new possibilities for open information sharing and collaborative production (with Wikipedia being the most cited example of these possibilities).⁶⁵⁷ What is shared through digital technologies range from the mundane to more exceptional information such as where to assemble for a political protest. This echoes the work of Howard Rheingold who celebrates the mobile phone's ability to coordinate political action with others they barely know.⁶⁵⁸ Such democratizing possibilities of digital technologies such as the mobile phone should not be overlooked. However, at the same time, the deployment of mobiles in the Philippines, as well as the excitement and openness in how the mobile has been taken-up by millions, raises concerns, particularly on how ICTs are used as a tool to expand capital's reach, enhancing the center's ability to control the periphery and ensuring the efficient circulation of capital.

⁶⁵⁶ See Jenkins' *Convergence Culture*.

⁶⁵⁷ See Clay Shirkin, *Cognitive Surplus: Creativity and Generosity in a Connected Age*. (New York: Penguin, 2010).

⁶⁵⁸ Howard Rheingold. *Smart Mobs: The Next Social Revolution*, (Cambridge, MA: Perseus Publishing, 2003), xii.

Castells has described our world today as a “networked society” based on the networks linked by communication and information technologies. To participate in the global economy, he writes, one must be linked to the network in both the micro level (individuals having access to ICTs) and macro level (nations having developed technological infrastructures). Thus both the development of the telecom industry and the widespread adoption of ICTs in the form of the mobile phone has been crucial for the Philippines.

Yet this push to develop technological structures and systems are very much tied to the global capitalism as promoted by neoliberal practices. Neoliberalism, for Harvey, is a “theory of political economic practices proposing that human well-being can be best advanced by the maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade.”⁶⁵⁹ The role of the state then is to ensure that these entrepreneurial freedoms are achieved by providing the regulatory and institutional frameworks needed to secure property rights and create a favorable “climate” for the investment and circulation of capital. Individuals are thus responsible for their own actions and well-being. Harvey points out that neoliberalism assumes all individuals have the same access to information and that presumes that “no asymmetries of power or information exists that interfere with the capacity of individuals to make rational economic decisions in their own interest.”⁶⁶⁰ Information communication technologies

⁶⁵⁹ David Harvey, “Neoliberalism as Creative Destruction,” *Annals of the American Academy of Political and Social Science* 610 (March 2007): 22. [22-44]

⁶⁶⁰ Harvey, *A Brief History of Neoliberalism*, 68.

can be seen as vital tool to enable neoliberal economic policies to be introduced and cultivated.

These neoliberal ideals have been spread throughout the world through policies and practices as shaped and dictated by the WTO and IMF. While its development in various places in the world is uneven, no place can claim total immunity.⁶⁶¹

Neoliberalism has thus become the driving force of the global economy and social life.

This is very much evident in the Philippine context, as Chapter 2 of this dissertation illustrates how the internal policy developments in the Philippines were closely linked with the geopolitical events occurring outside national boundaries. In particular, the dissertation points out that the move of the Philippine telecom industry to deregulate and open itself to foreign investment in the 1990s was very much tied to the perceived need to “modernize” the telecommunication sector in order to more effectively compete for future economic development and to participate in the global market.

Marketing to (and Capturing) the Previously Excluded

Because ICTs are essential to economic development and participation in the global economy, individual citizens must have access to them. Castells’ “network society” gives us a framework in understanding the importance of having access to technology in order to be connected to the network. And, indeed, the lowering cost of mobile phones in the Philippines has resulted in widespread access to information communication technologies (ICTs). For instance, Chapter 3 of the dissertation shows

⁶⁶¹ Harvey, “Neoliberalism as Creative Destruction,” 23.

how mobile phones have been taken up in the Philippines, particularly through prepaid phones and text messaging. Despite pervasive poverty and precariousness of everyday life for many, mobile phones have become the most ubiquitous ICT in the Philippines, and for many, their first experience with a technology.

Although we can be pleased that ordinary Filipinos now have access to ICTs and are now linked into global digital networks, the *kinds* of access poor and working-class users have obtained has *not* “flattened” class hierarchies but has instead re-cast and reinforced class hierarchies. For instance, this dissertation has shown that the kinds of access are not on a par with the products and services that the elites and those in the more developed world enjoy, nor does the availability of m-commerce and m-banking services challenge the material difficulties that face working-class and poor Filipinos everyday, however welcome these services may be to individual users.

In other words, important information inequalities persist, despite the rollout of these services. The smart phones and broadband access that the elites have are similar to what is offered in the developed world. Bank accounts, social networking sites, and commercial retail sites can be accessed through “apps” that users purchase, essentially turning mobiles into mini computers. For their part, m-commerce and m-banking through text messaging or SMS-based technologies, while useful, are comparatively limited in terms of their capabilities. Furthermore, user interface can be awkward and requires a number of prompts sent via text message. Although the mobile phone and text messaging has aided in overthrowing a president in 2001 and thus its capabilities for political action cannot be denied, this action is still based on a network of people passing on information

to friends and relatives through a phone tree. These SMS-based services thus do not open-up the possibilities of accessing or co-producing alternative sources of information such as the use of grassroots political blogging to counter the dominant mainstream media that Benkler discusses. As examined in Chapter 5, while mid-range phones with a Globe account have some (free) Internet capabilities, it can only be accessed through the Google enclosure. Since the mobile is the only access to ICTs for many, the disparity in the kind of information and knowledge that can be generated through the Internet and the World Wide Web is closed off for them. Furthermore, it can also be argued that while individual users experience benefits in using their mobile phones, they simultaneously continue to emphasize the insecurity and precariousness of their everyday life in the periphery. In short, these services are tailor-made for the precarious; their very existence is thus predicated on the existence and persistence of deep inequalities in economic and social life.

This dissertation thus adds an important voice to the growing critical commentary on Castells' concept of "the network society." To be fair, Castells does recognize the unevenness of both access to and power within social and economic networks, but this dissertation finds that Qiu's work on the "working class network society" is more useful in understanding the complex relationships between digital networking technologies and social and economic development in the developing world. Although held up by the telecom industry as well as international organizations as a means of bridging the "digital divide" between the information "haves" and "have-nots," the development and deployment of these low cost, text messaging-based innovations have instead given rise

to a new social class in the Philippines, what Qiu calls the information “have-less.” The provision of low-cost ICTs and low-cost services does provide access to the network society, but an access that is “good enough” instead of access to full broadband services that the elites and those in the developed world enjoy. Thus, this dissertation builds upon Qiu’s work on how the extension of global digital networks into new territories is manifested and experienced in various ways and in different places, particularly in the developing world. Like Qiu, this dissertation pushes us to consider how social class hierarchies are increasingly expressed through the kind of access one has to information technologies and services. The “have-nots” occupy a truly marginal space, completely cut-off from the network society, unable to participate. The “have-less,” however, encompass a broad spectrum of Filipinos that include the middle class and its various gradations (the C category discussed in Chapter 3), and the lower class who live much more precarious and unstable lives (the DE category). Thus, rather than challenging existing hierarchies, access to mobile phones—and in particular the rollout of services tailored to the “have less”—replicates them.

This dissertation has also shown that through the various products and services offered, Philippine telecoms were deliberate in their goal of capturing previously excluded populations into formal administrative and financial networks. As discussed in Chapters 3 and 4, the expanded uses of mobile phones for m-commerce and m-banking have undoubtedly benefitted users, especially for the 80 percent of Filipinos without bank

accounts.⁶⁶² By capturing the previously un-banked through mobile banking services, users are now drawn into formal systems of finance where every transaction can be monitored and recorded (thus reducing the role of informal financial systems and networks, undoubtedly a key aim of state regulators, taxation agencies, and law enforcement). As Harvey points out, neoliberalism has meant “the financialization of everything”⁶⁶³ including everyday life. Thus while systems of finance and capital are expected to be increasingly freed from regulatory constraints and barriers, individuals, particularly through their financial transactions, find themselves more closely monitored and tracked by state and commercial systems.

As mobile users become part of the formal financial network, they are thus being brought into systems of commercial and administrative surveillance—what Marc Andrejevic calls “the digital enclosure.” A salient characteristic of new media technologies is the ability of users to engage in the media texts, to individualize the media they consume, and to have more consumer choice. However, as presented in Chapter 5, mobile users are at the same moment providing telecoms with data that could potentially be used for commercial surveillance. We see in Chapter 5 that telecoms are already using the data they collect in deciding which promotions, products, and services should be continued or ended, as well as determine what geographical areas require more advertising and marketing. How the telecoms and the state may use these kinds of data in the future is wide-open, including ways of managing and regulating consumers and

⁶⁶² Banko Sentral ng Pilipinas. “BSP Releases Results of First Consumer Finance Survey in the Philippines.” <http://bsp.gov.ph>

⁶⁶³ Harvey, *A Brief History of Neoliberalism*, 33.

citizens. For example, focusing on the state, it would be possible to use the data derived for mobile phone use to monitor where welfare and conditional cash transfer (CCT) funds are being spent. The Department of Social Welfare and Development (DSWD) has already had to quash rumors that CCT recipients who participated in a protest rally would be removed from the program.⁶⁶⁴ It is imaginable, therefore, that political action via mobiles could be monitored and used, particularly when we consider how Filipinos have historically used both traditional and new media for political and social action. In addition, the Bureau of Internal Revenue (BIR) could also use the data gathered from mobiles to crack down on small, home-based business that are not properly registered or paying proper taxes.

Moreover, as mobile phones and other social networking sites open-up more possibilities for micro-entrepreneurs, they also open-up the possibilities for stricter monitoring by the state's regulatory agencies. Since 2002, individuals in the Philippines have been reporting plate numbers or tags of smoke-belching vehicles through sending a text message to a hotline.⁶⁶⁵ Violators are penalized and fined when they renew their vehicle's registration at the Land Transportation Office (LTO).⁶⁶⁶ This kind of citizen-surveillance and monitoring is becoming more and more common as people use mobile devices to send traffic reports, suspicious packages, and nefarious crimes to hotlines.

⁶⁶⁴ Department of Social Welfare and Development, "Pantawid beneficiaries who joined the protest rally will not be delisted — DSWD," 15 March 2013. <http://www.dswd.gov.ph/2013/03/pantawid-beneficiaries-who-joined-the-protest-rally-will-not-be-delisted-dswd-2/>

⁶⁶⁵ Alcuin Papa, "Text Usok: Text Your Smoke-Belching Complaints," *Philippine Daily Inquirer*, 7 June 2002.

⁶⁶⁶ League of Corporate Foundations, "Globe, DENR help curb air pollution in Metro Manila with new hotline." <http://www.lcf.org.ph/news/membernews/130-globedenrgreenline>

Finally, this dissertation has also discovered an interesting pattern in the rhetoric surrounding the marketing of text messaging-based mobile phone services regarding the poor and working-class in the Philippines. As Oullette and Hay have argued, a key feature of neoliberalism is the state's "offload[ing] much of the responsibility of facilitating the welfare of the citizenry to individuals and the private sector."⁶⁶⁷ The ideal citizen or ideal "neoliberal subject" is thus individualistic and entrepreneurial, capable of competing vigorously with others for scarce opportunities and resources in order to gain status and wealth. While Oullette and Hay's work examines this model of subjectivity in American reality television, this dissertation argues that we see a similar discourse of ideal citizenship in the rhetoric surrounding mobile phone services for the Filipino working poor.

For example, as we have seen, telecom companies have promoted their mobile phone products and services as "enabling" and "empowering" the Filipino working poor by providing them with low cost phones and services, as well as entrepreneurial opportunities. Overall, here as elsewhere, we see a rhetorical transfer of the responsibilities of the state to care for its citizens onto private citizens and private firms (such as telecom companies) who are thought to "provide the tools" for the promotion of self-care and self-determination within a population once thought to be helpless and dependent on the state.

⁶⁶⁷ Oullette and Hay. "Makeover Television, Governmentality and the Good Citizen," 476.

Bottom-Up and Top-Down Innovations

This dissertation also reveals that what has been occurring in the Philippines is a combination of a bottom-up and top-down approach to innovation. As discussed in Chapters 2 of the dissertation, previous research has shown in greater detail how the mobile phone has been taken-up by users in the Philippines. For example, text messaging unexpectedly became the primary means of communicating via mobiles and users became adept at keeping their messages under the 160 characters maximum per text, creating shortcuts and terms that have become part of everyday life in the Philippines. In addition, the expansion of mobile phone use to previously excluded populations have led to a growth in the second- and third-hand market for mobile phones, as well as small businesses that specialize in unlocking mobile phones from a specific telecom company. Online communities of mobile phone users have emerged, establishing venues for users to exchange pointers on how to navigate the myriad of products and services offered by telecoms, as well as creating possibilities for consumer activism.

But what has been striking about the Philippine context, and what has been the focus of this dissertation, are the *top-down* innovations in telecommunications, particularly in the level of technology and policy. With the success of text messaging and prepaid phones, Philippine telecom companies were the first in the world to develop and promote new products and services that transformed the mobile phone into a bank and an electronic wallet back in 2001.⁶⁶⁸ Capitalizing on both the technology utilized for over-the-air reloading and the familiarity and comfort of users with this technology, Globe

⁶⁶⁸ Torres, “RP Leads in Mobile Banking Services.”

Telecom and Smart Communications developed GCash and Smart Money, which provide users with the ability to pay for commercial goods, settle utility bills, donate to charity, conduct banking transactions, and send and receive remittances through their mobile phones. Globe Telecom and its sister-companies, Bank of the Philippine Islands and Ayala Corporation, have also established BPI Globe BanKO, the Philippines' (and the world's) first mobile bank. These extensions of banking and financial capabilities onto the mobile phone platform stem from technological innovations of the telecom companies.

Perhaps just as important to the story, however, has been the top-down innovations of state telecom and banking policy makers. To be sure, the Philippines is not the only developing country that is expanding the uses of mobile phones to banking and microfinancing. Kenya's M-Pesa is arguably more well-known and extensively discussed and debated in the international development community.⁶⁶⁹ Still, in policy-making circles, the Philippines is considered a better model for its mobile financial services due to the cooperation between telecoms and the BSP (the Central Bank). As Chapter 4 has shown, the nation's banking regulators have been unusually "open to developing mobile banking, showing flexibility and depth in regulations without sacrificing proper governance, sound banking practices, and regulations under the international anti-money laundering environment"⁶⁷⁰ thus paving the way for policy innovations that have extended the reach of ICTs to the nation's precarious poor and working-class.

⁶⁶⁹ M-Pesa is Kenya's mobile money system that was introduced in 2007, six years after the Philippines launched the world's first mobile money service—Smart Money.

⁶⁷⁰ Torres, "RP Leads in Mobile Banking Services."

By no means am I uncritically celebrating the cooperation between the telecom industry and the government regulators. The primary responsibility of the telecom companies would be to their shareholders, thus, despite their rhetoric, their priority would always be to increase profits. And, for its part, state regulators and policy-makers perceived the benefits of extending the reach of mobile phone services, both in terms of potential economic development, but also in terms of expanding the reach and power of administrative systems (including social welfare, taxation, and law enforcement). But what this dissertation has shown is that without the innovative collaboration of the various entities involved, particularly the collaboration between the banking and telecommunication sectors,⁶⁷¹ these mobile products and services would not have been successful.

Two key theoretical and conceptual implications emerge when we examine these top-down innovations. First, as discussed above, previous literature on mobile phones in the developing world has focused on bottom-up innovations of users. For example, in the Philippines, much has been written about how citizens across the class spectrum used mobile phones and text messaging to organize a protest that resulted in the overthrow of a corrupt president. Other research has celebrated the ability of users to short-circuit the accumulation strategies of telecom firms, including a famous case in India, where users used the clever “missed call” (or “dropped call”) system to achieve “no cost” communication. In this system a missed call of one ring usually meant, “I have reached

⁶⁷¹ For instance, that the BSP has ceded some of its functions and authority to non-banking entities such as telecom companies speaks volumes, revealing a remarkable level of trust and cooperation between these sectors.

safely” or “money has arrived.”⁶⁷² These types of work on grassroots user creativity has been a prominent—arguably the most prominent—stream of cultural research within the field of communication studies. For this reason, this dissertation’s focus on the innovations of *firms and policy makers* to “recapture” and “redirect” innovation by developing and promoting mobile phone products and services is an important addition to the existing research on mobile phones.

Second, the case of the Philippines, particularly the policy and commercial innovations that led to the promotion of text messaging based mobile phone products and services, contribute to the wider literature on globalization and modernity. Specifically, these innovations push us to revisit Giddens’ theory of globalization as the spread of Western modernity to the rest of the world. Despite the history of the Philippines telecommunication sector as being similar to that of the U.S. with a regulated monopoly, we see divergent paths taken with regard to the consequences of this deregulation, particularly at the level of telecomm firms and their accumulation strategies. Whereas U.S. telecom firms have pursued a path of “cream skimming” and focusing on lucrative and income-generating urban and business markets,⁶⁷³ the Philippines, at least in the mobile phone sector, realized instead that profits were to be made by “capturing” the previously excluded into the mobile phone system and its accompanying text messaging-based products and services. This strategy of the Philippine telecoms industry highlights

⁶⁷² Sanjay Puri, “Missed Calls: A Lesson in Innovation During Tough Times,” *Sanjay Puri Blog*, 14 March 2013. <http://www.sanjaypuri.com/business/missed-calls-a-lesson-in-innovation-during-tough-times>

⁶⁷³ Tim Wu. *The Master Switch: The Rise and Fall of Information Empires*. (New York: Alfred Knopf, 2010), 239.

how we must look at modernization and the “rollout” of neoliberal economic and regulatory policies in more complex ways, recognizing that it both are contradictory and uneven processes.

And yet both history and the present juncture shows us that these innovations in technology and policy occurring in the Philippines is motivated by the competitive global economy. To be fully integrated in the global system of production, trade, and finance, developing countries, including those in Asia, knew “full well how strategic a modern telecommunications network is for their survival in a competitive global economy.”⁶⁷⁴ For the Philippines to attract investors and to participate in the world market economy, it was necessary to have a thriving telecommunication infrastructure to facilitate outsourced production and export processing zones.

While globalization and modernity is at its core a “Western project,”⁶⁷⁵ this dissertation has shown, particularly as evidenced by both bottom-up and top-down innovations, that the Philippines has been able to adopt and indigenize technologies to suit existing social and cultural practices. The ways the Philippines has taken up and adopted mobile phone technologies as part of the process of modernity and participation in the global network society illustrates the developing world’s capacity to “‘indigenize’ Western cultural imports...[and] appropriate them actively rather than be passively swamped.”⁶⁷⁶ The World Bank points out that the “developing world is ‘more mobile’ than the developed world...[m]any mobile innovations—such as multi-SIM card phones,

⁶⁷⁴ Ure and Vivorakij, “Privatization of Telecoms in Asia.”

⁶⁷⁵ Shaun Moores, *Media/Theory: Thinking About Media and Communications*. (London and New York: Routledge, 2005), 39.

⁶⁷⁶ Tomlinson, “Cultural Globalisation: Placing and Displacing the West,” 169.

low-value recharges, and mobile payments—have originated in poorer countries and are spreading from there.⁶⁷⁷ Yet these innovations and access reveal the process of “unequal development” and the “simultaneous discontinuities”⁶⁷⁸ that exist in the developing world as it participates in globalization.

The Interplay of Circuits of Capital and Circuits of Struggle

I have outlined in this dissertation how a variety of actors and forces (both public and private, both commercial and noncommercial, and operating at both local and global scales) have come together to extend a SMS-based mobile services to populations previously excluded from participation in Castells’ “global network society.” In particular, the dissertation has shown how mobile technologies in the Philippines, despite the celebratory discourse and individual experiences of empowerment, are also extending the reach of global capital organized along neoliberal lines.

Although the positive aspects of mobile phone adoption in the Philippines cannot be denied and should be acknowledged, this dissertation calls attention to what has been thus far excluded in the celebratory rhetoric of international development groups such as CGAP, the World Bank, and the USAID, as well as of the telecoms and the state.⁶⁷⁹

Within the Philippines, the dissertation has shown that the widespread adoption of mobile

⁶⁷⁷ World Bank. *Information and Communications for Development 2012: Maximizing Mobile*. (Washington, DC: World Bank, 2012), 3.

⁶⁷⁸ Martin-Barbero, 150.

⁶⁷⁹ For example, in Chapter 4 I discuss how CGAP believes that mobile banking provides a “dramatic opportunity” to achieve financial inclusion. In Chapter 2 and 3, I discuss how the Philippines is a leader in text messaging. Furthermore, many of the m-commerce and m-banking products and services such as over-the-air reloading and mobile money (Smart Money and GCash) were first created and marketed in the Philippines.

phones and the products and services offered continues to reinforce insisting class hierarchies. M-commerce and m-banking products have been developed for the poor are different from (and objectively sub-par) compared to the mobile products and services that are available to the elites, creating a middling strata between the “haves” and “have nots”—that is, Qiu’s information “have-less.” Further, the interactive features of the mobile phones has the further effect of drawing users into what Andrejevic calls “the digital enclosure,” opening up possibilities for enhanced commercial and state surveillance. We thus see how technological innovations are deployed in ways that can promote and ensure existing social structures.

In this research, we therefore clearly see, once again, a struggle ever-present in social research and social theory: the complex, dialectical interplay between structure and agency, between how the process of making our own history, as Marx would say, collides with the conditions that are not of our own choosing. According to Giddens, “social order is constructed in and through the everyday activities and accounts of skillful and knowledgeable actors.”⁶⁸⁰ In his theory of structuration, he notes, “the structural properties of social systems are both the medium and the outcome of the practices that constitute those systems.”⁶⁸¹ In Giddens’ structuration theory, acts of agency and social structures as linked together, and it is through the repetition of individual acts of agency,

⁶⁸⁰ Chris Barker. *Cultural Studies: Theory and Practice*, 3rd edition, (London: Sage, 2008), 232-233.

⁶⁸¹ Anthony Giddens. *Central Problems in Social Theory*. (Berkeley, CA: University of California Press, 1979), 69.

that structures are reproduced or altered.⁶⁸²

In this way, following Giddens, mobile phone users may experience the encounters as a free act where one asserts his or her choice, but their actions are “determined by social forces that lie beyond them as individual subjects.”⁶⁸³ Thus, as more people use their mobile phones and subscribe to the products and services offered, they are producing and reproducing a particular social structure—in this case, they are reproducing a particular class-based structure which divides Philippine internally into market-segments, each offered a level of service “fitting” for its position within the larger class structure. One can imagine an alternative way of distributing information resources, based on the provision of universal access to a common level of telecommunication services (and in fact, this was the stated goal of telecommunication policy both in the US and the Philippines prior to the ascendance of neoliberal policy regimes). But this alternative is foreclosed, the more that both firms, state policy-makers, and, indeed users, “act into,” and thus recreate the current structure, with its particular distribution of information resources. Although we should acknowledge that new media technologies such as the Internet and mobile phones—even these text messaging-based services for the information “have less”—can provide the space for individual autonomy, social collaboration and, yes, even political and economic resistance, their very existence is tied to systems of government regulation and corporate ownership and power.

⁶⁸² David Gauntlett. *Media, Gender and Identity: An Introduction*. (London and New York: Routledge, 2002), 93.

⁶⁸³ Barker, 233.

The interplay of circuits of capital and circuits of struggle, the dialectic of empowerment and subjugation, is of course not a new battle. Far from transcending the historic conflict between capital and its laboring subjects, Dyer-Witheford reminds us that the information age simply constitutes the latest battleground in their encounter.⁶⁸⁴ While the democratizing possibilities of new media technologies, particularly as discussed by Jenkins and Benkler are indeed exciting, we must remember these innovations are developed within a particular social context structured by existing relations of power. By focusing on the Philippines and the adoption of text messaging-based services, this dissertation thus provides a much-needed (at least in the field of communication studies) emphasis on the recuperative powers of state agencies and commercial firms, the “top-down” innovation of powerful organizations looking for ways to extend commercial and administrative systems into new territories and populations, thus enhancing the reach and scope of their influence and power.

Finally, this dissertation also shows the utility of a cultural studies approach to studying new information technologies, in particular an approach which focuses on particular local case studies. In short, taking one country as an example allows us to examine the dialectical interplay of technology, culture, and economics in more concrete terms. Like Kline et al, I agree with Williams’ “insistence on concrete and specific studies of particular media; his suspicions of sweeping abstractions and confident reductions; his emphasis on the importance of human agency and intention in the shaping

⁶⁸⁴ Ibid., 2.

of technological systems.”⁶⁸⁵ And yet despite this focus on how a technology operates and is manifested in one nation, we are able to examine larger trends of technology operating in the everyday across a liberalizing world and the tensions that emerge when peoples and practices interact with and/or co-opt particular innovations and innovative processes. In seeking out patterns and practices that are occurring in the particular, we can enable a discussion of the general. In this way, although what is going on in the Philippines is distinctive and specific, the analysis of this case also opens the space to understand what is going on in the global.

Limitations and Future Research

This dissertation has been an attempt to fill the gap in current mobile phone research by taking a cultural studies approach to studying how power relations and structures shape and mold mobile phone cultures. It is however, only the first step in critically examining technologies in the developing world. By focusing on the products and services offered by Philippine telecoms, I have purposely stayed away from ethnographic studies that have focused on how mobiles have transformed identity and personal relationships. Instead, this dissertation offers a political-economic analysis of the roll-out of telecommunication services designed to reach a previously excluded market of precarious poor and working-class consumers in the Philippines. The data discussed and points raised in this dissertation clearly calls for further studies on mobile phones in the developing world.

⁶⁸⁵ Kline et al. *Digital Play*, 28.

First, future research in this area should consider conducting more interviews with telecommunication workers, executives, and experts, as well as with state regulators and policy-makers. Although I was able to discover significant amounts of information from archival sources, more information from industry professionals and experts would provide a better picture of the successes and failures of mobile phones in the Philippines.

Second, an ethnographic study on how users have taken-up these mobile phone products and services would very much complement the findings of this dissertation. Whereas I have focused largely on the “production” moment of du Gay and Hall’s “circuit of culture” communication circuit, an in-depth ethnographic study examining the consumption of users would result in a more complete picture of mobile phones in the Philippines. Understanding how mobile phones users make sense of the ever-changing products and services presented by Philippine telecoms would add a significant dimension that is currently not present in this project.

Third, while the Philippines is a unique and important case study in examining mobile phones in the developing world, so much is occurring in other countries and regions of the world. International development organizations and mobile phone associations often use the Philippines and Kenya as examples of notable sites where ICTs for development is flourishing. These two vastly different countries have been touted as models for m-banking and m-payment systems, yet a critical study comparing and contrasting the deployment of mobile phone products and services in both places has yet to be done. Such a study would be a particularly important contribution to the growing

popularity of ICT4D or ICTs for development that is being celebrated by international development organizations and the global technology sector.

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