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The Western Union Company
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SECTION 1: INTRODUCTION

Thank you all very much.

Magandang Umaga.

I hope that came out correctly. It is my attempt to say “Good morning.”

It is a great pleasure to be here and to have the opportunity to address this audience.

SECTION 2: GLOBALIZATION AND GLOBAL MIGRATION

The theme of this conference is “responding to emergent global challenges.”

Globalization – the increasing interdependence, the rapid if uneven pace of development, and the unprecedented growth in the world economy – has been the subject of much hard thinking and strategic planning on the part of businesses the world over. But until recently, one of the most profound changes in our global economy and world community has gone largely unnoticed– and that is the extraordinarily large and growing occurrence of global migration – which is the focus of my remarks today.

One of the leading academics studying global migration is Professor Suarez-Orozco of New York University. Globalization, he says, drives migration. And it is **everywhere**. It is like “the air we breathe...Not all of it is good, but try getting along without it.”

In our business, we see this first hand, because serving the needs of this migrant community – enabling them to send their hard-earned money home to families and loved ones – is largely what Western Union is about.

In the last three weeks, I have logged over 25,000 miles traveling from the U.S. to India – to Dubai in the United Arab Emirates – and eventually here to Manila.

During my travels, I saw up close the remarkable impact global migration and remittances are having. In Dubai, I saw migrant workers laboring in the extreme desert heat, building that nation's infrastructure, and sending the money back to families at home. Some of that money from Dubai goes back to India – helping families dress their children in school uniforms and send them off to pursue an education each morning.

So while I saw tremendous need forcing workers to go abroad, I also saw tremendous progress. To be sure, the cultural differences between Dubai and India are as wide as the miles between them. But there is a single, common aspiration that connects people in both places: a hope for better opportunities and a better life.

And remittances play a fundamental role in helping improve the lives of today's migrant population.

SECTION 3: GLOBALIZATION AND WESTERN UNION

Staying on top of emerging globalization has driven us at Western Union to become increasingly global **ourselves**.

We started out as an American company, and for much of our 155-year history we remained very U.S.-centric. But as globalization presents new opportunities, we are growing and expanding – and changing our world orientation.

Five years ago, Western Union had 120,000 Agent locations with a strong presence in the U.S. And we asked ourselves, how do we become a more global company? The first step we took was to identify our potential customers.

We quickly learned that many of our customers lived outside major cities -- in rural locations. So that told us we had to expand our distribution network deeper into local communities. Our business is a relationship business – requiring our services to be close to where our customers live and work.

Next, we hired local people to manage these markets and begin to build a team that would help us build a global Agent network.

Today, we operate in 200 countries around the globe and have more than 312,000 locations – more than double our total in 2002.

The power of the Western Union brand grew as telegraph wires were strung across the United States. Today, the Western Union brand is recognized around the world as a symbol of reliability and trust –

From the United Arab Emirates where we recently were awarded Superbrand status, to Russia and Hong Kong where both markets were also honored and selected as the 2006 Superbrand.

As we have grown, we have learned the importance of understanding the differing cultures and building relationships within the diverse communities that we serve. Where once we had a ‘one-size-fits-all’ marketing strategy, we have now developed strategies tailored to meet the needs of each market and attract local talent from those markets to manage that business. People like Anil Kapur who runs our India operations, Khalid Fellahi who runs our Africa operations and, of course, Patricia Riingen, who leads our business here in the Philippines.

It is all part of our effort to develop closer ties and to be more responsive to local communities worldwide. One measure of our success is the number of consumer transactions -- which have more than doubled since 2002, and our revenues, which I am

proud to be able to report, have kept pace nicely, growing from \$2.7 billion in 2002 to \$4.5 billion in 2006.

It couldn't be more appropriate to be discussing globalization and worldwide migration here today in the Philippines, as perhaps **no other nation** so dramatically represents this emerging global trend.

SECTION 4: GLOBAL MIGRATION – HEROES ABROAD

Officially, the Filipinos who have traveled across the oceans – and today work and live in almost every continent and in almost every corner of the globe – are referred to as O.F.W.'s, for Overseas Filipino Workers.

But I think your President Arroyo, says it best. She calls them “modern heroes.”¹

These heroes represent a new kind of revolution that is sweeping the globe – a revolution that is transforming our world.

While governments and international institutions remain challenged by underdevelopment, these modern heroes -- are taking development into their own hands, **one** family, **one** community at a time.

Through extraordinary sacrifice and hard work...by enduring loneliness and alienation in strange lands...suffering prolonged separation from their loved ones in order to send their savings back home -- these individuals have become a force greater than **all** development aid² from the United States, the United Kingdom, Germany, Japan, and 19 other countries combined.³

¹ “A Good Provider Is One Who Leaves,” Jason DeParle, New York Times Magazine, April 22, 2007.

² Global Cross-Border Remittances: Aite Group, LLC, January 2005. Official Development Assistance: OECD – Organization for Economic Co-operation and Development, March 4, 2007.

³ "All Development aid" refers to aid given by the OECD's Development Assistance Committee which is comprised of 23 members, including the European Commission. Full member list: <http://www.oecd.org/dac>.

One cannot even begin to understand globalization and what it will mean for the future of businesses and nations, without an appreciation for the magnitude of present day migration.

SECTION 5: MEASURING THE GLOBAL MIGRATION

The numbers are **mind-boggling** – and they are growing bigger every year.

Worldwide, there are more than 190 million migrants working abroad.⁴

Together they sent home an estimated \$269 billion in remittances in 2006⁵ -- more than twice as large as official aid received by developing countries.⁶

These are only the official, recorded flows of money. If one were to count the informal network of remittances the number would be significantly larger – some studies suggest fifty percent larger,⁷ and possibly greater than the total direct foreign investment to developing countries,⁸ according to the World Bank.⁹

This is not a new occurrence. But its size and impact **are**, with recorded remittances actually doubling in the last five years.¹⁰

Dr. Dilip Ratha, a leading expert on remittances at the Migration Policy Institute, identifies several reasons for this increase in remittances, including better measurement of money flows, and the rise in migrant incomes, which is very good news. He also

⁴ Western Union 2006 Annual Report, citing United Nations study.

⁵ Western Union 2006 Annual Report, citing Aite Group.

⁶ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007 (See graph, page 3.)

⁷ “A Good Provider Is One Who Leaves,” Jason DeParle, New York Times Magazine, April 22, 2007.

⁸ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007 (See graph, page 3.)

⁹ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007 (See graph, page 3.)

¹⁰ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007.

points to the reduction in remittance costs and expanding networks in the money transfer industry as having a very positive impact.¹¹

SECTION 6: GLOBAL MIGRATION AND THE PHILIPPINES

The experience here in the Philippines is even more impressive.

Last year overseas workers sent home some \$13 billion, more than one-billion dollars a month – representing about 13 percent of the Philippine economy as measured by GDP.¹² This year overseas workers will send back more than \$14 billion.¹³

About one out of every 10 Filipinos lives abroad -- working in more than 190 countries worldwide¹⁴. This year, one million workers will try their luck abroad,¹⁵ enough, as one reporter pointed out, to fill six 747s every day.¹⁶

But the hope that these modern heroes symbolize is not fully represented by the raw magnitude of the global migration.

SECTION 7: GLOBAL MIGRATION AND THE POWER OF REMITTANCES

It is not just that the economic effects of migration today swamp foreign aid and are out-competing more established forms of private investment. It is the quality of this very personal, people-to-people investment that **really** makes the difference.

Over time, remittances are more stable than private capital flows, showing a steady rise over the last 17 years.¹⁷ Remittances also tend to be what economists call “counter-

¹¹ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007.

¹² Jim Gordon, IMF Chief of Mission

¹³ “Bangko Sentral ng Pilipinas (Philippines Central Bank).

¹⁴ “Global OFW Deployment to reach 1M, remittances to approach \$14B in '07,” *The Philippine Star*, 9/12/07.

¹⁵ “Global OFW Deployment to reach 1M, remittances to approach \$14B in '07,” *The Philippine Star*, 9/12/07.

¹⁶ “A Good Provider Is One Who Leaves,” Jason DeParle, *New York Times Magazine*, April 22, 2007.

cyclical,” meaning that they rise dramatically during economic downturns, in times of political turmoil, or when natural disasters strike.

This is not surprising -- as overseas workers step up their financial support when their families and communities **need it most**.

In a time of crisis, remittances are immediate and directed to the people and communities most directly affected – without any intervening bureaucracy.

SECTION 8: REMITTANCES IN TIMES OF CRISIS

A story from our own recent experience illustrates this point.

Many of you remember Reming, the super-typhoon that hit the Bicol region last November.

Packing winds close to 200 miles an hour, it methodically destroyed town after town. The area was flooded and without electricity. Of course, banks and businesses couldn't operate.

But the country's overseas workers were desperate to send help to their families, and our Agent in the region insisted that whatever the difficulties, the Western Union service was going to open the next day.

Generators were flown in and because the Internet was down, transactions were carried out over cell phones. Agents hand carried money for transactions into Bicol and braved nearly-impassable roads to distribute the funds to outlying stores. They donated diesel fuel to the only operational radio station to run its generator, so the people of Bicol could find out what was happening and where to get emergency supplies.

¹⁷ “Leveraging Remittances for Development,” Dilip Ratha, Migration Policy Institute, June 2007. (See graph, page 3.)

It's hard to imagine disaster relief that is more targeted, more immediate, and more heroic than that.

While aid is **hugely** important, our employees understand that simply doing their job – making sure that the delivery of remittances remains fast, reliable and convenient – is even more vital.

SECTION 9: REMITTANCES AS DIRECT AID

Remittances are one of the most effective ways we know of fighting poverty. According to migration-expert Dr. Ratha, a 10 percent increase in remittances may lead to a 3.5 percent decline in the number of people living in poverty.¹⁸

While the effect varies in different countries, studies bear this out, pointing to an 11 percent decline in Uganda and a 6 percent decline in Bangladesh. In Nepal, remittances are thought to be responsible for up to half the 11 percent drop in those living below the poverty level over the past decade, despite that country's political and economic turmoil.¹⁹

Remittances finance better health care and better education throughout the developing world, allowing children who might otherwise do without, or be forced to leave school. They help support their families, to continue to learn and build a better future for themselves and their communities.

SECTION 10: REMITTANCES AND HEROES AT HOME

Because for every hero abroad, there are heroes here at home, too. Our Agents know their stories well – there are literally millions of them.

¹⁸ Leveraging Remittances for Development, Dilip Ratha, Migration Policy Institute.

¹⁹ Leveraging Remittances for Development, Dilip Ratha, Migration Policy Institute.

Like Reiner Atienza in Pampanga, whose parents – Rosalynda and Bayani -- regularly send remittances back from the United States. For many years, Reiner has received money transfers from his parents through Western Union. The first time he came to our Agent location in Angeles, he was a student, just beginning his medical studies.

Now he is *Doctor* Atienza and intends to stay here in the Philippines to serve his countrymen.

Today it is **Dr.** Atienza who is sending money by Western Union to his other relatives.

SECTION 11: GLOBAL MIGRATION AND NEW GLOBAL BUSINESS OPPORTUNITIES

The fact is, simply looking at the financial benefits of remittances – as vital as they are – paints too simple a picture, as the overseas workers are also a huge resource of knowledge, experience and entrepreneurial energy.

They also, I believe, open the door to enormous opportunity.

From a business point of view, overseas workers and their families are consumers and producers with a very strong work ethic. As we look to the future, we see a tremendous opportunity for us to build services targeting this consumer segment – in fact, we believe that this will increasingly be a consumer segment that people will be competing for.

Imagine the possibilities if you could use the direct, detailed, in depth person-to-person knowledge that comes with remittances.

SECTION 12: NEW GLOBAL BUSINESS OPPORTUNITIES AND WESTERN UNION

We at Western Union **are** imagining it, which is one reason that we're exploring the potential of offering a micro-lending program.

Initially, the loans would likely originate from the overseas migrant community in the \$100 to \$1,000 range. Ultimately, however, we believe micro-lending vehicles could become an important channel of world capital directly into the "grass-roots" of developing nations.

Anyone who has studied the causes of underdevelopment comes up against the familiar problem of lack of capital. To the extent loans are available from informal or local sources; they usually come attached to very high rates of interest.

Why? Because the disadvantaged generally have no formal credit history, and they have little collateral that is recognized as such. Many traditional lending institutions view such customers as a "credit risk" – or too small a player to even pay attention to. That's where Western Union is different.

These so called "credit risks" are, in many cases, our senders and receivers. As regular users of remittance services, they **have** established a credit history, which is often overlooked by traditional financial institutions.

Part of our strategy is to offer additional products and services to our migrant customers. A few years ago, Western Union secured a banking license from the European Union and our bank will help us in our lending endeavor. We also purchased a bill payments company in South America, which helps consumer expedite their household payments, such as utility payments or car payments. These resources, coupled with our consumer-to-consumer remittance business, put Western Union into a unique position to offer customers additional services.

SECTION 13: WESTERN UNION – GLOBAL REACH, LOCAL PRESENCE

As I mentioned earlier, Western Union currently has more than 312,000 Agent locations and is on track to reach 325,000 locations by the end of this year.²⁰

This gives us a tremendous global reach, with a local presence. To paraphrase that well-known slogan, we think globally and act locally.

Compare those 312,000 locations to that symbol of globalization, McDonald's, which has only 31,000 total locations worldwide²¹ -- about one-tenth of Western Union's global presence.

In the Philippines alone we had more than 6,300 locations at the end of 2006. But we're constantly expanding, and our objective for 2007 is to end the year with as many locations as there are islands in this nation, 7,100.

The number of transactions Western Union handles in the Philippines has increased more than 600 percent since 2002 and the momentum continues to build. Today, the Philippines is the fourth largest remittance market in the world and is Western Union's second largest receive market outside the U.S, after Mexico.

A special thanks to Ian Marsh, Patricia Riingen and our enthusiastic and dedicated agent network in the Philippines for this incredible success story!

SECTION 14A: WESTERN UNION FOUNDATION – PHILANTHROPY

At Western Union we also believe in the importance of giving back to the community.

²⁰ The Western Union Company 2nd Quarter 2007 Earnings Release

²¹ McDonalds Web site, <http://www.mcdonalds.com/corp/about.html>

Our “gift of life” program – which was initiated and supported by our Philippines-based agent network -- has provided corrective heart surgeries to 62 Filipino children who were born with congenital heart defects. And we are looking at ways to replicate the highly successful 4+1 program in Mexico. This is a program that works in partnership with local hometown associations in the send markets and government leaders in the receive markets to fund job creation in home markets.²²

SECTION 14B: WESTERN UNION FOUNDATION – ECONOMIC EMPOWERMENT

We strongly believe that immigration should be a **choice, not** a necessity.

Our efforts so far are just the beginning. Within the next few months, our company will be rolling out our signature program, the Western Union Our World, Our Family. This \$50 million, five-year initiative – which is based on the premise of helping people help themselves – is a demonstration of our commitment to the individuals and communities that rely on Western Union every day.

Our World, Our Family will include a number of innovative elements designed to facilitate global economic opportunity, ranging from global giving for migrant-oriented non-governmental organizations, family scholarships, and partnerships with local communities to provide support for small business and entrepreneurs.

Together with the Western Union Foundation and our global agent network, we are piloting this program in Guatemala, the United Arab Emirates, the U.S., and right here in the Philippines, even as we prepare to expand it to other countries.

²² Western Union Web site, http://corporate.westernunion.com/corporate_responsibility.html

SECTION 15: WESTERN UNION – LEADING INTERNATIONAL VOICE

The final piece is just as important: we intend to deepen our engagement in the international dialogue of global migration, leveraging our leadership position on this issue to advocate for migrant rights at the UN and other forums, as well as with governments, and work to positively influence remittance and global migration policy.

SECTION 16: REGULATORY BARRIERS

This is **critical**, because the magnitude of remittances and migration is bound to attract the attention of governments – and unfortunately, not all of that attention is positive.

The fact is, governments directly benefit from remittances, which strengthen their foreign exchange reserves, which in turn, reduces their borrowing costs. And that is **no small thing**: it is estimated that the reduction in borrowing costs because of remittances saves the Philippines alone some half a billion dollars in interest annually.²³

SECTION 17: THE COMPETITIVE REMITTANCE MARKET

The remittance market is extremely competitive, and we and other companies are constantly investing in new outlets and improving technology that increases our consumers' choice, confidence and convenience.

Globally, in the cross-border remittance market, Western Union has an estimated market share of 17.4 percent, up from 10 percent just three years ago. This rapid growth demonstrates that we are increasingly the preferred provider in a very competitive environment in which consumers have a multitude of choices for both services and price offerings.

²³ “A Good Provider Is One Who Leaves,” Jason DeParle, New York Times Magazine, April 22, 2007.

Western Union has been in the Philippines for almost 20 years. During this time, we've seen our business grow significantly. In fact, as recently as 2005, transactions reached a triple-digit year-over-year growth rate in the Philippines.

SECTION 18: SECURITY AND COMPLIANCE

We have achieved this kind of growth because people trust us. They trust us to get their money to their loved ones, reliably, conveniently and without delay.

The fact is, Western Union is a global company with a best-in-class compliance program on par with any other world financial leader.

We spend tens of millions of dollars a year on compliance, and have more than 275 employees in 24 global field offices around the world working on anti-money laundering policies and programs to protect our system and our customers from potential fraud.

Because we are **good** at what we do, many of the world's largest, most sophisticated financial partners want to do business with us – including large banks, government postal systems and others.

Of course, compliance – including regulations that seek to cut off terrorist finances and stop money laundering -- carries significant costs. There is no question that these regulations are legitimate and necessary, but sometimes they are unclear and are not harmonized between nations.

Governments could greatly support the cause by establishing clear and consistent regulations across borders to help maintain the transparency necessary for security without imposing undue costs.

SECTION 19: CALL TO ACTION

This takes us to an issue that goes beyond economics. That is government and society's role in expanding global migration. Because it will only continue and the numbers will grow even greater. Migration is nothing new. It has been going on since before recorded time. People **will go** where there is opportunity.

But the magnitude of the growing migration trends is bound to cause some disruption and arouse some fears and insecurities. Driven by this, we are seeing political movements in host countries around the world to close their doors and tighten immigration and visa rules, often forcing migrant laborers to live underground.

As we look to the future, it will be important for Western Union to be the voice of our customer.

How do we create mechanisms that enable the free flow of migrant labor to those countries that desperately need it, while at the same time securing the safety and basic rights of these brave individuals who are working for a better life?

This will be the urgent business of the United Nation's Global Conference on Migration that will be convening next year here in the Philippines.

SECTION 20: CLOSE

This is a complex issue and global issue. It is a development issue affecting almost every nation on earth. It is also a global finance challenge – **and opportunity** – that will increasingly demand the attention of every business with a global connection – and that is essentially every business there is.

For us at Western Union, it is immensely exciting to be a part of it all – to be able to play a supporting role to the overseas workers -- these new heroes of development.

We are proud to be a part of their story, because it is one of the most hopeful and courageous stories in our world today. They are transforming the globe for the better. They are the future. And we plan to be with them every step of their journey.

Thank you all very much.

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