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This article studies the 1990 large corporations in the Philippines and analyzes the economic position and business activities of the different ethnic and nationality groups in the country. The groups to be studied and compared are: 1) the Chinese-Filipinos, a group known for their dominant role in the business sector; 2) other Filipinos, referring essentially to the Spanish-Filipinos and indigenous Filipinos; and 3) the foreign business sector as a whole, made up principally of the Americans, Europeans and the Japanese. Since a number of the large corporations are government-owned, these are segregated as a separate group.

The indigenous Filipinos are of the Malay race, although most are mixed with Spanish, American, Chinese and many other races. The Philippines was under the Spanish rule for three and a half centuries–from 1521 to 1896. Because of this long colonial history, most Filipinos have Spanish names and have Spanish blood in varying degrees. However, it is difficult to distinguish the Spanish in the Philippine society as a separate ethnic group. Hence, in this study, we do not attempt to isolate this ethnic group from the rest of the Filipinos.

The American regime followed the Spanish rule and lasted till 1946. In Philippine society today, however, the Americans constitute an even smaller minority group in the country than the Spanish. Almost all Americans retain their foreign status. However, the business interests they represent are substantial, with a few large firms having been in existence for over a century. In this study, all foreign corporations, almost half of which are American-owned, are analyzed as a group.

Unlike the Spaniards and the Americans, the Chinese did not have a colonial past in the Philippines but have a long standing economic relationship with the Filipinos. Trading between the Filipinos and the Chinese started long before the Spaniards came. Gradually, many Chinese from southeast China, particularly Fujian province, migrated to the Philippines and continued their business activities here. Many

Filipinos have Chinese blood as well. However, there is still a significant, although small, group of Chinese who are identifiable as Chinese. This ethnic group, constituting only 1 to 3 percent of the population, has often been distinguished to play a dominant role in the economic arena of the country. Most Chinese are Filipino in citizenship.

In this study, much of the focus will be on the ethnic Chinese in the Philippines. The Chinese seem to be gaining prominence as being among the super-rich in the country. In the last few years, we observe an increase in large business outfits owned by Chinese Filipino tycoons. One conspicuous example is the recent phenomenon of big shopping malls. The visibility of the Chinese among the large businesses prompted the government to tap six wealthy Chinese businessmen to help in the country's infrastructure development last year. These businessmen have responded by setting up a P2 billion ($75 million) company for this purpose.

Top businesses in the Philippines have traditionally been in the hands of the Spanish and Spanish mestizos as well as the foreigners through their multinational corporations. The Chinese have been associated more with the medium and small businesses through their efficient trade networks. This article attempts to find out what share the Chinese have among the top businesses in the country as well as the lines of businesses in which they are engaged.

A couple of studies similar to this have been done for the Philippines. One is the well-known work of Kunio Yoshihara (1985) which studies the ethnic composition of 250 top manufacturing corporations based on 1968 data. Another work is that of Hicks and Redding (1982) who also classified ownership of the top 289 corporations in 1980 according to ethnicity. Comparing its findings with the results of these past studies, the present article attempts to show how, over time, the development process, the policy environment, political climate as well as growth in the neighboring countries affected the distribution of the corporations among the ethnic and national groups as well as their industrial concentrations.

Identifying the Ethnicity of the Corporations

Identifying the ethnicity or nationality of the predominant owners for all 1000 corporations was the main research work done for this project. The corporation owners are identified and their ethnicity determined. Chinese Filipinos are more difficult to identify as most of them are Filipino citizens and hence their corporations are registered as Filipino-owned. It should be noted that Chinese other than Chinese Filipinos, e.g., Chinese from Taiwan, Hong Kong, and Singapore are classified as foreigners. For joint ventures with foreigners, they are classified under the nationality of the foreign partner. In the last few decades, foreign capital can constitute only up to 40 percent of corporate equity. In such cases, the dominant owner necessarily is Filipino, either of Chinese ancestry or not. However, in this study, these firms are classified as foreign.

The difficulty of segregating the corporations owned predominantly by Chinese Filipinos from the other domestic firms in the sample lies not only in the fact that most Chinese in the country are Filipino citizens. Some Chinese Filipinos have even adopted Filipino names, hence making it difficult to use their names to determine their ethnicity. Moreover, not all with Chinese names can be considered Chinese. Many Filipinos can trace their heritage to some Chinese ancestry. However, despite their Chinese names, many no longer can speak the Chinese language and do not practise Chinese customs. They do not consider themselves Chinese and are also not considered Chinese by the Chinese community. Examples are the Cojuangcos, the clan of former president Corazon C. Aquino; the Cu-Unjiengs, and the Ongpins. Such cases are not considered Chinese in this study.

In most cases, classification of the corporations by their ethnic ownership was based essentially on personal knowledge and contacts. For firms the classification of which could not be obtained this way, the publication of the Mahal Kong Pilipino Foundation which provides information on the directors and officers of some large corporations was referred to. Finally, the records of the Securities and Exchange Commission were checked for those whose information could not be found in the Mahal Kong Pilipino publication. This process took some time before all the firms could be identified. Following this process, ethnic Chinese in this study refer to those who are regarded by others in the society as Chinese. Classification based on this definition is simple and accurate. There was perfect consistency in the classification on ethnic ownership of corporations among my sources (all of which were from the Chinese community). The same list of corporations was given to a few people for identification and answers from them were observed to be consistent.

Using the top 1000 corporations of the country as the sample, the study deals only with large firms. Such a limitation is true for studies on the businesses of ethnic groups. They tend to be limited only to the large corporations because identifying the ethnicity of the corporations becomes increasingly difficult as the firm size decreases. The smaller the firms, the less known they are, the harder it is to find out who the dominant owners are.

Another limitation of the sample is with regard to its completeness. The study focuses on the country's top corporations, i.e., those whose sales volume was over P90 million (US$3.5 million) in 1990. However, a few really large corporations which we know have high sales volume are not in our sample. All corporations affiliated with Mr. Lucio Tan, the sizes of which are comparable to the very top ones in the list, are clearly omitted. For one thing, every year, corporations which submit their financial statements late are not included in such published lists. Whether done intentionally or not, some large firms are not in the top 1000 list for this reason. It should also be noted that, several large firms are not in the 1990 list as they are under sequestration order. After the 1986 revolution and Aquino took over power from Marcos, several government-owned firms as well as firms owned by cronies of Marcos were sequestered. Hence, to some extent, the sample understates the share of domestic firms.

Another source of inaccuracy of the data is the very likely possibility of under-reporting of income. However, like other studies of this nature, we make the assumption that such under-reporting is true for all the ethnic groups. With this assumption, comparison made between the groups is valid.

It is also noted in the top 1000 list that there are corporations which belong to the same chain of business owned by the same group of owners but are reported as separate corporations. However, the number of such cases is not big and so they are not likely to alter the ethnic distribution significantly.

It has been mentioned that part of domestic equities are in the form of partnerships with foreign companies. However, this research does not attempt to trace the ethnicity of the local capital invested in these foreign corporations. Recently, the partners of Japanese investments in the Philippines have, in many cases, been the Chinese Filipinos. For example, Toyota Motor Corporation, established only in 1988, is a multinational with its equity breakdown being 60 percent Japanese and 40 percent Chinese-Filipino. On the other hand, we observe that American firms involving domestic equity tend to have Filipinos as their local partners. The almost half-a-century old Philippine Electrical Manufacturing Company is a tie-up between

Americans and Filipinos. To have an accurate account of the ethnic distribution of equities, it would be necessary to identify the ethnicity of the local partners of foreign joint ventures as well.

In this article, aside from classifying the firms into the three ethnic/nationality groups specified at the beginning of the paper, distinction is also made between public and private corporations; and for foreign firms, between multinational and nonmultinational corporations. Hence, among the domestic corporations, government-owned are separated from those of the private sector. The latter is further separated into Chinese and non-Chinese ones. Therefore, in this study, the non-Chinese corporations refer to all Filipino firms owned by ethnic groups other than the Chinese. They include essentially the Spanish mestizo and the indigenous Filipino groups. For simplicity purpose, in this paper, the two domestic groups will be referred to as Filipino and Chinese.

The foreign firms in the country are relatively large in size and hence constitute a significant group among the top corporations. The foreign corporations are classified by their nationality and also by their status of being a multinational or not. Not all foreign firms were set up as subsidiaries of companies abroad. Most of these nonmultinational minority corporations have been in the country for some time and have grown to be among the top corporations. There are also some high-performing nonmultinational foreign companies in the Philippines which are part of conglomerates of wealthy businessmen of the NICs and emerging NICs. Most of these businessmen have Chinese ancestry. An example is the investments of Liem Sioe Liong of Indonesia who took ownership of a few corporations (Steniel Corporation and Metro Drug Corporation) recently.

Ethnic Distribution of the Top Corporations

Top 100, Top 200, Top 500 and Top 1000 Corporations

The number shares of the different ethnic/nationality groups among the large corporations are shown in Table 1. Ethnic distributions for the top 100, top 200, top 500 and top 1000 groups are shown for the samples consisting of both public and private corporations and that consisting of only private corporations. The government-owned corporations are all relatively large in size. Hence, the distributions for samples with or without the government firms become almost the same for the top 500 and top 1000 groups. For the largest 100 firms, the distribution is roughly: 10 percent government firms, 40 percent foreign, and about a quarter share each for the Filipino and the Chinese groups. Since government firms make up 10 percent of this group (nine out of the 15 government-owned corporations in the top 1000 firms are in this subsample), the distribution is quite different when only the private firms of this group are considered. Share of the foreign group increases to 43 percent, while that of the Filipino group and the Chinese to 30 and 27 percent respectively.

The ethnic distribution changes as the sample size increases. When firms in the second quintile are included, the percentage share for the Chinese group remains the same but that for the Filipino group increases by about 4 percentage points to 34 percent while that for the foreign group decreases by about the same degree. However, as the sample is expanded to cover the top 500 and then the top 1000 firms, the share of the Filipino firms remains about the same (around 34 percent in the 500 group and 35 in the 1000 group) as it is in the top 200 group. On the other hand, the share of the Chinese increases as that of the foreign group continues to decrease. Among the 985 private corporations in the top 1000 group, we identify 354 (36 percent) as being owned predominantly by Chinese-Filipinos, 344 (35 percent) as predominantly owned by non-Chinese Filipinos and 287 (29 percent) as predominantly owned by foreigners. The percentage share distribution among the foreign, Filipino and the Chinese groups, which is 43: 30: 27 for the top 100 corporations, is 29: 35: 36 for the top 1000 corporations.

Top 10, Top 30 and Top 50 Corporations

The relative size of corporations of the three groups can clearly be seen in their changing share from the top 100 to the top 1000 group. Among the top 1000 firms, based on revenue, fifty-nine percent of all foreign firms are larger than the median size while fifty-six percent of all Chinese firms are smaller than the median size. Firms owned by Filipinos other than the Chinese Filipinos are more or less evenly distributed among the top 1000 corporations in their rank position. However, the ethnic composition of the *very* top firms shows that the Filipino group is the most dominant among them. There are twice as many Filipino firms as there are foreign firms and thrice as many as there are Chinese firms in the top 30 group. In the top 50 group, Filipino and multinational firms are about the same in

Table 1. Percentage Distribution of the 1990 Top 1000 Corporations (Public and Private): Ownership Classified According to Government, Nationality and Ethnic Groups

Classification	Top 100		Top 200		Top 500		Top 1000	
	Public & Private	Private (91)	Public & Private	Private (189)	Public & Private	Private (488)	Public & Private	Private (985)
FILIPINO-OWNED	61.0%	57.1%	63.5%	61.4%	66.2%	65.4%	71.3%	70.9%
Government	9.0%	0.0%	5.5%	0.0%	2.4%	• 0.0%	1.5%	0.0%
Non-Chinese	24.0%	26.4%	32.0%	33.9%	32.8%	33.6%	34.4%	34.9%
Chinese	25.0%	27.5%	26.0%	27.5%	31.0%	31.8%	35.4%	35.9%
FOREIGN-OWNED	39.0%	42.9%	36.5%	38.6%	33.8%	34.6%	28.7%	29.1%
U.S.	24.0%	26.4%	20.5%	21.7%	16.8%	17.2%	12.5%	12.7%
European	5.0%	5.5%	7.0%	7.4%	8.2%	8.4%	7.2%	7.3%
Japanese	8.0%	8.8%	6.5%	6.9%	5.2%	5.3%	4.1%	4.2%
Others	2.0%	2.2%	2.5%	2.6%	3.6%	3.7%	4.9%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Revenue to Top 1000 Revenue	62.8%	55.9%	74.6%	69.7%	90.3%	88.4%	100.0%	100.0%

number. Most of the very large corporations are owned by the Spanish mestizos. San Miguel Corporation, founded and owned by the Sorianos, is the largest private corporation and ranks second in revenue size.

Distribution of Foreign Firms by Nationalities

The Americans, Europeans, and Japanese own 83 percent of the 229 foreign corporations in the top 1000 group. Their firms are also among the bigger ones. They constitute 100 percent of the foreign firms in the top 50 group, 97.4 percent in the top 100 group, 93.2 percent in the top 200 group and 89.3 percent in the top 500 group. The other foreign nationalities in the sample consist mostly of Australia and other Asian countries such as Korea, Hong Kong, etc.

Among all foreign firms, U.S. MNCs constitute a big majority, taking a share of 63 percent among the top 100, 56 percent among the top 200, 50 percent among the top 500 and 44 percent among the top 1000. The higher investment in the country by the U.S. can be explained not just by greater economic power, but also past colonial as well as neocolonial relationship with the Philippines. Despite gaining political independence in 1946, the Philippines continued to be very dependent on the U.S. economically. Neocolonial economic relations between the Philippines and the U.S. were defined in the Bell Trade Act of 1946 and the Laurel-Langley Agreement of 1954. Aside from the granting of preferential trading arrangements between the two countries, these agreements gave U.S. citizens the same rights as Filipino citizens in the exploitation and use of natural resources as well as the operation of public utilities up to 1974.

Firms owned by Europeans make up about a quarter of all the foreign firms in the top 1000 group while Japanese firms make up about 14 percent. In the top 100 group, however, the Japanese group takes a bigger share than the European group. This implies that Japanese firms are generally bigger in size than the European firms. Similarly, foreign firms belonging to owners other than Americans, Europeans and Japanese are also smaller in size. There is none of them among the top 50 corporations.

Distribution of Foreign Firms by Multinational or Nonmultinational Status

Classifying the foreign firms by their multinational or nonmultinational status, we see that, as expected, multinational firms are bigger than the nonmultinational firms. Among the foreign firms in the top 1000 group, 229 are multinationals while 58 are not, or a ratio of about 4 to 1; whereas in the top 100 and top 200 groups, the ratio is 20 to 1. Most of the multinational corporations are big in size, with fifty-five percent of them occupying positions in the first and second quintiles. Among the top 200 corporations, counting also the government corporations, thirty-five percent are multinational firms. About ninety percent of the American and European corporations in the top 1000 are multinational corporations. For the Japanese corporations, there are relatively more nonmultinational corporations, about 25 percent. On the other hand, more than half of firms owned by other nationalities are nonmultinationals. Their relatively small size can be seen from the statistic that eighty-five percent of them occupy ranking position over 500.

Ethnic Distribution When Branches Are Combined

As mentioned earlier, there are cases where firms belonging to one business chain owned by the same person or group of persons are registered as different corporations. Examples are branches of Uniwide Sales (Chinese-owned) and Max's Chicken (Filipino-owned). (There are seven of the former and two of the latter in the list.) Distribution of samples up to 500 is not affected as all of these firms have ranking above 500. When these corporations are properly combined, the 1000 corporations are reduced to only 986 corporations. (Except for two Filipino firms of the same chain, the other such cases are all Chinese.) In such a sample, the share of Chinese cases is reduced by 0.8 in percentage while that of the Filipino and the foreign groups is increased by 0.4 percentage points. Definitely, if all the branches (some of which are not in the top 1000 list) belonging to the same chain with the same owner(s) are combined, the chain businesses (e.g., Uniwide, Max's Chicken, etc.) will occupy higher rankings than their individual branch corporations. As such, the ethnic distribution will be affected such that the Chinese group will reduce in number share but increase in its average size. In this paper, however, we will base our analysis on the sample of 1000 corporations which means that these branches of a chain are treated as separate corporations as they are reported to the Securities and Exchange Commission.

Size of Corporations by Ethnic Groups

Size varies very much even among the top 1000 corporations. The gross revenue of San Miguel, the largest private firm, is close to P30 billion ($1.1 billion) and is 328 times that of the smallest firm, Zuellig

Corporation in the list. The revenue of the top 10 corporations represents 28.5 percent of the top 1000 group while that of the top 100 corporations exceeds the combined value of the other 900. Only 10 percent of total revenue can be attributed to the smaller half of the 1000 corporations.

Inferences on the relative size of the three groups have been made from their share in the different size samples of large firms. In this section, the relative size of the groups is discussed in terms of some financial indicators: sales, net income, assets, liabilities, and net worth. Another good indicator of size is employment. Unfortunately, such data for the corporations are not published.

Sales

Sales figures are very close to gross revenue figures, on which the rank positions of the corporations were based. Gross revenue includes revenue other than from sales. From the averages for all the indicators, we see that government firms, with sales volume averaging P7,666 million, or $274 million, are bigger than the private ones by ten to twenty times. Among the private firms, the multinational corporations are biggest in terms of sales, the average being P840 million, or approximately $30 million. The average sales volume of the Filipino firms is P628 million ($22 million) and that of the Chinese firms is P415 million ($15 million). As a separate group, foreign firms which are not multinational enterprises are small not only when compared with the other foreign firms but also when compared with the domestic firms in the sample. They have the smallest sales, the average being P273 million ($10 million). Because the Filipino group has more firms (344) in the sample, its share in total sales exceeds that of the foreign group. On the other hand, although the number of Chinese corporations makes up 35.4 percent of the top 1000 corporations in the country, their share based on sales is only 21.4 percent, much smaller than those of the Filipino and multinational groups (31.5 percent and 28.1 percent respectively). The nonmultinational group takes a sales share of only 2.5 percent, which is also small relative to its 5.8 percent number share.

Net Income

The relative size among the private groups is more distinct when we consider their averages and shares for net income. Government corporations tend to have lower profit rates as can be seen by their much lower share in the income distribution than in the sales distribution.

Like the distribution of sales, the Filipino group of corporations takes the biggest share among all private ethnic groups; while the Chinese group has the smallest share. Among the top 1000 corporations, the share of the Chinese in the distribution of total income (14.4 percent) is much smaller than it is in the distribution of total sales (21.4 percent). Unlike in sales, the Chinese share in income does not increase when its number share increases with the increase in sample size from the top 100 to the top 1000. This means that, the smaller-sized firms in the Chinese group have smaller income to sales ratio compared to the larger ones in the group. This is more evident when we compare the averages for income and sales between the Chinese and any of the other groups. For example, while the average sales value of the nonmultinational firms is only about half that of the Chinese; the income average of this foreign group is slightly more than the Chinese average.

Assets, Liabilities and Equities

Again, as for sales and income, the Filipino group has the biggest share in each of these financial indicators, all of which are in the 30 and 40 percent range. The share of the government corporate group for assets, liabilities, and equities (21.6 to 28 percent) is bigger than its share for sales and income (16.8 and 12.6 percent respectively). The situation is reversed for the foreign firms whose shares for sales and income are both over 30 percent but are between 21 to 25 percent for assets, liabilities and equities. The share of the Chinese corporations for assets, liabilities and net worth is, like theirs for net income, relatively small–only about 15 to 17 percent. These percentages for the Chinese corporations, in relation to their sales percentage, reflect financial efficiency for the foreign and Chinese groups.

Position of the Chinese Corporations Based on Size

It can be seen that among the large corporations, the Chinese firms are small in comparison with those in the Filipino and multinational groups. The nonmultinational firms, many of them belonging to other Asian nationals, are smaller than the Chinese firms. For sales, among the top 1000 firms, average sales volume of the Chinese group is less than half that of the multinational group and about two-thirds that of the Filipino group. For the other indicators, the averages are even smaller compared with these two groups. Foreign firms which are not multinational companies are even smaller than the Chinese firms. On the average, these foreign firms are about half the size of the Chinese firms in terms of the financial indicators considered.

The relatively small size of the Chinese corporations compared to those belonging to the Filipino and foreign corporations is probably because Chinese business enterprises usually started as small family corporations and most have essentially remained family-based. The largest Chinese corporation, SM Department Store, ranks fifteenth in gross revenue. It started as a family business and is still one. Another possible explanation for the relatively small size of individual Chinese business firms is that they may be simply parts of large business conglomerates of very prominent Chinese businessmen. For example, if we combine all the business enterprises of Gokongwei or Henry Sy, they probably exceed that of many of the large Filipino corporations in terms of sales volume.

Ratios of Indicators

The relation of these indicators reveals financial characteristics such as profit rate, which is the ratio of net income to sales; turn-over rate, the ratio of sales to assets or to net worth; and rate of return, the ratio of net income to assets or net worth. The performance of the three groups with respect to these financial characteristics and the comparison among the groups will be made in a later section.

Sectoral Concentration

In this section we analyze the sectoral distribution of the top 1000 large corporations by ethnic groups, both in terms of the number of firms for each group as well as the firms' sales volume.

Although the Philippine economy is still primarily agrarian, the large corporations are mostly in the secondary and tertiary sectors, contributing to the dualistic structure of the economy. The sectors where most of the large firms are found are: manufacturing, trade, and finance, insurance and real estate sectors. For the private firms, both the number of firms engaged in these sectors as well as their total sales are 85 percent. The concentration of the Chinese corporations in these sectors is higher—95 percent for both number and sales. The corresponding percentages for the Filipino group are 78 for number and 70 for sales; and for the foreign group, 87 and 96 respectively.

The high concentration in these sectors by the large corporations is due essentially to the structural change resulting from development. The growth in the industrial sector was due to the policies taken by the government to promote industrialization. After independence, the government undertook to develop the industrial sector by enacting several laws. The New and Necessary Industries Act, enacted in 1946, gave tax exemptions to investments in new and necessary industries. Undertaking the import substitution type of industrialization in 1950, the government also provided incentives in the form of tariff protection as well as import and exchange controls. This strategy of industrialization, however, resulted in serious balance of payments problem as imports of the raw materials and other intermediate goods were needed in the manufacture of the import substituting consumer goods. Export Incentives Act was passed in 1970 to encourage export-oriented industrialization. However, the protection for import-substitution industries continued and such industries remained more attractive to investors than the export-oriented industries.

Foreign Investments

Most of foreign firms in the top corporations belong to the manufacturing sector. The import-substituting industrialization policy attracted much foreign capital. The incentive program provided locational advantages for foreign companies which had been selling their products in the country then to set up manufacturing operations there. Many large foreign firms set up subsidiaries here. The strategy attracted the light manufacturing enterprises, most engaging in the finishing stages of production, i.e., assembling and packaging.

With regard to activities in the other sectors, involvement of the foreigners was made through the pioneering status and also because U.S. citizens enjoyed parity rights with the Filipinos in the economic activities involving the extractive industries, agriculture, and public utilities up to 1974. Like the incentives for import-substituting manufacturing, the New and Necessary Industries Act did not discriminate between domestic and foreign capital. In fact, the law aimed to tap the capital and advanced technology of foreign investments since these were very essential in most of the pioneering industries. These include ore smelting; refining of metals, petroleum, and chemicals; integrated pulp and paper milling; and electrical parts manufacturing.

The sectoral distribution of the foreign firms among the top 1000 shows that a few of them are engaged in the agriculture, mining, utilities, transportation and communication sectors.

Chinese Investments

The Chinese in the Philippines have traditionally been in trade. Initially, it was due to their lack of sense of permanency as well as to the restrictive investment laws they as aliens faced. Mass naturalization occurred only in 1975 through a law signed by Marcos liberalizing the process. Considered aliens, the Chinese were prohibited from engaging in mining, utilities, transportation, and communication. Agricultural activities were also not engaged in since land ownership and land use by aliens were restricted. Although the pioneering industries allowed foreign capital, the Chinese undertook very few investment projects in them as such investments required heavy capital which the Chinese then did not have. Instead, many ventured into the import-substitution manufacturing activities. They started to produce products which they used to import or trade (Yoshihara 1985). For example, textile traders opened textile mills and hardware dealers went into manufacturing hardware items. Aside from the import controls on most consumer goods, the Chinese faced restrictions in trade activities in the fifties and sixties with the implementation of the Retail Trade Nationalization Law and the Rice and Corn Nationalization Law. Moreover, the incentives in terms of tariffs, tax and credit were very attractive in the manufacturing sector.

Nevertheless, with their experience in trade and the network they had built, despite the nationalization of retail trade, the Chinese continued to develop a comparative advantage in both wholesale and retail business activities, and up to now still excel in these activities. More recently, like the other ethnic and nationality groups, the Chinese have expanded their business activities to the finance and services industries such as real estate, banking and insurance, following the natural course of structural change in the economy.

It has been observed that Chinese in Southeast Asia, Hong Kong and Taiwan, faced with different environments, also move from trade to manufacturing to services, particularly finance. Lasserre (1988) identified the same sectors as being dominantly engaged in by the large Chinese corporations and conglomerates in these areas. In fact, he stylized the evolution of an overseas Chinese business group as starting first in the trading business, then growing to undertake manufacturing activities, and finally getting into the business of real estate and finances.

Filipino Investments

From the historical background discussed in the last two sections, it is clear that the Filipinos faced less restriction in their investment activities. In the sectoral distribution for this group of corporations, we observe that the Filipino businesses are distributed among more sectors in the economy than the Chinese and foreign firms.

Concentration Based on Number of Firms

Looking at the ethnic distribution of the top corporations by industrial sectors, we see that for the large Chinese corporations, about half of them are engaged in manufacturing, a third are in either wholesale or retail trade, while about a tenth of them are in the banking, insurance and real estate sector. Considering their position among all the corporations in the different sectors (seen from the row percentages), in terms of number, we see that the Chinese firms account for half of the trade sector, a third of the manufacturing sector and a fourth of the finance sector. In general, we see that the Chinese are more dominant in trade while the Filipinos are dominant in the mining and service sectors other than trade, i.e., utilities; construction; transportation and communication; and community, social and related services (e.g., hotel and restaurant service). Judging from their number share, the foreign firms are not dominant in any sector; although, looking at the column percentages, we see that close to 60 percent of them are in manufacturing.

Concentration Based on Sales Volume

We observe that for the Chinese group, the manufacturing corporations account for 39 percent of the group's total sales, those engaged in trade account for another 41 percent, while the finance sector accounts for 15 percent. For the multinational corporations, we see a heavy concentration (76 percent) of their total sales in the manufacturing sector, and about 20 percent in finance and trade combined.

On the other hand, sales of the Filipino group are spread out in more sectors–manufacturing, utilities, trade, transportation, and finance.

Examining the row percentages, we confirm the dominance of the Chinese in the commercial sector as they account for 61 percent of the total sectoral sales. In the manufacturing sector, we find that, despite the fact that almost half (48 percent) of all the Chinese corporations are in this sector, making up 37 percent of the total number of firms in this sector; these firms account for only 19 percent of total sectoral sales. In terms of number, the foreign firms make up another 37 percent of total manufacturing corporations. However, due to their much bigger size, they occupy a dominant position with a share in total sectoral sales of about 52 percent. The other sectors in which the foreign firms are active are the finance sector, where they account for 28 percent of sales, and the construction sector, where their sales share is 40 percent. Participation in the construction sector by the foreign group is a more recent development. Most of it is being undertaken by nonmultinational foreign firms. For the large Filipino firms, their industrial dominance is similar to that indicated by their shares based on their numbers in the sectors. The large Filipino firms seem to monopolize the mining, utilities, and transportation and communication sectors, accounting for 80 to 90 percent of the total sales in these sectors.

Number of Firms and Sales Volume Compared for the Chinese Firms

Comparing the percentage distribution of the Chinese firms in terms of number and sales volume, we see that there are more manufacturing corporations than commercial establishments although the percentage in terms of sales volume is about the same for both manufacturing and trade. This implies that in terms of sales volume, the Chinese commercial firms tend to be bigger than the average Chinese firm while the Chinese manufacturing firms tend to be smaller than the average size. The financial establishments are biggest in size among the Chinese firms.

Table 2 shows the percentage shares of the Chinese corporations by number and by sales within the sectors. The comparison of the sectoral shares of the these firms by these two variables reveals their size relative to firms of the other ethnic groups. The size difference between Chinese manufacturing and trade firms is also confirmed with these figures. The Chinese manufacturing firms account for 37 percent of the number of firms in the sector but only 19 percent of sales of the sector. The average sales (P338 million) of the Chinese manufacturing firms are just about half of the average in the sector (P652 million). On the other hand, while the Chinese commercial firms account for 51 percent of the number of firms in the sector, they account for 61 percent of the sectoral sales volume. Average sales volume of Chinese corporations is P483 million while the sectoral average is P405 million. For firms in the finance, insurance and real estate sector, the Chinese firms are in general bigger than average when compared with other Chinese firms in the sample although they are a bit smaller than average when compared with firms of other ethnic groups in the sector. Their sectoral shares in number and sales volume are about the same.

Table 2. Share of Ethnic Chinese Firms Within Sectors: By Number of Corporations and Sales Volume.

Sector	Share in Total No. of Firms in the Sector	Share in Total Sectoral Sales	Ave. Sales of All Firms in the Sector
Manufacturing	36.7%	19.1%	651735
Trade	51.2%	60.7%	405368
Finance, Insurance & Real Estate	25.7%	25.0%	602718
Others	16.9%	9.4%	622253

Industrial Distribution within Manufacturing

We have seen that the multinational corporations are very dominant in the manufacturing sector. In particular, they control the production of industrial and household chemical products, pharmaceuticals, oil refining chemicals, electric and electronic products, motor vehicles and parts, as well as precision instruments. The Chinese, on the other hand, have the majority number of firms in these industries: textiles and leather, wood products, paper and publishing, paints, rubber products, plastic products, and steel and metal products, all of which are in general relatively lighter compared to those engaged in by the multinationals. As we have seen, Filipino firms are not that dominant in the manufacturing sector. They do, however, play an important role in the food and beverage and cement industries.

It can be seen that the manufacturing industries engaged in by the large corporations are all import-substituting ones. None of the manufacturing firms in the top 1000 list is an exporting firm. Very few large investors responded to the exports promotion strategy of industrialization implemented in the seventies as many still find the incentives for import-substituting manufacturing activities more attractive.

Industrial Distribution within Trade

The dominance of the Chinese in the commercial sector is observed in both the wholesale and retail business. Chinese trade firms are engaged mostly in the business of groceries and department stores; retail of construction materials and appliances; import and export; as well as the wholesale of food, agriproducts, lumber, hardware and electrical products. The Filipino group is more prominent in the following business lines: import-export, drugstores, as well as trade in motor vehicles and machinery. The foreign firms are not important in the trade sector.

Financial Characteristics

In this section we compare the financial characteristics of the ethnic groups and make inferences on their business policies as well as their market power. The relative tax effort of the groups will also be compared.

Profit Rate, Turn-Over Rate, and Rate of Return

People attribute the success of Chinese businesses to the way the Chinese do business. Large Chinese corporations are Western in appearance; however, most of them still follow the Chinese business culture. This is evident when the financial characteristics of the ethnic groups are compared. One main practice of Chinese business culture is the low margin-high turn-over policy. In our sample, we observe that the Chinese business firms have the lowest profit rate, being only 5.8 percent. In contrast, profit rate of the Filipino firms is 10.9 percent, higher than the rate of the multinational corporations, which is 9.7 percent. Turn-over rate is relatively high among the Chinese business firms. In general, their total sales volume is 2.8 times their total equity value and about two-thirds of the asset value of all their firms. Turn-over rate is highest for the foreign group but lowest for the Filipino group. It seems that Filipino firms tend to sacrifice turn-over rate for profit margin while the foreign firms enjoy high profit rate as well as high turn-over rate.

Profit rate is determined by many factors. It may be due to policies which deliberately keep it low in order to increase sales and turnover rate. This we hypothesize to be the reason for low margins in Chinese firms. Perhaps they have to be more price competitive because of their relatively small size. However, low profit rate may also be due to inefficiency, as is obvious in the case of government corporations where profits are not the reason for their existence. Aside from the factors of size and inefficiency, there is the market power factor. Firms with more monopoly power in their industries can command high profit margins without suffering market share loss. The high sales volumes of the foreign firms, particularly the MNCs, indicate their large market shares, an important source of their monopoly power. The MNCs have the advantage of producing products of internationally known brands. Aside from having a larger market which makes possible a larger production scale, monopoly power may also have come from their higher capital intensity and labor efficiency. Because of these, the rates of return on their equities and assets are higher than those of the domestic firms.

These rates of return are lowest for the Chinese firms. Although the turn-over rate of Chinese businesses is high, it, however, cannot compensate for the very low profit rates and reach a rate of return at par with that of the other groups. Such low rates of return mean that, relative to the Filipino and foreign firms, growth for the Chinese corporations requires more savings and a higher rate of investment. These characteristics are consistent with the Chinese culture of thrift, accumulation and continuous reinvestment of profits. Hence, despite the constraint in terms of low profits, the growth of the Chinese business group has been rather significant in the last few decades.

Tax Provision Rate

This study also compares the performance of the different ethnic corporate groups in the tax payment. This financial feature is being considered in the light of the perception among some government officials that tax payment in proportion to income is lower among the Chinese Filipino corporations than among other ethnic and nationality groups. Table 3 shows the average tax provision for each group as well as tax provision as a percentage of sales and income. The table shows that the tax provision level is much lower for the Chinese corporations than the Filipino and foreign firms. As a percentage of sales, the tax provision level for the Chinese group is also the smallest. However, in relation to income, it is about 25 percent, bigger than that for the Filipino group (18 percent) although smaller than that for the foreign group (44 percent).

The low income tax provision level is due to the fact that the Chinese corporations have the smallest net income level. In fact, the share of Chinese firms in total tax provisions (14.7 percent) is almost the same as their share in total net income (14.4 percent). For the Filipino group, its tax share is smaller than its income share while the reverse is true for the multinational group. As a percentage of sales, the amount provided for corporate taxes is low for the Chinese firms since profit margin is very small.

A Historical Perspective

This section will compare the results of this research with similar studies done for earlier years in order to see how the economic position of the Chinese among the large corporations has changed over

Table 3. Tax Provision of the 1990 Top 1000 Corporations: Ownership Classified According to Government, Non-Chinese Filipino, Chinese Filipino and Foreign

Classification	Tax Provision		Tax Provision/ Sales	Tax Provision/ Sales
	Amount in P1000	%		
FILIPINO-OWNED	5765251	46.8%		
Government	610038	4.9%	0.0008	0.1215
Non-Chinese	3344362	27.1%	0.0193	0.1774
Chinese	1810851	14.7%	0.0144	0.2473
FOREIGN-OWNED	6560329	53.2%		
Multinational	6305500	51.2%	0.0431	0.4434
Non-MNC	254829	2.1%	0.0161	0.2486
Total	12325580	100.0%		

time. A couple of studies have classified large corporations in the Philippines by their ethnic ownership to see if this factor spells a difference in overall business performance etc. The first of such research is the well-known work of Kunio Yoshihara (1985) which was based on the 1968 data for 250 manufacturing firms, all of them from the top 1000 corporations list. Another study which did a similar classification is that of Hicks and Redding (1982), entitled: "Culture and Corporate Performance in the Philippines: The Chinese Puzzle." Data used in this study are from the 1980 *Business Day* top 1000 corporations list. The sample, which covers all sectors of the economy, consists of the 259 largest private corporations.

Assuming comparability of the data sets, particularly the ethnic identification of the corporations made, we limit our analysis first to the manufacturing sector in order to compare data from the studies made by Yoshihara, Hicks and Redding and this writer for different years.

Table 4 compares the ethnic distribution of Hicks and Redding for 1980 and that of this study for 1990. For 1990, the complete sample as well as a subsample equal in size to the 1980 one of Hicks and Redding are presented. To understand the changes between these two years, we recall that the eighties were years of political and economic crises as well as natural calamities in the Philippines. Growth rate was negative 7.0 percent and negative 4.1 percent for 1984 and 1985 respectively. Some positive outlook and optimism started to be seen only in 1987 and 1988. The unprecedented economic crisis started with the financial crisis in the early eighties as a result of over-borrowing and mismanagement of borrowed funds. This crisis was aggravated by the political instability triggered by the Aquino assassination. Investors and businessmen began to lose confidence in the economy. Domestic investments in durable equipment, i.e., industrial machinery and transportation equipment, decreased by 45 percent in 1984 and 18 percent in 1985. This created a vicious cycle since the fear and reluctance of businessmen to invest and expand in turn aggravated the country's poor economic performance. Even right after the revolution, investment level continued to be low as most investors took the wait-and-see attitude. In fact, growth in 1987 and 1988 was described as consumer-led. Consumer demand was being satisfied by the utilization of the excess capacity of the economy. Investment, both domestic and foreign, continued to be low.

Table 4. Distribution of the Top Private Manufacturing Corporations By Ethnic Groups 1968, 1980 and 1990.

Classification	Yoshihara (1968)		Hicks & Redding (1980)		Palanca (1990)	
	No.	%	No.	%	No.	%
FILIPINO-OWNED	163	65.2%	114	81.4%	140	63.5%
Non-Chinese	83	33.2%	47	33.6%	74	26.8%
Chinese	80	32.0%	67	47.9%	66	36.7%
FOREIGN-OWNED	87	34.8%	26	18.6%	110	36.5%
Total	250	100.0%	140	100.1%	250	100.0

Change in the Position of the Chinese Filipino Group

The percentage of firms in the manufacturing sector identified as predominantly owned by Chinese Filipinos increased from 32 percent in 1968 to 48 percent in 1980 and was around 37 percent in 1990. The Chinese undertook more of the country's manufacturing activities in the seventies and replaced part of the number share held by the foreigners. This surge in Chinese manufacturing business resulted from the industrialization incentives program of the government which started in 1950. Faced with certain trade nationalization laws then, the Chinese diversified their economic activities from trade to manufacturing. Expansion of business activities was facilitated by the mass naturalization of the Chinese and more liberalized investment laws in the seventies. In his study, Yoshihara showed that the Chinese manufacturers engaged mostly in the light industries such as tobacco, paper and paper products, metal fabrication, soap and cosmetics, and rubber. This study shows that in the last couple of decades, the Chinese have expanded their manufacturing activities to relatively heavier kinds such as steel and metal products.

Between 1980 and 1990, however, the share of the Chinese in the total number of manufacturing corporations decreased. During this decade, activities among the large Chinese businesses seemed to have moved towards services, particularly finance, insurance and real estate. Among the Chinese firms, those engaged in the service sector grew from an insignificant 1.2 percent in 1980 to 13.8 percent in 1990.

For the Chinese group, the share in number did not change much from 1980 to 1990. Being 33 percent in 1980, in 1990, it became 36 percent based on the top 1000 corporations data. However, the Chinese share for 1990 decreased to 28 percent if we take the same sample size as the one for the 1980 data, i.e., 259 private corporations.

Based on sales volume, the share of the Chinese remained fairly the same during this period. The relative firm size for the Chinese group seemed to have increased as its share in total number decreased by a greater percentage than its share in total sales volume. For both years, the average size of the Chinese firms among the top corporations was the smallest compared to the Filipino and foreign groups.

Change in the Position of the Non-Chinese Filipino Group

The comparative data reveals a decline in the Filipino share from 1980 to 1990 for the manufacturing sector—from 33 to 27 percent. We see a sharper decrease when we look at data for all sectors combined. The Filipino share (including the Spanish ethnic group) decreased from 50 percent to about 34 percent during the decade. The percentage distribution based on the ethnicity of ownership for 1980 is shown to be: 43 percent for Filipino, 7 percent for Spanish, 33 percent for Chinese, 10 percent for American, and 6 percent for others.

Based on sales volume, the distribution among the different ethnic groups did not change as much as the distribution based on number of firms from 1980 to 1990. The discrepancy in firm size between the Filipino and foreign groups became smaller during this decade. For the foreign group, although its share in number doubled during this period, its share in total sales remained about the same. This implies a relative decline in the size of foreign firms and increase in firm size of the Filipino group relative to the other ethnic groups. Although the share in number for the Filipino group decreased markedly, its decrease in the sales share was slight.

It seems that, during the eighties, the top Filipino capitalists were much more cautious in investing in the country than the Chinese and the foreign groups. One possible explanation is that probably many of the sequestered private firms which are not in the list are Filipino-owned. A consideration of the ethnic distribution of such firms is necessary to affirm this. The decline in number but increase in average size among the top Filipino corporations also suggest merging and consolidation among the big firms. On the whole, however, relative to the Chinese and foreign groups, the top Filipino capitalists invested relatively less during this period.

The decline in the share of the Filipino firms among the top corporations during this crisis period of economic crisis and political instability seems to suggest that the Filipinos were most sensitive to the political situation of the country. Relative to the other ethnic groups, the overall poor economic conditions during the crisis years appeared to have prompted many Filipino businesses to invest at a lower rate than those of other ethnic groups.

On the other hand, the Chinese Filipino businesses among the top 1000 corporations have kept their share in 1990 more or less the same as among the top 259 in 1980, both in number and sales volume. From our data on the relative change in the share of the ethnic groups among the top firms, it seems that the Chinese saw more opportunities and were more willing to take risk than the Filipinos. Perhaps we can explain the relative resiliency of the Chinese by the attitude they have towards crises. The attitude is best explained by the Chinese characters for the word crisis (wei-ji). The two characters for the word stand for "danger" and "opportunity," connoting that during a crisis, the Chinese see not only the danger of the situation, but also the opportunities present. Moreover, we should consider the fact that the Chinese who are owners of the large corporations now have come a long way. Many of them started from scratch and have lived with danger and crises. They are used to obstacles and to taking risks.

Change in the Position of the Foreign Group

With the share of the Chinese corporations among the top firms in the country remaining more or less the same from 1980 to 1990, the decline in the share of the Filipino firms means a decrease in the share of the domestic corporations and a corresponding increase in the share of the foreign corporations which grew from 17 percent in 1980 to 29 percent in 1990, when based on the top 1000 corporations; but to 38 percent, when based on the top 259 corporations. The share in total sales increased by a smaller percentage points, from 36 to 39 percent, comparing the same sample size for the two years.

The observation that there was a bigger increase in the number share than the sales volume share for the foreign firms from 1980 to 1990 implies a decrease in relative size for the foreign firms during this period. The seventies and eighties were the decades when initially Japan and later the newly industrialized countries of Taiwan, Hong Kong, and Singapore were investing heavily abroad due to a surplus of capital in these countries. Most of the firms established were nonmultinational and tended to be smaller in size than other foreign business enterprises. The Philippines was a recipient of some of these capital outflows although due to the political and economic crises of the eighties, it was getting very much less compared with its neighboring countries. The massive capital inflow experienced by Malaysia, Thailand, and Indonesia has been one factor which helped these countries to move to the "near NIC" status. However, despite this, the increasing share of the foreign group indicates that investment among the large foreign corporations was relatively more than those of the Filipino and Chinese groups.

Developments After 1990

Problems from 1990 to 1993

The growth in Philippine economy after the 1986 revolution was short-lived. Structural problems, political instability and calamities prevented the sustainability of this growth.

Growth rates hovered over the zero level from 1991 to 1993. There were numerous coup attempts since the revolution, the worst and most destructive occurred in late 1989. Aside from the physical damage on lives and properties, these had a very negative effect on the perception of investors on the political stability of the country. On top of this, very serious natural calamities came one after another. There was the killer earthquake of 1990, the Pinatubo volcanic eruption in 1991, and several worse than usual typhoons in 1991 and 1992.

Moreover, from early 1992 up to the latter part of 1994, the country suffered from an energy crisis. Power outages lasting up to eight hours occurred twice daily, hitting the industrial sector very harshly. This problem not only deterred new foreign investments from coming in but even prompted some existing ones to transfer to other sites. During this period, significant investments started to be made by capitalists from the emerging NICs, most of them ethnic Chinese. The Philippines missed its share because of the power problem. Another problem which affected the business sector was the spate of kidnappings for ransom which occurred about the same period. In particular, the ethnic Chinese were more concerned because the victims of such crime were mostly Chinese. Capital flight became an issue as the Chinese Filipinos were observed to be investing substantially in

China. Aside from the push factors, a very important pull factor is the boom in China which has provided many economically attractive opportunities for Chinese overseas.

The economy and investment environment have improved since last year. Many of these problems are slowly disappearing. Political stability is maintained presently through the ongoing peace process of dialoguing with the left and right factions as well as the Muslim minority. The energy supply problem is practically solved. Kidnappings still occur but are not as rampant. Moreover, the Ramos administration has undertaken some important economic reforms such as liberalizing foreign investments. The Foreign Investment Act of 1992 allows foreign investors to own 100 percent equity in more domestic sectors and in export-oriented business enterprises. Dismantling monopolies in the utilities, transportation and communication industries; and liberalizing the banking system by allowing foreign banks other than existing ones to set up branches in the country. Since independence, the Philippines had barred the entry of foreign banks to set up branches. Only four foreign banks which were established before the war have branches in the Philippines. Competition, both in the country and with the rest of the world, is increased. After several years of stagnation, real GNP of the country finally posted a growth rate of three-and-a-half percent last year and four-and-a-half percent for the first quarter this year.

Internationalization of Business

As in other countries, off-shore investments have become an integral part of many large businesses in the Philippines. In part, these outflows are due to the internationalization phenomenon going on worldwide while, in part, they are due to the presence of better investment opportunities outside the country. In the last decade, technological advancements in communication and transportation have facilitated resource mobility. Flows of capital and labor between countries have increased tremendously. The poor economic conditions in the country have resulted in a net outflow of resources for the Philippines. We have seen in this study that domestic investments, particularly those of the non-Chinese Filipino group, failed to grow in the eighties. One can surmise that these would-be domestic investments were most likely invested abroad. In the long run, however, the net flow (positive or negative) of capital for the country, which should include the repatriation of returns of investments abroad, will depend very much on the changes in the economic, political and even social (peace and order) environment of the country.

For the Chinese Filipinos, foreign connections provide alternative investment arenas for their capital. Almost all the prominent Chinese tycoons (called taipans by the media) have overseas ventures. Very visible are the business base of the Tanyus in Taiwan and the extensive enterprises of Lucio Tan, Henry Sy and John Gokongwei in China. The unprecedented economic growth of China presents many investment opportunities. The cultural background and the experience in business of the overseas Chinese make their investments in China accessible and welcome. However, because the Chinese Filipinos are a permanent sector (most of them are citizens) of Philippine society, we can expect that, in the future, as long as the environment and the opportunities in the country compare favorably with the alternatives, they, together with the other Filipinos who invest abroad, will repatriate the profits made from their foreign investments for investments in their country. Hence, in the long run, the Philippines may realize some benefits from the outflows happening at present. The same can be said for capital expatriated abroad by the non-Chinese Filipinos and, to a certain extent, also for the country's labor resource, which has been experiencing a massive outflow.

In the meantime, the foreign connections of the Chinese Filipinos should be looked at positively as contributing to the country's integration with the fast-growing Chinese-dominated East and Southeast Asia region. Although the population of the Chinese Filipinos and their economic dominance in the country are much smaller compared to overseas Chinese in the other Southeast Asian countries, they nevertheless constitute an important link between the Philippines and this Asian region. In particular, they are important in forming connections with Greater China, i.e., China, Taiwan and Hong Kong, as well as with the overseas Chinese in Southeast Asia. The growing Chinese economy and the strong economic force of overseas Chinese in Asia for the Philippines, estimated at 53 million in East and Southeast Asia, Taiwan, Hong Kong and Singapore are part of the dynamic economy which has been described as one "without borders." Surely, the Philippine economy can benefit from the dynamism of this booming force through the ties established by the local Chinese with their ethnic group in the region. However, only through a liberalized and open economy can the country realize the benefits and opportunities which such relations can offer.

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