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AN ANALYSIS OF THE 1990 TOP CORPORATIONS IN THE PHILIPPINES: ECONOMIC POSITION AND ACTIVITIES OF THE ETHNIC CHINESE, FILIPINO, AND FOREIGN GROUPS*

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Introduction

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

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The Philippines was under Spanish rule for three and half centuries – from 1521 to 1896. Because of this long colonial history, most Filipinos have Spanish names and in varying degrees, have Spanish blood. However, it is difficult to distinguish the Spanish in 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 Spanish rule and lasted until 1946. In Philippine society today, however, 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 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 Spanish and Americans, the Chinese did not have a colonial past in the Philippines but have had a long-standing economic relationship with Filipinos. Trading between Filipinos and the Chinese started long before the Spanish came. Ever since, many Chinese from southeast China, particularly Fujian province, migrated to the Philippines and continued their business activities here. Although a big percentage of Filipinos have Chinese blood, there is still a significant, although small, group of Chinese who are identifiable as Chinese. This ethnic minority group, constituting only one to three percent of the population, has often been distinguished to play a dominant role in the economic arena of the country. Most Chinese, however, are Filipino in citizenship.

In this study, much of the focus will be on the ethnic Chinese in the Philippines. The Chinese are gaining prominence as being among the super-rich in the country. In the last few years, we observe an increase in the large business outfits owned by Chinese-Filipino tycoons. One conspicuous example is the recent phenomenon of large shopping malls, which are mostly owned by the Chinese. The visibility of the Chinese among large businesses, as well as their concern for national development, prompted President Fidel V. Ramos to tap six wealthy Chinese business people in 1993 to jointly help in the country's infrastructure development. These business people responded by setting up a PhP 2 billion (USD 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 foreigners through their multinational corporations. The Chinese have been associated more with medium and small businesses through their efficient trade networks. This paper attempts to find out what share the Chinese have among the top 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 the 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 paper attempts to show how, over time, the development process, policy environment, political climate, and growth in the neighboring countries affected the distribution of corporations among ethnic and national groups as well as their industrial concentrations.

Identifying the Ethnicity of Corporations

In order to determine the ethnicity of corporations, this study had to find out their predominant owners and determine their ethnicity. Chinese-Filipino owners 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 the Chinese other than Chinese Filipinos, e.g., the 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 is necessarily Filipino, either of Chinese ancestry or not. However, in this study, firms with such joint ownership are classified as foreign.

The difficulty of segregating corporations owned predominantly by Chinese Filipinos from other domestic firms in the sample lies not only in the fact that most Chinese in the country are now Filipino citizens. Some Chinese Filipinos have 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 can no longer speak the Chinese language and do not practice 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. Following the process, the ethnic Chinese in this study refer to those who are regarded by others in society as Chinese. The classification that is 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 different people for identification. and their answers were consistent with each other.

In most cases, the classification of corporations by ethnic ownership was based essentially on personal knowledge and contacts. When the classification of firms could not be obtained this way, the publication of 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 Foundation's publication.

Classification in the Study: Ethnic and Others

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

Foreign firms in the country are relatively large and hence constitute a significant group among the top corporations. This study classifies a foreign corporation by its nationality and also by its status of being a multinational or not. Not all foreign firms were set up as subsidiaries of companies abroad. Most of these non-multinational minority corporations have been in the country for some time and have grown to be among the top corporations. A few of the high-performing, non-multinational foreign companies in the Philippines are part of business conglomerates owned by tycoons in the Newly Industrialized Countries (NICs) and emerging NICs. Those from Southeast Asia are mostly ethnic Chinese. Examples of such companies are the investments of Liem Sioe Liong of Indonesia, who took ownership of a few large established corporations (Steniel

Corporation and Metro Drug Corporation) recently, and those of Malaysian Robert Kuok, who recently built several upscale hotels and malls in the Philippines.

Ethnic Distribution of the Top Corporations

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

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

The ethnic distribution changes as the sample size increases. When firms in the second quintile are included (top 200), the percentage share of the Chinese group remains the same but that of the Filipino group increases by about four percentage points to 34 percent while that of the foreign group decreases by about the same degree. However, as the sample size expands further (from the top 200 to top 500 and then the top 1000 firms), the share of Filipino firms remains about the same (around 34 percent in the 500 group and 35 in the 1000 group) as it is in

TABLE 1. Percentage Distribution of the 1990 Top 1000 Corporations (Public & Private): Ownership Classified according to Government, Nationality and Ethnic Group

Nationality	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%	70.8%
Government	90.0%	0.0%	5.5%	0.0%	2.4%	0.0%	1.5%	0.0%
Non-Chinese	27.0%	29.7%	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%	29.2%
US	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%
TotalL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
% of Revenue to Top 1000 Revenue	62.8%	55.9%	74.6%	69.7%	90.3%	88.4%	100.0%	100.0%

the top 200 group. On the other hand, the share of the Chinese increases and 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 distribution of the share among foreign, Filipino, and Chinese groups, which is 43:30:27 for the top 100 corporations, is 29:35:36 for the top 1000 corporations.

TABLE 2. Frequency of Distribution of the Top 10, Top 30, and Top 50 Corporations: Ownership Classified according to Government, Ethnic/Nationality Group

Classification	Top 10	Top 30	Top 50
Filipino-owned	8	23	34
Government	5	7	8
Non-Chinese	3	12	15
Chinese	0	4	11
Foreign-owned	2	7	16
US	1	4	9
European	1	2	3
Japanese	0	1	4
% of Revenue to Top 1000 Revenue	**29.7%**	**38.5%**	**44.4%**

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, 59 percent of all foreign firms are larger than the median size while 56 percent of all Chinese firms are smaller than the median size. Firms owned by Filipinos other than 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 (Table 2) 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 number. Most of the very large corporations are owned by Spanish mestizos. San Miguel Corporation, founded and controlled by the Sorianos, is the largest private corporation.

Distribution of Foreign Firms: By Nationality

The Americans, Europeans, and Japanese own 83 percent of the 287 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 those from Australia and Asian countries such as Korea and Hong Kong.

Among all foreign firms, US multinational corporations (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 US can be explained not just by her greater economic power but also her past colonial and neocolonial relationship with the Philippines. Despite gaining political independence in 1946, the Philippines continued to be very dependent on the US economically. Neocolonial economic relations between the Philippines and the US 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 arrangements gave US citizens the same rights as Filipino citizens in the exploration 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 takes a bigger share than the European group. This implies that Japanese firms are generally bigger than European firms. Similarly, foreign firms belonging to owners other than Americans, Europeans, and the Japanese are also smaller. None of them are among the top 50 corporations.

Distribution of Foreign Firms: By Multinational/Non-Multinational Status

Classifying foreign firms by their multinational or non-multinational status (Table 3), we see that, as expected, multinational firms are bigger than non-mutinational firms. Among the foreign firms in the top 1000 group, 229 are multinational while 58 are not, yielding a ratio of about 4 to 1; whereas in the top 100 and top 200 groups, the ratio is 20 to 1. Most multinational corporations are big, with 55 percent occupying positions in the first and second quintiles. Among the top 200 corporations, counting also government corporations – 35 percent are multinational firms. About 90 percent of American and European corporations in the top 1000 are multinational corporations. For Japanese corporations, there are relatively more non-multinational corporations – about 25 percent. On the other hand, more than half of the firms owned by other nationalities are non-multinationals. Their relatively small size can be seen from the statistic that 85 percent of them occupy positions with ranks higher than 500.

TABLE 3. Distribution of Foreign Multinational and Non-Multinational Firms in the 1990 Top 1000 Corporations: Classified according to Nationality

Nationality	Top 100		Top 200		Top 500		Top 1000	
	No.	*%*	*No.*	*%*	*No.*	*%*	*No.*	*%*
US								
MNC	24	63.2	41	56.2	76	45.0	113	39.4
Non-MNC	0	0.0	0	0.0	8	4.7	12	4.2
European								
MNC	5	13.2	14	19.2	37	21.9	63	22.0
Non-MNC	0	0.0	0	0.0	4	2.4	9	3.1
Japanese								
MNC	7	18.4	12	16.4	21	12.4	31	10.8
Non MNC	1	2.6	1	1.4	5	3.0	10	3.5
Others								
MNC	0	0.0	3	4.1	14	8.3	22	7.7
Non-MNC	2	2.6	2	2.7	4	2.4	27	9.4
Total	**38**	**100.0**	**73**	**100.0**	**169**	**100.0**	**287**	**100.0**

Ethnic Distribution When Branches are Combined

As mentioned earlier, there are cases when 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.) The distribution of samples up to the top 500 is not affected as all of these firms have ranks above 500. When these corporations are properly combined, the 1000 corporations are reduced to only 986 corporations. In such a sample, the share of Chinese cases is reduced by 0.8 in percentage while that of Filipino and foreign groups is increased by 0.4 percentage points (see Table 4). Definitely, if all the branches (some of which are not on 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 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.

TABLE 4. Distribution of the 1990 Top 1000 Corporations with Firms Belonging to the Same Chain Business Combined:* Ownership Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	No. of Firms	Percent
Filipino-owned	699	70.9%
Government	15	1.5%
Non-Chinese	343	34.8%
Chinese	341	34.6%
Foreign-owned	287	29.1%
MNC	229	23.2%
Non-MNC	58	5.9%
% of Revenue to Top 1000 Revenue	**986**	**100.0%**

**The branch firms belong to a chain business owned by the same group of owners.*

Size of Corporations by Ethnic Group

Size varies very much even among the top 1000 corporations. The gross revenue of San Miguel Corporation, the largest private firm on the list, is close to PhP 30 billion (USD 1.1 billion) and is 328 times that of the smallest firm, Zuellig Corporation on 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 the 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. The percentage distribution of each indicator among Chinese, Filipino, and foreign groups of corporations and also the average value for each group are shown in Tables 5 to 9.

TABLE 5. Percentage Distribution and Average Values (in PhP 1,000) of the Sales of the Top Corporations: Classified according to Government, Non-Chinese, Chinese Filipino, and Foreign

Classification	Average Values	% Share of Total			
	Top 1000	*Top 100*	*Top 200*	*Top 500*	*Top 1000*
All	**769,191.00**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Filipino-owned					
Government	7,666,000.00	32.8%	29.3%	25.9%	24.6%
Non-Chinese	627,805.00	31.1%	32.7%	33.4%	33.7%
Chinese	415,148.00	13.3%	13.0%	14.2%	15.2%
Foreign-owned					
MNC	840,596.00	22.5%	24.7%	25.6%	25.3%
Non-MNC	273,214.00	0.3%	0.4%	0.8%	1.2%

TABLE 6. Percentage Distribution and Average Values (in PhP 1,000) of the Income of the Top Corporations: Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	**Average Values**				**% Share of Total**			
	Top 100	*Top 200*	*Top 500*	*Top 1000*	*Top 100*	*Top 200*	*Top 500*	*Top 1000*
All	**351,040**	**218,059**	**107,398**	**59,795**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Filipino-owned								
Government	795,405	676,381	620,547	502,007	20.4%	17.1%	13.9%	12.6%
Non- Chinese	488,826	266,875	127,565	68,293	37.6%	39.2%	39.0%	39.3%
Chinese	191,084	105,308	48,076	24,248	13.6%	12.6%	13.9%	14.4%
Foreign-owned								
MNC	261,938	190,508	114,612	81,723	27.6%	30.6%	31.6%	31.3%
Non-MNC	129,117	93,343	535,571	25,622	0.8%	0.6%	1.7%	2.5%

TABLE 7. Percentage Distribution and Average Values (in PhP 1,000) of the Assets of the Top Corporations: Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	Average Values				% Share of Total			
	Top 100	*Top 200*	*Top 500*	*Top 1000*	*Top 100*	*Top 200*	*Top 500*	*Top 1000*
All	**10,796,664**	**6,076,400**	**2,748,867**	**1,455,197**	**100%**	**100.0%**	**100.0%**	**100.0%**
Filipino-owned								
Government	39,290,283	32,347,981	29,692,870	2,380,741	32.8%	29.3%	25.9%	24.6%
Non-Chinese	12,906,698	6,299,945	2,819,821	1,430,890	31.1%	32.7%	33.4%	33.7%
Chinese	5,754,934	3,043,308	1,239,661	625,304	13.3%	13.0%	14.2%	15.2%
Foreign-owned								
MNC	6,566,578	4,344,770	2,397,062	1,620,453	22.5%	24.7%	25.6%	25.3%
Non-MNC	1,821,493	1,504,864	517,760	302,007	0.3%	0.4%	0.8%	1.2%

TABLE 8. Percentage Distribution and Average Values (in PhP 1,000) of the Liabilities of the Top Corporations: Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	**Average Values**				**% Share of Total**			
	Top 100	*Top 200*	*Top 500*	*Top 1000*	*Top 100*	*Top 200*	*Top 500*	*Top 1000*
All	**7,906,596**	**4,438,060**	**1,995,631**	**1,048,316**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Filipino-owned								
Government	32,468,180	26,608,256	24,406,256	19,546,933	37.0%	33.0%	29.4%	28.0%
Non-Chinese	8,740,933	4,282,665	1,894,236	949,792	28.7%	30.4%	30.9%	31.1%
Chinese	4,942,800	2,579,857	1,12,687	491,961	15.6%	15.1%	15.7%	16.6%
Foreign-owned								
MNC	3,913,298	2,714,705	1,583,086	1,084,294	18.3%	21.1%	23.2%	23.2%
Non-MNC	1,409,839	1,215,333	384,908	201,348	0.4%	0.4%	0.8%	1.1%

TABLE 9. Percentage Distribution and Average Values (in PhP 1,000) of the Equities of the Top Corporations: Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	**Average Values**				**% Share of Total**			
	Top 100	*Top 200*	*Top 500*	*Top 1000*	*Top 100*	*Top 200*	*Top 500*	*Top 1000*
All	**1,988,904**	**1,167,058**	**572,736**	**317,373**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Filipino-owned								
Government	7,375,493	6,169,039	5,680,143	4,575,296	33.4%	29.1%	23.8%	21.6%
Non-Chinese	2,960,511	1,473,521	721,512	377,563	38.7%	39.8%	40.8%	40.6%
Chinese	928,654	519,249	268,476	148,566	11.7%	11.6%	14.5%	16.5%
Foreign-owned								
MNC	951,483	760,184	454,697	317,970	15.8%	19.2%	19.4%	18.7%
Non-MNC	411,655	289,531	211,736	155,461	0.4%	0.4%	1.5%	2.6%

Sales[1]

From the averages for all indicators, we see that government firms, with sales volume averaging PhP 7,666 million, or USD 274 million, are bigger than private ones by 10 to 20 times. Among private firms, multinational corporations are the biggest in terms of sales, the average being PhP 840 million or approximately USD 30 million. The average sales volume of Filipino firms is PhP 628 million (USD 22 million) and that of Chinese firms is PhP 415 million (USD 15 million). As a separate group, non-multinational foreign firms are small not only when compared with other foreign firms but also when compared with domestic firms in the sample. They have the smallest sales, the average being PhP 273 million (USD 10 million). Because the Filipino group has more firms (344) than the foreign group in the sample, its share in total sales exceeds that of the foreign group. On the other hand, although Chinese corporations make 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 Filipino and multinational groups (31.5 percent and 28.1 percent, respectively). The non-multinational 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 difference in average size among private groups is more distinct when we consider their averages and shares of net income, shown in Table 6. Government corporations tend to have lower profit rates as can be seen by their much lower share in the total income of top corporations than in total sales.

As for 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 in sample size from the top 100 to the top 1000. This means that the smaller sized firms in the Chinese group have a 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 groups. For example, while the average sales value of non-multinational 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

The ethnic distributions of total assets, liabilities, and equities are presented in Tables 7 to 9. 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 in assets, liabilities, and equities (21.6 to 28 percent) is bigger than its share in sales and income (16.8 and 12.6 percent, respectively). The situation is reversed for the foreign firms whose shares in sales and income are both over 30 percent but are between 21 to 25 percent in assets, liabilities, and equities. The share of Chinese corporations in assets, liabilities, and net worth is, like theirs for net income, relatively small – only about 15 to 17 percent. These percentages for Chinese corporations, in relation to their sales percentage, may indicate financial efficiency for foreign and Chinese groups.

Position of the Chinese Corporations Based on Size

It can be seen that among top corporations, Chinese firms are small in comparison with those in Filipino and multinational groups. For sales, among the top 1000 firms, the 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 – many of them belonging to other Asian nationals – are even smaller than Chinese firms. On the average, these foreign firms are about half the size of Chinese firms in terms of all financial indicators considered.

The relatively small size of Chinese corporations among top corporations is probably due to the fact that Chinese business enterprises usually start as small family corporations and most have essentially remained family-based. The largest Chinese corporation, SM Department Store, ranks 15th 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 business people. If we combine all the business enterprises of Gokongwei or Henry Sy, they probably exceed that of many large Filipino corporations in terms of sales volume.

Ratios of Indicators

The relation of the financial indicators reveals financial characteristics such as profit rate, which is the ratio of net income to sales; turnover rate, the ratio of sales to assets or to net worth; and rate of return, the ratio of 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 group, both in terms of the number of firms for each group as well as the firms' sales volume.

Large corporations are mostly in the secondary and tertiary sectors. The sectors where most large firms are found are manufacturing, trade and finance, insurance, and real estate. The share of all top private firms engaged in these sectors is 85 percent, both in terms of number and sales volume. The concentration of 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 large corporations is due essentially to the structural change resulting from development. Industrialization, however, was given impetus through public policies. The New and Necessary Industries Act, enacted in 1946, gave tax exemptions to investments in industries that were emerging and vital. 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 a serious balance of payments problem as imports of raw materials and other intermediate goods were needed in the manufacture of import-substituting consumer goods. The Export Incentives Act was passed in 1970 to encourage export-oriented industrialization. However, the protection of import-substitution industries continued, and hence such industries remained more attractive to investors than export-oriented industries.

Foreign Investments

Most foreign firms among top corporations belong to the manufacturing sector. The import-substituting industrialization policy attracted much foreign capital. The locational advantages provided by government incentive programs prompted foreign companies, which had been selling their products in the country then, to set up manufacturing operations here. Most were, however, light manufacturing enterprises engaged in the finishing stages of production, i.e., assembling and packaging.

For the other sectors, the involvement of foreigners was made through the pioneering status incentive and parity rights given to US citizens in economic activities involving 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 the pioneering industries. These included 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, transportation and sectors.

Chinese Investments

The Chinese in the Philippines have traditionally been in trade. Initially, it was due to their lack of a sense of permanency as well as the restrictive investment laws they 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 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 the manufacturing of hardware items. Aside from import controls on most consumer goods, the Chinese faced restrictions in trade activities in the 1950s and 1960s 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 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 businesses in Southeast Asia, Hong Kong, and Taiwan, although facing different environments, have all moved from trade to manufacturing to services, particularly finance. Lasserre (1988) identified the same sectors as being dominantly engaged in by 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 finance.

Filipino Investments

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

TABLE 10. Number of Private Firms in the Top 1000 Corporations: By Ethnic and Industry Classification								
Numbers in parentheses refer to the percent of frequency to the total number of private firms in the 1990 top 1000 corporations								
NEDA	**Filipino**				**Foreign**		**Total**	
Industry Classification	*Non-Chinese*		*Chinese*					
Agriculture, Fishery and Forestry	7	(0.7%)	6	(0.6%)	4	(0.4%)	17	(1.7%)
Mining and Quarrying	12	(1.2%)	2	(0.2%)	5	(0.5%)	19	(1.9%)
Manufacturing	124	(12.6%)	170	(17.3%)	169	(17.2%)	463	(47.0%)
Utilities	2	(0.2%)	0	(0.0%)	1	(0.1%)	3	(0.3%)
Wholesale and Retail	77	(7.8%)	124	(12.6%)	41	(4.2%)	242	(24.6%)
Construction	14	(1.4%)	4	(0.4%)	8	(0.8%)	26	(2.6%)
Transportation, Storage and Communication	22	(2.2%)	3	(0.3%)	11	(1.1%)	36	(3.7%)
Finance, Insurance and Real Estate	67	(6.8%)	37	(3.8%)	40	(4.1%)	144	(14.6%)
Community, Social Services and Related Services	19	(1.9%)	8	(0.8%)	8	(0.8%)	35	(3.6%)
Total	**344**	**(34.9%)**	**354**	**(35.9%)**	**287**	**(29.1%)**	**985**	**(100.0%)**

Concentration Based on Number of Firms

The ethnic distribution of top corporations by industrial sector is shown in Table 10, with the column and row percentages presented in Table 11. Looking at the column percentages, we see that for large Chinese corporations, about half of them are engaged in manufacturing, a third are either wholesale or retail trade, while about a tenth of them are in the banking, insurance, and real estate sectors. Considering their position among all corporations in different sectors (seen from the row percentages), in terms of number, we see that 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 Filipinos are dominant in the mining and service sectors, i.e., utilities; construction; transportation and communication; and community, social and related services (e.g., hotel and restaurant service). Judging from their number share, 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.

TABLE 11. Column and Row Percentages of the Number of Private Firms in the Top 1000 Corporations: By Ethnic and Sectoral Classifications

NEDA	**Filipino**				**Foreign**	
Industry Classification	*Non-Chinese*		*Chinese*			
	col %	*row %*	*col %*	*row %*	*col %*	*row %*
Agriculture, Fishery and Forestry	2.0%	41.2%	1.7%	35.3%	1.4%	23.5%
Mining and Quarrying	3.5%	63.2%	0.6%	10.5%	1.7%	26.3%
Manufacturing	36.0%	26.8%	48.0%	36.7%	58.9%	36.5%
Utilities	0.6%	66.7%	0.0%	0.0%	0.3%	33.3%
Wholesale and Retail	22.4%	31.8%	35.0%	51.2%	14.3%	16.9%
Construction	4.1%	53.8	1.1%	15.4	2.8%	30.8%
Transportation, Storage and Communication	6.4%	61.1%	0.8%	8.3%	3.8%	
Finance, Insurance and Real Estate	19.5%	46.5%	10.5%	25.7%	13.9%	27.8%
Community, Social Services and Related Services	5.5%	54.3%	2.3%	22.9%	2.8%	22.9%
Total	**100.0%**	**100.0%**	**100%**	**100.0%**	**100.0%**	**100.0%**

TABLE 12. Distribution of Sales of Private Firms in the Top 1000 Corporations: By Ethnic and Sectoral Classification (Sales Values in PhP 1,000)

Numbers in parentheses refer to the percent of sales to the total sales of private firms in the 1990 top 1000 corporations

NEDA	**Filipino**						**Foreign**		**Total**	
Industry Classification	*Non-Chinese*		*Chinese*		*MNC*		*Non-MNC*			
Agriculture, Fishery and Forestry	2,249,038	(0.4%)	1,748,368	(0.3%)	837,431	(0.1%)	325,038	(0.1%)	5,159,875	(0.9%)
Mining and Quarrying	13,038,170	(2.3%)	1,629,635	(0.3%)	381,137	(0.1%)	605,728	(0.1%)	15,654,670	(2.8%)
Manufacturing	88,226,275	(15.4%)	57,503,143	(10.1%)	147,069,314	(25.7%)	8,954,719	(1.6%)	301,753,451	(52.8%)
Electricity, Gas and Water	21,662,395	(3.8%)	0	(0.0%)	1,781,608	(0.3%)	0	(0.0%)	23,444,003	(4.1%)
Wholesale and Retail	22,822,175	(4.0%)	59,841,970	(10.5%)	13,642,384	(2.4%)	1,792,577	(0.3%)	98,099,106	(17.2%)
Construction	4,067,757	(0.7%)	1,021,343	(0.2%)	1,243,150	(0.2%)	2,137,140	(0.4%)	8,469,390	(1.5%)
Transportation, Storage and Communication	19,072,459	(3.3%)	665,203	(0.1%)	3,282,824	(0.6%)	577,337	(0.1%)	23,597,823	(4.1%)
Finance, Insurance and Real Estate	40,953,455	(7.2%)	21,654,588	(3.8%)	23,666,344	(4.1%)	517,028	(0.1%)	86,791,415	(15.2%)
Community, Social Services and Related Services	3,873,285	(0.7%)	2,898,250	(0.5%)	592,281	(0.1%)	936,843	(0.2%)	8,300,659	(1.5%)
Total	**215,965,009**	**(37.8%)**	**146,962,500**	**(25.8%)**	**192,496,473**	**(33.6%)**	**15,846,410**	**(2.9%)**	**571,270,392**	**(100.1%)**

Concentration Based on Sales Volume

Tables 12 and 13 show the sales volume of ethnic groups by industrial sector. We observe that for the Chinese group, 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 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, the sales of the Filipino group are spread out in more sectors – manufacturing, utilities, trade, transportation, and finance.

TABLE 13. Column and Row Percentages of the Sales of Private Firms in the Top 1000 Corporations: By Ethnic and Sectoral Classifications

NEDA	**Filipino**				**Foreign**			
Industry Classification	*Non-Chinese*		*Chinese*		*MNC*		*Non-MNC*	
	col %	(row %)	col %	(row %)	col %	(row %)	col %	(row %)
Agriculture, Fishery and Forestry	1.0%	43.6%	1.2%	33.9%	0.4%	16.2%	2.1%	6.3%
Mining and Quarrying	6.0%	83.3%	1.1%	10.4%	0.2%	2.4%	3.8%	3.9%
Manufacturing	40.9%	29.2%	39.1%	19.1%	76.4%	48.7%	56.5%	3.0%
Electricity, Gas, and Water	10.0%	90.4%	0.0%	0.0%	0.9%	7.6%	0.0%	0.0%
Wholesale and Retail	10.6%	23.3%	40.7%	61.0%	7.1%	13.9%	11.3%	1.8%
Construction	1.9%	48.0%	0.7%	12.1%	0.6%	14.7%	13.5%	25.2%
Transportation, Storage and Communication	8.8%	80.8%	0.5%	2.8%	1.7%	13.9%	3.6%	2.4%
Finance, Insurance and Real Estate	19.0%	47.2%	14.7%	25.0%	12.3%	27.3%	3.3%	0.6%
Community, Social Services and Related Services	1.8%	46.7%	2.0%	34.9%	0.3%	7.1%	5.9%	11.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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 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, since they are much bigger, 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 non-multinational foreign firms. For large Filipino firms, their industrial dominance is similar to that indicated by their shares based on their number in the sector. 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.

TABLE 14. Sectoral Distribution of Ethnic Chinese Firms in the Top 1000 Corporations by Number of Corporations and Sales Volume

Sector	No. of Firms		Total Sales in Sector		Average in Sales
	No.	*%*	*Amount (in PhP 1,000)*	*%*	*Amount (in PhP 1,000)*
Manufacturing	170	48.0%	57,503,143	39.1%	338,254
Trade	124	35.0%	59,841,970	40.7%	482,597
Finance, Insurance, and Real Estate	37	10.5%	21,654,588	14.7%	585,259
Others	23	6.5%	7,962,799	5.4%	346,209
Total	**354**	**100.0%**	**146,962,500**	**100.0%**	**415,148**

Number of Firms and Sales Volume Compared for Chinese Firms

Comparing the percentage distribution of 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. (See Table 14 for comparative figures on sales volume and number of firms.) This implies that in terms of sales volume, Chinese commercial firms tend to be bigger than the average Chinese firm while Chinese manufacturing firms tend to be smaller than the average size. Financial establishments are the biggest among Chinese firms. The last column in Table 14 gives the average sales volume of Chinese firms in different sectors.

Table 15 shows the percentage shares of Chinese corporations by number and sales within the sectors. The comparison of the sectoral shares of these firms by these two variables shows their size relative to firms of other ethnic groups. The size difference between Chinese manufacturing and trade is also confirmed with these figures. 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 (PhP 338 million) of Chinese manufacturing firms are just half of the average in the sector (PhP 652 million). On the other hand, while 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. The average sales volume of all Chinese corporations is PhP 483 million while their average for the trade sector is PhP 405 million. For firms in the finance, insurance, and real estate sectors, 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. The shares in number and sales volume of Chinese firms in the sector are about the same.

TABLE 15. Share of Ethnic Chinese Firms within Sectors: By Number of Corporations and Sales Volume (in PhP 1,000)			
Sector	**Share in Total Number of Firms in the Sector**	**Share in Total Sectoral Shares**	**Average Sales of All Firms in the Sector**
Manufacturing	36.7%	19.1%	651,735
Trade	51.2%	60.7%	405,368
Finance, Insurance, and Real Estate	25.7%	25.0%	602,718
Others	16.9%	9.4%	622,253

Industrial Distribution within Manufacturing

We have seen that multinational corporations are very dominant in the manufacturing sector. In particular, from the industry breakdown by ethnic group for this sector, we see that 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 multinational firms. Where Filipino firms are concerned, they 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 on the top 1000 list are exporting firms. It seems that large investors responded to the export promotion strategy of industrialization implemented in the 1970s as the incentives for import-substituting manufacturing activities were still very attractive.

Industrial Distribution within Trade

The dominance of the Chinese in the commercial sector is observed in the wholesale and retail business. They are engaged mostly in the business of groceries and department stores; retail of construction materials and appliances; import and export; and 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. Foreign firms are not important in the trade sector.

Financial Characteristics: Profit Rate, Turnover Rate, Rate of Return and Tax Provision Rate

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

Profit Rate, Turnover Rate, and Rate of Return

A summary of the data on profit rate, turnover rate, and rate of return on investment for Filipino, Chinese, and foreign groups is presented in Table 16.

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 Chinese business culture. This is evident when the financial characteristics of 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 Chinese business firms have the lowest profit rate, its average being only 5.8 percent. In contrast, the average profit rate of Filipino firms is 10.9 percent, and that of multinational corporations, 9.7 percent. Turnover rate is relatively high among 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. Turnover rate is highest for the foreign group but lowest for the Filipino group. It seems that Filipino firms tend to sacrifice turnover rate for profit margin while foreign firms enjoy a high profit rate as well as a high turnover rate.

TABLE 16. Financial Characteristics of the 1990 Top Corporations: Ownership Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign

Classification	Profit Rate	Turn-over Rates		Return Rates	
	Income to Sales	*Sales to Equity*	*Sales to Assets*	*Income to Equity*	*Income to Assets*
Filipino-owned					
Government	0.0655	0.1700	0.3220	0.1100	0.0211
Non-Chinese	0.1087	1.6700	0.4390	0.1810	0.0477
Chinese	0.0584	2.8000	0.6640	0.1630	0.0388
Foreign-owned					
MNC	0.0972	3.2400	0.5190	0.2570	0.0504
Non-MNC	0.0938	1.9232	0.9047	0.1804	0.0848

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. We hypothesize this 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, a 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 foreign firms, particularly MNCs, indicate large market shares, an important source of their monopoly power. 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 inefficiency. Because of these, the rates of return on their equities and assets are higher than those of domestic firms.

These rates of returns are lowest for Chinese firms. Although the turnover rate of Chinese businesses is high, it cannot compensate for the very low profit rates. The average rate of return of Chinese businesses is not at par with that of other groups. Such low rates of return mean that, relative to Filipino and foreign firms, growth of 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. This may explain why, 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 different ethnic corporate groups in tax payment. This financial feature is being considered in light of the perception among some government officials that tax payments in proportion to income is lower among Chinese-Filipino corporations than among other ethnic and nationality groups. Table 17 shows the average tax provision for each group as well as tax provision as a percentage of sales and income. The table shows that, in relation to income, tax provision level is about 25 percent, bigger than that for the Filipino group (18 percent) although smaller than that for the foreign group (44 percent).

TABLE 17. Tax Provision of the 1990 Top Corporations: Ownership Classified according to Government, Non-Chinese Filipino, Chinese Filipino, and Foreign				
Classification	**Tax Provision**		**Tax Provision/ Sales**	**Tax Provision Income**
	Amount (in PhP 1,000)	*%*		
Filipino-owned	5,765,251	46.8%		
Government	610,038	4.9%	0.0008	0.1215
Non-Chinese	3,344,362	27.1%	0.0193	0.1774
Chinese	1,819,851	14.7%	0.0144	0.2473
Foreign-owned	6,560,329	53.2%		
MNC	6,305,500	51.2%	0.0431	0.4434
Non-MNC	254,829	2.1%	0.0161	0.2486
Total	**12,325,580**	**100.0%**		

However, income tax provision level is low due to the fact that Chinese corporations have the smallest net income level. In fact, the share of Chinese firms in total tax provisions (14.7 percent) corresponds almost perfectly to 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 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 large corporations has changed over time. A couple of studies have classified large corporations in the Philippines by their ethnic ownership to see if ethnicity spells a difference in overall business performance and other aspects. The first of such research is the well-known work of Kunio Yoshihara (1985) which was based on 1968 data for 250 manufacturing firms, 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.

TABLE 18. Distribution of the Top Private Manufacturing Corporations by Ethnic Group: 1968, 1980, and 1990

Classification	**Yoshihara (1968)**		**Hicks and Redding (1980)**		**Palanca (1990)**	
	No.	*%*	*No.*	*%*	*No.*	*%*
Filipino-owned	163	65.2%	114	81.4%	140	56.0%
Non-Chinese	83	33.2%	47	33.6%	74	29.6%
Chinese	80	32.0%	67	47.9%	66	26.4%
Foreign	87	34.8%	26	18.6	110	44.0%
Total	**250**	**100.0%**	**140**	**100.0%**	**250**	**100.0%**

Assuming comparability of the data sets, particularly the ethnic identification of corporations, 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. The distributions of top private manufacturing corporations by ethnic group of all three studies are presented in Table 18.

Table 19 compares the all sectors ethnic distribution of Hicks and Redding for 1980 and that of this study for 1990. For 1990, the complete sample, as well as the subsample, which is 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 1980s were years of political and economic crises as well as natural calamities in the Philippines. The growth rate was -7.0 percent and -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 1980s as a result of over-borrowing and mismanagement of borrowed funds (De Dios, 1984). This crisis was aggravated by the political instability triggered by the Aquino assassination. Investors and business people lost 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 business people to invest and expand, in turn, aggravated the country's poor economic performance. Even right after the 1986 revolution, investment level continued to be low as most investors took the wait-and-see attitude. In fact, growth in 1987 and 1988 has been 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 19. Number of Firm Distribution of the Top Private Manufacturing Corporations by Ethnic Group: 1980 and 1990

Classification	**1980 (Top 259 Private Corporations)**		**1990 (Top 1000 Less Government Corporations)**		**1990 (Top 259 Private Corporations)**	
	No.	*%*	*No.*	*%*	*No.*	*%*
Filipino-owned	216	83.4%	698	70.9%	161	62.2%
Non-Chinese	130	50.2%	344	34.9%	89	34.4%
Chinese	86	33.2%	354	35.9%	72	27.8%
Foreign	43	16.6%	287	29.1%	98	37.8%
Total	**259**	**100.0%**	**985**	**100.0%**	**259**	**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 1970s and took over part of the number share held by foreigners. This surge in Chinese manufacturing businesses resulted from the industrialization incentive 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. The expansion of business activities was facilitated by the mass naturalization of the Chinese and more liberalized investment laws in the 1970s. In his study based on 1968 data, Yoshihara (1985) showed that Chinese manufacturers engaged mostly in the light industries such as tobacco, paper and paper products, metal fabrication, soap and cosmetics, and rubber. From 1990 data, we observe 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 large Chinese businesses might have moved towards services, particularly finance, insurance, and real estate. In Table 20, which shows the sectoral distribution of the top Chinese corporations for 1980 and 1990, we observed that among 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 share of the Chinese 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 (Table 20).

TABLE 20. Distribution of Top Chinese Corporations by Industry: 1980 and 1990

	1980 (Among the Top 259 Private Corporations)		1990 (Among the Top 1000 Corporations)	
	No.	*%*	*No.*	*%*
Manufacturing	47	54.7%	17	48.0%
Commerce	32	37.2%	124	35.0%
Mining	2	2.3%	2	0.6%
Services	1	1.2%	49	13.8%
Utilities (including transportation, storage, and communication)	3	3.5%	3	0.8%
Agriculture	1	1.2%	6	1.7%
Total	**86**	**100.0%**	**354**	**100.0%**

Change in the Position of the Non-Chinese-Filipino Group

The comparative data in Table 18 reveal a decline in the Filipino share from 1980 to 1990 for the manufacturing sector from 33 to 27 percent. The decrease is sharper based on data for all sectors combined (Table 20). The Filipino share (including the Spanish ethnic group) decreased from 50 percent to about 34 percent during the decade.[2] Part of this decline may be due to the possibility that Filipino-owned firms dominate the private firms sequestered by the government in 1986.

Based on sales volume, the distribution among different ethnic groups did not change as much as the distribution based on the number of firms from 1980 to 1990 (Table 21). The discrepancy in firm size between 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 an increase in the firm size of the Filipino group relative to other ethnic groups. Although the share in number of the Filipino group decreased markedly, its decrease in the sales share was slight. The decline in number but increase in average size among top Filipino corporations may also suggest merging and consolidation among big firms.

TABLE 21. Sales Volume Distribution of the Top Private Corporations by Ethnic Group: 1980 and 1990 (in PhP 1,000,000)

Classification	1980 (Top 259 Private Corporations)		1990 (Top 1000 Less Government Corporations)		1990 (Top 259 Private Corporations)	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Filipino-owned	48,237	64.2%	362,927	63.5%	264,045	60.8%
Non-Chinese	31,131	41.4%	215,965	37.8%	169,448	39.0%
Chinese	17,106	22.8%	146,962	25.7%	94,597	21.8%
Foreign-owned	26,916	35.8%	208,342	36.5%	170,152	39.2%
Total	**75,153**	**100.0%**	**571,269**	**100.0%**	**434,197**	**100.0%**

On the other hand, the decline in the number share of Filipino firms suggests that more Filipino firms, relative to Chinese and foreign firms, withdrew their investment during the crisis years of the 1980s. This confirms the observation of Tiglao (1990) who wrote, "In the 1980s, when many Spaniard *mestizo* and Filipino professionals and businessmen were fleeing to the US and Canada, Chinese-Filipinos mostly remained at home and expanded their businesses." 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. It seems that the Chinese saw more opportunities and were more willing to take risks than Filipinos.[3]

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

Change in the Position of the Foreign Group

With the share of Chinese corporations among top firms in the country remaining more or less the same from 1980 to 1990, the decline in the share of Filipino firms means a decrease in the share of domestic corporations and a corresponding increase in the share of foreign corporations which grew from17 percent in 1980 to 29 (38) percent in 1990, when based on the top 1000 (259) corporations. The share in total sales increased by 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 of foreign firms from 1980 to 1990 implies a decrease in relative size of foreign firms during this period. The 1970s and 1980s were the decades when initially Japan and later the newly industrialized countries, Taiwan, Hong Kong, and Singapore were investing heavily abroad due to a surplus of capital in these countries. Most of the firms established were non-multinational and tend to be smaller 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 neighboring countries.[4] However, despite this, the increasing share of the foreign group indicates that the investment among large foreign corporations was relatively more than those of Filipino and Chinese counterparts.

Developments After 1990

Problems from 1990 to 1993

The growth in the 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 of which occurred in late 1989. Aside from the physical damage on lives and properties, these coup attempts 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, since early 1992, the country has suffered from an energy crisis. Power outages lasting up to eight hours twice daily hit the industrial sector very harshly. This problem not only deterred new foreign investments[5] from coming in but even prompted some existing ones to transfer to other sites. Another problem that seriously affected the business sector was the spate of kidnappings for ransom, which occurred about the same period. This affected the ethnic Chinese group more than the others because the target victims of such crimes were mostly Chinese. Capital flight became an issue as Chinese Filipinos were observed to be investing substantially in China. Aside from push factors, the boom in China provided many economically attractive opportunities for Chinese overseas.

Internationalization of Business

As in other countries, offshore 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 (i.e., peace and order) environment of the country.

For Chinese Filipinos, foreign connections provide alternative investment arenas for their capital. Almost all 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 unprecendented 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 Chinese Filipinos are a permanent sector (most of them are now 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 in their country. Hence, in the long run, the Philippines may even realize some benefits from the outflows happening at present. The same can be said for capital expatriated abroad by 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 foreigner connections of 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 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 the 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 Chinese-Filipino business sector can help promote economic relations with 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, the Chinese outside of China (overseas and Taiwan, Hong Kong, and Singapore Chinese) form a borderless economy, which has contributed much to the dynamism in the area. 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.

Notes

1. Sales figures are very close to gross revenue figures, on which the rank positions of the corporations were based.

2 The percentage of distribution on the ethnicity of ownership for 1980 is shown to be: 43 percent for Filipino, seven percent for Spanish, 33 percent for Chinese, 10 percent for American, and six percent for others.

3 Perhaps, we can explain the relative resiliency of the Chinese by the attitude they have toward crises. The attitude is best explained by the Chinese characters for the word crisis (危機 *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.

4 The massive capital inflow experienced by Malaysia, Thailand, and Indonesia has been one factor which helped these countries move to "near NIC" status.

5 During this period, capitalists from the emerging NICs, most of them ethnic Chinese, started to invest in their neighboring countries. The Philippines missed out on these because of the electric power problem.

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