

8. Robert Tsai, "Citizenship and the National Economy," *The Examiner, Asian Newsweek* (Manila, pp. 492-98, November 27, 1971). Reprinted in *Philippine-Chinese Profile, op. cit.*, pp. 129-143.

## THE LEADING CHINESE-FILIPINO BUSINESS FAMILIES IN THE POST-MARCOS ERA: A Socio-Political Profile

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### The Leading Chinese-Filipino Business Families

**T**he six leading Chinese-Filipino business families included in this study—those of Lucio Tan, John Gokongwei, Jr., Alfonso Yuchengco, George Ty, Henry Sy and Andrew Gotianun—nearly all represent “new money” rather than “old wealth.”<sup>1</sup> Among the six families, only the Yuchengco clan can solidly trace its wealth to relatively well-established economic activities started before the second world war. Thus, the Yuchengco family’s longest existing core financial firm, the Malayan Insurance Company (non-life) can be considered as a successor of China Insurance & Surety Co., established in 1930 by Ernesto Tiaoqui Yuchengco.<sup>2</sup> In contrast, the Gokongwei and Sy families established their flagship firms only in the 1950s while the three other taipan families (Ty, Tan and Gotianun) established theirs only in the 1960s.

Four of the six leading Chinese-Filipino business families started their business operations in financial and commercial activities but two families, Tan and Gokongwei, initially gained their wealth through manufacturing activities. Tan’s core company is Fortune Tobacco which manufac-



tures cigarettes while Gokongwei's business empire was built on food processing, the manufacture of commercial glucose and corn starch through Universal Corn Products (later renamed Universal Robina Corporation).<sup>3</sup>

Three of the taipan families (Yuchengco, Ty, and Gotianun) built their conglomerates on resources accumulated through banking and financial operations. The Yuchengco family's wealth was rooted in its insurance business started in the 1930s and which continues today through its Malayan Insurance Group of Companies. George S.K. Ty established Metrobank in 1962 and nurtured its growth as the country's premier private commercial bank. In the case of the Gotianun family, its wealth was generated through a combination of real estate development (Filinvest Development Corporation) started in the sixties and banking operations in the seventies up to the early eighties (Family Savings Bank and Insular Bank of Asia and America). Finally, the Sy family started its mega retailing operations with the establishment of a modest shoe store (Shoemart) in 1958.

Like most of the Chinese big business groups in Southeast Asia (notably Thailand, Malaysia, and Indonesia), the Chinese-Filipino conglomerates continue to be essentially "family firms" meaning, "ultimate control is exercised by one man or one family, rather than joint-stock companies with widely dispersed shareholders."<sup>4</sup> But as J.A.C. Mackie, an eminent scholar on the Chinese in Southeast Asia (particularly Indonesia), also notes in the case of the Southeast Asian Chinese big business, their being family firms "has not prevented their growth into giant conglomerates."<sup>5</sup> Of the six families in the study, the Yuchengco flagship companies show the most dispersed shareholdings. In two of its core companies, the Rizal Commercial Banking Corporation (RCBC) and the House of Investments, the Yuchengco family control only 25 percent and 48 percent respectively of the equity shares. However, the Yuchengco family retains full control over Malayan Insurance Co., the country's top non-life insurance firm. The family of Lucio Tan appears to have the tightest controls over its core and affiliated companies and the least public stock offerings. In the case of Tan, however, the absence of updated data about his companies makes it difficult to provide precise figures.

Through public stock offerings, the core companies of the other taipan

families have also increased the share of non-family stocks but with no danger to the continuing effective control of the lead firms by the family. The family's degree of effective control over their lead companies even in the face of public stock offerings is shown by the following data: the Sy family controls 85 percent of SM Prime Holdings, Inc.,<sup>6</sup> the Gokongwei family controls 83 percent of JG Summit Holdings and 75 percent of Universal Robina; the Ty family owns 78 percent of Metrobank, its flagship bank; and the Gotianun family controls 70 percent of Filinvest Land Corporation and 80 percent of East West Bank. Thus, while almost all of the taipan families have engaged in aggressive bond flotations through public stock offerings, these capital enhancement activities have in no way resulted in the separation of ownership from managerial control of the lead firms by the families.

It is also significant to note that all of the taipan families whose initial wealth was not generated through banking and financial activities eventually ended up owning a bank or participating as a major stockholder of well-established banks. In 1977, Lucio Tan's group acquired ownership of an existing bank, the General Bank and Trust Company formerly owned by the Yujuico family and incorporated it as Allied Bank in the same year. The Sy family is the majority owner of Banco de Oro, a commercial bank, and also has substantial shares in China Banking Corporation (14 percent), the Philippine National Bank and the Far East Bank and Trust Co. (7 percent). On the other hand, the Gokongwei family is a leading stockholder of two key commercial banks, the Far East Bank and Trust Co. (19 percent), and the Philippine Commercial and International Bank (24 percent).<sup>7</sup> Meanwhile, the Gotianun family which sold its Family Savings Bank and its 30 percent equity share of Insular Bank of Asia and America in 1984 put up a new family-controlled bank, East West Bank, in 1994.

All of the six taipan families have rapidly diversified their business operations. Each family has a flagship firm engaged in banking and finance and real estate development. The Yuchengco group of companies is the most diversified and with the biggest number of companies engaged in agro-business operations. In manufacturing activities, the Gokongwei and Tan group of companies lead the rest. Gokongwei's food processing firms (Universal Robina and CFC) are among the country's biggest, while Tan's



cigarette company, Fortune Tabacco, controls the largest market share in the country. Under the Ramos administration, however, Tan's tobacco manufacturing operations have been the target of multi-billion peso tax evasion suits filed by the government.

An important indicator of the capacity of the taipan families to develop competitive niches in the regional and global economy is the degree of their international linkages. Using this indicator, the Yuchengco group of companies shows the most extensive linkages with foreign investors, particularly with Japanese corporations. Through its local car assembly operations, George Ty has also forged important linkages with Toyota Motors and other Japanese corporations such as Mitsui and Co. Moreover, through its flagship bank, Metrobank, Ty has also established bank branch offices in China and Taiwan as well as in Guam, New York and Hong Kong.<sup>8</sup> Lucio Tan has also set up a commercial bank in Xiamen, reportedly the first Philippine-based bank entity granted the authority to operate one in the People's Republic of China.<sup>9</sup>

The Gokongwei group of companies has extensive joint ventures and licensing agreements in branded consumer foods with foreign partners such as United Biscuits of the UK, Hunt-Wesson Foods of the US, Nissin Foods of Japan, and Tootsie Roll, Inc. of the US. It also markets Keebler biscuits, Hunts pork and beans and tomato sauces, Nissin's Ramen noodles and Tootsie Roll candies.<sup>10</sup> Through a partnership with Marubeni Corporation of Japan, the Gokongwei group is also poised to construct a P11.6 billion peso petrochemical plant in Luzon.<sup>11</sup> Finally, the Sy family continues to diversify its business operations by linking up with the Keppel group of Singapore in taking over control of the country's largest ship repair facility, Philseco.

### The Politics of Economic Power

It is important to understand an important dimension of the success of ethnic entrepreneurs such as the Chinese-Filipino families—how they are able to adjust to and eventually turn to their advantage the vicissitudes of politics and state policies. This is particularly important for minority ethnic entrepreneurs who oftentimes have to labor under conditions of mistrust and discrimination. In this paper, only one aspect of this com-

plex problem is discussed, that of the local elite linkages and partnerships that the leading Chinese-Filipino families have developed through the years in their business operations.

Following the career track of the six leading Chinese-Filipino entrepreneurs, those of George S.K. Ty and Alfonso Yuchengco show crucial linkages with key Filipino elites in the early years of their business operations. In the establishment of Metrobank, Ty had as co-founders a formidable array of former leading public officials which included the following: Pio Pedrosa, former finance secretary; Placido Mapa, Sr., former secretary of agriculture; and Emilio Abello, an influential former ambassador.<sup>12</sup> Throughout the years, Ty has been able to rely on highly trained professionals to serve as the president of his flagship bank including Andres Castillo, former Central Bank governor and Edgardo Espiritu and Placido Mapa Jr., who both served as presidents of the Philippine National Bank. In Metrobank's 1992 Board of Directors were also two former top public officials: Querube C. Makalintal, former chief justice of the Supreme Court and Cesar E.A. Virata, former prime minister under Marcos who served as the bank's senior consultant.

In the establishment and nurturing of his core companies, Alfonso Yuchengco also enjoyed the company of important Filipino partners. For his commercial bank, Rizal Commercial Banking Corporation, Yuchengco had one of his original partners the Antonio Floirendo family whose patriarch was a logging magnate and one-time senator of the republic. For his flagship Malayan Insurance Company, Yuchengco had the influential former ambassador Carlos P. Romulo as chairman of the board from 1970 to 1985.<sup>13</sup> Moreover, the Yuchengco family has a prominent Filipino lawyer as a business partner, Leonardo Siguion-Reyna. During the Aquino administration, Yuchengco's economic and political clout was recognized with his appointment as ambassador to the People's Republic of China. As further proof of the family's ability to draw to its fold influential personalities, the House of Investments, Yuchengco's holding company, elected in 1994 former prime minister Cesar E.A. Virata as its chair.

Among the leading Chinese-Filipino entrepreneurs, Lucio Tan's business career has been marked by the greatest controversy. Acknowledged as one of the richest if not the richest man in the Philippines today, his



critics argue that his rise to economic power was due primarily to his crony ties with Marcos where he was supposedly the beneficiary of extensive tax, financing and regulatory concessions.<sup>14</sup> In the post-Marcos era, Tan has hired as his top managers former well-placed military generals, further fanning speculations about his management strategies. Tan's flagship tobacco company, Fortune Tobacco, is headed by retired general and former customs commissioner Salvador Mison. Another retired general and former chief of the National Pollution Control Commission Guillermo Pecache is president of Tan's Asia Brewery. A powerful bloc of political support for Tan lies in a grouping of about 27 legislators of the lower house of Congress who represent the tobacco-producing provinces of the Ilocos region. Since the sixties, Tan's tobacco and cigarette business has served as the major buyer of the tobacco products of the Ilocos region, an economic and political capital that Tan has seemed to cultivate well in his struggles with the government and his detractors.

For the Gotianun family, the key Filipino partner was D.M. Consunji who is related by affinity through the marriage of a Gotianun son with a Consunji daughter. Consunji founded a leading engineering and construction firm which served as a natural link to the real estate development business of the Gotianuns. In the case of John Gokongwei and Henry Sy, working with prominent Filipino business partners came later when their core business firms had already gotten off the ground. For Gokongwei, the major business partner has been no less than one of the old rich families, the Lopezes. Admitting to "a close relationship with Mr. Lopez," Gokongwei joined hands with Eugenio Lopez, Jr. in 1987 to buy from the government the majority stocks in Philippine Commercial International Bank (PCIB).<sup>15</sup> In 1993, these two families got together once again to build a 215-mega-watt power plant under a build-operate-transfer agreement with government. Finally, the Sy family had as their partner in its core trading firm, Shoemart, a relatively unknown businessman named Senen Mendiola who continues to be a top official of the Sy group of companies. However, in 1994, the Sy family took in former Social Security System administrator and governor of the Central Bank Jose L. Cuisia, Jr., as Vice-chairman of SM Holdings.

## Conclusions

Considering their fairly recent ancestral immigration to the country and the initial environment of mistrust they had to contend with when their core firms were established, the leading Chinese-Filipino business families have shown a remarkable degree of social and political skills that have enabled them to operate effectively in the wider economic setting. Undoubtedly, one outstanding feature of their economic success has been their skillful cultivation of partnerships and social linkages with key indigenous elites at crucial times in their business careers.

However, in a regime of greater economic liberalization and political stability, the Chinese-Filipino business families particularly the most powerful groups, are well-positioned to lead the competition. By combining an essentially family-based control of their diversified economic activities with an increasing professionalization of their management staff, the leading Chinese-Filipino families have maintained a significant presence in almost every sector of the economy. Traditionally disadvantaged by the easier access of indigenous business elites to political and business favors dispensed by the state, the Chinese-Filipino entrepreneurs would also benefit much from a more competitive economic environment underpinned by public security and political stability. Another distinct advantage that the Chinese-Filipino entrepreneurs could fully exploit is their historic linkages with overseas Chinese capital.

## NOTES

1. Here, I adopt Jamie Mackie's distinction between "old wealth" and "new wealth" in his study, "Changing Patterns of Chinese Big Business in Southeast Asia," in *Southeast Asian Capitalist*, Ruth McVey, ed. (Cornell University Press, 1992). By "old wealth" Mackie refers to "family firms that were well-established before World War II... or are today second-generation firms." In contrast, he uses the term "new wealth" to refer to firms "which have come to prominence over the last 20 or 30 years."
2. "Philippines, Inc.: Who Owns the Philippines?" *Business World* 7th Anniversary Report (1994), p. 117.
3. Ramon H.K. Wong, "Filipino-Chinese Business Tycoon: John Gokongwei, Jr." *Forbes Zibenja* (September 1992). (Translated English Version of the Article).



4. Jamie Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia," p. 162.
5. *Ibid.*
6. "SM Prime Holdings, Inc.: Prospectus relating to an offer of common shares of stocks" (June 6, 1994).
7. *JG Summit Holdings, Inc.* (1994), p. 21.
8. "Metrobank eyes \$1-B capital in '95, plans Asian expansion," *Philippine Daily Inquirer* (December 20, 1994), p. B1.
9. "Allied Banking Corporation Annual Report" (1993), p. 2.
10. *JG Summit Holdings, Inc.* (1994), p. 11.
11. "Marubeni to invest in big industrial projects in RP," *Philippine Daily Inquirer* (March 1, 1994), p. 17.
12. "Metrobank: Annual Report" (1992), p. 4.
13. Rosemarie V. Francisco, "Yuchengco: silent billionaire no longer," *Business World*, 7th Anniversary Report (1994), p. 111.
14. Ricardo Manapat, *Some Are Smarter Than Others: The History of Marcos Crony Capitalism* (New York: Aletheia Publications, 1991), pp. 344-352.
15. Ramon H.K. Wong, "Filipino Chinese Business Tycoon: John Gokongwei, Jr.," p. 4.

## THE CHINESE FILIPINOS AS MANILANS

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In the past decade, especially after the introduction of the open-door policy in China and the influx of investments from Chinese all over the world into China, there has been an increasing interest in the phenomenon of what many writers call the "overseas Chinese" or the "Chinese overseas." A number of international conferences focused on the topic has been held, especially in the last decade and voluminous academic papers have been produced out of these conferences. Likewise, a plethora of publications about the Chinese outside of Mainland China, especially about the Chinese in Southeast Asia has emerged. The government of Australia has even commissioned a study on *Chinese Business Networks in Asia*<sup>1</sup> one of the better researches done on the topic. The interest, albeit a much welcome one, can also have dangerous implications especially for the Chinese in Southeast Asia. There seems to be an increasing trend to lump all

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<sup>1</sup>This paper was first presented at this conference on Ethnic Chinese as Filipinos and later expanded to include data from a survey the author conducted and later presented at the conference on the Ethnic Chinese as Southeast Asians sponsored by the Institute of Southeast Asian Studies (ISEAS), in Singapore (April 26-27, 1996) and published in Leo Suryadinata, ed. *The Ethnic Chinese as Southeast Asians* (Singapore: ISEAS, 1997), pp. 158-202.