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FOREIGN INVESTMENT IN THE MAJOR NON-FINANCIAL
CORPORATE SECTOR OF THE PHILIPPINES,
1964 AND 1965

by

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I. INTRODUCTION

Few contemporary Philippine economic issues have gained as much prominence as that of foreign investment. And certainly, few are as important and as far reaching in their social, political and economic implications. Indeed, the question of foreign capital and enterprise in the Philippines ranks among the most important issues in the country in the post-war era.

✓ On the main, however, the public discussions on the subject have taken on a predominantly ethico-political slant. The relative neglect of the economics of foreign investment in the Philippines stems not from a lack of appreciation of its importance, but mainly from the paucity of data on the nature and amount of foreign investment in the Philippines. What little data exist are either unreliable or incomplete, and are of limited usefulness in the analysis of a variety of economic (and non-economic) problems arising from foreign investment in the Philippines.¹

¹Fairly reliable data on international capital flows can readily be obtained from a number of international publications. See, for example: Organization for Economic Cooperation and Development (OECD), The Flow of Financial Resources to Less Developed Countries, 1956-1963 (Paris: OECD, 1965); OECD, The Flow of Financial Resources to Countries in the Course of Economic Development (Paris: OECD, 1962); United Nations Department of Economic and Social Affairs, International Flow of Long-Term

A full assessment of the economic impact of foreign investment in the Philippines requires an analysis of its effects on such economic variables as gross national product, employment, the rate of capital accumulation, the degree of industrial diversification, the country's foreign exchange position, and the rate of technological development. Necessary for such an overall analysis are data on the various dimensions of foreign investment in the Philippines. The development of such data is therefore imperative, if the question of foreign business investment and enterprise in the Philippines is to be placed in its proper perspective. This paper is intended as a first, if small, step in that direction. If nothing else, it is hoped that the data which are here attempted to be developed will place the discussions on the issue of foreign investment in the Philippines on more solid grounds.

Capital and Official Donations (various years); United Nations, Statistical Yearbook (various years).

The U.S. Department of Commerce annually compiles data on American direct investment in foreign countries. Broken down into major types of economic activity, and on a country-by-country basis, these data constitute about the only source of information on foreign investment stocks in the Philippines. However, these data do not cover enterprises the American ownership of whose voting stocks is less than 25 per cent, nor do they include the investment of American citizens who are permanently residing in the Philippines. See U.S. Department of Commerce, Survey of Current Business (August numbers), and U.S. Department of Commerce, U.S. Business Investment in Foreign Countries (Washington, D.C.: U.S. Government Printing Office, 1960).

This study covers what are called the "major non-financial corporate sector" of the Philippines (henceforth, MNFCS). Composed of private non-financial corporate entities (and cooperatives) with adjusted net assets² of P1 million or more in 1964, this sector accounts for practically all foreign corporate investment in the country, as here defined, during the period under study. Included in this sector are 1,560 Philippine-registered corporations and branches of foreign corporations as well as a handful of cooperatives. All the firms in this sector were registered with the appropriate government agencies as of mid-1964.

The MNFCS has in turn been subdivided into two sub-sectors: Sub-sector I is comprised of firms with adjusted net assets of P1 million or more, but less than P10 million; Sub-sector II is made up of business entities with adjusted net assets of P10 million and above.

The frame used in our survey was developed from the lists of establishments registered with the Securities and Exchange Commission, the Public Service Commission and the Cooperatives Administration Office. Relevant balance-sheet data which met the size criterion above mentioned were obtained from the financial reports on file with these govern-

²This study's gauge of the amount of long-term financial commitments to (the economic value of) the firm's non-financial assets, computed by subtracting current liabilities, short-term receivables, and investment in financial assets from total assets gross of accumulated depreciation.

$$\text{gross total assets} - [\text{current liabilities} + \text{short term receivables} + \text{I in financial assets}] = \text{net assets}$$

ment agencies for the years 1964 and 1965.³ The rest of the information needed to develop the data presented and analyzed in the following sections was obtained from a series of interviews with executives of firms on a sample drawn from the frame.⁴ This sample consisted of all Sub-sector II firms and a set of randomly selected Sub-sector I firms.⁵

Due to the inherent limitations of statistical "Blowing up," data developed for Sub-sector I are less accurate estimates than those for the larger sub-sector, where no such statistical procedure was employed.

The data presented in this paper are in terms of three major balance-sheet items: total equity, long-term debt and total assets. Total equity consists of paid up common and pre-

³Efforts at developing data for earlier years were abandoned due to the unavailability of financial reports of a significantly large number of firms. While the submission of financial reports by corporation and registered branches of foreign corporations became mandatory in 1958, many failed to comply until the early 1960's.

⁴These interviews were conducted to obtain the following company information: (a) the percentage distribution of common and preferred stocks, by citizenship of owners; (b) the percentage distribution (or amounts) of long-term debt, by country of source; (c) the percentage distribution of the firm's fixed assets, by type of economic activity as defined below; and (d) the type of business (i.e., whether a Philippine corporation, and if so, whether a subsidiary of a foreign corporation, or a registered branch of a foreign corporation). In cases where financial reports for the years under study were unavailable at the appropriate government agency, the executives interviewed were also requested to furnish the needed balance-sheet data.

⁵There were close to 350 firms on the sample, more than one-half of which belonging to the larger sub-sector.

ferred stocks and equity surpluses. Long-term ^{"Liability"} debt are obligations with maturities of one year or more, excluding the portion due for payment within the fiscal year.

"Investment" in the context of this paper consists of total equity and long-term debt; the main objective is to determine the amount and composition of its foreign component.

These two dimensions of investment, as well as total assets, are classified according to type of economic activity and on the basis of citizenship of ownership of equity and country of source of long-term debt. Total equity, long-term debt and total assets are broken down into the following types of economic activity:

- (1) Manufacturing;
- (2) Mining, Ore Processing, Quarrying, and Mineral Exploration;
- (3) Agriculture, Fishing and Forestry;
- (4) Commerce, Warehousing, Customs Brokerage, etc.;
- (5) Utilities;
- (6) Construction;
- (7) Services; and
- (8) Real Estate.

It should be observed that this classification scheme differs in some important respects from the generally used standard industrial classifications.⁶ Note, for example, how the extractive industries mining, quarrying, and mineral exploration are lumped with ore processing into a single category.

⁶See National Economic Council, Philippine Standard Industrial Classification (Manila: National Economic Council, 1966).

Moreover, some of the classifications used in this study have been defined differently to better suit the problems at hand. For example, in its present context, manufacturing includes the marketing and other types of activities involving the products processed by the manufacturing firm in question. Thus, an oil company which refines (manufactures) and markets its gasoline and other oil products will be completely subsumed under manufacturing, even though a sizeable portion of its assets are devoted to purely distributive functions.

Utilities are here defined to include transportation (e.g., shipping lines, bus line operations). Services include consulting and management firms. All other categories are self-explanatory.

Total equity, long-term debt and total assets are classified into the various types of economic activity on the basis of the percentage distribution of fixed assets among these activities, as estimated by the corporate executives interviewed.⁷

⁷Even when applied to firms operating in two or more different types of economic activities, this simplifying procedure poses no serious problems insofar as the classification of equity, and, under some additional simplifying assumptions, total assets, is concerned. Some difficulties might arise, however, in the case of long-term debt, for in practice, firms usually obtain long-term financing for a particular project or sets of projects which usually fall under the same economic activity. By this procedure, long-term debt incurred for a particular activity will be prorated among the different activities engaged in by the firm on the basis of the allocation of its fixed assets.

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While the greater majority of the firms in the MNFCS operate entirely in one type of economic activity as here defined, not a few are engaged in more than one.

The nationality attached to equity is based on the citizenship of the shareholder. Again, while the equity of the greater number of firms in the MNFCS is owned by individuals of the same citizenship, a large number of corporations are jointly owned by stockholders of different citizenships.

In cases where a part of equity is owned by another corporation, attempts have been made to determine the citizenship of the "ultimate owners" by applying the percentage distribution of the equity ownership in the owning corporation to the value of the shares owned in the corporation in question.⁸ Thus, if 30 per cent of corporation A's equity is owned by corporation B which is, say, 75 per cent American and 25 per cent Filipino-owned, 3/4 of the equity owned by corporation B will be treated as American and 1/4 as Filipino.⁹

⁸This information has not been difficult to obtain since practically all the firms involved in intercorporate ownership are in the MNFCS. Further, the desired information has generally been supplied by the interviewees themselves.

⁹Another problem arising from intercorporate ownership is the resulting overstatement of the amount of total equity in the MNFCS. It is reasonably certain, however, that the extent of double counting has been relatively insignificant.

Branches and subsidiaries of foreign corporations posed a special problem. Since the citizenship of the shareholders of the parent corporation is understandably difficult to determine, the citizenship of the equity of the local operation is based on the country where the parent company is headquartered. While this procedure is undoubtedly incorrect, it would seem to be a useful approximation.

Long-term debt is classified according to the country of source (i.e., the country where the lending entity is located). While all long-term debt data presented here are broken down on this basis, an attempt has been made to adjust for long-term funds indirectly obtained from abroad through local lending institutions such as the Development Bank of the Philippines and the Private Development Corporation of the Philippines, part of whose loanable resources is foreign in origin. The necessary information to make these estimates was obtained from these local financial institutions.¹⁰

The classification of total assets along nationality lines was made on the basis of the citizenship of the controlling ownership interest. Thus, the assets of a corporation

¹⁰The amount of foreign-obtained funds indirectly channelled to the MNFCS by these financial institutions was estimated by first determining the amount loaned by them to the firms in this sector, and then by applying the percentage distribution of their loanable resources on the basis of country of source to their total loans to MNFCS firms.

majority of whose voting stocks are owned by American citizens will be labelled as American (or, more appropriately, American controlled).

Section II is a general description of the MNFCS with respect to its size and structure. Section III gives an overview of the amount and nature of foreign investment in the whole MNFCS, while the pattern of foreign investment in the various types of economic activity is discussed in Section IV. Section V considers the extent of foreign participation in the 100 largest corporations in the Philippines, ranked by total assets. The final section sums up and evaluates the major findings of the study, and suggests possible areas for future research.

II. THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES: ITS SIZE AND STRUCTURE *description*

The major non-financial corporate sector of the Philippines has been defined as that portion of the private business sector composed of corporation, registered branches of foreign corporations, and cooperative with adjusted net assets of ₱1 million or more in 1964, and registered with the appropriate government agencies at the middle of that year. This section gives a descriptive sketch of the MNFCS.

Size and Structure by Sub-sector → *total for RP*

Of the 1,560 firms that make up the MNFCS, 1,372 had adjusted net assets of less than ₱10 million, the other 188 having adjusted net assets of ₱10 million or more. These groups of firms constitute, respectively, Sub-sector I and Sub-sector II of this study.

While Sub-sector II constituted only 12 per cent of the firms in the MNFCS, it accounted for the larger share of total equity (66 per cent in 1965), total assets (60 per cent), and long-term debt (62 per cent).

Equity investment in the MNFCS was about ₱5 1/2 billion in 1964 and ₱6 billion in 1965 (see Table I). Of these amounts, Sub-sector II accounted for about ₱3 1/2 and ₱4 billion, respectively. Long-term debt in the MNFCS was about ₱1.8 billion in 1964 and ₱2.4 billion in 1965, with Sub-sector II accounting for about ₱1.2 and ₱1.5 billion, respectively. While the smaller ratio of long-term debt to equity in the

TABLE I
TOTAL EQUITY, LONG-TERM DEBT AND TOTAL ASSETS IN THE MAJOR NON-FINANCIAL
CORPORATE SECTOR OF THE PHILIPPINES, 1964 AND 1965

(In Thousand Pesos)

	1 9 6 4		1 9 6 5	
	Sub-Sector I	Sub-Sector II	TOTAL	TOTAL
	Sub-Sector I	Sub-Sector II	Sub-Sector I	Sub-Sector II
	TOTAL	TOTAL	TOTAL	TOTAL
Total Equity	2,047,050	3,452,641	5,499,691	6,191,468
Long-Term Debt	593,949	1,204,705	1,798,654	2,367,148
Total Assets	5,098,619	7,357,910	12,456,529	14,195,512

larger sub-sector might be a little perplexing, it is not surprising to find the greater bulk of long-term debt in the MNFCS in these larger firms.

Of the three aggregate balance-sheet items considered here, the size of total assets perhaps gives the best rough indication of the relative importance of the MNFCS in the economy. Total assets in the MNFCS amounted to about P12 1/2 billion in 1964 and P14.2 billion in 1965. From the magnitude of these total asset figures alone, it seems clear that the MNFCS must have generated a significant part of the country's gross national product in the two years under study, perhaps as much as one-fifth.

Size and Structure by Type of Economic Activity: Equity

Manufacturing by far accounts for the largest share of total equity in the MNFCS in both years. In 1964 45.4 per cent of total equity in the MNFCS was in manufacturing. As expected, manufacturing was a more dominant activity in Sub-sector II than it was in Sub-sector I: about 54 per cent of total equity in Sub-sector II was in manufacturing, as compared to 30.5 per cent in Sub-sector I. A comparison of Tables II-A₁ and II-A₂ shows a small decline in the relative share of manufacturing in both sub-sectors in 1965, and a de-

11It should be recalled that manufacturing has been defined to include marketing and other activities involving the products of the manufacturers concerned.

TABLE II-A₂

DISTRIBUTION OF TOTAL ASSETS IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES, BY TYPE OF ECONOMIC ACTIVITY, 1965
(Amounts in Thousand Pesos)

TYPE OF ECONOMIC ACTIVITY	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Manufacturing	1,781,402	31.0	4,495,939	53.3	6,277,341	44.2
Mining, Ore Processing, Quarrying, and Mineral Exploration	47,685	.8	724,842	8.6	772,527	5.4
Agriculture, Fishing and Forestry	248,088	4.3	231,967	2.7	480,055	3.4
Commerce (Buy and Sell) Warehousing, Customs Brokerage, etc.	1,628,246	28.3	838,769	9.9	2,467,015	17.4
Utilities (Including Transportation)	383,086	6.6	1,453,480	17.2	1,836,566	12.9
Construction	182,406	3.2	34,583	.4	216,989	1.5
Services	1,023,948	17.8	303,173	3.6	1,327,121	9.3
Real Estate	460,100	8.0	357,798	4.2	817,898	5.8
TOTALS	5,754,961	100%	8,440,551	100%	14,195,512	100%

Percentages may not add up to 100% due to rounding.

crease of one percentage point for the whole MNFCS, to 44.4 per cent. It will be noted, however, that in absolute terms, equity investment in manufacturing increased by more than P150 million, most of which increase took place in Sub-sector II.

Investment in mining was 9 per cent of the total equity in the MNFCS in 1964 and 8.9 per cent in 1965. Sub-sector II accounted for the greater bulk of equity investment in mining. It will be noted again that the increase in equity investment of more than P60 million notwithstanding, mining experienced a small decline in its relative share of equity in the MNFCS. Again, as in manufacturing, the greater bulk of the increase in equity investment in this activity took place in Sub-sector II.

For all its importance in the economy, agriculture occupied a relatively minor position in the MNFCS. Investment in this activity was relatively small in both sub-sectors. Agriculture accounted for merely 2.5 per cent of total equity in Sub-sector II, falling further in 1965 to 2.3 per cent. However, there was a slight improvement in the relative position of agriculture in Sub-sector I, increasing there from 4 per cent in 1964 to 5 per cent in 1965. In the whole MNFCS, agriculture's share of equity increased from 3 per cent in 1964 to 3.2 per cent in 1965, reflecting an absolute increase in investment of around P30 million, four-fifths of which increase took place in Sub-sector I.

Commerce and other distributive activities accounted for the second largest share of total equity in the MNFCS. In both absolute and relative terms, this activity was dominant in Sub-sector I, closely trailing manufacturing in that sub-sector. The relatively small increase in equity investment in this activity in both sub-sectors is reflected in the decline of its relative share of total equity in the MNFCS from 15.7 per cent in 1964 to 14.1 per cent in 1965.

Equity investment in utilities stood at about P422 million in 1964, representing 7.7 per cent of the total in the MNFCS. A significant increase in equity investment in this activity brought the total to close to P670 million in 1965, and increased the share of utilities in equity in the MNFCS to 10.8 per cent. Utilities, too, was a predominantly Sub-sector II activity. It should be observed that while the relative share of equity in utilities in Sub-sector I declined by 0.1 per cent, to 3.0 per cent, the share of equity in utilities in Sub-sector II increased from 10.4 to 14.8 per cent.

Construction accounted for only 0.7 per cent of equity investment in the MNFCS in 1964 and 1.2 per cent in 1965. While this activity had the smallest share of equity in both sub-sectors in absolute as well as in relative terms, it exhibited the largest relative increase in equity among all the economic activities, increasing from just below P39 million in 1964 to more than P71 million in 1965. The greater bulk of this in-

crease was registered in Sub-sector I, where equity investment in construction more than doubled.

About P633 million in equity was invested in services in 1964, increasing to about P666 in 1965. The relative share of services of total equity in the MNFCS was 11.5 per cent in 1964, falling to 10.8 per cent in 1965. As in commerce, Sub-sector I accounted for the greater share of equity in services, both in relative and absolute terms.

Real estate accounted for 7 per cent of total equity in the MNFCS in 1964 and 6.6 per cent in 1965. This activity too was dominant in Sub-sector I.

Size and Structure by Type of Economic Activity: Total Assets

A comparison of the percentages given in Tables II-B₁ and II-B₂ with the corresponding figures in Tables II-A₁ and II-A₂ shows that the percentage distribution of total assets among the different types of economic activities generally follows the same pattern as that of equity. This is true for the entire MNFCS and, to a lesser extent, for each of the two sub-sectors. It will be noted, for instance, that the proportions of equity and total assets accounted for by manufacturing were almost identical.

In a number of economic activities, however, MNFCS firms accounted for larger percentages of total assets than they did of total equity. This suggests that firms in these

TABLE II-B₁

DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE
SECTOR OF THE PHILIPPINES, BY TYPE OF ECONOMIC ACTIVITY, 1964
(Amounts in Thousand Pesos)

TYPE OF ECONOMIC ACTIVITY	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Manufacturing	624,825	30.5	1,869,368	54.1	2,494,193	45.4
Mining, Ore Processing, Quarrying, and Mineral Exploration	44,150	2.2	449,614	13.0	493,764	9.0
Agriculture, Fishing and Forestry	81,502	4.0	86,096	2.5	167,598	3.0
Commerce (Buy and Sell) Warehousing: Customs Brokerage, etc.	502,799	24.6	359,996	10.4	862,795	15.7
Utilities (Including Transportation)	63,557	3.1	358,020	10.4	421,577	7.7
Construction	22,594	1.1	16,177	.5	38,771	.7
Services	477,089	23.3	156,301	4.5	633,390	11.5
Real Estate	230,534	11.3	157,069	4.5	387,603	7.0
TOTALS	2,047,050	100%	3,452,641	100%	5,499,691	100%

Percentages may not add up to 100% due to rounding.

TABLE II-B₂

DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR
OF THE PHILIPPINES, BY TYPE OF ECONOMIC ACTIVITY, 1965
(Amounts in Thousand Pesos)

TYPE OF ECONOMIC ACTIVITY	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Manufacturing	625,908	29.5	2,125,242	52.2	2,751,150	44.4
Mining, Ore Processing, Quarrying, and Mineral Exploration	45,396	2.1	507,947	12.5	553,343	8.9
Agriculture, Fishing and Forestry	105,423	5.0	92,156	2.3	197,579	3.2
Commerce (Buy and Sell) Warehousing, Customs Brokerage, etc.	504,569	23.8	368,114	9.0	872,683	14.1
Utilities (Including Transportation)	64,416	3.0	604,525	14.8	668,941	10.8
Construction	53,062	2.5	18,229	.4	71,291	1.2
Services	490,721	23.1	175,613	4.3	666,334	10.8
Real Estate	231,398	10.9	178,749	4.4	410,147	6.6
TOTALS	2,120,893	100%	4,070,575	100%	6,191,468	100%

Percentages may not add up to 100% due to rounding.

activities were generally less dependent on equity sources in the financing of their assets, and relied more heavily on both long-term and short-term debt. The relatively high-levered activities in the MNFCS were agriculture, commerce, utilities, and construction.

By contrast, firms engaged in mining, services, and real estate tended to account for larger proportions of total equity than of total assets, indicating relatively greater reliance on equity sources in the financing of their operations.

Size and Structure by Type of Economic Activity: Long-Term Debt

It has been noted above (see Table I) that Sub-sector II has accounted for a disproportionately large share of total long-term debt in the MNFCS in both years under study. While accounting for 59.1 per cent of total assets in the MNFCS in 1964, Sub-sector II had 67.0 per cent of total long-term debt. In 1965, the proportion of long-term debt in Sub-sector II declined to 63.2 per cent, while its share of total assets increased by about .4 of one per cent.

As was to be expected, manufacturing obtained the lion's share of long-term debt in the MNFCS, accounting for 48.4 per cent of the total in 1964 and 44.0 per cent in 1965 (see Tables II-C₁ and II-C₂).

Utilities, while comprising only 9.1 per cent of total assets in the MNFCS in 1964, obtained 20.2 per cent of

TABLE II-C₂

DISTRIBUTION OF LONG-TERM DEBT IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES, BY TYPE OF ECONOMIC ACTIVITY, 1965
(Amounts in Thousand Pesos)

TYPE OF ECONOMIC ACTIVITY	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Manufacturing	280,110	32.1	760,972	50.9	1,041,082	44.0
Mining, Ore Processing, Quarrying, and Mineral Exploration	---		104,069	7.0	104,069	4.4
Agriculture, Fishing and Forestry	50,938	5.8	26,332	1.8	77,270	3.3
Commerce (Buy and Sell) Warehousing, Customs Brokerage, etc.	125,412	14.4	9,529	.6	134,941	5.7
Utilities (Including Transportation)	218,721	25.1	509,756	34.1	728,477	30.8
Construction	18,215	2.1	3,401	.2	21,616	.9
Services	97,811	11.1	46,060	3.1	143,871	6.1
Real Estate	81,159	9.3	34,663	2.3	115,822	4.9
TOTALS	872,366	100%	1,494,782	100%	2,367,148	100%

Percentages may not add up to 100% due to rounding.

total long-term debt. The amount of long-term debt in this activity doubled in 1965, to more than P728 million, thereby increasing the share of utilities in total long-term debt to 30.8 per cent. Somewhat surprisingly, both sub-sectors experienced roughly equal absolute increases in their endowments of long-term debt. The share of long-term debt in utilities in Sub-sector I increased from 5.5 per cent of the total in that sub-sector in 1964 to 25.1 per cent in 1965. The increase in Sub-sector II was from 27.5 to 34.1 per cent.

As if to be expected, long-term debt was relatively small in commerce. While this activity had 18.3 per cent of total assets in the MNFCS in 1964 and 17.4 per cent in 1965, its share of long-term debt was a mere 7.1 per cent in 1964, and this declined further to 5.7 per cent in 1965. In absolute terms, long-term debt in this activity barely increased between the two years.

Having described the main characteristics of the MNFCS and its two subdivisions in terms of their investment and asset dimensions, the following sections will examine the breakdown of investment by citizenship of ownership and country of source, and the extent to which the various citizenship groups "control" the activities in the MNFCS.

III. FOREIGN INVESTMENT IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES: AN OVERVIEW *Foreign in it*

Equity Investment in the MNFCS by Citizenship of Ownership

Filipino-owned equity formed the greatest bulk of total equity investment in the MNFCS in both years under study, constituting 67.7 per cent of total equity in the MNFCS in 1964 and increasing further to 68.2 per cent in 1965.¹² This improvement in the relative position of Filipino-owned equity reflects the fact that it accounted for just under P500 million of the increase in total equity in the MNFCS of close to P692 million between 1964 and 1965. The increase in Filipino-owned equity far surpassed the increase in foreign-owned equity of only a little over P192 million (see Tables III-A₁ and III-A₂).

Not surprisingly, the dominance of Filipino-owned equity was much more pronounced in Sub-sector I, where Filipino citizens owned 81.8 per cent of total equity in 1964 and 8.36 per cent in 1965. In Sub-sector II, Filipino-owned equity constituted 59.4 per cent of the total equity investment in that sub-sector in 1964, and 60.2 per cent in 1965.

American-owned equity constituted 22.9 per cent of total equity investment in the MNFCS in 1964 and 23.0 per cent in 1965. As expected, American-owned equity constituted by far the largest portion of foreign equity in the MNFCS, accounting for

¹²It will be recalled that here citizenship and not nationality is being considered. Thus, subsumed under "Filipinos" are persons of foreign birth or ancestry, such as Chinese and Spaniards, who have assumed Filipino citizenship.

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TABLE III-A1

DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR
OF THE PHILIPPINES, BY CITIZENSHIP OF OWNERSHIP, 1964
(Amounts in Thousand Pesos)

CITIZENSHIP OF OWNERSHIP	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Filipino	1,673,766	81.8	2,050,153	59.4	3,723,919	67.6
American	162,890	8.0	1,098,010	31.8	1,260,500	22.9
British	22,679	1.1	111,130	3.2	133,809	2.4
Chinese	47,969	2.3	64,347	1.9	112,316	2.0
Spanish	89,424	4.4	91,243	2.6	180,667	3.3
Others	50,322	2.4	37,757	1.1	88,079	1.6
TOTALS	2,047,050	100%	3,452,640	100%	5,499,690	100%

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Percentages may not add up to 100% due to rounding.

TABLE III-A₂

DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES, BY CITIZENSHIP OF OWNERSHIP, 1965
(Amounts in Thousand Pesos)

CITIZENSHIP OF OWNERSHIP	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Filipino	1,773,647	83.6	2,449,685	60.2	4,223,332	68.2
American	137,147	6.5	1,286,080	31.6	1,423,227	23.0
British	23,860	1.1	123,624	3.0	147,484	2.4
Chinese	51,183	2.4	67,401	1.6	118,584	1.9
Spanish	83,986	4.0	96,616	2.4	180,602	2.9
Others	51,068	2.4	47,168	1.2	98,236	1.6
TOTALS	2,120,891	100%	4,070,574	100%	6,191,465	100%

Percentages may not add up to 100% due to rounding.

almost three-fourths of the total in both years.

American equity in Sub-sector I was just under P163 million in 1964, or 8.0 per cent of the total in that sub-sector. This amount fell to just over P137 million in 1965, reducing its share to 6.5 per cent.

American-owned equity was quite substantial in Sub-sector II; it was equivalent to about one-half its Filipino-owned counterpart. While American-owned equity in this sub-sector increased by about P188 million from its 1964 level of P1,260,900, the proportion to the total fell by .2 of one per cent, to 31.6 per cent.

The non-American component of foreign-owned equity in the MNFCS constituted 9.3 per cent of the total in 1964 and dropped to 8.8 per cent in 1965. British-owned equity increased from about P134 million in 1964 to a little over P147 million in 1965, but its proportion to the total remained at 2.4 per cent. Even more than American-owned equity investment, British-owned equity was relatively small in Sub-sector I.

Chinese-owned equity increased by only a little over P6 million from its 1964 level of just above P112 million, the proportion relative to the total falling from 2.0 to 1.9 per cent. Chinese-owned equity was relatively more dominant in Sub-sector I, where it accounted for 2.3 per cent of total equity in 1964 and 2.4 per cent in 1965. The Chinese share

in Sub-sector II was 1.9 per cent in 1964 and 1.6 per cent in 1965.

Total Spanish-owned equity actually showed an absolute decline of a few million pesos, thus reducing their overall share of total equity in the MNFCS from 3.3 per cent in 1964 to 2.9 per cent in 1965. Spanish equity investment was relatively more dominant in Sub-sector I where it accounted for 4.4 per cent of total equity in 1964 and 4.0 per cent in 1965, as against 2.6 and 2.4 per cent, respectively, in Sub-sector II.

All other foreign-owned equity increased by more than P10 million to a level of about P98 million in 1965, but the relative share of the total remained constant at 1.6 per cent.

Thus, of all foreign-owned equity, only American-owned equity exhibited an increase of any consequence. But while the absolute increase was large indeed, it increased the percentage share by a mere one-tenth of one per cent.

Long-Term Debt in the MNFCS, by Country of Source

It has been seen in Section I that long-term debt became a relatively more important source of funds in the MNFCS in 1965 than it was in 1964. Indeed, while total equity in the MNFCS increased by 12.6 per cent and total assets by 14.0 per cent, total long-term debt increased by 31.6 per cent.

The absolute amount of long-term debt outstanding in the MNFCS was not small, to begin with. From a level of just below P1.8 billion in 1964, it increased to about P2.4 billion in 1965.

Local financial institutions by far constituted the most important contributors of long-term debt funds to the MNFCS, providing just a little less than P1.3 billion of long-term funds in 1964, and over P1.6 billion in 1965.¹³ It will be noted, however, that despite the absolute increase of about P300 million in long-term debt from these sources, the percentage of locally-granted long-term debt actually fell from 72.0 per cent of the total in 1964 to 68.1 per cent in 1965 (see Tables III-B₁ and III-B₂).

United States-based entities were second in importance as sources of long-term debt in the MNFCS, and certainly the most important foreign source. Long-term debt obtained from these sources was around P329 million in 1964, representing 18.3 per cent of total long-term debt in the MNFCS. This amount increased further to over P412 million in 1965, but its proportion to the total fell that year to 17.4 per cent. In 1964 U.S.-obtained long-term debt constituted around 65 per cent of the total received from all foreign sources. In 1965, however, it accounted for only 55 per cent.

¹³These include financial institutions (e.g., commercial banks, insurance companies) which are partly or wholly foreign-owned.

TABLE III-B₁

DISTRIBUTION OF LONG-TERM DEBT IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR OF THE PHILIPPINES, BY COUNTRY OF SOURCE, 1964
(Amounts in Thousand Pesos)

COUNTRY OF SOURCE	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Philippines	551,965	92.9	742,599	61.6	1,294,564	72.0
United States	18,538	3.1	310,001	25.7	328,539	18.3
England	---	---	9,088	.8	9,088	.5
Others	23,445	3.9	143,016	11.9	166,461	9.2
TOTALS	593,948	100%	1,204,704	100%	1,798,652	100%

Percentages may not add up to 100% due to rounding.

TABLE III-B2

DISTRIBUTION OF LONG-TERM DEBT IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR
OF THE PHILIPPINES, BY COUNTRY OF SOURCE, 1965
Amounts in Thousand Pesos)

COUNTRY OF SOURCE	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Philippines	709,133	81.3	903,340	60.4	1,612,473	68.1
United States	30,764	3.5	381,336	25.5	412,100	17.4
England	---	---	12,611	.8	12,611	.5
Others	132,469	15.2	197,495	13.2	329,964	13.9
TOTALS	872,366	100%	1,494,782	100%	2,367,148	100%

Percentages may not add up to 100% due to rounding.

England was not a major source of long-term debt in the MNFCS. The greater part of the small amount of long-term debt that did flow into the MNFCS from that country represented obligations of British-owned companies to their organizations.

Long-term debt obtained from all other foreign sources totalled about P166.5 million in 1964, representing 9.2 per cent of the total long-term debt in the MNFCS that year. This amount almost doubled in 1965 when long-term debt from other countries accounted for 13.9 per cent of the total outstanding long-term debt in the MNFCS. The greater portion of long-term debt received from these sources came from Japan. With the possible exception of Germany, all other countries contributed only an insignificant amount of long-term debt to the MNFCS.

A significant portion of long-term debt owed to foreign sources was in the form of suppliers' credits, most of which were in the form of outstanding obligations on equipment purchased on a deferred payment basis. The relative decline of the United States as a major source of long-term credits and the emergence of other countries as important foreign sources of debt are indications of the growing importance of countries other than the United States - Japan, especially - as suppliers of machinery and equipment to local manufacturers and processors.

In the interpretation and evaluation of the data given in Tables III-B₁ and III-B₂, one must bear in mind

that all local sources of long-term debt have been treated as Philippine sources regardless of the country or countries of origin of the loanable resources of these entities. To the extent that foreign funds, acquired either through debt or equity instruments, form part of these lenders' loanable resources, then, in effect, local investors are indirectly acquiring foreign debt. This indirectly acquired foreign debt has been an important source of debt funds to the MNFCS in the years under study. As best as can be estimated, funds so obtained have been about P111 million in 1964 and P84 million in 1965, with the United States providing by far the largest share.

Distribution of Total Assets in the MNFCS by Citizenship of Controlling Interest

Of major interest to the student of foreign enterprise in the Philippines is the question of control of Philippine private business by foreigners. Control of an enterprise has several dimensions, all difficult to gauge. Conceivably, a business can be effectively controlled by interests owning a relatively small share of the voting stocks. Further, important aspects of control may be exercised by managers, rather than by the owners of an enterprise.

These difficulties, however, cannot be settled completely here and therefore a business will be regarded as controlled by a citizenship group of owners if that group owns a

majority of the equity of a company. For the handful of firms in the MNFCS characterized by the absence of a majority-owning citizenship group, that citizenship group which owns the largest share of equity shall be considered the controlling one. For present purposes, attention will be focused only on the year 1965.

Filipino citizens controlled more than P11 billion, or 77.9 per cent, of the total assets in the MNFCS in 1965. Table IV shows that Filipinos exercised control over a much larger share of total assets in Sub-sector I (93.2 per cent) than in Sub-sector II (67.4 per cent).

Not surprisingly, American citizens dominated all foreign groups in the extent of their control of assets in the MNFCS, accounting for close to four-fifths of the total assets controlled by foreigners. Their dominance was decidedly more pronounced in Sub-sector II where they controlled more than a quarter of total assets, compared to only 3.4 per cent in Sub-sector I:

British citizens controlled less than one-third of a billion pesos, or 2.1 per cent of total assets in the MNFCS, all of which was in Sub-sector II.

Chinese, Spanish and all other citizenship groups altogether exercised control over only 2.5 per cent of the total assets in the MNFCS. It is interesting to note that Chinese

TABLE IV

DISTRIBUTION OF TOTAL ASSETS IN THE MAJOR NON-FINANCIAL CORPORATE SECTOR
OF THE PHILIPPINES, BY CITIZENSHIP OF CONTROLLING OWNERSHIP
INTEREST, 1965
(Amount in Thousand Pesos)

CITIZENSHIP OF CONTROLLING INTEREST	SUB-SECTOR I		SUB-SECTOR II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Filipino	5,366,188	93.2	5,690,361	67.4	11,056,549	77.9
American	196,614	3.4	2,283,169	27.0	2,479,783	17.5
British	---		300,509	3.6	300,509	2.1
Chinese	46,192	.8	---		46,192	.3
Spanish	88,732	1.5	107,860	1.3	196,592	1.4
Others	57,236	1.0	58,653	.7	115,889	.8
TOTALS	5,754,962	100%	8,440,552	100%	14,195,514	100%

Percentages may not add up to 100% due to rounding.

citizens, while owning 1.6 per cent of total equity in Sub-sector II in 1965, apparently did not own a majority of stocks in a single firm in the larger of the two sub-sectors.

The reader should be reminded that control has been defined somewhat arbitrarily, and that caution ~~should be exercised~~ should there be a temptation to draw ethical and political conclusions from the present estimates.

IV. FOREIGN INVESTMENT IN THE MNFCS BY TYPE OF ECONOMIC ACTIVITY

Distribution of Equity by Type of Economic Activity

With the exception of manufacturing, and to a lesser extent mining, the distribution of equity in the various types of economic activity by citizenship of ownership exhibited significant departures from the pattern of distribution for the entire MNFCS. For example, note in Table V that in both years under study, Filipinos owned just below 70 per cent of total equity in commerce, **warehousing**, etc. By contrast, Filipino citizens owned almost 95 per cent of equity in real estate.

Filipino ownership was dominant in utilities and real estate; here, Filipino-owned equity accounted for about 91 and 94 per cent, respectively, of total equity in the two years under study (see Table V and appropriate tables on the Appendix). In utilities, which must be recalled to have been defined to include transportation, American-owned equity was a little over 6 per cent, while Spanish citizens owned close to 2 per cent. Americans' share of equity in real estate was 4 per cent in 1964 and 3.8 per cent in 1965.

Filipino equity participation was smallest in **commerce** (defined to include warehousing, customs brokerage, etc.), where Filipino-owned equity was only about 47 per cent of the total in that activity in 1964 and 1965. This activity, incidentally, was the only one in which Filipino equity ownership was less than 50 per cent of the total. The relatively large share of

TABLE V

PERCENTAGE DISTRIBUTION OF EQUITY IN THE MNFCS BY TYPE OF ECONOMIC ACTIVITY
AND CITIZENSHIP OF OWNERSHIP, 1964 AND 1965

Type of Economic Activity	Filipino		American		British		Chinese		Spanish		Others	
	1964	1965	1964	1965	1964	1965	1964	1965	1964	1965	1964	1965
Manufacturing	64.7	62.9	25.5	27.4	2.3	2.5	2.4	2.3	3.2	3.1	1.8	1.9
Mining, Ore Processing, Quarrying and Mineral Exploration	61.6	62.4	28.6	28.0	2.8	3.0	2.3	2.1	0.9	0.8	3.8	3.6
Agriculture, Fishing & Forestry	77.8	79.8	18.4	16.9	0.1	a	0.2	0.1	3.6	3.0	0.1	0.1
Commerce, Warehousing, Customs Brokerage, etc.	47.3	47.0	37.4	37.5	6.7	6.7	4.4	4.6	1.5	1.3	2.7	2.8
Utilities	91.3	91.5	6.4	6.3	-	-	-	-	2.0	1.9	0.2	0.2
Construction	52.6	74.4	47.4	25.6	-	-	-	-	-	-	-	-
Services	78.1	79.3	11.0	11.4	0.1	0.1	0.3	0.2	10.4	0.9	a	a
Real Estate	94.6	94.8	4.0	3.8	0.7	0.8	0.3	0.3	0.3	0.3	-	-
Total MNFCS	67.7	68.2	22.9	23.0	2.4	2.4	2.0	1.9	3.3	2.9	1.6	1.6

a - Less than 0.1 per cent.

equity in this activity accounted for by American ownership (35 per cent) was due largely to the operations of oil distributing companies (as against oil refineries which fall under manufacturing). For the same reason, British-owned equity was also relatively large in this activity. In absolute terms, British-owned equity investment in commerce was only slightly less than in manufacturing.

Only Filipino and American citizens owned equity in construction in both 1964 and 1965. In 1964 Filipino-owned equity in this activity was 52.6 per cent of the total, increasing to 74.4 per cent in 1965. Reflecting the absolute decline of about P150,000 in American-owned equity in this activity, the relative share of American equity dropped from 47.4 per cent in 1964 to 25.6 per cent in 1965.

Filipino-owned equity enjoyed comparative dominance in services, where it accounted for 78.1 per cent of total equity in that activity in 1964 and 79.3 per cent in 1965.

In manufacturing, Filipino-owned equity constituted 64.7 per cent of the total in that activity in 1964. Compared with the entire MNFCS, Filipino equity was relatively less dominant in manufacturing. Moreover, while the share of Filipino-owned equity in the whole MNFCS increased from 67.7 per cent in 1964 to 68.2 per cent in 1965, its corresponding share in manufacturing fell to 62.9 per cent. In absolute terms, Filipino equity investment in manufacturing increased only by

about P100,000, an amount exceeded by the increase in American equity in that activity. Total equity investment increased in 1965 by over a quarter of a billion pesos.

The share of Filipino-owned equity in mining increased between 1964 and 1965 from 61.6 to 62.4 per cent, while American-owned equity in this activity fell by .6 of one per cent, to 28.0 per cent in 1965.

Distribution of Long-Term Debt, by Type of Economic Activity

The distribution of long-term debt by country of source in the different economic activities showed even larger departures from the distribution pattern for the entire MNFCS than did the distribution of equity by citizenship of ownership (see Table VI).

While long-term debt from local sources accounted for 72.0 per cent of the total in the MNFCS in 1964 and 68.1 per cent in 1965, local financial sources provided agriculture with 96.1 and 96.3 per cent, respectively, of the total long-term debt investment in that activity. The other activities that received the greater bulk of their long-term debt from Philippine-based sources were: commerce (92.1 per cent in 1964, 84.6 per cent in 1965); services (93.3, 93.2); real estate (98.1, 97.4); and construction (100 per cent in both years).

Long-term debt obtained from U.S.-based entities was relatively dominant in manufacturing, where it accounted for

TABLE VI

PERCENTAGE DISTRIBUTION OF LONG-TERM DEBT IN THE MNFCS BY COUNTRY OF SOURCE
AND TYPE OF ECONOMIC ACTIVITY, 1964 AND 1965

Country of Source	Philippines		United States		England		Others	
	1964	1965	1964	1965	1964	1965	1964	1965
Type of Economic Activity								
Manufacturing	70.8	74.0	21.8	19.7	0.7	0.9	6.5	5.4
Mining, Ore Processing, Quarrying and Mineral Exploration	19.1	27.0	23.2	13.2	-	-	57.7	59.8
Agriculture, Fishing and Forestry	96.1	96.3	2.7	2.4	0.1	0.1	1.1	1.2
Commerce, Warehousing, Customs Brokerage, etc.	92.1	84.6	6.1	14.0	0.6	0.3	1.1	1.2
Utilities	55.0	49.0	27.2	22.1	0.5	0.4	17.3	28.5
Construction	100.0	100.0	-	-	-	-	-	-
Services	93.3	93.2	6.7	6.8	-	-	-	-
Real Estate	98.1	97.4	1.7	1.7	-	-	0.2	0.9
Total MNFCS	72.0	68.1	18.3	17.4	0.5	0.5	9.2	13.9

21.8 per cent of total long-term debt in that activity in 1964 and 19.7 per cent in 1965. U.S.-obtained long-term debt was also significant in mining, where it accounted for 23.2 per cent of the total in 1964. However, its share fell to only 13.2 per cent in 1965, reflecting an absolute decline of more than P3.5 million (to P13,725,000) in long-term debt received from the United States by this activity (see Tables 7 and 8 of Appendix).

Utilities was the only other economic activity in which long-term debt obtained from U.S. sources enjoyed a relatively dominant position. However, despite the absolute increase of more than P60 million in long-term debt from the U.S. in this activity, its relative share fell from 27.2 per cent in 1964 to 22.1 per cent in 1965.

Table VI shows that the two types of economic activity which were most favored with long-term debt from abroad were mining and utilities. In these activities, long-term debt obtained from countries other than the United States was significant. In mining, for example, close to 60 per cent of the total long-term debt obligations were to countries in the "other" classification, mainly Japan and Germany. In 1965, these long-term commitments amounted to more than P62 million (see Tables 7 and 8 of Appendix).

In utilities, long-term debt obtained from countries in the "other" category stood at over P63 million in 1964, re-

presenting 17.3 per cent of the total in that activity. In 1965, however, these sources accounted for about P145 million of the increase of more than P360 million in long-term debt in this activity, thereby raising the proportion of long-term debt from these sources to 28.5 per cent. It was this single injection which was mainly responsible for the overall increase of long-term debt from countries in the "other" category in the whole MNFCS from 9.2 per cent of the total in 1964 to 13.9 per cent in 1965.

V. FOREIGN INVESTMENT IN THE 100 LARGEST CORPORATIONS IN THE PHILIPPINES BY ASSETS, 1964

In the present endeavor to develop data on foreign investment in the major non-financial corporate sector of the Philippines, it has been possible to determine the 100 largest private non-financial corporations in the country on the basis of total assets. In this brief section some data on these top 100 firms will be presented along the various dimensions of investment discussed in the preceding sections. In such manner, it is hoped that added perspective on the nature of foreign investment in the Philippines will be given. For present purposes, attention will be focussed on the year 1964.

All but five corporations among the 100 largest belong to Sub-sector II of the MNFCS. Altogether, these corporations accounted for a total equity investment of just under P2.9 billion in 1964, or about 52 per cent of the total equity investment in the entire MNFCS.

Filipino-owned equity constituted the largest share of equity in the 100 largest corporations, accounting for 57.2 per cent of the total in this group of firms. By comparing corresponding figures in Table VII and Table III-A₁ (p. 25 above), one notes that the extent of Filipino ownership of equity is significantly less in the 100 largest corporations than in the entire MNFCS.

American-owned equity in the 100 largest corporations was close to the P1-billion mark in 1964, representing 33.1 per