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Trade and Investment in a Globalized Setting: The Philippine Experience in Muslim Areas

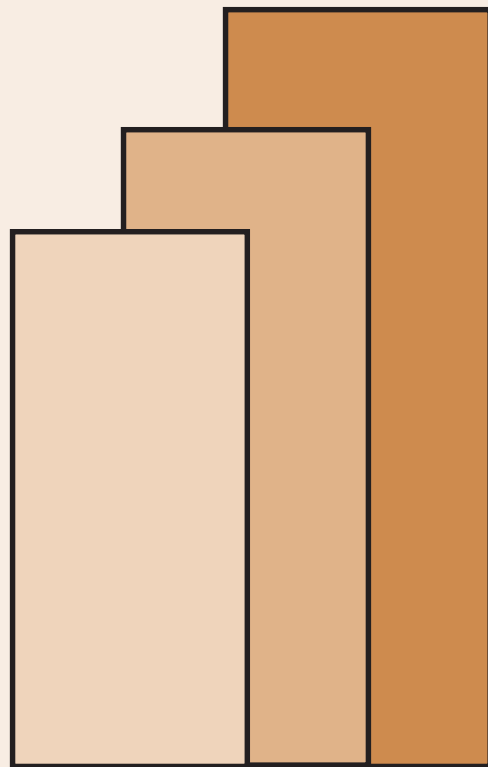
Habib W. Macaayong

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**TRADE AND INVESTMENT IN A GLOBALIZED SETTING:
THE PHILIPPINE EXPERIENCE IN MUSLIM AREAS**

A Research Submitted to the
Philippine APEC Study Center Network
Philippine Institute for Development Studies
NEDA sa Makati Bldg., Amorsolo St.
Legaspi Village, Makati City

By

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June 2004

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HWM

ABSTRACT

The study on Muslim traders in the Philippines was done to determine the profile of the Muslim trade enterprises and the effect of globalization on the Muslim traders as perceived by them. The design of the study was a qualitative-descriptive type of research with a sample of 150 respondents obtained through purposive sampling. Questionnaire was the main research instrument used and frequency counts, percentages, and mean were used as tools of data analysis.

On the profile of respondents, the basic findings of the study are: majority (80%) of the Muslim enterprises were classified as sole proprietorship; with capitalization ranging from P1,000,000 to P6,000,000; ninety-one percent relied on personal money as source of capital; majority (53%) merchandised locally produced goods to domestic market, while 41% were involved in import-export trade; and 86% of the Muslim businessmen were in the trading business.

On participation to foreign trade, only 33% used to participate, the level of participation of those who participated was adequate. Only 37% were motivated by the global trend to participate; and 72% believed that globalization has contributed to tourism development in Muslim areas.

On access to global trade and investment programs. Sixty-seven of the businessmen had access to non-financial support program of the government, like trade promotion and tax and tariff incentives; those who have access found their level of access to be inadequate; some of them enjoyed support from few agencies, like GSIS, SSS, and DTI. The participation of the Muslim businessmen is affected by problems like lack of capital, peace and order situation, and poor communication systems, among others.

Findings imply that the Muslim businessmen are still caught in the traditional system, i.e. sole proprietorship, which has low level of capital that hindered them to get foreign investors and to expand their business. The structure of the Muslim businessmen is heavily based on trading that rarely ignites capital inflow in the Muslim areas. There is low percentage of participation in the global trade from the countryside, which is just normal in the context of the Philippine situation. Active participation of the Filipino Muslims in the global trade is impeded less by their culture than by lack of opportunity to acquire bigger capital.

Keywords: trade and investment, Muslim investments, globalization and Islam, investment profiles.

EXECUTIVE SUMMARY

This research report contains five chapters. Chapter 1 presents the Introduction of the Study, which includes the rationale of the study, research objectives, conceptual framework, theory of global trade and investment, scope and limitations, significance of the study, and the research methodology.

I. Introduction

The study was conducted in 2000 and 2001 among Muslim businessmen in the Philippines, particularly in the Muslim areas in Mindanao to determine the profile of the Muslim traders and the effect of globalization on their trading as perceived by them.

The study addressed the following specific objectives:

1. To know the business profile of the Muslim traders, in terms of type of business ownership, capitalization, sources of capital, type of products merchandised, sources of merchandises, and market distribution.
2. To determine the effect of globalization on trade and investment among Muslim businessmen, in terms of level of participation, and access to global trade and investment programs as perceived by them.
3. To know the effect of global trade and investment on tourism-related enterprises in the Muslim areas, in terms of improvement of tourism businesses, and influx of tourists as perceived by them.
4. To identify the problems that hindered the participation and progress of Muslim businessmen in global trade and investment as perceived by them.
5. To identify solutions to problems as suggested by the respondents.
6. To come up with policy recommendations with implications for the development of trade and investment in Muslim areas and in the APEC region.

The design of the study is qualitative-descriptive research design. It had a sample size of 150 businessmen, that is an average of 15 respondents from each of the ten identified research locale, determined with the use of a purposive and random sampling procedures. Questionnaire, the main instrument of data gathering, was supported by the interview method. The study used frequency counts, percentages, and weighted mean as tools of data analysis and interpretation.

II. Related Literature and Studies

Chapter II covers the Review of Related Literature and Related Studies. This delves on the sub-topics of global economy in transition, programs of global trade and investment, and problems of globalization. The related studies reviewed include areas of productivity and efficiency, rational organization for trade and investment liberalization, comparative tariff policies, effect of foreign trade policies, and situations of small enterprises in Lanao del Sur.

III. Findings Of The Study

A. Profile of Respondents

Chapter III presents the survey results on the profile of the Muslim trade entrepreneurs, with the following findings:

1. Majority or 80% of the 150 Muslim businessmen respondents belonged to sole proprietorship, few or 16% were into partnership; corporation, 11%; and cooperative, 8%. Only one corporation had foreign investors. A few of the sole proprietorship type were not registered, hence, also considered as informal businesses.
2. Majority or 51% of the Muslim businessmen had a capitalization that ranged from P1,000,000 to P6,000,000. This was followed by those with P5,100,000 to P10,000,000 capitalization. There were few who had capitalization of P10,000,000 to 25,000,000, or more.
2. As to the sources of capital, 61% of the respondents had personal money as major sources of capital, followed by family, friends or relatives as the sources. Few mentioned banks, NGO's, incorporators' contributions and other lending institutions as sources.
4. As to type of products merchandised, 52% were dealers of dry goods, cosmetics and ladies accessories. This was followed by RTW and textiles with 25%. While few were in other types of business like decorations.
5. On sources of merchandises, 53% were merchandising locally produced goods, while 41% were engaged in selling imported goods,
6. As to type of market, majority or 72% distributed their merchandises in the domestic market, while only 11% engaged in exporting to foreign markets.

B. Perceived Effect of Globalization on Trade and Investment Among Muslim Businessmen

Chapter IV presents the findings on the effect of globalization on the Muslim trade enterprises as perceived by the respondents, access to global trade and investment programs, and problems and solutions involving the participation of the Muslim businessmen. The following are the specific findings:

1. Sixty-seven percent (67%) of the Muslim businessmen did not participate in global trade, while only 33% participated.
2. In general, the degree of participation of those who participated in global trade was adequate with a mean of 2.8 (adequate).
3. Seventy-two percent (72%) of the businessmen respondents were not able to participate in the global investment processes, while only 28% were able to participate.

4. In general the degree of participation of those who participated in global investment process was rated inadequate with a mean of 2.4 (inadequate).
5. On whether global trend was motivating the respondents to participate in global trade and investment, 63% of the respondents said that global trend had motivated them to participate. The 37% said that the global trend had not motivated them to participate.
6. For those who participated in global trade and investment processes, they rated high their level of confidence in success as a goal with a mean of 2.5 (high).
7. On perceived globalization effect on tourism in the localities, 72% of the respondents said that globalization had positive effect on tourism in the Muslim areas; while only 28% said it had no positive effect on local tourism.
8. As to specific globalization contributions to tourism, 57% said that globalization had contributed to the increase of tourist influx; increase of sales of tourism-related businesses, 51%; increase of restaurant establishment, 43%; and increase of gift shops, 34%.

C. Access to Global Trade and Investment Programs

1. Whether they have access to government support program for global trade and investment or not, particularly non-financial support, 67% of respondent Muslim businessmen said they have access, while only 33% said that they have no access.
2. On the whole, though they have access to government support program, the Muslim businessmen had inadequate access to government support program, with a weighted mean of 1.7 (Inadequate).
3. On access to foreign non-financial support program for global trade and investment, 73% had no access, while only 41% said that they had access.
4. On level of their access to foreign non-financial support program, it was found that Muslim businessmen had inadequate access, with a weighted mean of 1.9, which translates as inadequate.
5. In identification of agencies that had provided support to their foreign trade participation, 44% of the 41 respondents mentioned DTI, 24% mentioned SSS, and another 12% mentioned the GSIS.

D. Problems and Solutions

1. On the problems that have affected the participation of the Muslim businessmen, 63% of the 150 respondents said that there are problems affecting local global participation, while 37% said that there are no problems affecting their participation.

2. The identified problems in rank order were: (1) lack of capital, (2) peace and order problem, (3) lack of support from government, (4) lack of opportunities for actual deal with foreign traders and investors, (5) lack of technical know-how of businessmen, (6) poor infrastructure facilities, (7) majority of enterprises are micro and informal, (8) conflict in cultural or religious values, (9) poor communication facilities, and (10) poor information system in our place.
3. As to the solutions to the identified problems, the respondents suggested the following; (a) provision of financial assistance, (b) peace and order maintenance, (c) support from the government, (d) seminar-workshops for businessmen on promoting global trade, (e) open trade to foreign countries, (f) improved communication facilities, (g) government facilitation of Muslim participation in global trade and investment, (h) improvement of infrastructure support, (i) government facilitation of foreign Muslim investors' business deals in Mindanao, and (j) program to promote cultural understanding with foreign investors.

IV. Implications

Along with the summary of findings, the implications and recommendations are presented by Chapter V of the study.

Based on the findings, the following are the implications of the study:

1. Ordinarily, the Muslim businessmen are still operating within the traditional system of business, that is sole proprietorship, which has low level of capital. This is the reason why they could not easily get partners or investors from abroad.
2. The Muslim businessmen do not tap financial institutions, like banks and insurance companies so as to avail of or raise large capitals. This explains their limited capital and business operation. The non-availment of financial support from banks reflects the influence of their religious practices, specifically interests on fund borrowed as anathema to Islam. Hence, the need for programs designed to develop their business operations and their economic participation that are compatible with the tenets of their religion (like bank loan under the profit sharing scheme).
3. The business structure of Muslim economy, heavily based on trading, discourages capital inflow in Muslim Mindanao. Local and international businessmen cannot find a Muslim partner solvent enough to go into manufacturing or infrastructure business. Ordinarily, Muslims do not engage in large scale manufacturing industries. This may be explained by reasons of lack of capital, lack of technology, and lack of courage to take risks and engage in large-scale manufacturing. They are inhibited to borrow from banks due to religious practices.
4. Their low percentage of participation in global or foreign trade is normal for businessmen in the countryside. It is within the acceptable condition in the Philippine situation. Filipino Muslim businessmen are less successful compared

to foreign Muslim businessmen, like Malaysians or the Arabs, not because of the culture of the Filipino Muslims but because of their lack of opportunity to acquire bigger capital.

5. As perceived by the respondents, globalization has positive effects for local tourism industry. Examples of the contributions of globalization are improvement of tourist attractions, increase of tourist influx, increase of sales of tourism-related establishment; increase of restaurant establishments; and increase of gift shops.
6. Muslim businessmen have access to government support program for foreign trade and investment but their access is inadequate. Hence, government agencies in charge of the program need to strengthen their program for greater facilitation of the participation of businessmen from the countryside in global trade participation.
7. Their access to foreign support is low and inadequate. There is a need for the national government to facilitate improvement of their access to foreign support.
8. There is deficient knowledge among Muslims of the agencies of the government which are tasked to promote participation in global trade. This implies the need to promote wider information dissemination of the program.
9. Participation of Muslim businessmen in globalization is affected by problems. A few Muslims believed that the government is in a better position to provide for all their needs in their foreign trade participation. The government need to device methods to alleviate problems affecting the Muslims and other participants from the countryside in the foreign trade and investment processes.

In summary, the efforts of government agencies like the Department of Trade and Industry and the Philippine APEC Study Center Network obviously have positive contributions to the goal of the government for trade and investment development in the countryside. This observation can be deduced from the following research outcome: thirty percent of the Muslim traders as respondents of the study have participated in foreign trade, and their level of participation is adequate; 28% have participated in global investment process; the global trend has given motivation to the 37% of the Muslim traders to participate in trade and investment processes; 72% perceived that globalization has buoyed up tourism in Muslim areas; 67% have access to government non-financial support program; and 27% have access to foreign non-capital support program.

V. Recommendations

On the basis of the findings and implications marshaled in this study, the following are recommended:

A. Institutional and Linkage Development

1. Establishment or development of institutions through which promotion of trade and investment in the Muslim areas can be vigorously pursued. In regard this matter, concerned government bodies like the Department of Finance and the

Central Bank of the Philippines, in cooperation with the Islamic Development Bank in the Middle East, may help the Muslim communities in establishing Islamic bank units in the Muslim areas of the Philippines.

2. Establishment of a branch of the Development Bank of the Philippines (DBP) in strategic places in the Muslim areas, like Marawi City which is the only city in the Philippines without a branch of the Development Bank. Such envisioned extension of the DBP services affords these places direct allocations of loaning funds intended for infrastructure, agricultural, and manufacturing developments.
3. Inviting the governments of selected Muslim countries in the Middle East, like the Kingdom of Saudi Arabia and Bahrain, to establish development agencies here in the Philippines similar to the concept and systems of the United States Aid for International Development (USAID), Canadian International Development Agency (CIDA), and the Japan International Cooperation Agency (JICA). These proposed establishments may provide new sources of development assistance for the Philippines, including business development in the Muslim areas.
4. Improvement of diplomatic and economic linkages between the Philippines and the Muslim countries in ASEAN and Middle East. They may serve as potential sources of capital, economic assistance and trade cooperation.
5. Stabilization of the power supply in Muslim areas, especially in Marawi City and Lanao del Sur where the power supply is deplorably inadequate and irregular, which is ironical considering the fact that this place is the main source of hydroelectric power supply in Mindanao through the Agus River Hydro- Electric Power Plant Complex.
6. Creation of an ad hoc committee to be sponsored by the Bangko Sentral ng Pilipinas (BSP), the Department of Finance, and the ARMM Government to study how Islamic banking and lending system can be effectively institutionalized and implemented in Muslim areas of the Philippines.

B. Business and Industrial Development

7. The local government officials, in coordination with the Department of Trade and Industry, may encourage or require business enterprises in Muslim areas to get registered, in order that enough payment of business taxes can be ensured and so that enterprises can be enlisted and accurately evaluated for more robust development.
8. Local government officials in cooperation with local chambers of commerce, and the DTI may encourage the Muslim businessmen to form more partnerships and corporations, in order to pool their resources for bigger and challenging businesses.
9. The national government should take concrete steps to support and encourage Muslim businessmen and local government units to establish suitable and viable manufacturing industries, utilizing raw materials available in their locality.

10. The national government, through the Department of Trade and Industry, Board of Investments, National Economic and Development Authority (NEDA), Development Bank of the Philippines, and the Land Bank of the Philippines, may create a policy to prioritize the regular training assistance, including financial assistance packages for the Muslim traders and entrepreneurs.

C. Information Program

11. Sufficient information dissemination regarding the support of the government for global trade and investment processes may be conducted in the Muslim areas by the DTI and the NEDA, so that their global business participation will be developed or enhanced.
12. Wider information campaign on global trade and investment opportunities may be mounted from time to time by appropriate government institutions like the DTI and the NEDA.

D. Infrastructure Development

13. Development by the Department of Public Works and Highways (DPWH) of more infrastructure facilities in Muslim areas, like increasing existing number of roads, road widening, and repair and expansion of airports, seaports, lake ports and warehouses. These infrastructure facilities are vital to the promotion of local and foreign businesses.
14. Development of communication infrastructure and facilities, like telephone system, Internet connections, etc. with the support of the DPWH and the Department of Transportation and Communication.

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Chapter I

INTRODUCTION

Rationale of The Study

Globalization of the economy is the trend in contemporary industrial and trade processes. This trend necessitates sound Philippine strategies to be competitive in the global market and be wise in the regulation of the influences of foreign multinational corporations in the entries of their products and investments, and in adopting policy for fair and equitable participation of all domestic sectors in the global trade and investment processes.

In the international trade arena, the Muslim countries of ASEAN and the Middle East are major players in the global trade. These countries are eager to strengthen their trade relations with the Filipino businessmen, including the Filipino Muslims. There were bright business deals in the past between the Philippines and some of the Muslim countries, but these were aborted due to cultural constraints such as lack of common values and of understanding of the globalization concept and terms of trade and investment.

With the situation described above as foreground and prod, a research on foreign trade and investment in Muslim areas in the Philippines was conducted. The outcome of the research would be of great help in promoting global trade and investment relations with the Muslim countries. A heightened awareness of the issues, problems and challenges that attend global participation, and the benefits and prospects it offers would enhance participation of the Filipino Muslims in global trade.

The research in the particular area was timely considering that the ASEAN and the Middle East countries tend to become strong markets of Philippine products. Japan, with only very few Muslim communities, serves as a major supplier of goods to the Middle East. Likewise, the Philippines could also be the major supplier of similar products to the said region, considering the fact that the Islamic culture is an integral part of the Philippine national culture. This forces recognition of the necessity and desirability of strengthening the cultural and economic ties between the Philippines and Muslim countries of the Middle East.

Thus, the government, taking cognizance of the important role of the private sector and the indigenous cultural communities in national development, is committed to develop private enterprises, uphold the rights and foster participation of the indigenous cultural communities in the national development processes. The Constitution provides that “The State recognizes the indispensable role of the private sector, encourages private enterprises, and provides incentives to needed investments” (Section 20, Article II-Declaration of Principles and State Policies).

In another provision of the Constitution, it is stated that “The goals of the national economy are more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all,

especially the underprivileged.” (Section I, Article XII-National Economy and Patrimony). Abiding by these constitutional provisions, the government is apparently promoting balanced participation of all sectors in the national economic processes and in foreign trade and investment.

In recent years, foreign trade opportunities were opened for balanced participation of all regions and cultural sectors in the country, like the establishment of the Brunei, Indonesia, Malaysia and the Philippines-East Asia Growth Area (BIMP-EAGA) trade and investment program in the Southeast Asia region with focus on the participation of businessmen in Mindanao.

Economic globalization and trade liberation trends were given more government support in the Philippines under the Aquino regime since 1986. This policy support was sustained by the Ramos administration in 1993-1998. The Estrada administration also upheld this supportive policy of the government on economic globalization and trade and investment liberation. The trend contributed to the creation of the BIMP-EAGA in 1993, almost simultaneous with the establishment of the Asia-Pacific Economic Council (APEC). Under the propulsion of the BIMP-EAGA and APEC vision, the neighboring countries would cooperate in business ventures to the end of mutual economic development.

Economic globalization as a term gives emphasis to the aim and efforts of the Philippines to adapt to foreign or multinational trade, industry and investment processes so as to be able to compete with other nations in business volumes and product standard in terms of quantity and quality. Hence, the country’s economy needs to be guided by global standard as a benchmark in our trading and manufacturing of goods.

Going bullish about economic globalization, some sources made rosy forecasts, claiming that the respective businessmen of participating countries benefited from this global cooperation in trade and investment. These sanguine reports were however challenged by certain critics who believed they had detected a weakness. Only a few – the economic elite – is benefiting, since opportunities for global trade and investment are rarely accessible to the entrepreneurs in the countryside. To obtain a picture of the effect of economic globalization in the countryside, particularly in Muslim areas in the Philippines, is the concern of this study.

Providing stimulus to this study was also the new thrust of the Philippine Institute for Development Studies when it included research on good governance in its priority research program.

Research Objectives

The general objective of the study is to obtain a profile of the Muslim traders in the Philippines and determine the effect of globalization on Muslim traders as perceived by them.

The specific objectives of the study are as follows:

1. To know the business profile of the Muslim traders, in terms of type of business ownership, capitalization, sources of capital, types of products merchandised, sources of merchandises, and market distribution.

2. To determine the effect of globalization on trade and investment among Muslim businessmen, in terms of level of participation and access to global trade and investment programs as perceived by them.
3. To know the effect of global trade and investment on tourism-related enterprises in the Muslim areas, in terms of improvement of tourism businesses, and influx of tourist as perceived by the respondents.
4. To identify problems that hindered the participation and progress of the Muslim businessmen in foreign trade and investment as perceived by them.
5. To identify solutions to the problems as suggested by the respondents.
6. To come up with policy recommendations with implications for the development of trade and investment in the Muslim areas and in the APEC region.

Conceptual Framework

The conceptual model illustrates the effect of globalization trend toward the level of global trade and investment in the Muslim areas in the Philippines, in terms of foreign trade and investment, global trade participation, trade and investment motivation, and access to global trade and investment. Normally, globalization trend contributes positive effects to foreign trade and investment in the Muslim areas. However, there are hostile forces that limit the success of globalization in the local areas. These are the problems that hinder the participation and progress of the Muslim businessmen in the foreign trade and investment. The chart below illustrates this model.

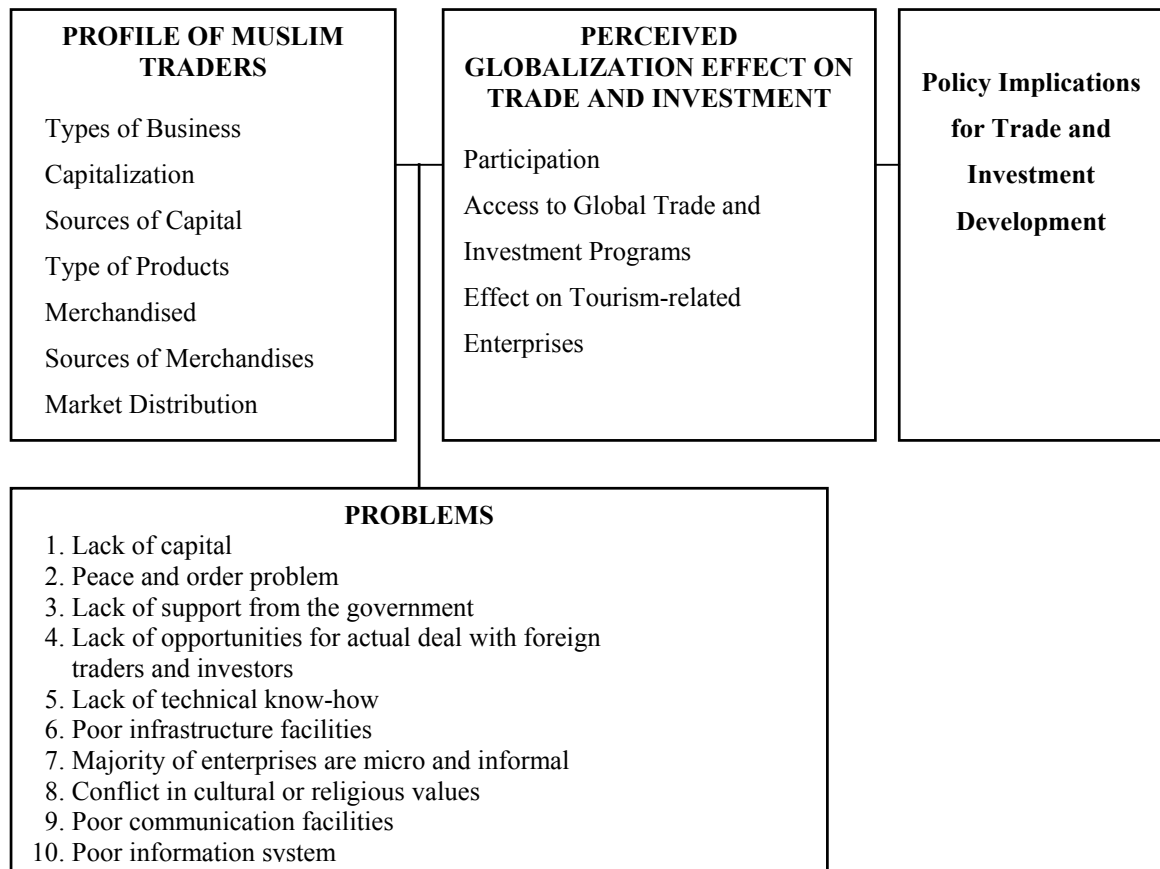


Figure 1. Paradigm Showing the Relations Among Muslim Traders’ Profile, Globalization Effect, Problems, and Policy Implications

Theory of Global Trade and Investment

It may be helpful to delve into the concept and theory of international trade and investment.

Theory of international trade. There are theories on commercial trade that have been identified by known writers. Foremost among these are the predictive theory of Heckscher-Ohlin and the “stage of comparative advantage” theory of Balassa.

The most widely used predictive theory is that of Heckscher-Ohlin, which has been extended by Krueger (1997) and Baldwin (1979) to predict that a country will trade in both directions. In general, a country in the middle range of factor endowments will export more labor-intensive goods to countries with higher over-all capital endowments, and developed countries will trade more capital-intensive goods to countries with lower overall capital endowments (Haurylshyn and Wolf, 1981, p.6).

Another version of this theory is Balassa’s (1979) “Stages of Comparative Advantages” which concentrates on the overall pattern of comparative advantage as a country changes its relative factor endowment overtime. Thus, rapidly growing countries gain overall advantage in some skill and capital intensive activities while to slower growing countries have to contend with losing advantage in simple labor-intensive manufactures (Haurylshyn and Wolf, 1981, p. 6).

Whitman (1981) cited another theory, that of the intra-industry theory or theory of the firm. In recent years, analytical attention has increasingly focused on the growing phenomenon of intra-industry trade, particularly in manufactured goods. A number of efforts have been made to invoke the technology-gap and product-circle theories as explanations of such trade, but the analytical “fit” is not entirely satisfactory. Current attention in this area is focusing most intensively on a series of explanations growing out of the theory of the firm. These formulations stress the phenomena of imperfect competition, economies of scale, and product differentiation (Whitman, 1981, p. 4).

This last category of explanation (intra-industry trade), is dynamic in character; it is a passport to encompass both manufactured goods and trade, particularly, of the intra-industry variety, and direct foreign investment. It treats them as different stages of the firm’s efforts to extract the maximum flow of benefits from their particular constellation of advantages as conditions change overtime. Furthermore, both groups of theories stress characteristics not of countries but of products or industries (Whitman, 1981, p. 4).

Theory of international investment. Whitman also cited some theories of international investment that explain the proliferation of multinational enterprises and subsidiaries arising in the different global locations. She pointed out that in the case of manufacturing industry, like automotive industry, the management is primarily concerned with direct investment in manufacturing facilities at home and abroad and that the primarily decisions relate to the location of production facilities to ensure effective control in the process. Decisions regarding sources of financing play a secondary and derivative role. The category of direct foreign investment is now generally subsumed under the same theories of the firm operating under conditions of imperfectly competitive markets. Such investment is seen to emerge from the same market imperfections that give

rise to trade in manufactured goods, and particularly intra-industry trade (Whitman, 1981, p. 5).

There is the role of national governments as creators of market-imperfections and thus as a factor in the determination of patterns of indirect international investment. The concept of “tariff factories” is an old one as is the utilization of tax incentives and other subsidies to influence the location of the productions between (as well as within) nations. Beyond such relatively simple and transparent measures, however a government today may utilize a wide variety of regulations to alter the nation’s current pattern of comparative advantage in the direction of some particular development goal, be it industrialization, import substitution, or export promotion. These can include complex and interrelated requirements regarding exports, imports, and domestic production by foreign-owned firms (Whitman 1981, p. 6).

There are two forms of the theory of international investment, namely the capital theory and the location theory. The capital theory is an essential classical investment theory that refers to investment extended across national boundaries: investment will occur up to the point where the marginal rate of return on capital equals the interest rate. In this theory, there is no distinction between portfolio and direct investment flows; both are seen as responding to international differences in rates of return (Parry, et. al, 1980. p. 19). Factors other than interest rates were suggested as being important determinants of the foreign operations of nationally based firms, and as important elements of international investment. Foreign direct investment was seen as a process of foreign asset formation, rather than simply a capital transfer between countries.

The theory of international investment requires a theory of location. Some argue that standard location theory can be extended easily across territorial constraints to account for international investment and international production in its broader sense. Theory of location is concerned with supply-and-demand variables which influence the spatial distribution of production processes, research and development activities, and the various administrative functions of the firm. The supply-oriented theory of location suggests that production activities will be located where costs are lowest, assuming a given size and distribution of the markets and the presence of profit maximizing firms in atomistic markets. The location of production both within and between countries, responds to supply factors affecting comparative costs (and, implicitly, comparative advantage). It is relatively easy to reconcile the theory of international trade based on comparative costs, including production, marketing and transport costs, with the theory of location based on supply factors which also affect comparative costs either within or between countries (Parry, 1980, p. 22).

Demand-oriented theory of location assumes production costs to be independent of the location of economic activity. Rather, the distribution of markets and location of competitors (actual and potential) govern the selling of production units. The decision as to the location of production and related activities will be based on an attempt to secure a special monopoly advantage in securing a market or segment of a market. The international location of production units can be explained in terms of a game-theory type of calculation of the advantages of locating in one rather than in another given the location of decisions of rivals. In particular, location theory can help explain the spatial distribution of production units, regardless of the ownership of these units. (Parry, 1980, p. 22).

Also impinging on international trade and investment are trade barriers which represent a restriction in distortion within international markets introduced by dropping the free-trade assumption. Trade barriers (import licensing, tariffs, non-tariff barriers, distance and transport costs) can explain international investment in many countries. The presence of natural trade barriers (distance and transport costs) similarly affect the way in which foreign markets are serviced (Parry, 1980, p. 23).

Scope and Limitations

The study covered the subjects of profile of Muslim businessmen and globalization effect on trade and investment practices in Muslim areas in the Philippines as perceived by the respondents, in terms of level of participation, access to global trade and investment programs, effect on tourism-related enterprises; problems encountered by Muslim participants, and solutions to identified problems. The respondents of the study were Muslim businessmen who were directly or indirectly involved in foreign trade and investment.

The study covered a time frame of two (2) years, 2000-2001. The places covered are Marawi City, Iligan City, Cagayan de Oro City, Davao City, General Santos City, Cotabato City, Zamboanga City, Basilan, Tawi-Tawi, Jolo, and Metro Manila. Reluctance on the part of the respondents to allow the researchers to see their records precluded use of documentary analysis. This reluctance could be accounted for by inaccurate records or lack of any records at all. Worse, other enterprises had no records to show because they are informally operating while they are not registered and it seems they do not normally pay taxes to the government.

In the determination of the effect of globalization on the tourism industry in the area, the limitation of the study is that it solicited merely the entrepreneurs' perception of the effect of globalization on the tourism industry in the locality. Data were obtained through responses of respondents on the questionnaire. However, no empirical data were obtained on the influx of tourists to Muslim businessmen's establishments and on the volume of goods and services to tourists. This problem is attributed to the absence of field offices of the Department of Tourism in the research venues; these are supposed to keep track of and maintain the records of tourists' influx. The study tackled only the effect of globalization on the participation of Muslim businessmen as perceived by them. No data were obtained on the changes in business volumes or incremental change due to lack of recording by the businessmen.

Significance of the Study

The findings of the study would form part of the basis for formulating government policies and strategies in promoting trade and investment in the Philippines especially in the Muslim areas. The outcome would serve, among others, as basis in crafting strategies to attract foreign investors to the Philippines. These would also allow foreign investors to improve their services and strategies in establishing business ventures in the country, particularly in Mindanao.

The study hopefully would contribute to an effective local trade and investment planning and implementation. It would serve as guide for local businessmen in tapping foreign business partners. It would also cater to the needs of the academic sector

particularly faculty members, researchers, and students in studying local and global trade and investment processes. The study, moreover, addresses the need and challenge of expanding and enriching the existing but limited literature on globalization, global trade and business investment, and local participation in the globalization trend.

Research Methodology

The study surveyed the foreign trade and investment in the Muslim areas in the Philippines, especially the participation of Muslim businessmen in foreign trade and investment, their access to government and foreign support programs for global trade and investment, effect of globalization on local tourism as perceived by Muslim businessmen, problems encountered by the businessmen in their participation, and their suggested solutions to these problems. As an exploratory study in the Muslim areas, it used a combination of qualitative and descriptive design of research. The main instrument used for gathering data is the questionnaire; this was supported by interview designed to secure information on matters not covered by the questionnaire. For data analysis, the study used frequency counts, percentages, and mean as tools of analysis.

The study used purposive sampling. It gathered data from 150 Muslim businessmen from Iligan City, Cagayan de Oro City, Davao City, General Santos City, Zamboanga City, Basilan, Tawi-Tawi and Jolo with an average of 15 respondents from each area. The respondents were Muslim businessmen who have direct or indirect involvement in foreign trade and investment processes.

The questionnaire designed for the study was composed of six parts. Part I had for its object information on the businessmen's profile. Part II gathered data on the effect of globalization on trade and investment in the Muslim areas as perceived by the businessmen.

Information on the access to global trade and investment facilities was the concern of Part III. Part IV gathered special information on the effect of economic globalization on the tourism industry in the Muslim areas as perceived by the businessmen. Part V of the questionnaire identified the problems encountered by the Muslim businessmen. Lastly, Part VI elicited suggested solutions of the problems identified by the respondents.

In the preparation of the related theory, literature, and past studies, the researcher tapped the references available in the libraries of the Department of Trade and Industry Board of Investment, University of the Philippines, Mindanao State University, and the Philippine Institute for Development Studies. In gathering primary data, the researcher organized a group of research assistants who distributed the questionnaires, and at the same time conducted interviews among the respondents, and observation of the Muslim businessmen in the involved places.

Before the deployment of the research assistants, the researcher made prior arrangement with contact officials and staff who could help the research assistants in the field, like the involved officials and staff of the branches of the Department of Trade and Industry, Office on Muslim Affairs, and the Mindanao State University branches in some selected areas. Involved staff also assisted the research assistants in the distribution and retrieval of questionnaires from the respondents.

After the retrieval of questionnaires and reports of the research assistants, data were arranged, tabulated, and analyzed. The study used frequency counts, percentages and weighted mean as tools of data analysis.

Chapter II

REVIEW OF RELATED LITERATURE AND STUDIES

The best starting point would be a review of the nature of economic globalization. Otsubo, in his manuscript entitled *Globalization: A New Role for Developing Countries in an Integrating World*, defines globalization as “the integration of production, distribution and use of goods and services among the economies of the world” (1996, p. 1). The signs of globalization are manifested at a factor level in the increasing flow of capital and labor, and at the product level in a resounding growth in the world trade. As learned from the manuscript, globalization has been evolving since the end of World War II.

The relocation and integration of production processes across national borders has been reinforced by increasing flow of private capital, especially in the form of foreign direct investment (FDI), which is often associated with global production strategies of transnational corporations. Technological progress that reduces the cost of transportation, communication and financial transactions, coupled with declining trade barriers, has enlarged opportunity for anyone searching for less costly production basis for exports and for spot production for local markets (Otsubo, 1996, p. 3).

Liberalization measures taken by developing countries since the mid-1980s have paved the way for this economy to integrate into the world market. In order to enjoy faster growth under an expanded opportunity set, one has to have something to sell or export to join and stay in the market. Balanced integration into the rapidly globalizing world market calls for sound growth of exports or a firm commitment for future export growth. This can be attained only by prudent combination of complementary domestic and border policies that encourage long-term productive investment, supported by savings drawn in by higher expected rates of return due to efficiency gains from reforms that encourage exports (Otsubo, 1996, p. 6).

The Global Economy in Transition

Many changes in the global economic structures have occurred in the modern time. These include the rise of the newly industrializing countries (NICs) from the Third World economies. Some Third World countries became industrialized and major suppliers of goods in the global market. Daniels and Lever (1996) give an account of this new development. According to them,

“The three trends in 1980’s could be identified. First, the increasing flow of inputs into the advanced economies of Western Europe and North America were increasingly coming from a new wave of new industrializing countries (NICs) like India and Brazil. Secondly, now the exporting companies from NICs were innovating especially in areas such as electronics and electrical goods. Thirdly, services as well as material goods were involved like tourism services, communication and travel services” (Daniels and Lever, 1996, p. 1).

By 1990's the world's economy had been truly integrated or globalized. While the world's economy was growing at about three percent per annum, the flow of internationally traded goods was increasing by about eight percent per annum. There are three reasons for this level of increase. First, the goods involved were lighter and had higher levels of value added, hence, they could better bear the costs of long haul freight. Second, wage differentials between the advanced economies and many Third World countries increased, such that freight costs could be overcome. Last, while bodies such as the General Agreement on Tariffs and Trade (GATT), the Single European Market (SEM) and the North America Free Trade Agreement (NAFTA) were established to encourage freer and more trade between countries. The creation of the multinational markets like the SEM forced exogenous companies to set up plants inside such markets to circumvent the tariff barriers with which they surrounded themselves thus making companies more multinational (Daniels and Lever, 1996. p. 2).

While levels of international trade in goods have risen steadily, the decade (1990's) has seen a much more rapid growth in services, especially in financial services. Changes in the pattern of the world manufacturing brought about changes in global finance. Companies became more multinational so that foreign direct investment grew rapidly. With the global recessions of the 1970s, created in part by substantial rises in oil energy prices, it seemed inevitable that companies had to be permitted to invest abroad; it could be argued that only the repatriated profits of companies earned abroad which kept major companies in business. To stay afloat or financially able, companies had to globalize (Daniels and Lever, 1996, p. 2).

From another angle, Gwyne argues that global trade has not always helped the developing countries; they have, contrary to much-touted glowing reports, suffered continuous falls in the real prices of their exports. Price protection in the European market has restricted food exports from developing countries to Europe, and non-food agricultural products of developing countries have been especially hard-hit. He stresses that developing countries have not done well out of globalization, except where countries like Taiwan have been able to break out of import dependence through moving to import substitution and then to exports via sequences of economies which are successfully factor-driven, investment-driven, and then innovative-driven (Daniels and Lever, 1996, p. 6).

However, Howland describes how "going offshore" has become an increasingly popular option for business. The greater use of satellite and other telecommunication options has widened the location choice for service companies, especially as labor has become more skilled without an equivalent rise in price (Daniels and Lever, 1996, p. 8).

Programs of Global Trade and Investment

Different countries and organizations have various programs for promoting globalization of trade and investments. On this account, many writers have surveyed and published materials on global trade and investment programs. For example, Paul Davidson and Franca Ciambella (1997, p. 1) made an inventory of the policies, laws, and programs on investment in Southeast Asia. Their book featured the basic economic profiles of ASEAN countries, namely: Brunei Darussalam, Indonesia, Malaysia,

Singapore, Thailand, Vietnam, and the Philippines. It dealt in some detail with the investment policy procedures, business laws, and their application in each country.

In the case of the Philippines, Davidson and Ciambella cited the Foreign Investment Act (FIA) of 1991 and the Omnibus Investment Act of the Philippines of 1987 as the basic source of information on policies and laws of investment. They said that according to the FIA of 1991, it is the policy of the State to attract, promote, and welcome production investments from foreign individuals, partnership, corporations and governments including political subdivisions, in activities which significantly contribute to national industrialization and socio-economic development. Foreign investment shall be encouraged in enterprises that significantly expand livelihood and employment opportunities for Filipinos; enhance economic value of farm products; and promote the welfare of Filipino consumer (1997, p. 145).

Davidson and Ciambella (1997, p. 149) identified the program of incentives for investment in the Philippines. These include: (1) additional incentives to enterprise locating in less developed areas; (2) privileges granted to regional headquarters and regional warehouse locating in the Philippines; (4) incentive to firms locating in the export processing zones. The incentive schemes of the Philippines are aligned to those of other ASEAN countries. The other main features of the Investment Code of the Philippines are the concept of an income tax holiday for enterprises in the form of a tax deduction for additional direct labor expenses.

The Board of Investment (BOI) also enjoys the power to suspend the nationality requirements provided for in the Code or any other nationalization statute in case of ASEAN projects or investment by ASEAN nationals in preferred projects. With the approval of the President the Code extends such suspension to other international complementation arrangements of the manufacture of particular products on a regional basis to take advantage of economics of scale (Davidson and Ciambella, 1997, p. 151).

While the Philippines have open policies to foreign investors, there are also restrictions that have to be observed. The areas of activities reserved to the Philippine nationals by the Constitution and specific law include mass media services involving the practice of a licensed profession, and rural banks. Regulated by the Government are defense-related activities; activities that have implications for public amusement (e.g. the operation of gambling dens, night clubs, sauna bath houses, etc.); small and medium-sized domestic enterprises, unless they involve advanced technology; export enterprises that utilize raw materials from depleting resources and with paid-in equity of less than US \$500,000; and areas of investment in which enterprise is already adequately serving the need of the economy and consumers (Davidson and Ciambella, 1997, p. 149).

Investment Incentives. The non-tax incentives to registered enterprises in the Philippines are: (1) repatriation of liquidated investment, (2) remittance of earnings, (3) remittance of amount necessary to pay foreign loans and contracts, (4) freedom from expropriation of property, except for public use or in the interest of the national welfare and defense, upon payment of just compensation, (5) no requisition of the property of the enterprises. Similarly the incentives to registered enterprises are: (1) simplification of custom procedures, (2) unrestricted use of unsigned equipment, and (3) employment of foreign nationals (Davidson and Ciambella, 1997, pp. 156-157).

Incentives to preferred investments; both domestic and foreign investors are stipulated in Executive Order No. 226, otherwise known as *The Omnibus Investment Code of 1987*. This Order presents the policies and programs, among others, for investment in the Philippines. Among the incentives given by the Philippine government to registered enterprises are:

1. Income tax holidays: (a) For six (6) years from commercial operation for pioneer firms and four (4) years for non-pioneer firms, new registered firms shall be fully exempted from income tax levied by the National Government; (b) For a period of three (3) years from commercial operation, registered expanding firms shall be entitled to exemptions from income tax levied by the National Government proportionate to their expansion under such terms and conditions as the Board may determine. (E. O. No. 226, p. 12).
2. Additional deduction for labor expenses. For the first five (5) years from registration, a registered enterprise shall be allowed an additional deduction from the taxable income of fifty percent (50%) of the wages corresponding to the increment in the number of direct labor for workers if the project meets the prescribed ratio of capital equipment to number of workers set by the Board. (E.O. No. 226, p. 21).
3. Tax and duty exemption on imported capital equipment (up to 100%)
4. Tax credit on domestic capital equipment
5. Exemption from contractor's tax
6. Tax credit for taxes and duties on raw materials
7. Exemptions from taxes and duties on imported spare parts
8. Exemption from wharfage dues and any export tax, duty, impost and fee (E. O. No. 226, p. 22)

The incentives to less-developed areas registered enterprise are: a) pioneer incentives, and b) incentives for necessary and major infrastructure works. The incentives to the regional headquarters established in the Philippines by multinational corporations are: a) exemption from contractor's tax; b) exemption from all kinds of local licenses, fees, and dues; c) tax and free importation of training materials; importation of motor vehicles; and d) exemption from registration requirements (E. O. No. 226, p. 31).

Another source of policies for investment in the Philippines is R.A. 7042, known as the *Foreign Investment Act of 1991*. The government under R.A. 7042 declares that "it is the policy of the State to attract, promote, and welcome productive investment from foreign individuals, partnership, corporations and governments, including their political subdivisions in activities which significantly contribute to the national industrialization and socio-economic development to the extent that foreign investment is allowed in such activity by the Constitution and relevant laws" (Section 2, Declaration of Policy, R. A. 7042).

As a general rule, there are no restrictions on extent of foreign ownership of export enterprises. In domestic market enterprises, foreigners can invest as much as one hundred percent (100%) equity except in areas included in the negative list. Foreign owned firms catering mainly to the domestic market shall be encouraged to undertake measures that will gradually increase their investment. There is no restriction also for foreign enterprises that allow Filipino participation in their business by taking in Filipino partners, electing Filipino to the Board of Directors, implementing transfer of technology to Filipinos, generating more employment and enhancing skills of Filipino workers (R. A. 7042, p. 3).

In her book, *Program in Industrial Countries to Promote Direct Investment in Developing Countries*, Belot (1992) made an inventory and presentation of the investment promotion programs of industrialized countries. These programs include organization, which promotes investment, methods of investment promotion, and selected bilateral and multilateral investment programs (Belot, 1992, p. 3). Similarly, the Organization for Economic Cooperation and Development (OECD) made a survey and explanation of investment incentives policies in OECD members countries, particularly fiscal incentives, financial incentives, and non-financial measures (OECD, 1983, p. 13).

Problems of Globalization

The study of the APEC Secretariat in 1994 disclosed an extensive range of impediments to international economic transactions. The traditional obstacles include tariffs, quotas and other non-traditional barriers (NTB) to importation of goods, namely import licensing and anti-dumping measures. A large number of impediments to international transactions in services, investment, and technology have proved obstructive. Export controls such as taxes, quotas, prohibitions, and regulations are known to behave as major trade impediments in many APEC economies, both directly and indirectly. There are also policy-based obstacles and differences, or lack of transparency of domestic regulatory and administrative systems that add greatly to the cost of international commerce. (APEC Secretariat, 1995, p. 2). Added to this compendium of hurdles are tariff and non-tariff barriers to trade in goods that are affecting the import-export trading. The key finding is that the non-tariff barriers (NTB) are used frequently in some sectors, for example agriculture, labor-intensive manufactures, steel, and automobiles. Tariffs and NTB's are falling, especially in some economies, but there are still significant variations between sectors.

It was found in the study that there is a high level of impediments that affect all service industries within the APEC region. Seventy-eight (78) percent of service markets are closed to international transactions. APEC computer and tourism services are the most open service industries yet over 50 percent of these markets suffer from some forms of impediment. The highly restricted nature of postal services, basic telecommunications, transport services, and health, and social services reflects the traditionally regulated nature of these industries. Moreover, the most common type of impediments to internationally serviced transactions involves restrictions on the movement of people. Cross-border supply and commercial presence are also commonly encounter rough passage. The consumption of services through travel abroad is relatively unimpeded. (APEC Secretariat, 1995, p. 11).

On investment aspect, the key findings are:

1. Lack of wide application of market access and national treatment.
2. Widespread use of fiscal investment incentives and performance requirements, often but not always, in violation of national treatment. (APEC Secretariat, 1995, p. 11).

The same study stated that foreign direct investment (FDI) flows in the APEC region are affected by a variety of instruments such as ownership rules, performance requirements, and incentives. The precise guidelines for an application for investment or the precise conditions under which notification is required are not clearly spelled out for foreign investors. Undeniably confusion caused by ambiguous guidelines, laws, and regulations can have deleterious effects on investment. This is especially true of small and medium-size enterprise (CSME). (APEC Secretariat, 1995, p. 12).

Finally, on the aspect of technology, it was found that there are variations which exist in the levels of protection and enforcement of existing intellectual property rights. The study also showed that there have been large differences among these economies in these aspects or intellectual property right protection. Intellectual property right protections cover patents, utility models, industrial designs, trademarks, geographical indications, copyrights and neighboring rights, breeder's right, integrated circuits, and trade secrets. There is also variation in the strength of the enforcement of patents laws. These variations may reflect the resources needed to implement the regime required. There are difficulties in interpretation of impediment measures in the technology area, caused by the lack of an agreed analytical framework. (APEC Secretariat, 1995, p. 14).

Related Studies

Studies have been conducted, with the effects of globalization and global trade and investment on the economies of Third World countries as the focal point. Some of these related studies are cited in this research. For example, Parry, et. al., said that the effect of foreign direct investment could be analyzed in terms of underlying market imperfections and distortions that explain international direct investment (1980, p. 9). In particular, the levels as well as the distribution of gains from direct investment within a host industry are affected by these underlying market distortions and imperfections. (Parry, et. al., p. 109).

Productivity and Efficiency Gains. The level of gains accruing to the host nation from the international direct investment associated with the Multi-National Enterprise (MNE) may arise in a number of ways. First, the contribution of employment, capital, and output that would not otherwise occur will add to host-country national output via host government taxation of foreign profits. In addition to the direct contribution to host-country output by MNEs, there will be indirect gains from know-how leakages and spillover, as well as from competitive boosts to domestic firm efficiency (Parry, et. al., 1980, p. 110).

There is a strong reason to believe that the MNE is generally more efficient than the indigenous firms with which it competes in the host country. Whether this relative efficiency is based on technical, managerial, or productive skills possessed by the MNE, the possession of some comparative advantage vis-à-vis domestic firm is necessary on the MNE in overcoming the disadvantages of operating abroad. The United States (U.S.) Tariff Commission, in its study of U.S. MNE's concluded that the U.S.-based MNE's are

clearly more productive than domestic firms in the host countries studied. The study shows the value of sales per employee in 1966 and 1970, U.S. MNE's had higher sales per employee than did all firms, though subsidiary efficiency was less than that of the parent enterprises in the U.S., with the exception of Canadian subsidiaries in 1970.

Rhadu found in thirteen out of sixteen Pakistan manufacturing industries studied that foreign firms had higher productivity than domestic alternatives. The apparent productivity advantage was found in the more capital and know-how intensive industries, such as chemicals, pharmaceuticals, printing and publishing. The U.S. Tariff Commission similarly attributed the productivity advantage of U.S. MNE's to capital and technology intensity. In the Australian manufacturing sector also, U.S. subsidiaries have been found more efficient than domestic firms largely by virtue of their access to superior technology and management know-how (Parry, et. al., 1980, p. 112).

The Philippines has been pursuing a series of unilateral trade liberalization programs. In 1981, the government embarked on a five-year (1981-1985) tariff reduction program which resulted in general decline in the average nominal tariff level. Because of the balance of payments crisis in the middle of the 1980's the tariff reduction program was aborted. The program was continued as the Aquino government in 1986 embarked on another round of tariff reduction program in 1991 under EO 470 (PIDS, Second Semester, p. 192).

Executive Order (EO) 470 reduces the average tariff levels and simplifies the tariff structure from a multi-tariff structure to a structure with only four tariff levels. Under the same order, the average nominal tariff is reduced from 28 percent (tariff level at the start of the program in 1991) to 20 percent at the end of tariff program in 1995, or a drop of 29 percent over the five-year period. Among the three major industrial sectors, manufacturing registered the biggest reduction in average tariffs from 27 percent (unweighted) to only 19 percent in 1995 or a decline of 30 percent. For agriculture, the average tariff declined from 36 percent to 28 percent in 1995, or a decline of 22 percent, whereas mining declined from 14 percent to 10 percent in 1995. Overall, the tariff reduction program which was implemented in the second half of the 1980's, and EO 470 brought down the number of regulated items from 1,986 to just 183 in 1997 (PIDS, No. 44, 1997, p. 193).

Regional Organization for Trade and Investment Liberalization. In their view of the role of the Asia and Pacific Economic Council (APEC), Intal and Austria (2000, p. 1) stated that APEC was shaped by the shared commitment of its member economies to sustain economic growth through market forces and to build a strong sense of community in the region. This is strongly manifested in its three pillars: trade and investment liberalization, trade and investment facilitation, and economic and technical cooperation.

Strengthening the global trading system, according to Intal and Austria, is one area where APEC's effort is highly commendable. This was manifested in concrete terms via the implementation of the individual and collective action plan. The concentrated unilateral approach of APEC to liberalization supplements global trading arrangements. Under this approach each member economy announces its own liberalization programs and implements them according to policies of its own place and domestic rules. However, member economies watch the implementation of each other's liberalization program and then build pressure for each member to implement its program. The approach, therefore,

collectively engaged each member to join the liberalization program. Member economies have also made significant commitments to the services sector particularly toward liberalization and facilitation. This sector includes financial telecommunications, energy, transportation, and professional services. (Intal and Austria, 2000, p. 8).

Comparative Tariff Policies. Azarcon (1997, p. 96) conducted a comparative study of tariff policies of ASEAN countries in 1996 aimed at contributing to better understanding of the outcome of trade and tariff negotiation among ASEAN countries, given the realities of conflicting pressures on the home front, and of the tariff policies underlying the conduct of trade negotiation under the ASEAN Free Trade Agreement (AFTA). The study formed part of a broader analysis of the impact of tariff reforms of 1995 on Philippine industries, specifically the adoption of the five percent (5%) tariff by the year 2000.

The study confirms that MFN tariffs in ASEAN have declined substantially in the last decade. Compared to findings in earlier studies, ASEAN MFN tariffs have declined by as much as 57 percent since 1986. This had been the combined effect of multilateral and unilateral actions involving trade liberalization. Nonetheless, a few problems still remain. The intransigence of some sectors to remain behind protective tariffs by seeking exclusion from CEPT reduction continues to challenge ASEAN leaders. There is also the continuing problem of non-tariff barriers, state trading operations, the use of export taxes, arbitrary custom's procedures and abuse in the application of the rules which threatens the success of the CEPT Program. (Azarcon, 1997, p. 123).

A similar study on the administration of development programs for small and medium enterprises was conducted by the author in 1991 in the province of Lanao del Sur. Among the findings, the study showed that seventy percent (70%) of the fifty-five (55) subject entrepreneurs relied on investment coming from personal equity, 30% of them borrowed from private banks, and no one was able to avail of financial assistance from national government (Macaayong, 1995, p. 62).

The study disclosed that 90% of the respondents were not aware of government programs for enterprise development handled or coordinated by the Department of Trade and Industry. In like manner, the study also noted that the entrepreneurs claimed that they did not benefit from the Small and Medium Enterprises Development (SMED) program of the government especially the financial assistance component (Macaayong, 1995, p. 116). Their non-enjoyment of the program may have also been affected by the religious restrictions on lending aspect where interest payment attached to principal fund borrowed is prohibited in Islam.

The study also identified problems affecting the implementation of program geared towards the development of enterprises which were similar to problems identified by this study at hand. The problems included lack of peace and order, lack of people's participation in the implementation of programs, lack of program information, and lack of program accessibility.

In the peace and order, the problem situations were the government-rebel conflict served as obstacle to enterprise development; political issues and problems obstructed the progress of the enterprises; and government's laxity to control the peace problem also hindered the growth of the enterprises (Macaayong, 1995, p. 99). On the problem of lack

of people's participation in the implementation of government programs for enterprises development, the specific problems were: there was no public hearing or survey done yearly for policy-making in enterprise development; no seminar on industry sectors as basis for policy-making and this lack of client participation causes poor enterprise development.

On the problems internal to organizations involved, two problems were unearthed namely lack of program implementation, and lack of program accessibility. Entrepreneurs in Lanao del Sur were rarely informed of the existing government financial and non-financial programs designed for the development of enterprises. It was disclosed that small enterprise development program of the government was scarcely exposed to media, hence only few knew the program; there was lack of orientation on the program; and communication facilities were poor and could hardly support the program.

On the problem of lack of program accessibility, it was disclosed that there was lack of promotion of the financing program, which deprived the clients to apply; there was long waiting time to obtain approval for assistance and travel to Metro Manila from Mindanao to follow up application for program support. This long process also caused the delay in the availment of program (Macaayong, 1995, pp. 90-91).

Chapter III BUSINESS PROFILE

The profile of the Muslim businessmen in the Philippines was surveyed in terms of type of business ownership, capitalization, sources of capital, type of products merchandised, sources of merchandises, and types of markets. Findings on these aspects are presented in this Chapter.

Type of Business Ownership

As to business ownership, it was found that different types of ownership exist in the Muslim areas, but corporations, especially foreign-funded ones, are scarce in the places. Table 1 shows that 120 or 80% of the 150 establishments are classified as sole proprietorship; 16 or 11% as partnership; 13 or 8% as corporation; and corporation with foreign investors, 1 or 1%.

Table 1. Respondents Distribution as to
Type of Business Ownership

Type of Ownership	Frequency	Percent
1. Sole Proprietorship	120	80
2. Partnership	16	11
3. Corporation	13	8
4. Corporation w/ Foreign Investors	1	1
Total	150	100%

N = 150

The finding shows that a great majority of the Muslim businessmen are adopting sole proprietorship because according to the respondents sole proprietorship is easy to form and does not necessitate a considerably large capital. Owners are free to engage in whatever line of business they want to venture into. The problem with partnership or corporation is that it involves a lot of considerations before the owners can choose and decide on a particular line of business to engage in. There are also some legal requirements to satisfy under a partnership or corporate business. Such encumbrance spared from sole proprietorship. Some of these businesses are not formally registered with the Security and Exchange Commission (SEC) or the Department of Trade and Industry (DTI).

Moreover, the sole proprietorship type has a lot of implications in relation to foreign trade and investment. Foreign traders and Investors most likely do not easily trust a sole proprietorship in terms of loan for capital formation or capability to handle large business transactions. This is one of the reasons why local Muslim businessmen could rarely get foreign partners in their businesses.

This particular finding would suggest that there is a need for the DTI office to promote participation in foreign trade by Muslim businessmen in the countryside through information dissemination, seminars, and conferences. It was found that these entrepreneurs had no foreign partners or investors, implying that Muslim businessmen are not interested to get foreign partners or investors, or they may have difficulty obtaining foreign investment. This may imply further that there is lack of government facilitation for foreign investment in the Muslim areas.

Capitalization

Muslim businessmen have low level of capital. Their businesses can be classified under micro enterprises or small-scale enterprises. As shown by Table 2, seventy-six (76) or 51% of the 150 enterprises have a capitalization of P1,000,000 to P3,000,000; P3,100,000 to P6,000,000, 49 or 33%; P6,100,000 to P9,000,000, 13 or 8%; P9,100,000 to P12,000,000, 2 or 1%, P12,100,000 to P15,000,000, 4 or 3%; and P15,100,000 or more, 6 to 4%.

Table 2. Respondents Distribution as to Level of Capitalization

Capitalization	Frequency	Percent
P1,000,000	76	51
P3,100,000 – P6,000,000	49	33
P6,100,000 – P9,000,000	13	8
P9,100,000 – P12,000,000	2	1
P12,100,000 – P15,000,000	4	3
P15,100,000 or more	6	4
Total	150	100%

N = 150

The low level of capital of the business enterprises explains why many of these are sole enterprises, and there are only few partnerships and corporations as shown in Table 1. Low capability in terms of capital for a bigger volume of business accounts for

the low rate of participation in foreign trade and investment (Table 8). It implies that foreign traders are held back by serious reservations from dealing business with the local businessmen due to lack of trust. Foreigners have apprehension that they will not generate high level of profit as expected. The low profit capability of the business enterprises implies the need for government support in facilitating financial assistance for the Filipino Muslim traders, in terms of loaning program for them to avail of.

This low level of capital in Muslim areas does not support or corroborate the contention of Otsubo (1996, p. 3) that relocation and integration of production process across national borders has been reinforced by increasing flows of private capital, especially in the form of foreign direct investment. The technological progress with declining trade barriers has not enlarged opportunity for the Muslim businessmen in searching for less costly trade bases for export and for spot production for local markets.

As to the sources of capital (Table 3), it was found that 91 or 61% of the respondents cited personal money as source of their capital; family, friends or relatives, 33 or 22%; banks, 8 or 5%; NGO, 3 or 2%; incorporators' contributions, 13 or 9%; and other lending institutions, 2 or 1%.

Table 3. Respondents Distribution as to Sources of Capital

Sources of Capital	Frequency	Percent
1. Personal Money	91	61
2. Family, Friends, or Relatives	33	22
3. Banks	8	5
4. NGO	3	2
5. Incorporator's Contributions	13	9
6. Other Lending Institution	2	1
Total	150	100%

N = 150

The finding of this study on sources of capital coincided with the finding of the author in his study of the small and medium enterprises in Lanao del Sur in 1991, wherein it was disclosed that majority (70%) of the subject 50 agro-industrial entrepreneurs in the province relied on investment from personal equity as source of capital. There were 30% who borrowed from private banks and no one was able to avail of financial assistance from the national government (Macaayong, 1995, p. 62).

These findings imply that Muslim businessmen lack the capability to engage in and handle big business volumes as evidenced by the fact that a great majority of them rely upon personal sources of capital and assistance from friends and relatives. These further imply the need for government financial assistance through support of the banking systems as alternative sources of funds. Too limited sources of capital imply foreign traders' lack of trust in the capability of the Muslim traders to handle big business with them. Limited business transactions with foreigners explain the low level of their foreign trade participation as shown in Table 8.

Product Merchandised

The data gathered revealed that majority of the Muslim businessmen are engaged in trading instead of manufacturing. Many of the respondents disclosed that need for large capital and lack of technology for modern industries forced them to settle for a simpler and more manageable trading business. Table 4 shows the distribution of type of products merchandised. Seventy-nine (79) or 52% of the respondents are merchandising dry goods (groceries, household uses, etc.); RTW and textiles, 37 or 25%; kitchenware, 9 or 6%; office supplies, 10 or 7%; and other products, 15 or 10%.

Table 4. Respondents Distribution as to the Type of Products Merchandised

Types of Products	Frequency	Percent
1. Dry goods (cosmetics, ladies accessories, etc)	79	52
2. RTW and textile	37	25
3. Kitchen Ware	9	6
4. Office and School Supplies	10	7
5. Others	15	10
Total	150	100%

N = 150

These findings imply that Muslim traders carry only limited level and variety of goods; their participation in global trade is thus understandably narrow. In light of this, they can have only very limited access to bright business opportunities with foreign markets. Their limitation in engaging in business in a greater variety of goods is explained by their limited level of capitals. Said findings further imply the need for some intensive and extensive support of the government to open up possible foreign trade opportunities for the Muslim businessmen.

As to the source of the merchandises, Table 5 shows that products are locally manufactured, 80 or 53%; imported, 61 or 41%; and both local and imported products, 9 or 6%.

Table 5. Respondents Distribution as to Sources of Merchandises

Sources of Merchandises	Frequency	Percent
1. Locally Manufactured	80	53
2. Imported	61	41
3. Both of the Above	9	6
Total	150	100%

N = 150

These findings imply that since they have limited participation in export business and that majority of their products are locally manufactured, the great majority of the Muslim businessmen are engaged in domestic trade. The theme of confinement that emerges from the facts point up the need for more efforts of the government in promoting

participation of Muslims in global trade through massive information, seminars, and creating linkages for them. The government plays vital role in encouraging participation in global trade processes.

The observation of Daniels and Lever (1996, p. 2) that by 1990s the world's economy had been truly integrated or globalized has materialized in the Muslim areas in the Philippines. Although their participation is minimal, Muslim traders have engaged in foreign trade by buying and selling imported goods to the domestic markets.

Type of Market

The study surveyed the types of markets for the merchandises of the respondents. It was found that 108 or 72% of the business have domestic market for their products; international/export, 25 or 17%; and both domestic and export, 17 or 11%. See Table 6.

Table 6. Distribution of Respondents as to Types of Market

Types of Market	Frequency	Percent
1. Domestic	108	53
2. International/Export	25	41
3. Both Domestic and Export	17	6
Total	150	100%

N = 150

Majority of the businessmen are distributing their merchandises in the local markets; only few are engaged in exporting Philippine products. The low participation in export business is explained by their limited capital and poor access to foreign export facilities. The findings imply the need for government support to create the conditions that conduce to Muslim traders' participation in global trade. There is also a need to promote foreign trade linkages.

In cross-tabulating Table 5 and Table 6, it is seen that majority of the Muslim businessmen are engaged in domestic business. They purchase locally manufactured goods which are also sold in the domestic market. Next in number are those who merchandise imported goods to the domestic market, while few engage in both import and export businesses. The third type of business, i.e. import-export trade, is the important type to be developed because it promotes balance of payment for the country. This finding where 25% of the businessmen engaged in international export and 17% of them participated in both domestic and export would support Otsubo's observation that liberalization measures have paved the way for the Third World economy to integrate into the world market (Otsubo, 1996, p. 6).

In determining how important trading is as an enterprise to Muslim businessmen, 150 Muslim businessmen (Table 7) were purposively sampled and asked about their present line of business. It was found that trading ranked as the number 1 enterprise engaged in by Muslims for 130 respondents or 86% of the 150 respondent businessmen; service industry, such as computer services, restaurant, and other professional services, 7 or 5%; crop farming, 5 or 3%; fishing, 4 or 3%; and manufacturing/processing, 4 or 3%.

Table 7. Respondents Distribution as to
Types of Business Enterprise

Types of Business Enterprise	Frequency	Percent
Manufacturing/ Processing	4	3%
Trading	130	86%
Crop Farming	5	3%
Fishing	4	3%
Service Industry	7	5%
Total	150	100%

N = 150

When asked why trading is important to them and why many are engaging in it instead of other economic endeavors, the respondents' answer was straight-forward: they preferred trading because of low capital needed compared to manufacturing, and also because it does not require sophisticated technology and processes.

Chapter IV **PERCEIVED EFFECT OF GLOBALIZATION ON TRADE AND INVESTMENT IN MUSLIM AREAS**

This Chapter discusses the findings on participation of the Muslim businessmen in foreign trade and investment processes, effect of globalization on tourism, access to global trade and investment programs, and the problems and solutions involving the participation of the businessmen.

A. Participation of Muslim Businessmen

Participation in Global Trade

The study aimed to determine whether Muslim businessmen are participating in foreign trade, the so-called import-export business. In this study, foreign trade is taken to mean also global trade because even if one Muslim businessman used to trade only with one country, different Muslim businessmen would separately trade with many different countries. Such operations collectively would be tantamount to global trade.

Given the many Muslim countries which can be potential trading counterparts of the Philippines, it is contemplated that the participation of the Muslim businessmen in global trade is important not only for them to improve economically, but also to open more opportunities for usual Filipino businessmen for trade expansion through the possible initiatives of Muslim countries. Such scenario means more potential tax and tariff revenues for the government.

It was surveyed whether Muslim businessmen are participating in global trade or not. Table 8 shows the percentage of those who are participating. As shown by the data,

one hundred-one (101) or 67% of the respondents were not participating. Only 49 or 33% of them participated in global trade.

Table 8. Respondents Distribution as to Their Participation in Global Trade

Particular	Participated		Not Participated		Total	
	F	%	F	%	F	%
Whether they participate in Global Trade	49	33%	101	67%	150	100%

N = 150

F = frequency

% = percent

This finding (i.e., there are Muslim traders that are participating in global trade) would affirm the observation of Otsubo (1996, p. 6) that liberalization measures have paved the way for the Third World countries to integrate into the world market. The participation of local enterprises in Muslim areas in the Philippines serves as an indication that the countryside of the Philippines is enjoying an opportunity to integrate into the world market.

However, there are forces at work that limit the participation of the Muslim businessmen to a modicum. Their plight in international trade can be attributed to two factors: a) the lack of capital, and b) the absence of alternative banking systems that can extend to them large loans as source of capital in terms acceptable to Islam, like profit-sharing scheme.

The findings suggest the need to enhance program for the participation of local traders in foreign trade processes. This involves improving their access to information, financial assistance, and technical support. Low participation is also explained by low profit by those who were already involved in foreign trade. Availability of government support program would serve as a spur to other aspirants' interest in engaging in global trade.

The findings further imply the need for the government to strengthen the information campaign for global trade and investment through conducting seminars and conferences that will feature and highlight prospects for businessmen abroad. Seminars may be designed to emphasize business opportunities and strategies to get involved and to cope with problems associated with the global trade participation.

Table 9 shows the level of participation of the forty-nine (49) Muslim businessmen in global trade. Thirty or 61% have adequate participation; very adequate, 9 or 19%; very inadequate, 6 or 12%; and inadequate, 4 or 8%.

Table 9. Respondents Distribution as to Level of Participation in Global Trade

Particular	VA	A	I	VI	Total	Mean	Qualitative Equivalent
	F %	F %	F %	F %	F %		
Level of Participation In Global Trade	91 9	30 61	4 8	6 12	49 100	2.8	Adequate

N = 49

VA = Very Adequate

A = Adequate

F = frequency

I = Inadequate

VI = Very Inadequate

% = percent

The findings suggest that while the participation of the few is adequate or satisfactory, it is not difficult to convince other businessmen to engage in foreign trade, especially if there are corresponding incentives for their participation. Participation in the foreign trade under the contemporary globalization trend is profitable. The low level of global trade participation (Table 8 and Table 9) is affected by the low level of capital of the Muslim businessmen (Table 2).

Participation in Global Investment Process

Participation in global or foreign investment process is an important process for the Muslim businessmen since it will open up opportunities for them to develop economically and decongest themselves from local trading in their hometown where they tend to saturate. More participation of the Muslims in this economic process implies opportunities for the government in terms of added source of tax revenues and resolving some social problems of poverty and unemployment.

Participation takes different forms and levels, either attendance in a meeting or conference for a negotiation for possible foreign investment, ocular inspection of area, decision-making related to foreign investment, and serving as counterpart investor in a foreign-owned business in the form of partnership or corporation with Filipino counterparts.

In this study, global investment process includes negotiation for possible foreign investment in trading and manufacturing in the locality, seminar and conference related to possible foreign investment, site-seeing of potential investment location, and actual establishment of business enterprise with foreign investors.

The Muslim businessmen were asked whether they participated in global or foreign investment process or not. Table 10 shows that out of 150 businessmen, 108 or 72% said that they have not participated, while 42 or 28% have somehow participated.

Table 10. Respondents Distribution as to Participation in Global Investment Process

Particular	Participating		Not participating		TOTAL	
	F	%	F	%	F	%
Whether they participate in global investment Process	42	28%	108	72%	150	100%

N = 150

F = frequency

% = percent

The low trading frequency and low participation in global investment process is also affected by poor infrastructure facilities in Muslim areas. Findings imply that it is easier for Muslim businessmen to participate in global trade since they can participate directly without depending upon decision of some groups, as in the participation in investment processes, wherein the business firms must be partnerships or corporations. Decision in direct foreign trade is more independent compared to investment decision where several groups would decide. Since the participation in global investment is poor, this implies the need for the local government to design a program helpful to potential foreign traders to invest locally and to motivate the participation of the local investors in business projects under the category of global or foreign trade and investment.

As to the level of their participation in global investment process, 15 or 36% have adequate participation; inadequate participation, 11 or 26%; very inadequate participation, 10 or 24%; and very adequate participation, 6 or 14%.

Table 11. Respondents Distribution as to Level of Participation in Global Investment Process

Particular	V		A		I		VI		Total		Mean	Qualitative Equivalent
	F	%	F	%	F	%	F	%	F	%		
Level of participation in global investment processes	6	14	15	36	11	26	10	24	42	100	2.4	Inadequate

N = 42

VA = Very Adequate

I = Inadequate

A = Adequate

VI = Very Inadequate

F = frequency

% = percent

Again, this low level of participation in global investment process is affected by low level of capital of the Muslim businessmen (see Table 2). The findings suggest that present globalization trend has rarely influenced the motivation of businessmen to participate in the investment process due to lack of capital. Enhancement of global trade strategies is imperative, so that concerned government entities should be active in designing and implementing programs for wider participation of Muslim businessmen in global trade and investment.

Influence of Global Trend on Motivation to Participate

Muslim businessmen were asked whether global trend has motivated the Muslim businessmen to participate in global trade and investment. Table 12 shows that 94 or 63% of the 150 respondents said that global trend did not motivate them, while 56 or 36% of them said that global trend has motivated them to participate.

Table 12. Respondents Distribution as to Whether Global Trend is Motivating Them to Participate in Global Trade and Investment

Particular	With Influence		Influence		TOTAL	
	F	%	F	%	F	%
Whether global trend has motivated businessmen to participate in global trend and investment or not	56	37%	94	63%	150	100%

N = 150

F = frequency

% = percent

The finding implies that low level of capital among Muslim businessmen affected their motivation to participate in global trade and investment process. The government may develop foreign trade and investment participation among the Muslim businessmen, since they will become a source of additional capital and potential large tax revenues for the country, especially since there are Muslim businessmen from foreign lands who are interested to invest in Muslim areas of the Philippines.

For those who have participated in global trade and global investment processes, Table 13 shows that 36 or 40% of the 91 participants have low confidence that they are successful in their participation in global trade and investment process; high confidence, 35 or 38%; very low confidence, 11 or 12%; and very high confidence, 9 or 10%.

Table 13. Respondents Distribution as to Level of Confidence of Success in Their Global Participation

Particular	V		A		I		VI		Total		Mean	Qualitative Equivalent
	F	%	F	%	F	%	F	%	F	%		
Level of confidence that businessmen are successful in their global participation	9	10%	35	38%	36	40%	11	12%	91	100%	2.5	High

N = 91

VH = Very High

H = High

F = frequency

L = Low

VL = Very Low

% = percent

The findings imply that, since the Muslim businessmen participants are highly confident that they are successful in their global trade and investment participation, there shall be no difficulty in enhancing their participation and in motivating incoming businessmen to participate.

Effect of Globalization on Tourism

Tourism is an area that this study attempted to include for assessment since influx of foreign investors in a locality has implications for growth of tourism establishments, like transportation business, hotels and restaurants, and gift shops. In the absence or suspension of a field office of the Department of Tourism (DOT) in the Muslim areas, the study failed to get data that would reflect the influence of globalization on local tourism industry. The researcher could only resort to respondents' perceptions on the process.

Records of influx of tourists from the Regional Offices of the DOT did not reflect influence of the tourism processes in the urban centers on the local tourism industry and businesses in the countryside. The businessmen were asked about their perception of the effect of globalization on local tourism. Table 14 shows that 108 or 72% of the 150 respondents said that global trade and investment have positive effect on tourism in the Muslim areas, while only 42 or 28% said that globalization had no positive effect on local tourism.

Table 14. Respondents Distribution as to Globalization Effect on Tourism in the Localities

Particular	With Positive Effect		No Positive Effect		Total	
	F	%	F	%	F	%
Whether global trade and investment have positive effect on tourism in the Muslim areas (such as increase in tourism-related business)	108	72%	42	28%	150	100%

N = 150

F = frequency

% = percent

On the other hand, the Muslim businessmen perceived that the increase of tourist influx and tourism investment contributed to their participation in both domestic and global trade. In addition to existing business establishments, more tourism-related establishments, like gift-shops and transportation franchises were established by Muslim businessmen to cater to the needs of both the tourists and the local clients.

Specific Globalization Contributions to Tourism

On specific contributions of globalization to tourism as perceived by the respondents, Table 15 shows that 85 or 57% of the 150 respondents cited the increase of tourist influx as the specific contribution of globalization to local tourism; improvement of tourist attractions, 83 or 55%; increase of restaurant establishments, 65 or 43%; and increase of gift shops, 51 or 34%.

Table 15. Respondents Distribution as to Specific Globalization Contributions to Tourism

Contribution to Tourism	Frequency	Percent
1. Improvement of Tourist Attractions	83	55%
2. Increase of Sales of Tourist-related Business	76	51%
3. Increase of Tourist-Influx	85	57%
4. Increase of Restaurant Establishment	65	43%
5. Increase of Gift-shops	51	34%

N = 150

*Multiple Responses

In general, globalization is discernibly contributing to the development of local tourism industries. The government may take the cue from this and innovate its existing support program for global trade in order to sustain the program's contribution to the local tourism industry.

It is expected that in light of the boom of global trade and investment, there is a need to expand local businesses under the categories of hotels, restaurants, gift-shops, and transportation and communication facilities. However, for these establishments to be competitive with the world standard, they have to improve their facilities in quantity and quality.

B. Access to Global Trade and Investment Programs

Access to Government Support Program

Access to the government and foreign support programs usually makes the difference between successful and rapidly growing business and the lethargic business. There is apprehension that traders in the countryside might not have been enjoying these programs in contrast to businessmen located in the urban area.

The Muslim traders were asked whether they have access to government support program for global trade and investment. As such, Table 16 shows that 101 or 67% of the 150 businessmen have no access to government support programs; while 49 or 33% said they have access to the government support program for trade and investment.

Table 16. Respondents Distribution as to Access to Government Support Program

Particular	With Access		No Access		Total	
	F	%	F	%	F	%
Whether they have access to government support in their global trade and investment activities	49	33%	101	67%	150	100%

N = 150

F = frequency

% = percent

When they were asked to rate their level of access to government support program, 49 respondents gave their ratings as shown in Table 17. On liberal customs and tariff policies, 14 or 28% of 49 respondents rated it adequate; inadequate, 11 or 22%; very adequate, 7 or 14%; very inadequate, 5 or 10%. These scores have a mean rating of 1.9, which decidedly reads as inadequate.

On financial assistance in the form of loan/credit, 12 or 24% of the 49 respondents rated it adequate; very inadequate, 8 or 16%, inadequate, 6 or 12%; and very adequate, 5 or 10%. These scores have a mean of 1.6 with a qualitative equivalent of inadequate. On domestic market promotion, 10 or 20% rated it inadequate; very adequate, 6 or 12%; adequate, 6 or 12%; and very adequate, 6 or 12%. The mean of these scores is 1.9, which means that the businessmen's access to the program of market promotion is inadequate.

On encouragement from the government, adequate, 8 or 16%; inadequate, 8 or 16%; very adequate, 5 or 10%; and very inadequate, 3 or 6%. The mean of these scores is 1.4, which means inadequate. On government information dissemination, inadequate, 10 or 20%; adequate, 9 or 18%; very inadequate, 9 or 18%; and very adequate, 8 or 16%. The scores have a mean of 1.8, which signifies inadequate.

On opportunity for direct deal with foreign traders and investors, inadequate 10 or 20%; adequate, 9 or 18%; very adequate, 7 or 14%; and very inadequate, 7 or 14%. The figures have a mean of 1.7, which is interpreted as inadequate. The weighted mean of the over-all government support program is 1.7, which communicates the message that the respondents have inadequate or low access to the programs.

Table 17. Respondents Distribution as to Level of Access to Government Support Program

Level of access to government support	V		A		I		VI		Total*	Mean	Qualitative Equivalent	
	F	%	F	%	F	%	F	%				
1. Liberal customs and tariff policies	7	14	14	28	11	22	5	10	37	75	1.9	I
2. Financial assistance in the form of loan/credit	5	10	12	24	6	12	8	16	31	63	1.5	VI
3. Domestic market promotion	6	12	6	12	10	20	6	12	28	57	1.9	I

4. Encouragement from the government	5	10	8	16	8	16	3	6	24	49	1.3	VI
5. Government information dissemination	8	16	9	18	10	20	9	18	36	73	1.8	I
6. Opportunity for direct deal with foreign traders and investors	7	14	9	18	10	20	7	14	33	67	1.7	I
Overall weighted mean											1.7	I

N = 49

*Multiple Response

VA = Very Adequate

A = Adequate

F = frequency

I = Inadequate

VI = Very Inadequate

% = percent

The low rate of access to government support program is also affected by low level of capital (Table 2) of the Muslim businessmen. Many do not attempt to participate in global trade; hence, they do not attempt to engage the support of government in global trading.

The findings suggest that Muslim businessmen lack access to government support program in the global trade and investment. This lack of access is explained by poor communication facilities, and somewhat passive implementation of government programs for global trade and investment development by concerned agencies. These further imply the need for strong information dissemination and better strategies to promote client access to government support program.

This inadequacy of access to government support program for foreign trade and investment has something to do with the knowledge or awareness of government program for enterprises development. This disclosure is similar to the outcome of the study of the author in 1991, which showed that 90% of the entrepreneurs were not aware of government program for enterprises development (Macaayong, 1991, p. 116).

In like manner, the study in 1991 disclosed that 92% of the entrepreneurs claimed that they did not benefit directly from the Small and Medium Enterprises Development (SMED) program of the government. Their non-enjoyment of the program was also caused by their lack of familiarity to the program, lack of information, and program inaccessibility to them (Macaayong, 1991, p. 118).

The Muslim businessmen have rarely availed of the incentive programs for investment in the Philippines as cited by Davidson and Ciambella (1997, p. 149), because, while the Muslim businessmen are basically traders, most of these incentives are designed for manufacturing enterprises. However, it is apparent that they are indirectly benefited out of these incentives because of the growing foreign companies established in the Philippines, which became sources of their merchandises or market for their business.

Access to Foreign Support Program

Access to foreign support program, like liberal foreign customs and tariff policies, foreign financial assistance in the form of loan or grant, market promotion of local products abroad, and some facilitation services, is important in foreign trade.

The study inquired on whether the Muslim businessmen have access to foreign support in their trade and investment. Table 18 shows that out of 150 respondents, 109 or 73% had no access to foreign support in trade and investment.

Table 18. Respondents Distribution as to Access to Foreign Support Program

Particular	With Access		No Access		Total	
	F	%	F	%	F	%
Whether they have access to foreign support in global trade and investment	41	27%	109	73%	150	100%

N = 150

F = frequency

% = percent

On the level of access to foreign support program, Table 19 shows that for liberal foreign customs and tariff policies, 17 or 41% of the 41 respondents have adequate access; inadequate, 5 or 12%; very inadequate, 5 or 12%; and very adequate 3 or 7%. The mean of these scores is 1.9, which can only be interpreted that the respondents had inadequate access to this program. On foreign financial assistance, very inadequate, 10 or 24%; inadequate, 8 or 29%; very adequate, 5 or 12%; and adequate, 5 or 12%. These scores got a mean of 1.5 which is equivalent to inadequate.

As for market promotion abroad, 14 or 34% answered adequate; very adequate, 9 or 22%; adequate, 8 or 20%; and very inadequate, 6 or 14%. The mean of the score is 2.4, which still falls considerably short of what is adequate. On facilitation from abroad, 10 or 24% for adequate; inadequate, 7 or 17%; very adequate, 6 or 15%; and very inadequate, 4 or 10%. The mean of these scores, 1.75, is interpreted as inadequate.

Table 19. Respondents Distribution as to Level of Access to Foreign Support Program

Level of access to foreign support	V		A		I		VI		Total*		Mean	Qualitative Equivalent
	F	%	F	%	F	%	F	%	F	%		
1. Liberal foreign customs and tariff policies	3	7	17	41	5	12	5	12	30	73	1.9	I
2. Foreign financial assistance	5	12	5	12	8	20	10	24	28	68	1.5	I
3. Market promotion abroad	9	22	14	34	8	20	6	14	37	90	2.4	I

4. Facilitation from abroad	6	15	10	24	7	17	4	10	27	66	1.75	I
Overall weighted mean											1.9	I

N = 41

*Multiple Responses

F = frequency

% = percent

The low access to foreign program stems from inadequate information campaign and cumbersome requirements for the program as in financial assistance, such that government support might not be enticing enough to the clients. Further, since many do not engage in foreign trade, they do not bother to avail of the foreign program for foreign trade.

The findings imply the need to enhance foreign support program, through proper or more aggressive information dissemination, government facilitation programs, and assistance to promoting foreign markets of Philippines products.

Agencies that Provided Support to Businessmen's Participation

When the businessmen were asked as to the agencies that provided assistance to their participation in global trade and investment, 18 or 44% of the 41 respondents mentioned the Department of Trade and Industry (DTI), Bureau of Customs, 10 or 24%; Social Security System (SSS), 8 or 20%; and the Government Service Insurance System (GSIS) (Table 20).

Table 20. Respondents Distribution as to Agencies that Provided Support in Their Global Participation

Government Agencies that provided Support	Frequency	Percent
1. DTI	18	44
2. Bureau of Customs	10	24
3. SSS	8	20
4. GSIS	5	12
TOTAL	41	100%

N = 41

While DTI and the Bureau of Customs are regularly involved in foreign trade; findings shows that Muslim businessmen have limited access to agencies involved in foreign trade. The SSS and GSIS come into the picture because businessmen who were former employees have secured their loans and retirement benefits from the above-cited agencies, and used the funds raised as capital in their participation in the foreign business.

It is apparent that there is a need for the government to launch an information drive on other financial and support agencies, which the global traders can tap in their aspiration for assistance.

C. Problems and Solutions

The study went to the extent of determining whether or not there are problems affecting the businessmen in their participation in foreign trade. It was presumed that problems affecting domestic trade could also afflict foreign trade.

Perceived Problems

The problems identified by the respondents are presented in rank order. On whether global participation of businessmen was hindered by problems or not, 94 or 63% of the 150 respondents said that their participation is hindered by problems; while only 56 or 37% said that their participation is not hindered by problems.

Table 21. Respondents Distribution as to Whether Their Global Participation is hindered by Problems.

Particular	YES		NO		TOTAL	
	F	%	F	%	F	%
Whether global Participation of businessmen is hindered by some problems or not	94	63%	56	37%	150	100%

N = 150

F = frequency

% = percent

When interviewed about the types of problems they encountered, the 150 respondents were spread over the following problems as shown in Table 22 in rank order, namely: lack of capital, with the frequency of 68 or 45%; peace and order problem, 64 or 42%; lack of support from government, 58 or 39%; lack of opportunities for direct deal with foreign traders and investors, 53 or 35%; lack of technical know-how, 48 or 32%; poor infrastructure facilities, 44 or 29%; majority of enterprises are micro and informal, 43 or 29%; conflict in cultural or religious values, 42 or 28%; poor communication facilities, 39 or 26%; and poor information system, 33 or 22%.

Table 22. Respondents Distribution as to Problems Affecting Their Global Participation

Problems	Frequency*	Percent
1. Lack of capital	68	45
2. Peace and order problem	64	42
3. Lack of support from the government	58	39
4. Lack of opportunities for actual deal with Foreign traders and investors	53	35
5. Lack of technical know-how	48	32
6. Poor infrastructure facilities in our place	44	29
7. Majority of enterprises are micro and informal	43	29
8. Conflict in cultural or religious values	42	28
9. Poor communication facilities in our place	39	26
10. Poor information system in our place	33	22
TOTAL:	492	100%

N = 150

* Multiple responses

Since Muslim businessmen are located in Muslim areas that are among the economically depressed areas in the country, it is expected that they encounter the problems identified in this study. Poor infrastructure served as an obstacle to trading since it created difficulty in moving goods from place to place, like from General Santos City – a port of entry of foreign goods from Indonesia, Malaysia and Singapore – to Marawi City or any part of Mindanao. This is also the reason why low frequency of trading and global participation of Muslims obtained in these areas as shown in Table 8.

The findings of the study on problems affecting the Muslim businessmen's participation in foreign trade and investment corroborated the findings of the author in related study in 1991, wherein lack of program information and lack of program accessibility were among the disclosed problems that affected local entrepreneurs. Entrepreneurs in Lanao del Sur were inadequately informed about the existing financial and non-financial programs of the government for enterprise development. It was noted that small and medium enterprises development program of the government was scarcely exposed to media that only few knew it; there was lack of orientation on the program; and communication facilities were poor and could hardly support the program (Macaayong, 1991, p. 90).

On program accessibility, it was disclosed that there was lack of promotion of the financing program; there was long waiting time to obtain approval for assistance; and travel to follow up application was expensive because entrepreneurs used to come to Manila to follow up action (Macaayong, 1991, p. 91).

The other problems disclosed in 1991 similar to problems identified in this study were peace and order problem, and lack of people's participation in the enterprise development program. The past study showed that government-rebel conflict served as

obstacle to enterprise development; political issues and problems obstructed the progress of the enterprises; and government's laxity to control the peace and order problem in Mindanao also affected the development of the enterprises. The lack of people's participation in 1991 is similar to problem of lack of opportunities for actual deal with foreign investors in this study. The specific problems in 1991 were: no public hearing or survey done yearly for policy making for enterprises development; no regular annual seminar for industry sectors as bases for policy making; and the lack of clients participation caused poor enterprise development (Macaayong, 1991, p. 99).

While the problems identified by the study of the APEC Secretariat (1995, p. 2) are not directly similar to the problems identified by this study, the government needs to address these problems of the Muslim enterprises, in order to facilitate their participation in foreign trade and investment and recognize the development of their businesses as important part of the government's pursuit of national peace and development.

Suggested Solutions to Problems

The study also sought from the respondents their suggested solutions to the perceived problems in global participation. These suggested solutions are likewise presented in rank order. Table 23 shows that: 1) provision of financial assistance topped the suggestions with frequency of 58 or 39% of the 150 respondents; 2) maintenance of peace and order, 56 or 37%; 3) support from the government, 53 or 35%; 4) seminar-workshop for businessmen on promoting global trade, 50 or 33%; 5) open trade to foreign countries, 47 or 31%; 6) improved communication facilities, 43 or 29%; 7) government facilitation of Filipino Muslim participation in global trade and investment, 41 or 27%; 8) improvement of infrastructure support, 39 or 26%; 9) government facilitation of foreign Muslim investors' business deals in the Philippines, 30 or 20%; 10) program to promote global trade cultural understanding with foreign businessmen, 25 or 17%.

Table 23. Respondents Distribution as to Their Suggested Solutions to Identified Problems

Solutions	Frequency	Percent
1. Provision of financial assistance	58	39
2. Peace and order	56	37
3. Support from the government	53	35
4. Seminar-workshops for businessmen on promoting global trade	50	33
5. Open trade to foreign countries	47	31
6. Improved communication facilities	43	29
7. Govt. facilitation of Muslim participation in global trade and investment	41	27
8. Improvement of infrastructure support	39	26
9. Govt. facilitation of foreign Muslim investors' business deals in the Philippines	30	20
10. Program to promote cultural understanding with foreign investors.	25	17

* Multiple Responses

The findings imply the need for competent implementation of government programs to enhance global participation of businessmen from the countryside, considering the perceived problems in their participation. They suggested formulation of good strategies for eradicating or arresting factors that contribute to the problem of peace and order, the bone which posed the most severe threat to the promotion of trade and investment in the locality.

The findings also suggest the need to conduct seminars and training designed to promote local participation in global trade and investment. Hence, support from the government in the form of facilitation of local participation is a *sine qua non* to business development.

Chapter V

SUMMARY, IMPLICATIONS AND RECOMMENDATIONS

The study was conducted in 2000 and 2001 among Muslim businessmen in the Philippines, particularly in the Muslim areas in Mindanao to determine the profile of the Muslim traders and the effect of globalization on their trading as perceived by them.

The study addressed the following specific objectives:

1. To know the business profile of the Muslim traders, in terms of type of business ownership, capitalization, sources of capital, type of products merchandised, sources of merchandises, and market distribution.
2. To determine the effect of globalization on trade and investment among Muslim businessmen, in terms of level of participation, and access to global trade and investment programs as perceived by them.
3. To know the effect of global trade and investment on tourism-related enterprises in the Muslim areas, in terms of improvement of tourism businesses, and influx of tourists as perceived by them.
4. To identify the problems that hindered the participation and progress of Muslim businessmen in global trade and investment as perceived by them.
5. To identify solutions to problems as suggested by the respondents.
6. To come up with policy recommendations with implications for the development of trade and investment in Muslim areas and in the APEC region.

The design of the study is qualitative-descriptive research design. It had a sample size of 150 businessmen, that is an average of 15 respondents from each of the ten identified research locale, determined with the use of a purposive and random sampling procedures. Questionnaire, the main instrument of data gathering, was supported by the interview method. The study used frequency counts, percentages, and weighted mean as tools of data analysis and interpretation.

Summary of Findings

A. Profile of Respondents

1. Majority or 80% of the 150 Muslim businessmen respondents belonged to sole proprietorship, few or 16% were into partnership; corporation, 11%; and cooperative, 8%. Only one corporation had foreign investors. A few of the sole proprietorship type were not registered, hence, also considered as informal businesses.
2. Majority or 51% of the Muslim businessmen had a capitalization that ranged from P1,000,000 to P5,000,000. This was followed by those with P5,100,000 to P10,000,000 capitalization. There were few who had capitalization of P10,000,000 to 25,000,000, or more.
3. As to the sources of capital, 61% of the respondents had personal money as major sources of capital, followed by family, friends or relatives as the sources. Few mentioned banks, NGO's, incorporators' contributions and other lending institutions as sources.
4. As to type of products merchandised, 52% were dealers of dry goods, cosmetics and ladies accessories. This was followed by RTW and textiles with 25%. While few were in other types of business like decorations.
5. On sources of merchandises, 53% were merchandising locally produced goods, while 41% were engaged in selling imported goods.
6. As to type of market, majority or 72% distributed their merchandises in the domestic market, while only 11% engaged in exporting to foreign markets.

B. Perceived Effect of Globalization on Trade and Investment Among Muslim Businessmen

7. Sixty-seven percent (67%) of the Muslim businessmen did not participate in global trade, while only 33% participated.
8. In general, the degree of participation of those who participated in global trade was adequate with a mean of 2.8 (adequate).
9. Seventy-two percent (72%) of the businessmen respondents were not able to participate in the global investment processes, while only 28% were able to participate.
10. In general the degree of participation of those who participated in global investment process was rated inadequate with a mean of 2.4 (inadequate).
11. On whether global trend was motivating the respondents to participate in global trade and investment, 63% of the respondents said that global trend had motivated them to participate. The 37% said that the global trend had not motivated them to participate.

12. For those who participated in global trade and investment processes, they rated high their level of confidence in success as a goal with a mean of 2.5 (high).
13. On perceived globalization effect on tourism in the localities, 72% of the respondents said that globalization had positive effect on tourism in the Muslim areas; while only 28% said it had no positive effect on local tourism.
14. As to specific globalization contributions to tourism, 57% said that globalization had contributed to the increase of tourist influx; increase of sales of tourism-related businesses, 51%; increase of restaurant establishment, 43%; and increase of gift shops, 34%.

C. Access to Global Trade and Investment Programs

15. Whether they have access to government support program for global trade and investment or not, particularly non-financial support, 67% of respondent Muslim businessmen said they have access, while only 33% said that they have no access.
16. On the whole, though they have access to government support program, the Muslim businessmen had inadequate access to government support program, with a weighted mean of 1.7 (Inadequate).
17. On access to foreign non-financial support program for global trade and investment, 73% had no access, while only 41% said that they had access.
18. On level of their access to foreign non-financial support program, it was found that Muslim businessmen had inadequate access, with a weighted mean of 1.9, which translates as inadequate.
19. In identification of agencies that had provided support to their foreign trade participation, 44% of the 41 respondents mentioned DTI, 24% mentioned SSS, and another 12% mentioned the GSIS.

D. Problems and Solutions

20. On the problems that have affected the participation of the Muslim businessmen, 63% of the 150 respondents said that there are problems affecting local global participation, while 37% said that there are no problems affecting their participation.
21. The identified problems in rank order were: (1) lack of capital, (2) peace and order problem, (3) lack of support from government, (4) lack of opportunities for actual deal with foreign traders and investors, (5) lack of technical know-how of businessmen, (6) poor infrastructure facilities, (7) majority of enterprises are micro and informal, (8) conflict in cultural or religious values, (9) poor communication facilities, and (10) poor information system in our place.
22. As to the solutions to the identified problems, the respondents suggested the following; (a) provision of financial assistance, (b) peace and order maintenance, (c) support from the government, (d) seminar-workshops for businessmen on

promoting global trade, (e) open trade to foreign countries, (f) improved communication facilities, (g) government facilitation of Muslim participation in global trade and investment, (h) improvement of infrastructure support, (i) government facilitation of foreign Muslim investors' business deals in Mindanao, and (j) program to promote cultural understanding with foreign investors.

Implications

1. Ordinarily, the Muslim businessmen are still operating within the traditional system of business that is sole proprietorship, which has low level of capital. This is the reason why they could not easily get partners or investors from abroad.
2. The Muslim businessmen do not tap financial institutions, like banks and insurance companies so as to avail of or raise large capitals. This explains their limited capital and business operation. The non-availment of financial support from banks reflects the influence of their religious practices, specifically interests on fund borrowed as anathema to Islam. Hence, the need for programs designed to develop their business operations and their economic participation that are compatible with the tenets of their religion (like bank loan under the profit sharing scheme).
3. The business structure of Muslim economy, heavily based on trading, discourages capital inflow in Muslim Mindanao. Local and international businessmen cannot find a Muslim partner solvent enough to go into manufacturing or infrastructure business. Ordinarily, Muslims do not engage in large scale manufacturing industries. This may be explained by reasons of lack of capital, lack of technology, and lack of courage to take risks and engage in large-scale manufacturing. They are inhibited to borrow from banks due to religious practices.
4. Their low percentage of participation in global or foreign trade is normal for businessmen in the countryside. It is within the acceptable condition in the Philippine situation. Filipino Muslim businessmen are less successful compared to foreign Muslim businessmen, like Malaysians or the Arabs, not because of the culture of the Filipino Muslims but because of their lack of opportunity to acquire bigger capital.
5. As perceived by the respondents, globalization has positive effects for local tourism industry. Examples of the contributions of globalization are improvement of tourist attractions, increase of tourist influx, increase of sales of tourism-related establishment; increase of restaurant establishments; and increase of gift shops.
6. Muslim businessmen have access to government support program for foreign trade and investment but their access is inadequate. Hence, government agencies in charge of the program need to strengthen their program for greater facilitation of the participation of businessmen from the countryside in global trade participation.

7. Their access to foreign support is low and inadequate. There is a need for the national government to facilitate improvement of their access to foreign support.
8. There is deficient knowledge among Muslims of the agencies of the government which are tasked to promote participation in global trade. This implies the need to promote wider information dissemination of the program.
9. Participation of Muslim businessmen in globalization is affected by problems. A few Muslims believed that the government is in a better position to provide for all their needs in their foreign trade participation. The government need to device methods to alleviate problems affecting the Muslims and other participants from the countryside in the foreign trade and investment processes.

In summary, the efforts of government agencies like the Department of Trade and Industry and the Philippine APEC Study Center Network obviously have positive contributions to the goal of the government for trade and investment development in the countryside. This observation can be deduced from the following research outcome: thirty percent of the Muslim traders as respondents of the study have participated in foreign trade, and their level of participation is adequate; 28% have participated in global investment process; the global trend has given motivation to the 37% of the Muslim traders to participate in trade and investment processes; 72% perceived that globalization has buoyed up tourism in Muslim areas; 67% have access to government non-financial support program; and 27% have access to foreign non-capital support program.

Recommendations

On the basis of the findings and implications marshaled in this study, the following are recommended.

A. Institutional and Linkage Development

1. Establishment or development of institutions through which promotion of trade and investment in the Muslim areas can be vigorously pursued. In regard this matter, concerned Government bodies like the Department of Finance and the Central Bank of the Philippines, in cooperation with the Islamic Development Bank in the Middle East, may help the Muslim communities in establishing Islamic bank units in the Muslim areas of the Philippines. Muslim businessmen can then have an alternative source of financial assistance under an arrangement acceptable to Islam, like profit sharing in business projects, instead of interest bearing loans which are violates Islamic belief.
2. Establishment of a branch of the Development Bank of the Philippines (DBP) in strategic places in the Muslim areas, like Marawi City which is the only city in the Philippines without a branch of the Development Bank. Such envisioned extension of the DBP services affords these places direct allocations of loaning funds intended for infrastructure, agricultural, and manufacturing developments. In the present circumstance, constituents of Marawi City and Lanao del Sur need to go to Iligan City to avail of loans from the DBP – Iligan City. The usual problems is less the inconvenience they must put up with than the lower priority given to them by the branch which gives priority to the people of Lanao del Norte and Iligan City in their development program.
3. Inviting the governments of selected Muslim countries in the Middle East, like the Kingdom of Saudi Arabia and Bahrain, to establish development agencies here in the Philippines similar to the concept and systems of the United States Aid for International Development (USAID), Canadian International Development Agency (CIDA), and the Japan International Cooperation Agency (JICA). These proposed establishments might provide new sources of development assistance in the Philippines, whether financial or in kind for development projects, including business development in the Muslim areas.
4. Improvement of diplomatic and economic linkages between the Philippines and the Muslim countries in ASEAN and Middle East. They may serve as potential sources of capital, economic assistance and trade cooperation.
5. Stabilization of the power supply in Muslim areas, especially in Marawi City and Lanao del Sur where the power supply is deplorably inadequate and irregular, which is ironical considering the fact that this place is the main source of hydroelectric power supply in Mindanao through the Agus River Hydro-Electric Power Plant Complex.
6. Creation of an ad hoc Committee to be sponsored by the Bangko Sentral ng Pilipinas (BSP), the Department of Finance, and the ARMM Government to study how Islamic banking and lending system can be effectively

institutionalized and implemented in Muslim areas of the Philippines. This move will not only contribute to economic development but may also serve as an alternative solution to internal political conflict between the government and the radical Muslims in the south.

B. Business and Industrial Development

7. The local government officials, in coordination with the Department of Trade and Industry, may encourage or require business enterprises in Muslim areas to get registered, in order that enough payment of business taxes can be ensured and so that enterprises can be enlisted and accurately evaluated for more robust development.
8. Local government officials in cooperation with local chambers of commerce, and the DTI may encourage the Muslim businessmen to form more partnerships and corporations, in order to pool their resources for bigger and challenging businesses. As partnerships and corporations, they can also easily avail of financial assistance or loans from banks and other foreign sources of capital.
9. The national government should take concrete steps to support and encourage Muslim businessmen and local government units to establish suitable and viable manufacturing industries, utilizing raw materials available in their locality. This is one way of facilitating their participation in global trade and investment and in boosting the regional economy.
10. The national government, through the Department of Trade and Industry, Board of Investments, National Economic and Development Authority (NEDA), Development Bank of the Philippines, and the Land Bank of the Philippines, may create a policy to prioritize the regular training assistance, including financial assistance packages for the Muslim traders and entrepreneurs. Coverage of the training shall include the following areas:
 - a. Management development training/seminar
 - b. Financial development training/seminar
 - c. Production technology training/seminar
 - d. Marketing development training/seminar
 - e. Global trade and investment development seminars

C. Information Program

11. Sufficient information dissemination regarding the support of the government for global trade and investment processes may be conducted in the Muslim areas by the DTI and the NEDA, so that their global business participation will be developed or enhanced.
12. Wider information campaign on global trade and investment opportunities may be mounted from time to time by appropriate government institutions like the DTI and the NEDA.

D. Infrastructure Development

13. Development by the Department of Public Works and Highways (DPWH) of more infrastructure facilities in Muslim areas, like increasing existing number of roads, road widening, and repair and expansion of airports, seaports, lake ports and warehouses. These infrastructure facilities are vital to the promotion of local and foreign businesses.
14. Development of communication infrastructure and facilities, like telephone system, Internet connections, etc. with the support of the DPWH and the Department of Transportation and Communication.

E. Related Areas for Further Study

In addressing the limitations of this study cited in Chapter I, the following are related areas which are recommended for further study:

1. Empirical study on the business performance of Muslim enterprises involved in foreign trade.
2. Study of the performance of the financial, banking and development institutions in their implementation of development programs in the Muslim areas.
3. Intensive study on the problems affecting the Muslim enterprises in Mindanao.
4. Policy study on operationalizing the Islamic Banking System in the Philippines.
5. Policy study in promoting development linkages with Muslim countries in ASEAN and the Middle East.
6. Survey study on promoting Philippine products in the Muslim countries.

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QUESTIONNAIRE

Direction: Please indicate your answer by writing on or checking the lines, spaces or boxes provided for, or as requested. Please do not leave any question unanswered.

A. Business Profile

1. Name of Respondents (Optional) _____
2. Name of Establishment _____
3. Address _____
4. Number of Years in Operation: _____ years
5. Type of Ownership:
 - Sole Proprietorship
 - Partnership
 - Corporation
 - Cooperative
 - Partnership with Foreign Investors
 - Corporation with Foreign Investors
 - Cooperative with Foreign Members
6. Capitalization:
 - Initial _____
 - Present _____
7. Source/s of Capitalization:
 - Personal
 - Family, friends, or relatives
 - Banks
 - Non-Government Organizations
 - Incorporators; Contributions
 - Coop Member's Contributions
 - Other Lending Institutions
8. Type/s of Products Merchandised:

9. Sources of Merchandises:
 - Locally Manufactured
 - Imported
10. Product Distribution:
 - Domestic
 - International/Export
 - Both Domestic and Export

B. Effect of Globalization on Trade and Investment

1. Do you participate in global trade?
 - Yes
 - No
2. If yes, what is your level of participation?

- Very Adequate Adequate
 Inadequate Very Inadequate
3. Do you participate in the global investment processes?
 Yes No
 4. If yes, what is the level of your participation?
 Very Adequate Adequate
 Inadequate Very Inadequate
 5. Has global trend given you motivation to participate in global trade and investment?
 Yes No
 6. What is your level of confidence that you are successful in your participation in terms of profitability and gaining expertise on global trade and investment processes?
 Very High Low
 High Very Low

C. Access to Global Trade and Investment

1. Do you have access to government support in your global trade and investment activities?
 Yes No
2. If yes, rate the extent of adequacy of access in terms of the following government support by checking the boxes that correspond to your responses using the following scales: Very Adequate (VA), Adequate (A), Inadequate (I), and very inadequate (VI)

	VA	A	I	VI
Liberal customs and tariff policies	()	()	()	()
Financial assistance in the form of loan/credit	()	()	()	()
Domestic market promotion	()	()	()	()
Foreign market promotion	()	()	()	()
Encouragement from the government	()	()	()	()
Government information dissemination	()	()	()	()
Opportunity for direct deal with foreign Traders and investors	()	()	()	()
Others, specify, _____				

3. Do you have access to foreign support in your global trade and investment activities?
 Yes No

4. If yes, rate the extent of adequacy of your access in terms of the following services.

	VA	A	I	VI
Liberal foreign customs and tariff policies	()	()	()	()
Foreign financial assistance	()	()	()	()
Market promotion abroad	()	()	()	()
Facilitation from abroad	()	()	()	()

Others, specify, _____

5. What government agency/s have provided your firm with such supports?
Kindly enumerate: _____

D. Effect of Globalization on Tourism

1. Do you think the global trade and investment has positive effect on tourism in your areas?
 Yes No
2. If yes, what are those contributions?
 Improvement of tourist attractions
 Improvement of tourism businesses
 Increase of tourist influx

A. Problems Hindering Your Participation and Progress in Global Trade and Investment

1. Do you think your participation and progress in global trade and investment are hindered by some problems?
 Yes No
2. If yes, what do you think are the problems?
 Lack of support from the government
 Lack of capital
 Lack of technical know-how
 Poor information system in our places
 Poor communication facilities in our place
 Poor infrastructure facilities in our place
 Majority of enterprises are micro and informal
 Peace and order problem
 Lack of opportunities for actual deal with foreign traders and investors
 Conflict in cultural/religious values
 Others, specify, _____

F. Solutions to Problems

1. Do you think that there are solutions to the problems encountered?
 Yes No
2. If yes, what do you think are the solutions to the problems identified above?

Enumerate as many as you can.

