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Effect of Global Economic Liberalization on Manufacturing Firms in Muslim Areas in the Philippines

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Effect of Global Economic Liberalization on Manufacturing Firms in Muslim Areas in the Philippines

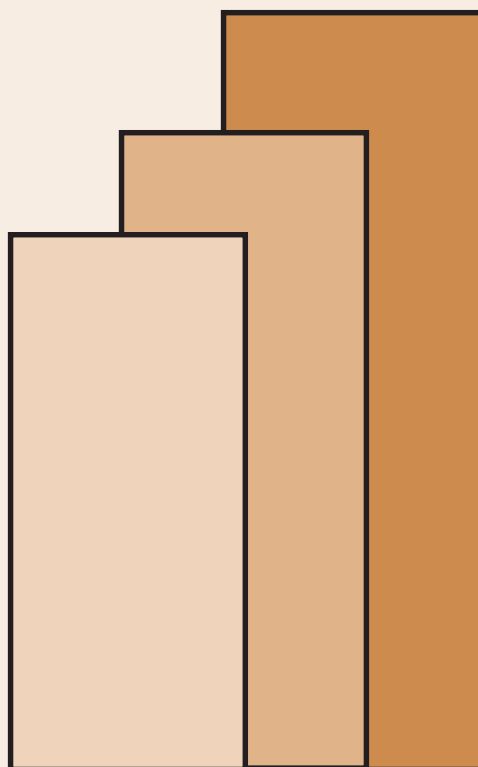
Eugenio J. Manulat Jr.

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**EFFECT OF GLOBAL ECONOMIC LIBERALIZATION
ON MANUFACTURING FIRMS IN MUSLIM
AREAS IN THE PHILIPPINES**

A Research Submitted to
The Philippine APEC Study Center Network
Philippine Institute for Development Studies
NEDA sa Makati Building, 106 Amorsolo Street
Legaspi Village, Makati City

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Abstract

The study aimed at determining the effects of global economic liberalization on manufacturing industries in Muslim areas in the Philippines. A total of 103 respondents/manufacturers of the different manufacturing firms, who were either indirectly or directly involved in export or import business were the targets for the study. Majority of the respondents were aware of the liberalization process taking place and adjustments were taken by most manufacturing industries in the Muslim areas in the Philippines to counteract the negative effects of globalization. But further intervention should be made to enhance and support the manufacturing industries in the Muslim areas. Among them are resolution of the peace and order situation, credit facilitation, technical assistance, market access abroad, tax reduction and lower tariffs, and infrastructure facilities.

Keywords: economic liberalization, Muslim industries/manufacturers, Islamic economy.

Executive Summary

The study was conducted to determine the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines.

The study focused on the following specific objectives:

1. To describe the profile of manufacturing firms in terms of name of establishment, number of years in operation, form ownership, initial and present capitalization, source of capital, products manufactured, sources of raw materials for production, and product distribution.
2. To examine the effect of global economic liberalization on manufacturing industries in Muslim areas, particularly on capitalization and ownership, production, marketing, profitability, and participation in the global trend;
3. To ascertain whether owner-manufacturer have adequate access to global industrial development facilities in terms of government support and foreign support;
4. To identify problems that hinders the participation and progress of businessmen in global trade and investment;
5. To identify solutions to the problems, as suggested by the respondents; and
6. To come up with policy recommendations with implications on the development of manufacturing industries in the APEC region.

Summary of Findings

The succeeding sections are the findings of the study.

I. PROFILE OF MANUFACTURING FIRMS

1. With regards to the name of establishments, not a single respondent indicated the name of his establishment.
2. As to the number of years in operation, twenty-nine or 28.16 percent of the manufacturing firms have been in operation between 6-10 years; twenty-five or 24.27 percent are between 11-15 years; eighteen or 17.48 percent are between 0-5 years closely followed by seventeen or 16.50 percent between 16-20 years. Only few manufacturing firms have been in operation for 21 years and above.
3. As to the form of ownership of the firms, more than one-half (64%) of the manufacturing firms are corporation; sixteen or 15.53 percent are sole

proprietorship; thirteen or 12.62 percent are partnership. Only seven or 6.80 percent are cooperatives, and three or 2.91 percent are corporations with foreign investors.

4. On the initial capitalization, a little more than 50 percent had an initial capitalization of P150,000 and below. This is followed by twenty-two or 21.36 percent above P150,000-P1.5M; fifteen or 14.56 percent above P1.5M-P15M. Eight or 7.77 percent are above P15M-P60M; and only three or 2.91 percent had an initial capitalization of above P60 million. With respect to present capitalization, forty-two or 40.78 percent have above P150,000-P15M followed by thirty-one or 30.10 percent P150,000 and below; fourteen or 13.59 percent are above P15M-P60M, thirteen or 12.62 percent above P1.5-P15M; and only three or 2.91 percent have maintain their initial capitalization of above P60 million.
5. As to source of capitalization, majority of the manufacturing firms (86.41%) had family, friends or relatives as their major sources of capital followed by banking institutions (80.58%); personal money (74.76%); incorporators' contribution (33.01%); and only few mentioned cooperative members contribution, from foreign partners; and five or 4.85 percent did not specify their source of capitalization.
6. With regards to products manufactured, the first five exportable product manufactured by the manufacturing firms are furniture and fixtures (11.65%; bags, RTWs and textiles (9.71%); candy and fruit preserves, and copra solvent, pellet and oil (7.77%); canned goods, and chemical products (6.80%); and dried sea weeds and fresh tuna fish (5.80%). Only few manufacturing firms manufacture non-exportable products.
7. On sources of raw materials, all manufacturing firms (100%) have local source, and seventy-one or 68.93 percent import their raw materials.
8. As with product distribution, majority of the manufacturing firms (86.41%) distribute their products in the domestic market; nine or 8.74 percent distribute products both in the domestic and international markets; and only few (4.85%) in the international market.

II. EFFECT OF GLOBAL ECONOMIC LIBERALIZATION

1. On awareness of respondents, a great majority (87.38%) of the respondents were aware, while thirteen or 12.62 percent were not aware.
2. Whether liberalization affected manufacturing firms, seventy-nine or 76.70 percent were affected and twenty-four or 23.30 percent were not affected.

3. As to the effect of liberalization, in general, the enhancing effect was rated moderate with the mean 2.88, while the adverse effect was also rated moderate with the mean of 2.76.
4. On the actions or adjustments taken by the respondents to alleviate the adverse effect of liberalization, the identified actions or adjustments in rank order are: (1) improved management capability, borrowed funds from financial institutions, and improved product quality; (2) sourced imported raw materials in the domestic market; (3) invited interested individuals to invest in the business; (4) improved productivity and efficiency; (5) reviewed existing marketing policies and strategies; (6) sent company personnel to training, seminars etc.; (7) established foreign markets and tied-up with foreign businessmen; (8) created own suppliers for materials needed in production; (9) acquired new technology and better facilities; (10) created more domestic markets for the product; (11) made price adjustments/intensified promotional activities; (12) hired consultants or sought for government assistance; (13) traded local products with imported products; and (14) entered in the global competition/market.

III. ACCESS TO FACILITIES

1. Access to government support, a little more than 50 percent had no access, while forty-nine or 47.57 percent had access.
2. Adequacy of access to government support, in general, it was rated inadequate by the respondents with the mean of 2.33.
3. As to government agencies who provided support to manufacturing firms, the agencies in rank order are: (1) Bureau of Customs; (2) Department of Trade and Industry; (3) Technology and Livelihood Research Center; (4) Department of Science and Technology; (5) Philippine National Bank; (6) Bureau of Food and Drug Administration; (7) Landbank of the Philippines; (8) Bureau of fishery and Aquatic Resources; (9) Department of Agriculture; (10) Philippine Coconut Authority; (11) Philippine Ports Authority; (12) Department of Environment and Natural Resources; and the Philippine Information Agency.
4. As with access to foreign support, sixty-seven or 65.05 percent had no access, while thirty-six or 34.95 percent had access.
5. On the adequacy of access to foreign support, the respondents, in general rated somewhat adequate with the mean of 2.62.
6. As to countries that have provided support to manufacturing firms, the respondents indicated in rank order the following: (1) United States and Malaysia; (2) Japan; (3) Korea and Indonesia; and (4) The Netherlands, France, Switzerland, Nigeria, Africa, China, Singapore, Belgium, and Canada.

7. On access to direct deal with foreign traders, seventy-three or 73.73 percent had no access, while twenty-six had access.

8. Actions taken by manufacturing firms to improve their access to facilities, the respondents provided the following:

a. On government support:

a.1. On taxes and tariffs, the respondents reported that the government should, through the Bureau of Customs, reduce or soften more the tax and tariffs imposed on imported goods and raw materials used in the manufacturing/production of finished products, and the tax (export) imposed on products to be exported.

a.2. As to financial assistance, the respondents indicated that the government should provide financial assistance in terms of loans with lesser requirements and lower interests in loans. Also, the respondents reported that the government should put up or establish more government banks for them to choose and easy access.

a.3. With regards to technical assistance and product development, the respondents reported that the government should provide such assistance. In their report, aside from the Department of Trade and Industry, there are no other government agencies that extend assistance in their production and product development.

a.4. On market promotion, the respondents reported that they were not able to avail assistance from the government, except that of the Department of Trade and Industry. However, its market promotion assistance is mainly focused in the domestic market.

B. On foreign support:

b.1 On foreign customs and tariff policies, the respondents reported that they leave this matter to the government to negotiate with other countries.

b.2 With regards to financial assistance, the respondents indicated that bigger capital investment, better quality products, better production method and technology adopted, would entice foreign investors to invest with them, and financial assistance would likely to come in th form of investment.

b.3 As with technical assistance, the respondents indicated that they need the help of the government, other than the technical assistance it provided, to help find foreign experts in order that their production and production

method used would be enhanced including the skills and capabilities attached to it.

- b.4 With regards to promotion, the respondents aired that the government should help manufacturers find foreign business partners or distributors who can distribute their products.
- b.5 On facilitation from abroad, the respondents reported that the government should also assist in finding foreign facilitators of their products similar to market promotion abroad.

IV. PROBLEMS HINDERING PARTICIPATION

1. Whether the participation of the respondents in global industrial development process was hindered by problems, all respondents (100%) reported positive responses.
2. On problems encountered by manufacturing firms, the respondents reported in rank order the following: (1) peace and order and foreign exchange rate fluctuations; (2) difficulty of obtaining raw materials; (3) poor access to technology; (4) lack of capital; (5) lack of marketing know-how; (6) heavy competition within the industry and lack of support from the government; (7) lack of opportunity to actual deal with foreign traders; (8) poor access to information and lack of demand for the product; (9) lack of technical expertise; (10) poor infrastructure facilities; (11) lack of market abroad and difficulty of obtaining highly skilled workers; (12) poor communication facilities, conflict in cultural and religious values, and lack of managerial skill; and (13) lack of support from the local government.

V. SOLUTIONS TO PROBLEMS

The respondents (100%) suggested some solution to their problems and were arranged according to their degree importance:

1. The government should be resolve enough to contain or end the armed struggles in strife-torn areas in mainland Mindanao, Basilan, Jolo, and Tawi-Tawi so that peace and order may reign, and allow people to leave normal lives, business to continue and progress to the betterment of Muslim areas.
2. Establishment of more credit facilities like banks that grant loans at low interest rates, and does not require high value collaterals.
3. Provision of technical assistance to manufacturing firms in order to improve its production and production method, and the corresponding, appropriate skills needed.

4. The government should assist in facilitating the development of markets abroad as well as promotion of products.
5. The government should extend assistance in finding foreign investors to invest with the local manufacturing firms in Muslim areas thereby increasing their capital.
6. More reduction in taxes in finished products and lowering of tariffs on imported goods and raw materials.
7. Provide training, seminars, and workshops to employees as well as to owners/managers.
8. Improve communication and infrastructure facilities in Muslim areas.

Implications

1. Firms tend to fold up before they reach the age of five years. If the imputed stability of at least six years is true, then a great majority of the manufacturing firms in Muslim areas are past their critical stage. The rest still have to mellow as they struggle for survival in the world of manufacturing business.
2. It is common knowledge that many small businesses in the Philippines are started as sole proprietorship. After operating for some time, he invites or gets invited to form a partnership or a corporation. Manufacturing firms in Muslim areas are not exceptions, they, too, passed this stage. Corporation is formed in order to generate bigger capital required of manufacturing business.
3. The source of capital of manufacturing firms were derived from their families, friends, or relatives, banks, personal money, and contributors' contribution. Banks offer various types of credit. To avail loans some requisites must be met such as, collaterals, an agreement not to exceed a specific amount, the specific purpose of the loan, good credit reputation of the borrower, and the stability of business of the borrower, all of which are enough to convince the lender.
4. Liberalization has positive moderate effects, particularly in the enhancing effects, to a great majority of the respondents. However, liberalization also has negative moderate effects, particularly in the adverse effects, to few respondents.
In either case, there is the need for the government to conduct a series of campaign and wide dissemination of information of what good liberalization can bring to manufacturing firms, and thereby encourage them to hasten their global participation and, eventually, in the global industrial development process.
5. Some manufacturing firms have access to government support program for global industrial development, but their access is inadequate. The government should

improve and strengthen their support program through its appropriate agencies so that manufacturing firms can avail wider access and facilitation.

6. The manufacturers have somewhat known many agencies who, were tasked to promote and facilitate their participation in global trade. However, the agencies should continue to improve their information dissemination in order to attract more manufacturing firms to participate in the global trade and industrial development.
7. Manufacturing firms have access to foreign support, but their access is only somewhat adequate. It would be imperative for the government to facilitate improvement of their access to foreign support.
8. The manufacturing firms have few known countries that have provided them support. The government should improve their political and business relationships so as facilitation of support to manufacturing firms would be enhanced and more accessible.
9. A huge number of manufacturing firms have no access with foreign traders. There is the need for the national government to mediate by bringing together both the local manufacturing firms and the identified foreign traders. With this, it would promote and help develop good business relationships and understanding.
10. The participation of manufacturing firms is hindered by so many problems. The government should take cognizance of these problems and make it as basis in devising and development of strategies to alleviate, if not, lessen the problems hindering the participation of manufacturing firms in Muslim areas into the global industrial development.

Recommendations

Based on the findings and implications of the study, the following recommendations are drawn:

1. The establishment of a branch of the Development Bank of the Philippines (DBP) in Marawi City. The nearest branch of the DBP is located in Iligan City. Manufacturers and other businessmen in Marawi City have to go down in Iligan City to transact their business.
2. The national government, through the “Bangko Sentral ng Pilipinas” (BSP) in consultation and coordination with some government agencies, should put up more banks, private or commercial banks, in Muslim areas so that manufacturing firms located therein can easily access and avail financing assistance and financial services. Likewise, Islamic banks should also be established in Muslim areas to cater to the financial requirements of Muslim manufacturers and other businessmen. With the establishment of Islamic banks, Muslim manufacturers,

businessmen, and even private individuals can avail of financial assistance whose terms and conditions are acceptable and in no way conflict with Islamic belief.

3. The Canadian International Development Agency (CIDA) is one of the foreign donors providing assistance to the Philippines. There were three pilot areas, Regions 6, 7 and 11 who have already benefited the financial, training and technical assistance provided by the CIDA. Given this kind of foreign support, the national government can request or ask the CIDA to provide the same assistance to the Autonomous Region for Muslim Mindanao, Regions 9, 10 and 12. The assistance provided to manufacturing firms in Muslim areas would help hasten the participation of said manufacturing firms in global industrial development.
4. The local government officials should encourage their constituents who have potentials to engage in manufacturing, and provide the necessary initial assistance, and likewise, extend support to existing manufacturing firms in their area.
5. There are several institutions, which provide assistance to business firms. The national government in consultation and coordination with the Department of Trade and Industry, Department of Science and Technology, and National Economic and Development Authority, must give first priority in providing training assistance and seminars to manufacturers in the field of:
 - 5.1. Global economic liberalization of manufacturing firms.
 - 5.2. Marketing fundamentals, marketing management and market development.
 - 5.3. Management training and development.
 - 5.4. Financial management or business finance.
 - 5.5. Production and technology transfer.
 - 5.6. Mass communication/information technology.
 - 5.7. Proprietary product technology.
6. Effective and sufficient information dissemination of support programs, business opportunities, new trends in economic liberalization and global industrial development.
7. The infant industry argument for government intervention is that to let manufacturing get a toehold, governments should temporarily support new industries, but not to end up protecting the inefficient.

Effect of Global Economic Liberalization on Manufacturing Firms in Muslim Areas in the Philippines

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INTRODUCTION

Economic globalization and liberalization is the trend in the contemporary time as a result of growing interdependencies of the nations of the world in terms of social, economic and business securities, and developments. This trend called for the global cooperation among nations. As a consequence, many regional associations have been created for mutual economic cooperation. These include the Asia Pacific Economic Cooperation (APEC), and the Brunei, Indonesia, Malaysia and the Philippines-East Asia Growth Area (BIMP-EAGA).

Like the previous governmental administration in the Philippines, the Estrada administration also upholds the supportive policy of the government on economic globalization and liberalization. The Philippine government has been providing strategies in its national development plans so that the national economy with the private enterprise could participate competently and productively in the global economic processes.

Nevertheless, some sources claimed that the respective industries of participating countries benefited from this global trend. On the contrary, some claimed that only few economic elite benefiting, since opportunities for global industrial development are rarely afforded to the entrepreneurs in the countryside. Like any private enterprises in the Philippines, manufacturing firms in the Muslim areas are expected to have the same needs of dependency such as social, economic and business securities, and development with other nations.

There are ways in which the manufacturing firms in the Philippines can improve their business operations. This may include the support provided by the Philippine government and its various agencies, private business institutions, business entities from abroad and even the manufacturing firms themselves. When all these needed support are available and provided, the essence and relevance of economic globalization and liberalization becomes a necessary ingredient to the success of the manufacturing firms in Muslim areas in the Philippines. By then, these would allow manufacturing firms to compete globally and participate in the industrial development process, and somehow may contribute something of value to the Philippine national economy.

Premises considered, this study, the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines was conducted.

THEORETICAL BACKGROUND

Trade is an important simulator of economic growth. It enlarges a country's consumption capacities, increases world output and provides access to scarce resources and worldwide market for products without which poor countries would be unable to grow (Todaro, 1981:347). The manufacturing sector is one industry where trading is their business.

This study is then guided with the general assumption that manufacturing firms in the Muslim areas in the Philippines are expected to contribute something beneficial to the economic growth of the country, and at the same time improve and expand their business operations, compete globally, and participate in the global industrial development process. It is also expected that these manufacturing firms will encounter some problems in the conduct of their business operations brought about by global economic liberalization.

Figure 1 shows the conceptual framework of the study. It presents the effect of global economic liberalization on manufacturing firms in terms of capitalization and ownership, production, marketing, profitability, and global participation, and the problems associated with it that may hinder the participation and progress of the manufacturing firms in global competition and industrial development process.

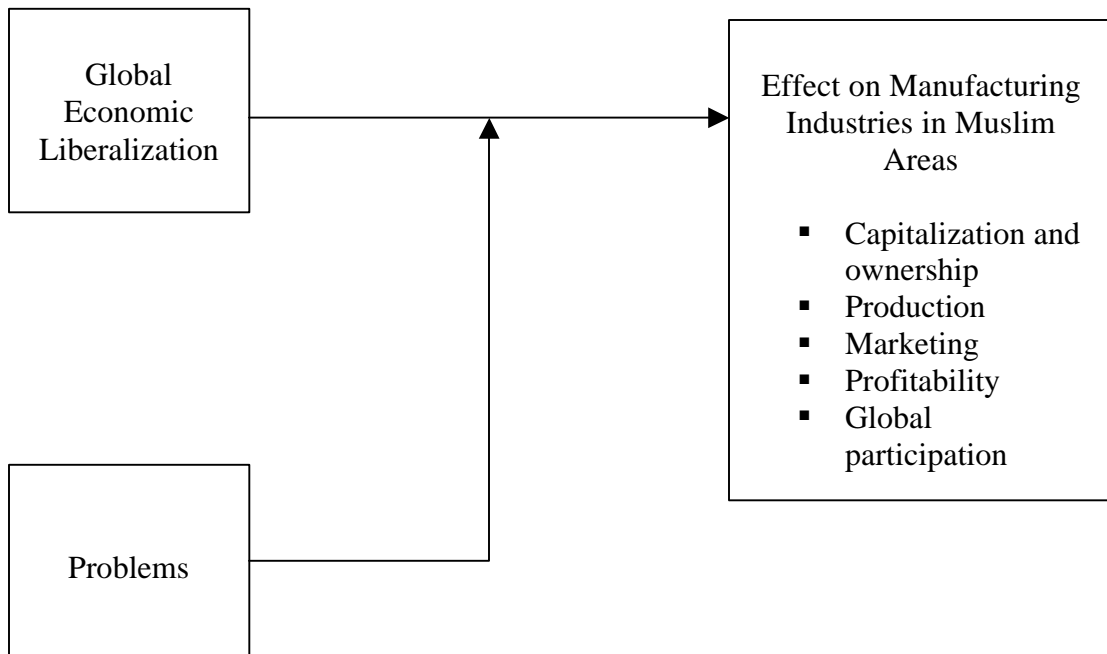


Figure 1. Conceptual Framework of the Study

The succeeding paragraphs delve on the concepts and theories, policies, and other relevant topics about the effects of global economic liberalization, and its contribution to the manufacturing firms in Muslim areas in the Philippines.

Trade tends to promote greater international and domestic equality by equalizing factor prices, raising real incomes of trading countries, and making efficient use of each nation's and the world's resource endowments such as, raising relative wages in labor-abundant countries and lowering them in labor-scarce nations. Trade helps countries to achieve development by promoting and rewarding those sectors of the economy where individual countries possess a comparative advantage whether in terms of labor efficiency or factor endowments. In a world of free trade, international prices and costs of production determine how much a country should trade in order to maximize its national welfare. Finally, in order to promote growth and development, an outward-looking international policy is required. In all cases, self-reliance and autarchy based on isolations are asserted to be economically inferior to participation in a world of free unlimited trade (Todaro, 1981:348).

During the 1920s and 30s many nations erected formidable barriers to international trade and investment. Many of these barriers took the form of higher tariffs on many imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. One consequence, however, was "beggar thy neighbor" retaliatory trade policies countries progressively raised trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s (Hill, 1998:7).

Given this, developing countries faced with declining world markets for their primary products, growing balance of payments deficits on current account, and a general belief in the magic of industrialization decided to pursue what has come to be known as an "import substitution" strategy of industrial development. Import substitution entails an attempt to replace commodities, usually manufactured goods that were formerly imported, with domestic sources of production and supply. The typical strategy is first to erect tariff barriers or quotas on the importation of certain commodities then try to set up a local industry to produce the goods imported. Typically, this involves cooperation with foreign companies encouraged to set up their plants behind the wall of tariff protection and given all kinds of tax and investment incentives (Todaro, 1981:374).

Furthermore, according to Todaro (1981), the import-substituting strategy of industrialization had resulted to undesirable outcomes. First, the main beneficiaries of the import substitution process have been the foreign firms that were able to locate behind tariff walls and take advantage of liberal tax and investment incentives. After deducting interest, profits, royalty and management fees, most of which are remittable abroad, the little may be left over usually accrues to the wealthy local industrialists with home foreign manufacturers cooperate and who provide their political and economic cover.

Second, most import substitution has been made possible by the heavy and often government-subsidized importation of capital goods and intermediate products by foreign (and domestic) companies). In the case of foreign companies, many are purchased from their parent and sister companies abroad.

A third detrimental effect of many import substitution strategies was their impact on traditional primary product exports. In order to encourage local manufacturing through the importation of cheap capital and intermediate goods, foreign exchange rates (i.e., the rate at which the Central of a nation is prepared to purchase foreign currencies) were often artificially “overvalued.” This has the effect of raising the price of exports and lowering the price of imports in terms of the local currency.

Finally, import substitution, which may have been conceived with the idea of stimulating self-sustained industrialization by creating “forward” and “backward” linkages with the rest of the economy, has in practice often inhibited that industrialization. By increasing the costs of inputs to potentially “forward” linked industries or intermediate products in their own productive process, and by purchasing its inputs from overseas sources of supply rather than through “backward” linkages to domestic suppliers, inefficient input substituting firms may in fact block the hoped-for process of self-reliant integrated industrialization (Todaro, 1981:375-77).

Since imports substitution programs are based on the protection of local industries against competing imports primarily through the use of tariffs and physical quotas, one need to analyze the role and limitations of these commercial policy instruments in developing nations. Governments impose tariffs and physical quotas on imports for a variety of reasons. Tariff barriers may be erected in order to raise public revenue. In fact, given administrative and political difficulties of collecting local income taxes, fixed percentage taxes on imports (ad valorem tariffs) collected at a relatively few ports or border posts often constitute one the cheapest and efficient forms of raising government revenue. On the other hand, physical quotas on imports are nevertheless another effective means of restricting the entry of particularly troublesome commodities (Todaro, 1981:377).

Tariffs may also be levied to restrict the importation of non-necessity products and thus improve the balance of payments. Like overvaluing the official rate of foreign exchange, tariffs may be used to improve a nation’s terms of trade. However, in a small country unable to influence world prices of its exports or imports these terms of trade arguments for tariffs may for an integral component of an import substitution policy of industrialization. Whatever the means used to restrict imports, such restriction always protects firms from competition with producers from other countries (Todaro, 1981:378).

Having learned from several arguments and experiences, after World War II, the advanced industrial nations of the West—under the United State leadership—committed themselves to the goal of removing barriers to the free flow of goods, services, and capital between nations. The goal of removing barriers to the free flow of goods was enshrined in the treaty known as the General Agreement on Tariff and Trade (GATT).

Under the umbrella of GATT, there have been eight rounds of negotiations between member states, which designed to lower barriers to the free flow of goods and services. The most recent round of negotiations—known as the Uruguay Round—was completed in December 1993. The Uruguay Round further reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhance protection for patents, trademarks, and copyrights; and established a World Trade Organization (WTO) to police the international trading (Hill, 1998:7-8).

The impact of GATT agreements lead to the lowering of tariff rates of manufactured goods. In addition to falling trade barriers, many countries have also been progressively removing restrictions on capital inflows and outflows. These changes made the laws of member nations less restrictive, thereby encouraging both outward investment by domestic firms and inward by foreign firms (Hill, 1998:8).

One trend that run around the world is the global economy is becoming ever more closely integrate—a process usually referred to as globalization. The primary evidence of globalization is the rapid growth in the volume of cross-border trade and investment that the world had witnessed over the last three decades (Hill, 1998:Postscript 1997).

The trends mentioned above facilitate both the globalization of markets and the globalization of production. The lowering of trade barriers also enabled firms to base individual production activities at the optimal location for that activity, serving the world from that location. Thus a firm might design a product in one country, produce component parts in two other countries, assemble the product in yet another country, and then export the finished product around the world (Hill, 1998:8). This imply that the world is becoming much more interdependent. National economies are becoming deeply intertwined with each other. Increasingly, the level of economic activity within a nation depends in large part on being to utilize imports from other nations, and to export goods and services to other nations (Hill, 1998:Postscript 1997).

The lowering of trade barriers gave a popular feeling among nations that something fundamental is happening in the world economy. Such move by the GATT member nations gave rise to the so-called global shift. The term global shift has been coined to capture the essence of change, by one author. The world seems to be witnessing the globalization of markets and production. With regard to the globalization of markets, it has been argued that we are moving from an economic system in which national markets are distinct entities, isolated from each other by trade barriers and barriers of distance, time and culture, and toward a huge global marketplace. According to this view, the tastes and preferences of consumers in different nations are beginning to converge on some global norm. Thus, in many industries it is no longer meaningful to talk about the “German market,” the “American market,” or the “Japanese market”; there is only the “global market.” Notwithstanding this, however, there is no doubt that there are more global markets today than at any previous period in history (Hill, 1998:5).

As for the globalization of production, individual firms are dispersing parts of their production process to various locations around the globe to take advantage of national differences in the cost and quality of production factors such as, labor, energy, land and capital. As a consequence, it is no longer always meaningful to talk about “American products,” “German products,” or “Japanese products” (Hill, 1998:5).

Two factors seem to underlie the trend toward globalization of markets and production. The first is the decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II. The second factor is the dramatic developments in communication, information, and transportation technologies in the same period (Hill, 1998:7).

THE TRADE THEORY

Propagated in the 16th and 17th centuries, mercantilism advocated that countries should simultaneously encourage exports and discourage imports. Although mercantilism is an old and largely discredited doctrine, its echoes remain in modern political debate and in the trade policies of many countries (Hill, 1998:122).

Adam Smith’s theory of absolute advantage, proposed in 1776, was the first to explain why unrestricted free trade is beneficial to a country. Free trade occurs when a government does not attempt to influence through quotas or duties what its citizens can buy from another country, or what they can produce and sell to another country. Smith argued that the invisible hand of the market mechanism, rather than government policy, should determine what a country imports and what it exports. Moreover, his arguments imply that such *laissez-faire* stance toward trade was in the best interests of a country (Hill, 1998:122).

In a free trade area, all barriers to the trade of goods and services among member-countries are removed. In the theoretically ideal free trade area, no discriminatory tariffs, quotas, subsidies, or administrative impediments are allowed to distort trade between member-countries. Each country, however, is allowed to determine its own trade policies with regard to nonmember (Hill, 1998:223).

Building on Smith’s work are two additional theories. One is the theory of comparative advantage, advanced by the 19th century English economist David Ricardo. His theory is the intellectual basis of the modern argument for unrestricted free trade. In the 20th century, Ricardo’s work was refined by two Swedish economists, Eli Heckscher and Bertil-Ohlin whose theory is known as the Heckscher-Ohlin theory (Hill, 1998:123).

The great strength of the theories of Smith, Ricardo, and Heckscher-Ohlin is that they identify with precision the specific benefits of international trade. Of course, common sense suggests that some international trade is beneficial (Hill, 1998:123).

The theories of Smith, Ricardo, and Heckscher-Ohlin go beyond this commonsense notion, however, to show why it is beneficial for a country to engage in

international trade “even for products it is able to produce for itself.” This is a difficult concept for people to grasp. However, their theories convey that a country’s economy may gain if its citizens buy from other nations certain products that could be produced at home (Hill, 1998:123).

The gains arise because international trade allows a country’s economy to specialize in the manufacture and export of products that can be produced most efficiently in that country, while importing products that can be produced more efficiently in that countries (Hill, 1998:123).

The theories of Smith, Ricardo, and Heckscher-Ohlin also help explain the pattern of international trade that has been observed in the world economy. Some aspects of the pattern are easy to understand, but much of the observed pattern of international trade is more difficult to explain. David Ricardo’s theory offers an explanation in terms of international differences in labor productivity. Heckscher-Ohlin’s theory emphasizes the interplay between the proportions in which the factors of production are available in different countries and the proportions in which they are needed for producing particular goods. This explanation rests on the assumption that different countries have different endowments of the various factors of production (Hill, 1998:123).

Formed in 1967, the Association of Southeast Asian Nations (ASEAN) currently includes Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. The ASEAN are characterized by an abundance of natural resources (with exception of the city-state of Singapore), large international trade sectors, and an emphasis on free market economic policies. Singapore and Thailand are two of Southeast Asia’s most successful economies. Thus the potential exists for a vibrant free trade area.

The basic objectives of ASEAN are to foster free trade between member countries and to achieve some cooperation in their industrial policies (Hill, 1998:243).

The Asia Pacific Economic Cooperation (APEC) was founded in 1990 at the suggestion of Australia. APEC currently has 18 member-states including such economic powerhouses as the United States, Japan, and China. The stated aim of APEC is to increase multilateral cooperation in view of the economic rise of the Pacific nations and the growing interdependence within the region.

In the November 1993 APEC conference, the debate centered on around the likely future role of APEC. One view was that APEC should commit itself to the ultimate formulation of a free trade area. Such move would transform the Pacific Rim from a geographical expression into the world’s largest free trade area.

A year later, November 1994 in Jakarta, Indonesia, the member-states agreed to remove their trade and investment barriers by 2010 and for developing countries by 2020 (Hill, 1998:243-44).

HOST GOVERNMENT TRADE POLICIES

National governments enact all kinds of measures affecting international trade and the operation of foreign companies in their markets. Host governments may impose tariffs and quotas, set local content requirements, and regulate the prices of imported goods. In addition, outsiders must face a web of regulations regarding technical standards, product certification, prior approval of capital spending projects, withdrawal of funds from the country, and minority (sometimes majority) ownership by local citizens. Some governments also provide subsidies and low-interest loans to domestic companies to help them compete against foreign-based companies. Other governments, anxious to obtain new plants and jobs, offer foreign companies a helping hand in the form of subsidies, privileged market access, and technical assistance (Thompson and Strickland, 1995:159).

Government interventions also cover a range of issues including protecting jobs, protecting industries deemed important for national security, and retaliating to unfair foreign competition (Thompson and Strickland, 1995:160).

Some governments use the threat to intervene in the trade policy as a bargaining tool to help open foreign markets and force trading partners to “play by the rules of the games.” If it works, such a politically motivated rationale for government intervention may liberalize trade and bring with it economic gains. It is a risky strategy, however, the country that is being pressured might not back down and instead might raise trade barriers of its own (Hill, 1998:157).

INSTRUMENTS OF TRADE POLICY

According to Hill (1998), there are six main instruments of trade policy. These are tariffs, subsidies, import quotas, voluntary export restraints, local content requirements, and administrative policies.

A tariff is a tax levied on imports. Tariffs are the oldest and simplest instrument of trade policy. It falls into two categories. Specific tariffs are levied as a fixed charge for each unit of a good imported. Ad valorem tariffs are levied as a proportion of the value of the imported goods. A tariff raises the cost of imported products relative to domestic products. While the principal objective of most tariffs are to protect domestic producers and employed against foreign competition, they also raise revenue for the government.

The important thing to understand about a tariff is who suffers and who gains. The government gains, because a tariff increases government revenues. Domestic producers gain, because tariff gives them some protection against competitors by increasing the cost of imported foreign goods. Consumers lose since they must pay more for certain imports.

A subsidy is a government payment to a domestic producer. Subsidies take many forms including cash grants, low-interest loans, tax breaks, and government equity participation in domestic firms. By lowering costs, subsidies help domestic producers in two ways: they help them compete against low-cost foreign imports and they help them gain export market.

On the other hand, subsidies must be paid for. Typically governments pay for subsidies by taxing individuals. Therefore, whether subsidies generate national benefits that exceed their national costs is debatable. Moreover, in practice many subsidies are not that successful at increasing the international competitiveness of domestic producers. Rather, they tend to protect the inefficient, rather than promote efficiency.

An import quota is a direct restriction on the quantity of some goods that they may be imported into the country. The restriction is normally enforced by issuing import licenses to a group of individuals or firms.

A variant on the import quota is the voluntary export restraint (VER). A voluntary export restraint is a quota on trade imposed by the exporting country, typically at the request of the importing country's government. Foreign producers then agree to VERs because they fear that if they do not, far more damaging punitive tariffs or import quotas might follow. Agreeing to VER, therefore, is seen as a way of making the best of a bad situation by appeasing protectionist pressures in a country. However, both import quotas and VERs benefit domestic producers by limiting import competition. On the other hand, quotas do not benefit consumers. An import quota or VER always raises the domestic price of imported goods. When imports are limited to a low percentage of the market by a quota or VER, the effect is to bid the price up for that limited foreign supply.

A local content requirement is a demand that some specific fraction of a good be produced domestically. The requirements can be expressed either in physical terms or in value terms. Local content regulations have been widely used in developing countries to shift its manufacturing base from the simple assembly of products whose parts are manufactured elsewhere into the local manufacture of component parts.

From the point of view of a domestic producer of component parts, local regulations provide protection in the same way an import quota does: by limiting foreign competition. The aggregate economic effects are also the same; domestic producers benefit, but the restrictions on imports raise the prices of imported components. In turn, higher prices for imported components are passed on to consumers of the final a product in the form of higher final prices. So as well with all trade policies, local content regulations tend to benefit producers and not consumers.

In addition to the formal instruments of trade policy, governments of all types sometimes use a range of informal or administrative policies to restrict imports and boost exports. Administrative trade policies are bureaucratic rules that are designed to make it difficult for imports to enter a country. As with all instruments of trade policy,

administrative instruments benefit producers and hurt consumers who are denied access to possibly superior foreign products.

BARRIERS TO ENTRY

According to Thompson and Strickland (1995), new entrants to a market bring new production capacity, the desire to establish a secure place in the market, and sometimes, substantial resources with which to compete. A barrier to entry exists whenever it is hard for a newcomer to break into the market and/or economic factors put a potential entrant at a disadvantage relative to its competitors. There are several types of entry barriers:

1. Economies of scale. Scale economies deter entry because they force potential competitors either to enter on a large-scale basis (a costly or perhaps risky move) or to accept a cost disadvantage (and consequently lower profitability). Large-scale entry is a difficult barrier to hurdle because it can create a chronic overcapacity problems in the industry and it can also threaten the market shares of existing firms that they retaliate aggressively (with price cuts, increased advertising and sales promotion, and similar blocking actions) to maintain their positions. Either way, a potential entrant is discouraged by the prospect of lower profits. Entrants may encounter scale-related barriers not just in production, but in advertising, marketing and distribution, financing, after-sale customer service, raw materials purchasing, and R & D as well;
2. Inability to gain access to technology and specialized know-how. Many industries require technological capability and skills not readily available to a new entrant. Key patents can effectively bar entry, as can lack of technically skilled personnel and inability to execute complicated manufacturing techniques. Existing firms often carefully guard know-how that gives them an edge in technology and manufacturing capability. Unless new entrants can gain to such proprietary knowledge, they lack the technical capability to compete on a level playing field;
3. The existence of learning and experience curve effects. When lower unit costs are partly or mostly a result of experience in producing the product and other learning curve benefits, new entrants face a cost disadvantage competing against existing firms with more accumulated know-how;
4. Brand preference and customer loyalty. Buyers are often attached to established brands. High brand loyalty means that a potential entrant must be prepared to spend enough money on advertising and sales promotion to overcome customer loyalties and build its own clientele. It is difficult or costly for a customer to switch to a new brand. A new entrant must persuade buyer buyers that its brand is worth the switching costs. To overcome the switching cost barrier, new entrants may have to offer buyers a discounted price or an extra margin of quality or service. All this can mean lower expected profit margins for new entrants;

5. Capital requirements. The larger the total dollar investment needed to enter the market successfully, the more limited the pool of potential entrants. The most obvious capital requirements are associated with manufacturing plant and equipment, working capital to finance inventories and customer credit, introductory advertising and sales promotion to establish a clientele, and cash reserves to cover start-up losses;
6. Cost disadvantages independent of size. Existing firms may have cost advantages not available to potential entrants regardless of the entrants' size. These advantages can include access to best and cheapest raw materials, possession of patents and proprietary technology, the benefits of learning and experience curve effects, existing plants built and equipped years earlier at lower costs, favorable locations, and lower borrowing costs;
7. Access to distribution channels. In the case of consumer goods, a potential entrant may face the barrier of gaining adequate access to distribution channels. Wholesale distributors may be reluctant to take on product that lacks buyer recognition. The more existing producers tie up present distribution channels, the tougher entry will be. To overcome this barrier, potential entrant may have to "buy" distribution access by offering better margins to dealers and distributors or by giving advertising allowances and other promotional incentives. As a consequence, a potential entrants' profits may be squeezed unless and until its product gains enough acceptance that distributors and retailers want to carry it;
8. Regulatory policies. Government agencies can limit or even ban entry by requiring licenses and permits. In international markets, host governments commonly limit foreign entry and must approve all foreign investment applications. Stringent government-mandated safety regulations and environmental pollution standards are entry barriers because they raise entry costs; and
9. Tariffs and international trade restrictions. National governments commonly use tariffs and trade restrictions (antidumping rules, local content requirements, and quotas) to raise entry barriers for foreign firms (Thompson and Strickland, 1995:68-70).

Even if a potential entrant is willing to tackle the problems of entry barriers, it still faces the issue of how existing firms will react (Thompson and Strickland, 1995:70).

Capital

There are three main external sources of capital for business enterprises—individual investors, banks, and government. In most advanced countries all three sources are of some importance. In the United States, for example, business firms can raise capital by selling shares and bonds to individual investors through the stock market

and the bond market. They can also borrow capital from banks and, in rather limited cases from the government. The importance of each source of capital varies from country to country (Hill, 1998:543).

However, Harvard economist Martin Feldstein has recently argued that most of the capital that moves internationally is pursuing temporary gains and shifts in and out of countries as quickly as possible as condition change. Although capital is free to move internationally, its owners and managers prefer to keep most of it at home. Such trend, while the sources of capital can be sourced from the individual investors, banks, and governments still capital investments become an impediment to globalization if individual owners are not willing to invest it domestically or internationally (Hill, 1998:328).

Communication

In communication, cultural barriers can make it difficult to communicate messages across cultures. Due to cultural differences, a message that means one thing to one country may mean something quite different in another.

The best way for a firm to overcome cultural barriers is to develop cross-cultural literacy. In addition, it should employ some local input in developing its marketing message by using a local advertising agency. Alternatively, if the firm uses direct selling rather than advertising to communicate its message, it would be well advised to develop a local sales force whenever possible. Cultural differences limit a firm's ability to use the same marketing message the world over. What works well in one country may be offensive in another (Hill, 1998:496-97).

In recent years, largely inspired by the work of visionaries such as Theodore Levitt, there has been a great deal of discussion about the pros and cons of standardizing advertising worldwide.

For standardized advertising, the support of global advertising is threefold. First, it has significant economic advantages. Standard advertising lowers the costs of value creation by spreading the fixed cost of developing the advertisements over a large number of countries.

Second, there is a concern that creative talent is scarce and hence that one large effort to develop a campaign will produce better results than 40 to 50 smaller efforts.

A third justification for a standardized approach is that many brand names are global. With the substantial amount of international travel today and the considerable overlap in media across national borders, many international firms want to project a single image to avoid confusion caused by local campaigns that conflict with each other (Hill, 1998:499).

With regards to those against standard advertising, there are two main arguments against globally standard advertising. First, cultural differences between nations are such that a message that works in one nation can fail miserably in another. Due to cultural diversity, it is extremely difficult to develop a single advertising theme that is effective worldwide. Messages directed at the culture of a given country may become more effective than global messages.

Second, country differences in advertising regulations may effectively block the implementation of standard advertising (Hill, 1998:499).

Given the arguments for and against the feasibility of globally standardized advertising, the question arises as to whether it might be possible to capture some of the benefits of global standardization while recognizing differences in countries' cultural and legal environments. Some firms have been experimenting with this. A firm may select so, it may be able to save some costs and build international brand recognition and yet customize its advertisements to different culture (Hill, 1998:501).

Production and Product Development

Production is an activity of converting resources into products. These resources are manpower, materials, machinery, and management. In a narrow sense, production combines these resources to provide a product (Rudelius and Erickson, 1985:150).

On the other hand, product development, the physical product takes place. Heretofore, it existed only in the form of drawings, word descriptions, or crude models. Information developed in the product development stage includes technical details of manufacturing the product and the costs of producing it (Busch and Houston, 1985:389).

The problem that may be encountered in production is the necessary skills of the production workers. This is especially so when the firm would try to produce a particular good as a substitute of imported materials. This is farther aggravated with the fact that some imported materials may not be locally available, and therefore, the firm would resort to importing the needed materials and pay a high price because of certain tariffs being imposed by the government (Busch and Houston, 1985:492).

In the product development activity, the problem can be either on the technical skill that is required to draw or portray on how the product would look like using the necessary word descriptions, and eventually, in the production of crude models. What are needed are the technical personnel, and the needed information on how to go about the product (Rudelius and Erickson, 1985:151).

Marketing and Marketing Management

Ordinarily, most firms would prefer domestic marketing to foreign marketing. Domestic marketing is generally simpler and safer. Managers do not have to learn

another language, deal with different currency, face political and legal uncertainties, or adapts the product to a different set needs and expectations.

There are mainly two factors that might draw companies into international marketing. First, they might be “pushed” into it by the general lack of opportunity in the home market. The gross national product of the home country may be low or growing very slowly, or their government may growing anti-business or taxing heavily. Second, they might be “pulled” into it by growing opportunities for their product in other countries. Without necessarily abandoning their home market, they may find other markets an attractive place to make a profit, even after allowing for the extra costs and encumbrances they might face in operating abroad (Kotler, 1991:664).

The terms international marketing and multinational marketing are often used interchangeably, but there is an important distinction between them. Multinational marketing is the process of focusing the resources and objectives of an organization on global market opportunities. While in international marketing, the firm is engaged in foreign marketing, but with no direct investment in a foreign country. A company that actually invests in a foreign country is involved in multinational marketing. Thus, a company that will export or import goods or services is engaged in international marketing (Busch and Houston, 1985:822).

Once a company decides that a particular foreign market represents an attractive opportunity, its task is to determine the best mode of entering that market. The company has three options: exporting (home production and selling abroad), joint venturing (joining with foreign companies in some way), and direct investment abroad (Kotler, 1991:670-73).

Export. The simplest way for a company to get involved in a foreign market is to arrange to sell some of its present output abroad. Its manufacturing facilities remain located in the home country. The company may or may not modify its product for the foreign market. Exporting allows the company to enter foreign markets with a minimum of change in its product line, company organization, investment, or company mission.

Joint venturing. A second broad method of entering a foreign market is to join with nationals in the foreign country to set up production and marketing facilities. Joint venturing differs from exporting in that a partnership is formed that leads to some production facilities abroad, and it differs from direct investment in that an association is formed with someone in that country.

Direct investment. The ultimate form of involvement in a foreign market is investment in foreign-based assembly or manufacturing facilities. Companies just starting out in the market would be well advised to avoid this scale of participation at the outset.

However, before entering into major manufacturing or marketing investment in a foreign country, the firm must analyze the political environment of that country. At

minimum, the analysis should address the current form of government, the current political party system, the stability and permanence of government policy, and the risks or encouragements to foreign business from political activity.

There are four serious political risks for a firm with total ownership of business in a foreign country: confiscation, expropriation, nationalization, and domestication (Busch and Houston, 1985:834-36):

Confiscation is an act in which a foreign investment is taken over by a local government without any reimbursement.

Expropriation occurs when foreign investment is taken over by a local government but some form of reimbursement is made. Expropriated businesses are usually handed over to local businesspeople.

Nationalization happens when foreign investment is taken over and run by the government.

Domestication involves transfer of ownership in part is totally to nationals, forcing foreign firms to place a greater proportion of local managers in higher management levels, granting greater decision-making power to the nationals, increasing the proportion of domestically produced components versus imported components in assembly, and fixing quotas for export of the products manufactured locally by a multinational to the world markets.

There are other forms of risk: exchange controls, import restrictions, tax controls, price controls, and labor problems (Busch and Houston, 1985:838-39).

When a country's foreign exchange reserves are in short supply, its government may impose exchange controls to restrict the movement of foreign currencies out of the country. Exchange controls can be limited to import and export transactions or can also cover transfer payments such as profit remittances and capital flows.

Developing countries may place some restrictions on imports of raw materials, machines, and spare parts. This protects the domestic industries from foreign competition and encourages the foreign industry to purchase locally manufactured products. These restrictions can be quite harmful if local industries are not developed enough to supply quality raw material. But protectionism is not always bad for foreign investors.

Tax controls are commonly imposed by arbitrarily raising corporate taxes. By raising taxes on foreign investments and profits, a significant amount of foreign exchange may be conserved.

Price controls are applied by host governments during inflationary periods on products of considerable public interest. The effect can be disastrous for some firms: sales revenues are limited by price controls, yet costs go up due to inflation.

Labor problems arise in countries where organized labor is strong. Employees may exert considerable pressure on multinational firm by having a legislation passed that would forbid layoffs, share a percentage of profits with labor, and provide high-cost fringe benefits.

Strategic Alliances

Strategic alliances are cooperative agreements between firms that beyond normal company-to-company dealings but that fall short of merger or full partnership. An alliance can involve joint research efforts, technology sharing, joint use of production facilities, marketing one another's products, or joining forces to manufacture components or assemble finished products. Strategic alliances are a means for firms in the same industry yet based in different countries to compete on a more global scale while preserving their independence. Historically, export minded firms in industrialized nations sought alliances with firms in less-developed countries to import and market their products—locally such arrangements were often necessary to gain access to the less—developed country's market (Thompson and Strickland, 1995:165).

Companies enter into alliances for several strategically beneficial reasons. The three most important are to gain economies of scale in production and/or marketing, to fill gaps in their technical and manufacturing expertise, and to acquire market access (Thompson and Strickland, 1995:166).

The Globalization Debate

The increasing globalization of industry made industries move toward globalization for any several reasons. One or more nationally prominent firms may launch aggressive long-term strategies to win a globally dominant market position. Demand for the industry's product may pop up in more and more countries. Trade barriers may drop. Technology transfers may open the door for more companies (Thompson and Strickland, 1995:75-76).

Many influential economists, politicians, and business leaders seem to argue that falling barriers to international trade and investment are the twin engines that are driving the global economy toward ever-greater prosperity. They maintain that increased international trade and cross-border investment will result in lower prices across the board for goods and services. They believe that globalization stimulate economic growth, raises incomes of consumers, and helps to create jobs in all countries that choose to participate in the global trading system (Hill, 1998:Postscript 1997).

Statement of the Problem

This study sought to determine the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines.

Specifically, this research sought answers to the following inquiries:

1. What is the profile of the manufacturing firms in terms of the following:
 - 1.1 number of years in operation;
 - 1.2 form of ownership;
 - 1.3 initial and present capitalization;
 - 1.4 source(s) of capital;
 - 1.5 products manufactured;
 - 1.6 sources of raw materials for production; and
 - 1.7 product distribution?
2. What are the effects of global economic liberalization on the manufacturing industries in terms of:
 - 2.1 capitalization and ownership;
 - 2.2 production;
 - 2.3 marketing;
 - 2.4 profitability; and
 - 2.5 participation in global trend?
3. Do the entrepreneurs have adequate access to global industrial development facilities in terms of:
 - 3.1 government support; and
 - 3.2 foreign support?
4. What are the problems that hinder the participation businessmen in global trade and investment?
5. What are the solutions to the problems, as suggested by the respondents?
6. What policy recommendations can be done with implications on the industrial development in the APEC Region?

Objectives of the Study

The general objective of the study was to determine the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines.

Specifically, the study was aimed to accomplish the following:

1. To examine the effect of global economic liberalization on manufacturing industries, particularly on capitalization and ownership, production, marketing, profitability, and participation in the global trend;
2. To ascertain whether entrepreneurs have adequate access to global industrial development facilities in terms of government support and foreign support;
3. To identify problems that hinders the participation and progress of businessmen in global trade and investment;
4. To identify solutions to the problems as suggested by the respondents; and
5. To come up with policy recommendations with implications on the development of manufacturing industries in the APEC Region.

Significance of the Study

The findings of this study would provide additional information as of the basis in formulating government policies and strategies in promoting global industrial development in the Philippines, especially the Muslim areas and in the countryside,

Findings can also serve, among others, as basis in devising strategies to attract foreign investors to the Philippines, particularly in Mindanao and provinces down south. Likewise, such findings would serve as basis for foreign investors in establishing business in the country.

The results of the study may also contribute to effective local industrial development planning and implementation. It would also serve as guide for local businessmen in tapping foreign business partners.

Moreover, this study may also cater to the needs of the academic sector—faculty and students, and present and future researchers in studying local and global industrial development process.

Furthermore, this study would contribute to the existing but limited body of literature on global industry, global economic liberalization, and participation in the global industrial development process.

Lastly, this study, after determining the problems surrounding the global economic liberalization issues, it would somehow recommend some policies on how to improve the participation of local manufacturers in the global industrial development process.

Scope and Limitations of the Study

This study mainly focused on the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines with reference to variables under study such as, capitalization and ownership, production, marketing, profitability, and global participation, and the problems attached to each variable mentioned.

The areas considered in the study was limited to the cities of Marawi, Iligan, Cotabato, Davao, General Santos, Zamboanga, Basilan, and the southern provinces of Jolo and Tawi-Tawi, where manufacturing firms can be found.

Further, as there were nine (9) different groups of respondents, they were grouped together and were treated as one group, and their responses were made as data for analysis.

Lastly, the perceived effect of global economic liberalization, the problems and solutions enumerated by the respondents were made as basis in the formulation policy recommendations.

Operational Definition of Terms

Several significant terms were defined according to how it was used in the study.

Access to facilities. Refer to government and foreign supports for global industrial development.

Adverse effect. Refers to the negative results brought about by liberalization.

Barriers to entry. Refer to factors that make it difficult or costly for firms to enter an industry of market.

Direct deal with foreign investors. Refer to the ability of the owners manufacturing firms to deal directly with foreign investors with the aid of the government.

Enhancing effect. Refers to the positive results brought about by liberalization.

Foreign investors. This refer to foreign businessmen who invest with the local manufacturing firms; foreign businessmen who have established their manufacturing firms in the Philippines.

Foreign support. This refers to the various supports provided by nationals to local manufacturing firms in terms of: lenient foreign custom and tariff policies, financial assistance, technical assistance, market promotion abroad, and facilitation from abroad.

Free trade. This refers to the absence of barriers to the free flow of goods and services between countries.

Government support. Refers to facilities provided by the government in terms of lenient taxes and tariff policies, financial assistance, technical assistance, product development and market promotion.

Globalization. Refers to the integration of factors of production, marketing, distribution of goods and services among different nations. It is used interchangeably with the term economic globalization.

Globalization effects. Refer to the enhancing effect and adverse effect of liberalization.

Market makers. Refer to financial service companies that connect investors and borrowers, either directly or indirectly.

Market promotion. This refers to foreign and Philippine government support for promoting Philippine and foreign products, domestically and internationally.

Muslim areas. Refer to Muslim dominated areas in the Philippines, or places where Muslim and non-Muslim manufacturers operates. In this study, these manufacturers are found in Marawi City, Iligan City, Cotabato City, Davao City, General Santos City, Zamboanga City, Basilan City, and in Jolo and Tawi-Tawi provinces.

Policy recommendations. This refer to the policies that the study can offer in the hope that it can help to enhance or promote global manufacturing in the Philippines and in the APEC Region and to help facilitate the participation of manufacturing firms in the global industrial development.

Problems. These refer to the problems of manufacturers regarding the effect of liberalization, problems hindering their participation in the world industrial development processes and problems of access to facilities.

Suggested solutions. Refer to the solutions to the problems suggested by the manufacturers-respondents in order to enhance or improve their participation in global industrial development process.

Chapter 2. Research Methodology

This chapter contains discussions of the methodology used in the study. It includes research design, research environment, respondents of the study, sampling procedure, research instrument used, data collection procedure, and statistical treatment.

Research Design

This study, being a pioneering one in the Muslim areas, employed a combination of descriptive and exploratory designs of research. Descriptive in the sense that the manufacturing firms' profile, the respondents' awareness on the effect of global economic liberalization, their access to facilities, the problems hindering their participation, their suggested solutions to their problems were fully described.

Also, the study explored on how to address the problems confronting the manufacturers-respondents and made recommendations on how to go about their problems, and thereby making their manufacturing business to be more productive and progressive and be able to compete globally and participate in the global industrial development process.

Lastly, the study also explored on how the government and foreign countries can be able to provide the necessary assistance to the local manufacturing firms, and drew up policy recommendations that would be beneficial to the manufacturers.

The study made use of the questionnaire as the main instrument in gathering the data and was aided by personal interviews. The types of questions employed in the questionnaire were the open-ended question, checklist method, dichotomous questions, and Likert five-point scale method.

Research Environment

This study was conducted among the different manufacturing firms in Muslim areas in the Philippines. Specifically, it was conducted in the cities of Marawi, Iligan, Cotabato, Davao, General Santos, Zamboanga and Basilan, and the provinces of Jolo and Tawi-Tawi.

Respondents of the Study

The respondents of this study comprised a total of 103 respondents-manufacturers, of the different manufacturing firms, who were either indirectly or directly involved in export or import business. Table 1 shows the distribution of respondents, by areas.

Table 1. Population and Classification of Respondents

Area	Muslim	Percent	Non-Muslim	Percent	Total	Percent
Gen. Santos City	3	2.91	23	22.33	26	25.24
Davao City	4	3.88	13	12.62	17	16.50
Iligan City	2	1.94	14	13.59	16	15.53
Zamboanga City	10	9.71	3	2.91	13	12.62
Tawi-Tawi	9	8.74	1	0.97	10	9.71
Cotabato City	6	5.83	2	1.94	8	7.77

Jolo	7	6.80	-	-	7	6.80
Basilan City	2	1.94	2	1.94	4	3.88
Marawi City	2	1.94	-	-	2	1.94
Total	45	43.69	58	56.31	103	100.00

Sampling Procedure

The subjects of this study comprised of 103 respondents. Since there was no available data regarding the numbers of manufacturing firms existing during that time, a method called interactive sampling was resorted to according to the procedure outlined by Coleman (1970). Here, the owners/managers previously contacted for an interview were asked for names and addresses of others they knew for inclusion in the sample. The procedure was repeated until an adequate sample was obtained. No quota was established for each sample area, although the research assistants were not obliged to strictly follow them.

Research Instrument

The research instrument used in this study was a researcher-made questionnaire. The questionnaire was formulated mainly for determining and describing the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines, as perceived by the respondents.

The questionnaire was divided into six parts, namely: manufacturing firm's profile, effect of global economic liberalization, access to facilities, problems hindering participation, and solutions to problems in which the respondents were asked to answer.

The types of questions used in the questionnaire were the open-ended, dichotomous, checklist, and the Likert five-point scale method.

Data Collection Procedure

The researcher made use of both the primary and secondary sources of data. The primary data were taken from the responses provided by the respondents using the questionnaire. Follow-up interviews as well as observations were made to clarify vague responses given by the respondents.

The distribution and retrieval of the questionnaires started December 2000. Considering the distance and location of the manufacturing firms, the research assistants were given enough time to accomplish the data gathering.

However, the retrieval of the questionnaires in some areas like Cotabato City, Basilan City, Jolo and Tawi-Tawi were very much delayed due to the presence of armed confrontations between Government troops and the MILF and ASG. The research assistants were advised to take extra precautionary measures in retrieving the questionnaires in the aforementioned strife-torn areas. Nevertheless, the questionnaires were retrieved and all research assistants reported back to MSU in good health.

The secondary data were taken from books found in the libraries of Mindanao State University's main and its unit-libraries of the College of Business Administration, College of Public Affairs, Marawi City, University of San-Jose Recoletos, Cebu City, and personal notes of the researcher.

Statistical Treatment of Data

After the accomplished questionnaires were collected, the responses to the questions were tallied and presented in tabular form. The simple frequency count and percentage method was utilized.

To measure the extent of effect of liberalization and access to facilities by manufacturing firms, and in order to guide the respondents to rate each factor/variable under study, the Likert five-point scale method was used. Thus,

<u>Range</u>	<u>Scale/Score</u>	<u>Qualitative Interpretation</u>
4.21-5.00	5	Very High (VH)/Very Adequate (VA)
3.41-4.20	4	High (H)/Adequate (A)
2.61-3.40	3	Moderate (M)/Moderately Adequate (MA)
1.81-2.60	2	Low (L)/Inadequate (I)
1.00-1.80	1	Very Low (VL)/Very Inadequate (VI).

The mean was also employed as basis for qualitative interpretation for each factor/variable under studied.

Chapter 3. Presentation, Analysis and Interpretation of Data

The findings that resulted from the statistically processed data are presented, analyzed, and interpreted in this chapter.

I. MANUFACTURING FIRM' PROFILE

This section presents the profile of manufacturing firms in Muslim areas in terms of: number of years in operation, form of ownership, capitalization, source of capitalization, products manufactured, sources of materials, and product distribution. The data are presented in tabular form showing the frequency count and percentage distributions, analyzed and interpreted

Number of Years in Operation

Table 2 reveals the number of years the manufacturing firms have been in operation.

Table 2. Manufacturing Firms' Number of Years in Operation

Years in Operation	Frequency	Percentage
0 - 5	18	17.48
6 – 10	29	28.16
11 –15	25	24.27
16 –20	17	16.50
21 –25	9	8.74
26 and above	5	4.85
Total	103	100.00

As shown in Table 2, twenty-nine or 28.16 percent of the manufacturing firms are between 16-20 years in operation; twenty-five or 24.27 percent, 11-15 years; eighteen or 17.48 percent, from 0-5 years; seventeen or 16.50 percent, 16-20 years; nine or 8.74 percent, 21-25 years; and five or 4.85 percent are 26 years and above. The mean is approximately 11.5 years in operation.

The findings reveals that based on the approximate mean (11.5 years), almost half of the manufacturing firms fall under the 0-10 years bracket. Also, almost three-fourths of the manufacturing firms are under sixteen (16) years bracket.

According to keen observers, firms tend to fold up before they reach the age of five years. This imply that manufacturing firms in Muslim areas are still existing and in operation. If the imputed stability of at least six years old is true, then a little over one-half of total manufacturing firms are past their critical stage. The rest still have to mellow as they struggle for survival in the world of manufacturing (Magdalena, 1987:48)

Form of Ownership

In Table 3, the form of ownership of the manufacturing firms is indicated.

Table 3. Manufacturing Firms' Form of Ownership

Form of Ownership	Frequency	Percentage
Corporation	64	62.13
Sole proprietorship	16	15.53
Partnership	13	12.62
Cooperative	7	6.80
Corporation with investors	3	2.91
Total	103	100.00

As can be gleaned in Table 3, sixty-four or 62.13 percent of the manufacturing firms are of corporation; sixteen or 15.53 percent are sole proprietorship; thirteen or 12.62 percent, partnership; seven or 6.80 percent, cooperatives; and three or 2.91 percent corporations with foreign investors.

The finding shows that a great majority of the manufacturing firms are corporations. This means that forming a corporation type of business is to generate large capital. This may imply that said corporations would likely become a recipient of foreign support and have access to facilities. Outside support may be benefited because of the trust that may be extended to the corporations by foreign investors. Support from the government may not be in the form of financial aspect, but more on the facilitation of market abroad, marketing promotion of products, and some technical assistance to improve production and production method. Further, these corporations, given the opportunity, are likely candidates to participate in the global competition and industrialization.

As to manufacturing firms whose form of ownership is partnership, the formation is for reasons of lesser requirements, lesser volume of paper works, and the necessary capital needed is not as big as corporation but not smaller than the sole proprietorship ownership. This imply that these manufacturing firms may benefit or avail assistance from foreign investors, but more often than not the various assistance may come from the national government.

A sizeable number of manufacturing firms are of sole proprietorship. This finding may imply that owners of these firms engaged in this form of business because it is easy to form, entry is easy because of lesser requirements needed, and does not require huge capital. Some characteristics of this kind of ownership are that, the owners are the bosses, their profits not shared with others, and all failures are theirs.

Also noted are the cooperatives and corporations with foreign investors. The former need a variety of assistance, which may be availed from government or foreign cooperatives, or foreign investors. The latter are not much of a problem, except to

continue improving their operation, management capability, and domestic and international markets.

Regardless, however, of the form of ownership of manufacturing firms, all deserve government support and from the outside/foreign support. With this support, the firms would be able to improve their lots and other activities relative to their operations, and compete domestically and internationally.

Capitalization

The initial and present capitalization of manufacturing firms is shown in Table 4.

Table 4. Initial and Present Capitalization of Manufacturing Firms

Capital	Initial		Present		Increase / (Decrease)
	Frequency	Percent	Frequency	Percent	
P150, 000 and below	55	53.40	31	30.10	(24)
Between P150,000 – P1.5M	22	21.36	42	40.78	20
Between P 1.5M – P15M	15	14.56	13	12.62	(2)
Between P 15M – P60M	8	7.77	14	13.59	6
Above 60M	3	2.91	3	2.91	
Total	103	100.00	103	100.00	

As to initial capitalization of manufacturing firms, Table 4 shows that fifty-five or 53.40 percent have an initial capitalization of P150,000 and below; twenty-two or 21.36 percent, above P150,000-P1.5M; fifteen or 14.56 percent, above P1.5M-P15M; eight or 7.77 percent, above P15M-P60M; and three or 2.91 percent have an initial capitalization of above P60 millions.

The same table revealed that forty-two or 40.78 percent have a present capitalization of above P150,000-P1.5M; thirty-one or 30.10 percent, P150,000 and below; fourteen or 13.59 percent, above P15m-P60M; thirteen or 12.62 percent, above P1.5M-P15M; and three or 2.91 percent have a present capitalization of above P60 millions.

Findings showed that there are decreases from initial capitalization to present capitalization. From P150,000 and below, twenty-four (24) manufacturing firms, and from above P1.5M-P15M, two (2) manufacturing firms. On the other hand, there are manufacturing firms whose initial capitalization had increase. From above P150,000-P1.5M, twenty (20) manufacturing firms, and from above P15m-P60M, six (6) manufacturing firms. Three (3) manufacturing firms have no change from their initial and present capitalization.

The low level of initial capital and especially the present capitalization explain why many of the manufacturing firms do not improve or progress. This phenomenon can be attributed to the manufacturing firms' inability to obtain raw materials for production,

the difficulty of obtaining highly skilled workers, among others, all of which require capital. This low level of capital cannot attract foreign investors, and therefore, access to new technology and foreign financial assistance, among others, is denied.

The findings imply that there is the need for the government through the Department of Trade and Industry and other concerned agencies to extend assistance in terms of technical assistance in order to improve the manufacturing firms' production. Financial assistance should also be provided to the manufacturing firms by the government through banks in the form of loans.

Source of Capitalization

Table 5 shows the source(s) of capitalization of manufacturing firms in Muslim areas.

Table 5. Source(s) of Capitalization of Manufacturing Firms

Source of Capitalization	Frequency (N=103)	Percentage
Family, friends or relatives	89	86.41
Banking institutions	83	80.58
Personal	77	74.76
Incorporators' contribution	34	33.01
Cooperative members' contribution	7	6.80
From foreign partners	3	2.91
Other sources: Not stated	5	4.85

*Multiple responses

As can be seen in Table 5, eighty-nine or 86.41 percent of the respondents their source of capitalization are their family, friends, or relatives; eighty-three or 80.58 percent, from banking institutions; seventy-seven or 74.76 percent said personal money; thirty-four or 33.01 percent, incorporators' contribution; seven or 6.80 percent, cooperative members' contribution; five or 4.85 percent did not specify the source of their capitalization; and three or 2.91 percent said from foreign partners.

The findings imply that that there is the need for government support in facilitating more financial assistance by offering low interest loans to qualified owners of manufacturing firms. Also, the government should extend assistance by inviting more foreign investors to invest with the manufacturing firms under study. With this, manufacturing firms may be able to improve their production operation, product quality, and consequently, may enhance their participation in global trade and competition.

Products Manufactured

Products manufactured by manufacturing firms in Muslim areas are shown below.

Table 6. Products Manufactured by Manufacturing Firms

Products	Frequency	Percentage
<i>Exportables:</i>		
Furniture & fixtures	12	11.65
Bags, RTWs, & textiles	10	9.71
Candy & fruit preserves	8	7.77
Copra solvent, pellet & oil	8	7.77
Canned goods	7	6.80
Chemical products	7	6.80
Dried sea weeds	6	5.83
Fresh tuna fish	6	5.83
Animal feeds	5	4.85
Sugar	4	3.88
Native coffee	4	3.88
Shell decors	3	2.91
PVC pipes & resins	3	2.91
Abaca hemp	3	2.91
Cement	3	2.91
Brass ware	2	1.94
Wheat & flour	2	1.94
<i>Non-Exportable:</i>		
Hollow blocks & balusters	9	8.74
Ship building & repair	1	0.97
Total	103	100.00

As shown in Table 6, twelve or 11.65 percent manufacture furniture and fixtures; ten or 9.71 percent, bags, RTWs, and textiles; eight or 7.77 percent each for candy and fruit preserves, and copra solvent, pellet and oil; seven or 6.80 percent each for canned goods and chemical products; six or 5.83 percent each for dried sea weeds and fresh tuna fish; five or 4.85 percent, animal feeds; four or 3.88 percent each for sugar and native coffee; three or 2.91 percent each for shell decors, abaca hemp, cement, and PVC pipes and resins; and two or 1.94 percent each for brass ware, and wheat and flour.

The findings suggest that a little over 90 percent of the products produced by the manufacturing firms in Muslim areas are exportable, the rest are for local markets only. This implies that if the manufacturing industries in Muslim areas have the opportunity to engaged in business in the international market, with the backings of the government, this would surely help the local industries obtain the much needed financial support from foreign as well as their access to foreign facilities. Further, the participation of the manufacturing firms in the global industrial development would be enhanced, and as a result they may be able to contribute something of value to the Philippine economy.

Sources of Raw Materials

Table 7 reveals the sources of materials of manufacturing firms.

Table 7. Sources of Raw Materials of Manufacturing Firms

Source	Frequency (N=103)	Percentage
Local	103	100.00
Imported	71	68.93

*Multiple responses

As shown in Table 7, all or 100 percent respondents answered that they acquire their raw materials locally, and seventy-one or 68.93 percent their raw materials are imported.

The data means that out of 103 manufacturing firms only 32 does not import raw materials. This implies that said 32 manufacturing firms lack capital and therefore need financial support from the government.

Product Distribution

The product distribution of the manufacturing firms is shown in Table 8.

Table 8. Manufacturing Firms' Product Distribution

Distribution	Frequency	Percentage
Domestic	89	86.41
Both domestic & int'l	9	8.74
International	5	4.85
Total	103	100.00

As regard to product distribution of manufacturing firms, eighty-nine or 86.41 percent distribute their products in the domestic market; nine or 8.74 percent, both in domestic and international market; and five or 4.85 percent in the international market.

Findings show that majority of the manufacturing firms distribute their products locally. The findings imply that most of the manufacturing firms have not yet established their markets abroad and distributors to facilitate their products. This implies that there is the need for the government to help facilitate the manufacturers' products abroad; extend assistance in promoting the product, and aid establish tie-ups with foreign businessmen. By doing so, this would lure the local manufacturing firms not only to participate in global marketing, but also will encouraged them to produce better quality products, and at the same time, enjoy the assistance provided by foreign nationals such as financial support, technical assistance, new production technology, and better access to facilities and markets.

II. EFFECT OF GLOBAL ECONOMIC LIBERALIZATION

This part of the chapter delves on the awareness of the respondents regarding global economic liberalization and the extent to which liberalization affects the manufacturing firms.

Awareness on Global Economic Liberalization

Table 9 presents the data regarding the awareness of the respondents on global economic liberalization.

Table 9. Respondents' Awareness on Global Economic Liberalization

Response	Frequency	Percentage
Yes	90	87.38
No	13	12.62
Total	103	100.00

As shown in Table 9, ninety or 87.38 percent of the respondents are aware of global economic liberalization and only thirteen or 12.62 percent are not aware.

Findings suggest that a greater majority of respondents are aware of global economic liberalization and only a few are unaware.

The findings may imply that those who are aware of liberalization were actually those manufacturers who kept on monitoring changes in business conditions, which is typical to real businessmen. Further, the findings imply that the government and its agencies were able to successfully disseminated/communicated information pertaining to liberalization.

Whether Liberalization Affect the Manufacturing Firms

The respondents were asked of whether liberalization has affected their business.

Table 10. Whether Liberalization Has Affected Manufacturing Firms

Response	Frequency	Percentage
Yes	79	76.70
No	24	23.30
Total	103	100.00

Table 10 shows that seventy-nine or 76.70 percent positively replied and twenty-four gave negative response.

The data suggests that majority of the respondents have already experience the effect liberalization and only few have no experience yet.

The findings imply that the respondents' awareness regarding liberalization is supported and/or complimented with the above-findings in Table 10. Further, this implies that the government, as well as, some of its concerned agencies was able to disseminate well the information regarding liberalization.

Effect of Liberalization

The respondents were asked to rate the extent of effect of liberalization to their manufacturing businesses. Table 11 reveals the enhancing effect of liberalization.

On the enhancing effect of liberalization, seventy-nine (79) respondents rated the ten (10) enhancing factors of liberalization.

As to increase in capital, forty or 50.63 percent rated high; twenty-one or 26.58 percent, moderate; ten or 12.66 percent, low; five or 6.33 percent rated very high.

The findings suggest that the increase in capital can be attributed to the well-disseminated loan programs of the government and the access of the manufacturing firms to foreign financial support. The mean 3.43 denotes high.

On strengthened ownership of manufacturing firms, thirty-six or 45.57 percent rated high; twenty-seven or 34.18 percent, moderate; eight or 10.13 percent, low; five or 6.33 percent, high; and three or 3.80 percent rated very low. The mean 3.41 is interpreted to mean high.

Finding implies that the owners of manufacturing firms find liberalization to be attractive, which can be attributed to the financial and management support they have received from foreign-based business firms, and from the national government.

For improved production technology and facilities, thirty eight or 48.10 percent rated moderate; twenty-one or 26.58 percent, low; twelve or 15.19 percent, very low; five or 6.33 percent, very high; and three or 3.80 percent rated high. The mean 2.57 is interpreted as low.

The finding suggests that manufacturing firms were not able to avail the technical support from the national government particularly from the Department of Trade and Industry (DTI), Department of Science and Technology (DOST), and other instrumentalities of the government that somehow possess the technical capability to share their technical expertise. However, the low rating implies that distance is one barrier for manufacturing firms to access government's production technology and facilities. Such condition, the government should put up satellite offices, say, DTI, among others, in areas where the government does not have, for easy access to technology and facilities by manufacturing firms.

Table 11. Enhancing Effect of Liberalization

Factor	Very High		High		Moderate		Low		Very Low		Total		Mean	Qualitative Interpretation
	F	%	F	%	F	%	F	%	F	%	F	%		
Increase in capital	5	6.3	40	50.6	10	12.7	10	12.7	3	3.8	79	100	3.43	High
Strengthened ownership of the firm	5	6.3	36	45.6	8	10.1	8	10.1	3	3.8	79	100	3.41	High
Improved production technology/ facilities	3	3.8	5	6.3	21	26.6	21	26.6	12	15.2	79	100	2.57	Low
Increased production quantity	6	7.5	9	11.4	25	31.7	25	31.7	4	5.06	79	100	2.85	Moderate
Improved production quality	4	5.0	6	7.6	33	41.8	33	41.8	16	20.3	79	100	2.35	Low
Development of markets abroad	9	11.3	4	5.1	34	43.0	34	43.0	13	16.5	79	100	2.52	Low
Sales volume increase	8	10.1	33	41.8	16	20.3	16	20.3	2	2.5	79	100	3.37	Moderate
Management improve	11	13.9	12	15.2	20	25.3	20	25.3	10	12.7	79	100	2.92	Moderate
Profitability increase	7	8.8	25	31.7	6	7.6	6	7.6	15	19.0	79	100	3.04	Moderate
Facilitated global participation	9	11.3	3	3.8	20	25.3	20	25.3	18	22.8	79	100	2.56	Low
Average Mean													2.88	Moderate

As to increased production quantity, thirty-five or 44.30 percent rated moderate; twenty-five or 31.65 percent, low; nine or 11.39 percent high; six or 7.59 percent, very high; and four or 5.06 percent reported very low. The mean 2.85 suggests moderate effect.

The findings show that the moderate increase in production quantity is caused by low improvement in production technology and facilities, and the lack of financial support, which is necessary for the procurement of raw materials used in production.

This implies that the government should extend technical support and financial assistance to those manufacturing firms in order to improve and increase their production quantity.

On improved production quality, thirty-three or 41.77 percent rated low; twenty or 25.32 percent, moderate; sixteen or 20.25 percent, very low; six or 7.59 percent, high; and four or 5.06 rated very high. The mean 2.35 means low effect.

The finding implies that the manufacturing firms need to improve their production technology and facilities, enhance its technical skills in production, procure the required raw materials in regular intervals or when needed. These implications suggest that the government's assistance is imperative. The improved production quality may lure or attract foreign businessmen to import the produce of manufacturing firms the latter may be lured to enter in global participation. Further, the national government may also benefit in terms of revenues generated from tax.

As regard to development of markets abroad, thirty-four or 43.04 percent rated low; nineteen or 24.05 percent, moderate; thirteen or 16.46 percent, very low; nine or 11.39 percent, very high; and four or 5.06 percent rated high. The mean 2.53 denotes low.

Findings imply that the low development of markets abroad is due to the lack of interest of manufacturing firms to engage in international business, or its non-participation in global trade is due to the lack of information about the opportunities that may be available to them. In this case, the role of the government is very much crucial, that is, it should try to convince those manufacturers to participate in the global business by exporting their products, with the assurance that it will help develop markets abroad, and assist in promoting the products of the manufacturers.

On sales volume increase, thirty-three or 41.77 percent rated high; twenty or 25.32 percent, moderate; sixteen or 20.25 percent, low; eight or 10.13 percent, very high; and two or 2.53 percent rated very low. The mean 3.37 is interpreted as moderate effect.

The finding suggests that the moderate increase in sales volume is a result of moderate increase in production quantity, high increase in capital, and moderate improvement in the management aspect. However, the increase in sales volume can be attributed to domestic operation of manufacturing firms, that is, finished products are sold mostly in local/domestic markets, and not much from export operation.

With this finding, it implies that there is the need for the government to extend assistance to manufacturers in facilitating the development of markets abroad, and at the same time help in the promotion of products abroad.

As to management improved, twenty-six or 32.91 percent rated moderate; twenty or 25.32 percent, low; twelve or 15.19 percent, high; eleven or 13.92 percent, very high; and ten or 12.66 percent rated very low. The mean 2.92 denotes moderate enhancing effect of liberalization on manufacturing firms.

The findings reveal that manufacturing firms need to enhance their management capability in terms of product development, market promotion and technical knowledge in production. However, said manufacturing firms may not have that skills and this would imply that the government should extend aid by educating the manufacturers through sponsored seminars, training and workshops on regular basis. These activities would somehow help broaden the knowledge and eventually improve the owners' management capability in running their businesses.

On profitability increase, twenty-six or 32.91 percent rated moderate; twenty-five or 31.65 percent, high; fifteen or 18.99 percent, very low; seven or 8.86 percent; very high; and six or 7.59 percent rated low. The mean 3.04 means moderate effect.

The moderate effect on increase in profitability is the result of increase in sales volume, which also has a moderate effect. Finding or establishing a market abroad would surely increase sales volume and therefore, also increases profitability of manufacturing firms.

Finding implies that the national government should help those manufacturing firms in finding and establishing markets abroad and help facilitate in the distribution of products abroad.

With regards to facilitating global participation, twenty-nine or 36.71 percent rated it moderate; twenty or 25.32 percent, low; eighteen or 22.78 percent, very low; nine or 11.39 percent, very high; and three or 3.80 percent rated high effect. The mean 2.56 denotes low effect to manufacturing firms.

Findings imply that there is the need for the government to conduct a series of campaign encouraging the manufacturing industries in Muslim areas to hasten its global participation and at the same time in the global industrial development process.

Table 12 shows the adverse effect of liberalization as perceived by the owners-respondents of the study.

Table 12. Adverse Effects of Liberalization

Factor	Very High		High		Moderate		Low		Very Low		Total		Mean	Qualitative Interpretation
	F	%	F	%	F	%	F	%	F	%	F	%		
Decrease in capital	-	-	6	25.0	9	37.5	4	16.7	3	12.5	24	100	2.54	Low
Gradual transfer of ownership to foreigners	-	-	4	16.7	7	29.2	10	41.7	3	12.5	24	100	2.50	Low
Production technology and facilities declined	3	12.5	5	20.8	10	41.7	4	16.7	2	8.3	24	100	3.13	Moderate
Production quantity decreased	1	4.2	6	25.0	9	37.5	3	12.5	5	20.8	24	100	2.79	Moderate
Product quality declined	-	-	1	4.2	6	25.0	11	45.8	4	16.7	24	100	2.00	Low
Markets abroad not developed/ established	2	8.3	8	33.3	10	41.7	4	16.7	-	-	24	100	3.33	Moderate
Sales volume decrease	2	8.3	7	29.2	6	25.0	9	37.5	-	-	24	100	2.71	Moderate
Management deteriorated	-	-	3	12.5	7	29.2	11	45.8	3	12.5	24	100	2.42	Low
Profitability declined	-	-	6	25.0	8	33.3	3	12.5	7	29.2	24	100	2.54	Low
Global participation not facilitated	4	16.7	9	37.5	10	41.7	1	4.2	-	-	24	100	3.67	High
Average Mean													2.76	Moderate

With regards to the adverse effect of liberalization, twenty (4) respondents rated the ten (10) adverse factors of liberalization.

On decrease in capital, nine or 37.50 percent rated moderate adverse effect; six or 25.00 percent, high; four or 16.67 percent, low; and three or 12.50 percent rated very low. The mean 2.54 suggests low adverse effect.

As with gradual transfer of ownership to foreigners, ten or 41.67 percent rated low; seven or 29.17 percent, moderate; four or 16.67 percent, high, and three or 12.50 percent, very low. The mean 2.50 denotes low adverse effect.

As to decline of production technology and facilities, ten or 41.67 percent rated moderate; five or 20.83 percent, high; four or 16.67 percent, low; three or 12.50 percent, very high; and two or 8.33 percent, very low. The mean 3.13 means moderate adverse effect.

As to decrease in quantity, nine or 37.50 percent rated moderate; six or 25.00 percent, high; five or 20.83 percent, very low; three or 12.50 percent, low; and one or 4.17 percent, very high. The mean 2.79 is interpreted as moderate adverse effect.

Decline in product quality was rated by eleven or 45.83 percent as low; six or 25.00 percent, moderate; four or 16.67 percent, very low; and one or 4.17 high. The mean 2.00 denotes low adverse effect.

With regards to development of markets not developed and established, ten or 41.67 percent rated moderate; eight or 33.33 percent, high; four or 16.67 percent, low; and two or 8.33 percent rated very high. The mean 3.33 means moderate adverse effect.

As with decrease in sales volume, nine or 37.50 percent rated low; seven or 29.17 percent, high; six or 25.00 percent, moderate; and two or 8.33 percent rated very high. The mean 2.71 suggests moderate adverse effect.

As to the factor management deteriorated, eleven or 45.83 percent rated low; seven or 29.17 percent, moderate; three or 12.50 percent each rated high and low adverse effect. The mean 2.42 is interpreted as low adverse effect.

On profitability, eight or 33.33 percent rated low adverse effect; seven or 29.17 percent, moderate, and six or 25.00 percent, high. The mean 2.54 denotes low adverse effect.

As with global participation not facilitated, ten or 41.67 percent rated moderate; nine or 37.50 percent, high; four or 16.67 percent, very high; and one or 4.17 percent rated low. The mean 3.67 means high adverse effect.

The findings suggest that out of 103 respondents only 24 were adversely affected by liberalization. This implies that those respondents who were affected probably were those who do not have knowledge or information about global liberalization.

Additionally, those owners-respondents who were affected have a different view or perception about liberalization. This implies further that there is the urgent need for the government to disseminate well information about global economic liberalization so that biases or prejudices from among those who were adversely affected may be corrected.

Actions or Adjustments Taken to Alleviate Adverse Effect of Liberalization

The respondents were asked of what actions or adjustments their management had taken in order to alleviate the adverse effect of liberalization to its manufacturing businesses. Table 13 shows the actions or adjustments of the owners-respondents.

Shown in Table 13 are the different actions or adjustments made by the respondents. All (100%) respondents reported, improved management capability, borrowed funds from financial institutions, improved product quality using quality materials; sourced the imported materials in the domestic market by thirty or 96.77 percent respondents; twenty-eight or 90.32 percent, invited interested individuals to invest in the business; twenty-seven or 87.10 percent, improved productivity and efficiency; twenty-five or 80.65 percent, reviewed existing marketing policies and strategies; twenty-three or 74.19 percent, sent company personnel to training, seminar, etc.; twenty or 64.51 percent, established foreign markets and tied-up with foreign businessmen; eighteen or 58.06 percent, created own suppliers for materials needed in production; seventeen or 54.84 percent, acquired new technology and facilities; sixteen or 51.61 percent, created more domestic markets for the product; fourteen or 45.16 percent, made price adjustments/intensified promotional activities; thirteen or 41.94 percent, hired consultants or sought for government assistance; eleven or 35.48 percent, traded local products with imported products; and nine or 29.03 percent, entered in the global competition/market.

Table 13. Actions or Adjustment Taken to Alleviate Adverse Effect of Liberalization

Actions or Adjustments	Frequency (N=31)	Percentage
Improved management capability	31	100.00
Borrowed funds from financial institutions	31	100.00
Improved product quality using quality materials	31	100.00
Sourced imported materials in the domestic market	30	96.77
Invited interested individuals to invest in the business	28	90.32
Improved productivity and efficiency	27	87.10
Reviewed existing marketing policies and strategies	25	80.65
Sent company personnel to training, seminars, etc.	23	74.19
Established foreign markets & tied-up w/ foreign businessmen	20	64.52
Created own suppliers for materials needed in production	18	58.06
Acquired new technology and better facilities	17	54.84

Created more domestic markets for the product	16	51.61
Made price adjustments/intensified promotional activities	14	45.16
Hired consultants or sought for government assistance	13	41.94
Traded local products with imported products	11	35.48
Entered in the global competition/market	9	29.03

- Multiple responses

The findings suggest that while some of the respondents (31) have negative perceptions about liberalization, the actions or adjustments they have taken are positive indications of their willingness to participate in the global competition. This implies that government assistance is very much needed in order to augment or support these various actions made by the respondents-owners.

III. ACCESS TO FACILITIES

This part of the chapter deals on the access to facilities of manufacturing firms for government support and foreign support.

Access to Government Support

Table 14 presents the responses of the respondents-owners on whether they have access to government support for global industrial development.

Table 14. Access to Government Support by the Respondents

Response	Frequency	Percentage
Yes	49	47.57
No	54	52.43
Total	103	100.00

As can be seen in Table 13, fifty-four or 52.43 percent of the respondents reported they were not able to gain access to government support, and forty-nine or 47.57 have accessed to government support for global industrial development.

The data may imply that almost 50 percent of the owners-respondents have no knowledge of government support, and if they do, may be their none access can be attributed to the voluminous requirements required by banks or other lending institutions when, for instance, availing financial assistance through loans or borrowings.

Adequacy of Access to Government Support

Table 15 reveals the adequacy of access of the respondents-owners to government support.

Table 15. Adequacy of Access to Government Support by the Respondents

Government Support	VA		A		SA		I		VI		Total		Mean	QI
	F	%	F	%	F	%	F	%	F	%	F	%		
Lenient taxes/tariff policies	-	-	8	16.3	31	63.3	10	20.4	-	-	49	100	2.96	SA
Financial assistance	-	-	2	4.1	3	6.1	28	57.1	16	32.7	49	100	1.73	VI
Technical assistance	2	4.1	3	6.1	5	10.2	24	49.0	15	30.6	49	100	2.04	I
Product development	2	4.1	1	2.0	7	14.3	32	65.3	7	14.3	49	100	2.16	I
Market promotion	-	-	5	10.2	30	61.2	11	22.5	3	6.1	49	100	2.73	SA
Weighted mean													2.33	I

Note: VA – very adequate; A – adequate; SA – somewhat adequate; I – inadequate; VI – very inadequate

As shown in Table 15, thirty-one or 63.27 percent of the respondents rated lenient taxes and tariff support of the government somewhat moderate; ten or 20.41 percent, inadequate; and eight or 16.33 percent rated adequate. The mean 2.33 is interpreted as somewhat adequate.

As to financial assistance of the government, twenty-eight or 57.14 percent rated inadequate; sixteen or 32.65 percent, very inadequate; three or 6.12 percent, somewhat adequate; and only two or 4.08 percent rated adequate.

With regards to technical assistance, twenty-four or 48.98 percent rated inadequate; fifteen or 30.61 percent, very inadequate; five or 10.20 percent somewhat adequate; three or 6.12 percent, adequate; and two or 4.08 percent, very adequate.

On product development support, thirty-two or 65.31 percent rated inadequate; seven or 14.29 percent each rated adequate and very inadequate; and two or 4.08 percent, very adequate.

As to market promotion, thirty or 61.22 percent rated somewhat adequate; eleven or 22.45 percent, inadequate; five or 10.20 percent, adequate; and three or 6.12 percent rated very inadequate.

The weighted mean for all factors is 2.33, which means inadequate.

Findings imply that there is the need for the government to widely disseminate its support programs for manufacturing firms through mass media, as well as, its agencies mentioned in Table 16. It implies further that the manufacturing firms should be granted easy and free access to these facilities/agencies, and it is expected that the agencies mentioned should continue to serve its clientele with improved services rendered.

Government Agencies Providing Support to Manufacturing Firms

In Table 16, shown are the different agencies of the government that have provided support to the manufacturing industries.

As can be seen in Table 16, forty-three or 87.76 percent of the respondents reported Bureau of Customs; thirty-nine or 79.59 percent, Department of Trade and Industry; thirty-five or 71.43 percent, Technology and Livelihood Research Center; thirty-four or 69.39 percent, Department of Science and Technology; and thirty-two or 65.31 percent, Philippine National Bank.

Table 16. Government Agencies Providing Support to Manufacturing Firms

Government Agency	Frequency (N=49)	Percentage
Bureau of Customs	43	87.76
Department of Trade and Industry	39	79.59
Technology and Livelihood Research Center	35	71.43
Department of Science and Technology	34	69.39
Philippines National Bank	32	65.31
Bureau of Food and Drug Administration	28	57.14
Landbank of the Philippines	32	65.31
Bureau of Fishery and Aquatic Resources	20	40.82
Department of Agriculture	16	32.65
Philippine Coconut Authority	14	28.57
Philippine Ports of Authority	13	26.53
Department of Environment and Natural Resources	8	16.33
Philippine Information Agency	4	8.16

* Multiple responses

Twenty-eight or 57.14 percent of the respondents reported Bureau of Food and Drug Administration; twenty-two or 44.90 percent, Landbank of the Philippines; twenty or 40.82 percent, Bureau of Fishery and Aquatic Resources; sixteen or 32.65 percent, Department of Agriculture; fourteen or 28.57 percent, Philippine Coconut Authority; thirteen or 26.53 percent, Philippines Ports Authority; eight or 16.33 percent, Department of Environment and Natural Resources; and Philippine Information Agency.

The data suggests that various agencies of the government have been rendering or providing support (financial, service, or both) to the manufacturing industries in Muslim areas. However, based on the number of respondents (49) who responded to this query, it can be deduced that a huge number of manufacturing firms (54) were not able to avail the support of the above-mentioned government agencies.

The findings imply two things. One is the possibility that there are some Muslim areas where these government agencies are not present or established. Second, on the assumption that the aforementioned government agencies exist in the said Muslim areas, it can be safely said that those manufacturing firms who were not able to avail of

government support were those who does not have any knowledge the support provided by the government agencies, or simply, may be because those manufacturing firms did not qualify because of some requirements required by the said government agencies.

Whichever is the case, this would imply that the government should look into the reasons why these manufacturing firms failed to avail the support it granted, and look for ways which could help those manufacturer qualify and avail such support.

Access to Foreign Support

Whether manufacturing firms have access to foreign support is shown in Table 17.

Table 17. Access to Foreign Support by Manufacturing Firms

Response	Frequency	Percentage
Yes	36	34.95
No	67	65.05
Total	103	100.00

Data in Table 17 shows that sixty-seven or 65.05 percent of the manufacturing firms does not have access to foreign support, and thirty-six or 34.95 percent have accessed to foreign support.

The finding implies that majority of the firms does not have access to foreign support may be because they are not engaged in global business, or have not established tie-ups with foreign businessmen, or the manufacturing firms does not have foreign investors at all. Further, this implies that the government should facilitate in finding foreign investors to invest with local manufacturers in Muslim areas.

Adequacy of Access to Foreign Support

The respondents were asked of the adequacy of foreign support to their firms. Table 18 shows the result of the inquiry.

Regarding the adequacy of access to foreign support by manufacturing firms, Table 18 reveals that eighteen or 50.00 percent of the respondents rated somewhat adequate; thirteen or 36.11 percent, inadequate; three or 8.33 percent, adequate; and two or 5.56 percent very adequate. The mean 2.83 denotes somewhat adequate.

On financial assistance, twelve or 33.33 percent rated somewhat adequate; ten or 27.78 percent, very inadequate; nine or 25.00 percent, inadequate; and five or 13.89 percent rated high. The mean 2.33 means inadequate access to financial assistance.

As to technical assistance, nineteen or 52.78 percent rated somewhat adequate; ten or 27.78 percent, somewhat adequate; four or 11.11 percent, adequate; and one or 2.78 percent, inadequate. The mean 2.47 suggests inadequate access.

Table 18. Adequacy of Access to Foreign Support by Manufacturing Firms

Government Support	VA		A		SA		I		VI		Total		Mean	QI
	F	%	F	%	F	%	F	%	F	%	F	%		
Lenient foreign custom and tariff policies	2	5.6	3	8.3	18	50.0	13	36.1	-	-	36	100	2.83	SA
Financial assistance	-	-	5	13.9	12	33.3	9	25.0	10	27.8	36	100	2.33	I
Technical assistance	2	5.6	4	13.9	19	52.8	11	30.6	-	-	36	100	2.92	SA
Market promotion	-	-	4	11.1	10	27.3	21	58.3	1	2.8	36	100	2.47	I
Facilitation from abroad	2	5.6	5	13.9	7	19.4	18	50.0	4	11.1	36	100	2.53	I
Average mean													2.62	SA

Note: VA – very adequate; A – adequate; SA – somewhat adequate; I – inadequate; VI – very inadequate

As with market promotion, twenty-one or 58.33 percent rated inadequate access; ten or 27.78 percent somewhat adequate; four or 11.11 percent, adequate; and one or 2.78 percent, very inadequate. The mean 2.47 is interpreted to mean as inadequate access to foreign support.

As to facilitation from abroad, eighteen or 50.00 rated inadequate access; seven or 19.44 percent, somewhat adequate; five or 13.89 percent, adequate four or 11.11 percent, inadequate; and two or 5.56 percent, very inadequate. The mean 2.53 represents inadequate access to foreign support.

The total average mean is 2.62, which denotes that access to foreign support by the manufacturing firms is somewhat adequate.

The findings imply that government support is imperative by communicating with foreign businessmen for financial assistance, technical assistance, market promotion of Philippine products, lowering of foreign custom and tariff though lenient, and facilitating distribution of products abroad. With this foreign assistance through the facilitation and help of the government, this will enhance the participation of the local manufacturing firms to enter in the global participation and in the global industrial development process.

Country that Provides Support to Manufacturing Firms

Table 19 presents the countries that have provided support to the manufacturing firms in Muslim areas.

Table 19. Country that Provides Support to Manufacturing Firms

Country	Frequency (N=36)	Percentage
United States	11	30.56
Malaysia	11	30.56
Japan	8	22.22
Korea	4	11.11
Indonesia	4	11.11
The Netherlands	2	5.56
France	2	5.56
Switzerland	2	5.56
Nigeria	2	5.56
Africa	2	5.56
China	2	5.56
Singapore	2	5.56
Belgium	2	5.56
Canada	2	5.56

* Multiple responses

The findings show that there were fourteen (14) countries that have provided support to manufacturing firms in Muslim areas in terms of lenient foreign custom and tariff policies, financial assistance, technical assistance, market promotion, and facilitation from abroad.

Further, findings reveal that eleven or 30.56 percent of the respondents reported United States and Malaysia; eight or 22.22 percent, Japan; four or 11.11 percent, Korea and Indonesia; and two or 5.56 percent each, The Netherlands, France, Switzerland, Nigeria, Africa, China, Singapore, Belgium, and Canada.

The findings suggest that, with reference to Table 18, the government should assist manufacturing firms by acting as mediator or negotiator in strengthening further the already established business relationship between the manufacturing firms and the above-enumerated countries. While the United States, Malaysia, Japan, Korea, and Indonesia were the four foremost supporters of the manufacturing firms, business relationship with other countries need improvements. This implies that these improvements require the assistance of the government.

The above-findings are true only to the thirty-six respondents who responded to the inquiry, and with reference to Table 18, generally, the access of manufacturing firms to foreign support is somewhat adequate and needs improvement. This further imply that other manufacturing firms (67) who does not have access to foreign support and who does not countries that provide support should also be given cognizance and included in the assistance the government will perform through facilitation. With this, somehow, all manufacturing firms will be lured to improve their operation and thereby enter in the global industrial development.

Access to Direct Deal With Foreign Traders

The respondents were asked of whether they have access to direct deal with foreign traders. Table 20 shows the responses of the respondents.

Table 20. Access to Direct Deal With Foreign Traders by Manufacturing Firms

Response	Frequency	Percentage
Yes	26	26.26
No	73	73.74
Total	99	100.00

As shown in Table 20, seventy-three or 73.74 percent of the respondents replied they have no access to direct deal with foreign traders, while twenty-six or 26.26 percent does not have.

The finding suggests that only few manufacturing firms have access to direct deal with foreign traders. This implies that there is the need for the government to help facilitate access of manufacturing firms to direct deal with foreign traders. These foreign traders can be instrumental in facilitating the products of manufacturing firms in terms of promotion and distribution. This activities will be undertaken by foreign traders would result to increase in sales volume and profitability of the manufacturing firms. With this, while the government extends assistance, it will also generate revenue through taxes remitted by the manufacturing firms.

Actions Taken by the Manufacturing Firms to Improve Their Access to Facilities

The owners-respondents were asked of what actions their management had taken in order to improve their access to facilities. All respondents or thirty-six respondents reported the following:

A. On government support:

1. On taxes and tariffs, the respondents reported that the government should, through the Bureau of Customs, reduce or soften the tax and tariffs imposed on imported goods and raw materials used in the manufacturing/production of finished products, and the tax (export) imposed on products to be exported.

This implies that if granted by the government, prices of the finished products, whether for export or for domestic distribution, will be lowered thereby will gain acceptance and recognition in the foreign market as well in the domestic market. This further implies that sales volume and profitability of manufacturing firms will increase.

2. As to financial assistance, the respondents reported that the government should provide financial assistance in terms of loans with lesser requirements and lower interest in loans. Also, the respondents reported that the

government should put up or establish more government banks for them to choose to and easy access.

The report implies that low interest in loans look attractive to manufacturing firms and will lure them to apply for loans in order for them to increase their capital investment, improve their manufacturing/production facilities, procure more raw materials, improve production quantity and quality, and eventually increase their sales volume and profitability. The establishment of more government banks would be in their respective areas would be favorable to manufacturers in terms of distance and proximity and permit them to select which bank they will obtain their loans.

3. With regards to technical assistance and product development, the respondents reported that the government should provide such assistance. In their report, aside from the Department of Trade and Industry, there are no other government agencies that extend technical assistance in their production and product development.

This finding implies that the government should provide the necessary technical assistance to manufacturing firms. Since other agencies are mainly based in Luzon, technical assistance can be done by sending expert technicians from different agencies who, can share their expertise in production, give advise on what appropriate technology to use, and ideas in product development. This assistance will help improve the production capability of manufacturing firms and may result to finished quality products.

4. On market promotion, the respondents reported that they were not able to avail any assistance from the government, except that of the Department of Trade and Industry's assistance. However, its market promotion assistance is mainly focused in the domestic market.

The finding implies that the government should provide assistance in the market promotion of locally manufactured products abroad. This will somehow encourage manufacturers in Muslim areas to better their products and would enhance their participation in the global industrial development, and would be competitive.

B. On foreign support:

1. On foreign custom and tariff policies, the respondents reported that they leave this matter to the government to negotiate with other countries.

This implies that global economic liberalization is working, that is, lowering or totally removing barriers among trading nations. However, theoretically and as observed, some governments are allowed or permitted to impose or create their own tariff policies to generate revenues, and for control purposes.

2. With regards to financial assistance, the respondents indicated that bigger capital investment, better quality products, better production method and

technology adopted, would entice foreign investors to invest with them, and financial assistance would likely come in the form of investment.

The findings imply that the government has an important role to manufacturing firms. This can be in terms of government's negotiation with foreign businessmen, or facilitate in finding foreign lending institutions for the manufacturers to avail loans at lower interest rates.

3. As with technical assistance, the respondents indicated that they need the help of the government, other than the technical assistance it provided, to help find foreign technical experts in order that their production and production method used would be enhanced including the skills and capabilities attached to it.

Findings imply that other than the technical assistance provided by the government, it should also help seek foreign technical assistance, especially with the intention of the government to let the local manufacturers venture in global trade competition. Further, there exists newer technology that the Philippines do not have.

4. With regards to market promotion, the respondents aired that the government should help the manufacturers find foreign business partners or distributors who can distribute their products.

This imply that market promotion abroad can be realized when a manufacturer has a foreign investor investing in the company. The foreign partner being an investor can help in the market promotion of a product abroad.

5. On facilitation from abroad, the respondents reported that the government should also assist in finding foreign facilitators of their products similar to market promotion abroad.

The finding implies that facilitation from abroad will only be realized when a manufacturing firm has a foreign partner/investor, and if the manufacturers do not have foreign partners, their only hope is the help provided by the government.

IV. PROBLEMS HINDERING PARTICIPATION

This section of the paper delves on the problems hindering the participation of manufacturing firms in the global industrial development process.

Problems Hindering Participation of Manufacturing Firms

The respondents were asked whether their participation in the global industrial development process is hindered by problems.

All respondents or 100 percent reported positive responses.

Problems encountered by Manufacturing Firms

The respondents were asked to enumerate the problems they have encountered that hindered their participation in the global industrial development process. Table 21 shows the enumerated problems.

Table 21. Problems Encountered by the Respondents

Problems	Frequency (N=103)	Percentage
Peace and order problem	103	100.00
Foreign exchange rate fluctuations	103	100.00
Difficulty of obtaining raw materials	100	97.09
Poor access to new technology	96	93.20
Lack of capital	92	89.32
Lack of marketing know-how	90	87.38
Heavy competition within the industry	89	86.41
Lack of support from the government	89	86.41
Lack of opportunity to actual deal with foreign traders	88	85.44
Poor access to information	85	82.52
Lack of demand for the product	85	82.52
Lack of technical expertise	77	74.76
Poor infrastructure facilities	74	71.84
Lack of market abroad	66	64.08
Difficulty in obtaining highly skilled workers	66	64.08
Poor communication facilities	43	41.75
Conflict in cultural and religious values	43	41.75
Lack of managerial training and skill	43	41.75
Lack of local government support	42	40.78

* Multiple responses

As shown in Table 21, the problems encountered by the manufacturing firms pertaining to their participation in global industrial development process were arranged according to the most pressing problem besetting the manufacturing firms.

Findings show that, all or 100 percent respondents reported problems in peace and order, and foreign exchange rate fluctuations; one hundred or 97.09 percent, difficulty of obtaining raw materials; ninety-six or 93.20 percent, poor access to new technology; ninety-two or 89.32 percent, lack of capital; ninety or 87.38 percent, lack of marketing know-how; eighty-nine or 86.41 percent, heavy competition within the industry and lack of support from the government; eighty-eight or 85.44 percent, lack of opportunity to actual deal with foreign traders; eighty-five or 82.52 percent, poor access to communication and lack of demand for the product; seventy-seven or 74.76 percent, lack of technical expertise; seventy-four or 71.84 percent, poor infrastructure facilities; sixty-six or 64.08 percent, lack of market abroad and difficulty in obtaining highly skilled workers; forty-three or 41.75 percent, poor communication facilities, conflict in cultural

and religious values, and lack of managerial training and skill; and forty-two or 40.78 reported lack of local government support.

The following are implications to each problem encountered by the respondents:

Peace and order. The problem in peace and order started way back in 1970 between the government and the Moro National Liberalization Front (MNLF). It was only resolved after the Philippine government and the MNLF both signed the Tripoli Agreement in 1974, a created policy to allow the Muslims and other indigenous groups to enjoy administrative autonomy...resolving the conflict, or at least keeping at low level the tension in the Muslim areas of Mindanao that broke out into violence during the early seventies (Magdalena, et. al., 1986-1987:21-22). However, small and short skirmishes between government troops and the MNLF still rage for several years. Then came the problem brought by the Moro Islamic Liberalization Front (MILF), a breakaway faction of the MNLF. Armed confrontations went out of proportion. Armed encounters happens almost everywhere, except in areas where the National People's Army (NPA) exist, and went as far as Basilan, Jolo, and Tawi-Tawi provinces. The worst encounter was in the province of Maguindanao when government troops swooped down to get Camp Abubakar, the biggest MILF camp that served as the central command and seat of their government. Almost simultaneously, the Abu Sayaff Group (ASG) showed up kidnapping people of all sort, foreign and local tourists, religious people, businessmen, teachers, government and private employees, and even students were not spared, in mainland Mindanao, Basilan, Jolo, and Tawi-Tawi.

While these short insights are not part of the study, it has implications to all, private individuals, businesses, and even to the national government.

As regards to manufacturing firms, peace and order suggest slow down if not temporary stoppage of operation, which result to some layoffs of employees, reduce production quantity. Possible foreign investors would see the situation as a major deterrent to business, thus, the supposed investment is denied to local businessmen or manufacturers.

The findings imply that peace and order problem should be improved and maintained in these strife-torn areas so that business will continue to operate and progress. This calls for the government to act with resolve in order to protect private individuals including business interests.

Foreign exchange rate fluctuations affect decisions to borrow money from outside sources and the decision to import raw materials, which also affect the operation of the manufacturing firms.

This implies that, while the government does not have full control over this matter, the government should provide loan assistance through its banks with lower interest rates, or grant subsidies to manufacturing firms. With this, the manufacturing

industries would somehow continue to operate and help contribute something to the country.

As to the difficulty of obtaining raw materials, for local materials suggest location problems especially in areas down south of Mindanao. Procuring raw materials from, say, Cebu and Manila require huge amount of money for transport. When raw materials are to be imported, this would be more costly to the manufacturing industries since the cost of said materials would be paid based on the foreign exchange rate of that country.

This implies that there is the need for the government to help the manufacturers to find/locate foreign suppliers of raw materials, which offer lower prices, and negotiate continuity of supply.

Poor access to technology suggests that manufacturing firms were not able to avail government support via its concerned agencies such as, among others, the Department of Science and Technology.

Finding implies that the government should make sure that agencies created help the manufacturing firms by introducing new technology used in manufacturing/production through its pool of experts especially those in the far-flung areas.

Lack of capital suggests that manufacturing firms need government and foreign financial assistance. The finding implies that the government should provide financial assistance by allowing manufacturing firms to borrow through loans with low interest rates. Foreign assistance will be available if manufacturers are able to tap foreign investors to invest in their business. However, this would also imply government assistance by way of inviting foreign businessmen to invest with the local manufacturers in Muslim areas.

As with the lack of marketing know-how, findings imply that appropriate agencies of the government should provide the necessary information needed by the manufacturers by conducting seminars, workshops and other training skills regarding marketing. This would enhance the knowledge of the manufacturers on how they will market its products in the domestic market or in the international market.

Regarding the problem heavy competition within the industry is a matter concerning marketing know-how. Competition is but natural in any business. However, the lack of marketing education is a disadvantage to the manufacturing firms and this would imply the need for government assistance through its appropriate agencies to train the owners of said manufacturing firms.

On the lack of support from the government, this would imply the need for the government to extend lower taxes and tariff for imported raw materials, improved its financial assistance, providing technical assistance on a regular basis, assist in or extend

ideas regarding product development, and aid in the market promotion of the manufacturing firms and its products.

As to the problem of lack of opportunity to actual deal with foreign traders, this implies the need for the government to help facilitate in finding foreign traders to deal with the local manufacturers in Muslim areas. With this, business relationships may be developed and established between the manufacturers and foreign traders, and the likelihood of having foreign traders investing with the manufacturers.

The poor access to information by the respondents implies that the government should always, as much as possible because of distance barrier, inform the local manufacturers of what is new in the market by disseminating these information through the Philippine Information Agency, or the Department of Trade and Industry, or via other available medium.

The problem on lack of demand for the product suggests that manufacturing firms does not possess enough knowledge about marketing. This implies that the government particularly through the Department of Trade and Industry conduct training, seminars, and workshops to manufacturing firms in order to enhance their knowledge and skills in marketing.

As to lack of technical expertise, this implies the need for the government to direct its agencies particularly the Department of Trade and Industry, the Department of Science and Technology, among others, to extend technical assistance in order to improve the skills of the employees and workers, and the methods used by the manufacturing firms in manufacturing/production.

The problem on poor infrastructure facilities by the respondents suggests problems like provincial and municipal roads where raw materials and finished products pass for distribution and delivery; availability of terminal warehouses to house finished products due for shipment; and wharf facilities. This implies the need for the government to improve these facilities particularly through the Department of Public Work and Highways and the Philippine Ports Authority.

The problem lack of market abroad by the respondents implies that the government should help facilitate the development of markets abroad. This would influence the local manufacturing firms to compete globally and enter in the global industrial development process.

As with the problem on difficulty in obtaining highly skilled workers suggest skilled workers command higher salary or wage. Added to this difficulty is that skilled workers are usually available in other key places, thus, availing their services would entail huge money expenditures in terms of personal services. Finally, skilled or even ordinary workers coming from other places, as has been observed, are afraid to work in areas where incidence of kidnapping are noted, and the possible armed confrontations between the military and the rebels. However, keen observers say, skilled workers are

willing to work in certain critical areas provided that they receive higher pays and other incentives.

The finding implies that the government should be resolve in stopping, if not, reduce these atrocities to the minimum. Also, this implies that since the skilled workers are rare to find, the Technical Education and Skills Development Authority (TESDA) of the government should be established in areas where it does not have and help train, educate, and develop the skills of the local populace in order to create local manpower appropriate to the needs of the manufacturing firms.

With regards to the problem of poor communication facilities, this implies the need for the government through the Department of Transportation and Communication to improve their communication services so that manufacturing firms located in far-flung areas can access to recent information especially those that are relevant to the manufacturing industries.

With regards to problem of conflict in cultural and religious values suggest that for Muslims particularly, securing financial assistance from a certain lending institutions, which bear high interest rates is against the teaching of Islam. To some non-Muslims or Christians the same cultural and religious values may exist. Whichever is the case, Muslims or non-Muslims, the findings implies that the government should establish banks which offer loans that bear low interest rates.

The problem lack of managerial training and skill implies that the government should conduct training and skill development for managers through the auspices of the Department of Trade and Industry, or the Development Academy of the Philippines, or any other agencies of the government that can cater to the managerial needs of the manufacturing industries.

As to the problem on the lack of local government support, this implies that the local government should extend assistance to those manufacturing firms in terms of inviting foreign investors to invest with their local manufacturers, help in the improvement of infrastructure and communication facilities, and from time to time coordinate with the national government the problems affecting manufacturing firms, which may be beyond their authority and capability.

The overall findings imply that there is the felt need that the government should support the manufacturing firms under studied in meeting the problems besetting and hindering their participation in global industrial development process.

V. SOLUTIONS TO PROBLEMS

The respondents were asked of what solutions they can offer in order to eliminate the problems they have encountered and that hindered their participation in the global industrial development process.

All respondents suggested some solutions to their problems and were arranged according to their degree of importance:

1. The government should be resolve enough to contain or end the armed struggles in strife-torn areas in mainland Mindanao, Basilan, Jolo, and Tawi-Tawi so that peace and order may reign, and allow people to leave normal lives, business to continue and progress to the betterment of the Muslim areas.
2. Establishment of more credit facilities like banks that grant loans at low interest rates, and does not require high value collaterals.
3. Provision of technical assistance to manufacturing firms in order to improve its production and production method, and the corresponding, appropriate skills needed.
4. The government should assist in facilitating the development of markets abroad as well as promotion of products.
5. The government should extend assistance in finding foreign investors to invest with the local manufacturing firms in Muslim areas thereby increasing their capital.
6. More reduction in taxes in finished products and lowering of tariffs on imported goods and raw materials.
7. Provide training, seminars, and workshops to employees as well as to owners/managers.
8. Improve communication and infrastructure facilities in Muslim areas.

Chapter 4. Summary, Implications and Recommendations

The study was conducted to determine the effect of global economic liberalization on manufacturing industries in Muslim areas in the Philippines.

The study focused on the following specific objectives:

1. To describe the profile of manufacturing firms in terms of name of establishment, number of years in operation, form ownership, initial and present capitalization, source of capital, products manufactured, sources of raw materials for production, and product distribution.

2. To examine the effect of global economic liberalization on manufacturing industries in Muslim areas, particularly on capitalization and ownership, production, marketing, profitability, and participation in the global trend;
3. To ascertain whether owner-manufacturer have adequate access to global industrial development facilities in terms of government support and foreign support;
4. To identify problems that hinder the participation and progress of businessmen in global trade and investment;
5. To identify solutions to the problems, as suggested by the respondents; and
6. To come up with policy recommendations with implications on the development of manufacturing industries in the APEC region.

Summary of Findings

The succeeding sections are the findings of the study.

I. PROFILE OF MANUFACTURING FIRMS

1. With regards to the name of establishments, not a single respondent indicated the name of his establishment.
2. As to the number of years in operation, twenty-nine or 28.16 percent of the manufacturing firms have been in operation between 6-10 years; twenty-five or 24.27 percent are between 11-15 years; eighteen or 17.48 percent are between 0-5 years closely followed by seventeen or 16.50 percent between 16-20 years. Only few manufacturing firms have been in operation for 21 years and above.
3. As to the form of ownership of the firms, more than one-half (64%) of the manufacturing firms are corporation; sixteen or 15.53 percent are sole proprietorship; thirteen or 12.62 percent are partnership. Only seven or 6.80 percent are cooperatives, and three or 2.91 percent are corporations with foreign investors.
4. On the initial capitalization, a little more than 50 percent had an initial capitalization of P150,000 and below. This is followed by twenty-two or 21.36 percent above P150,000-P1.5M; fifteen or 14.56 percent above P1.5M-P15M. Eight or 7.77 percent are above P15M-P60M; and only three or 2.91 percent had an initial capitalization of above P60 million. With respect to present capitalization, forty-two or 40.78 percent have above P150,000-P15M followed by thirty-one or 30.10 percent P150,000 and below; fourteen or 13.59 percent are

above P15M-P60M, thirteen or 12.62 percent above P1.5-P15M; and only three or 2.91 percent have maintain their initial capitalization of above P60 million.

5. As to source of capitalization, majority of the manufacturing firms (86.41%) had family, friends or relatives as their major sources of capital followed by banking institutions (80.58%); personal money (74.76%); incorporators' contribution (33.01%); and only few mentioned cooperative members contribution, from foreign partners; and five or 4.85 percent did not specify their source of capitalization.
6. With regards to products manufactured, the first five exportable product manufactured by the manufacturing firms are furniture and fixtures (11.65%; bags, RTWs and textiles (9.71%); candy and fruit preserves, and copra solvent, pellet and oil (7.77%); canned goods, and chemical products (6.80%); and dried sea weeds and fresh tuna fish (5.80%). Only few manufacturing firms manufacture non-exportable products.
7. On sources of raw materials, all manufacturing firms (100%) have local source, and seventy-one or 68.93 percent import their raw materials.
8. As with product distribution, majority of the manufacturing firms (86.41%) distribute their products in the domestic market; nine or 8.74 percent distribute products both in the domestic and international markets; and only few (4.85%) in the international market.

II. EFFECT OF GLOBAL ECONOMIC LIBERALIZATION

1. On awareness of respondents, a great majority (87.38%) of the respondents were aware, while thirteen or 12.62 percent were not aware.
2. Whether liberalization affected manufacturing firms, seventy-nine or 76.70 percent were affected and twenty-four or 23.30 percent were not affected.
3. As to the effect of liberalization, in general, the enhancing effect was rated moderate with the mean 2.88, while the adverse effect was also rated moderate with the mean of 2.76.
4. On the actions or adjustments taken by the respondents to alleviate the adverse effect of liberalization, the identified actions or adjustments in rank order are: (1) improved management capability, borrowed funds from financial institutions, and improved product quality; (2) sourced imported raw materials in the domestic market; (3) invited interested individuals to invest in the business; (4) improved productivity and efficiency; (5) reviewed existing marketing policies and strategies; (6) sent company personnel to training, seminars etc.; (7) established foreign markets and tied-up with foreign businessmen; (8) created own suppliers

for materials needed in production; (9) acquired new technology and better facilities; (10) created more domestic markets for the product; (11) made price adjustments/intensified promotional activities; (12) hired consultants or sought for government assistance; (13) traded local products with imported products; and (14) entered in the global competition/market.

III. ACCESS TO FACILITIES

1. Access to government support, a little more than 50 percent had no access, while forty-nine or 47.57 percent had access.
2. Adequacy of access to government support, in general, it was rated inadequate by the respondents with the mean of 2.33.
3. As to government agencies who provided support to manufacturing firms, the agencies in rank order are: (1) Bureau of Customs; (2) Department of Trade and Industry; (3) Technology and Livelihood Research Center; (4) Department of Science and Technology; (5) Philippine National Bank; (6) Bureau of Food and Drug Administration; (7) Landbank of the Philippines; (8) Bureau of fishery and Aquatic Resources; (9) Department of Agriculture; (10) Philippine Coconut Authority; (11) Philippine Ports Authority; (12) Department of Environment and Natural Resources; and the Philippine Information Agency.
4. As with access to foreign support, sixty-seven or 65.05 percent had no access, while thirty-six or 34.95 percent had access.
5. On the adequacy of access to foreign support, the respondents, in general rated somewhat adequate with the mean of 2.62.
6. As to countries that have provided support to manufacturing firms, the respondents indicated in rank order the following: (1) United States and Malaysia; (2) Japan; (3) Korea and Indonesia; and (4) The Netherlands, France, Switzerland, Nigeria, Africa, China, Singapore, Belgium, and Canada.
7. On access to direct deal with foreign traders, seventy-three or 73.73 percent had no access, while twenty-six had access.
8. Actions taken by manufacturing firms to improve their access to facilities, the respondents provided the following:
 - a. On government support:
 - a.1. On taxes and tariffs, the respondents reported that the government should, through the Bureau of Customs, reduce or soften more the tax and tariffs imposed on imported goods and raw materials used in the

manufacturing/production of finished products, and the tax (export) imposed on products to be exported.

- a.2. As to financial assistance, the respondents indicated that the government should provide financial assistance in terms of loans with lesser requirements and lower interests in loans. Also, the respondents reported that the government should put up or establish more government banks for them to choose and easy access.
- a.3. With regards to technical assistance and product development, the respondents reported that the government should provide such assistance. In their report, aside from the Department of Trade and Industry, there are no other government agencies that extend assistance in their production and product development.
- a.4. On market promotion, the respondents reported that they were not able to avail assistance from the government, except that of the Department of Trade and Industry. However, its market promotion assistance is mainly focused in the domestic market.

B. On foreign support:

- b.1 On foreign customs and tariff policies, the respondents reported that they leave this matter to the government to negotiate with other countries.
- b.2 With regards to financial assistance, the respondents indicated that bigger capital investment, better quality products, better production method and technology adopted, would entice foreign investors to invest with them, and financial assistance would likely to come in th form of investment.
- b.3 As with technical assistance, the respondents indicated that they need the help of the government, other than the technical assistance it provided, to help find foreign experts in order that their production and production method used would be enhanced including the skills and capabilities attached to it.
- b.4 With regards to promotion, the respondents aired that the government should help manufacturers find foreign business partners or distributors who can distribute their products.
- b.5 On facilitation from abroad, the respondents reported that the government should also assist in finding foreign facilitators of their products similar to market promotion abroad.

IV. PROBLEMS HINDERING PARTICIPATION

1. Whether the participation of the respondents in global industrial development process was hindered by problems, all respondents (100%) reported positive responses.
2. On problems encountered by manufacturing firms, the respondents reported in rank order the following: (1) peace and order and foreign exchange rate fluctuations; (2) difficulty of obtaining raw materials; (3) poor access to technology; (4) lack of capital; (5) lack of marketing know-how; (6) heavy competition within the industry and lack of support from the government; (7) lack of opportunity to actual deal with foreign traders; (8) poor access to information and lack of demand for the product; (9) lack of technical expertise; (10) poor infrastructure facilities; (11) lack of market abroad and difficulty of obtaining highly skilled workers; (12) poor communication facilities, conflict in cultural and religious values, and lack of managerial skill; and (13) lack of support from the local government.

V. SOLUTIONS TO PROBLEMS

The respondents (100%) suggested some solution to their problems and were arranged according to their degree importance:

1. The government should be resolve enough to contain or end the armed struggles in strife-torn areas in mainland Mindanao, Basilan, Jolo, and Tawi-Tawi so that peace and order may reign, and allow people to leave normal lives, business to continue and progress to the betterment of Muslim areas.
2. Establishment of more credit facilities like banks that grant loans at low interest rates, and does not require high value collaterals.
3. Provision of technical assistance to manufacturing firms in order to improve its production and production method, and the corresponding, appropriate skills needed.
4. The government should assist in facilitating the development of markets abroad as well as promotion of products.
5. The government should extend assistance in finding foreign investors to invest with the local manufacturing firms in Muslim areas thereby increasing their capital.
6. More reduction in taxes in finished products and lowering of tariffs on imported goods and raw materials.

7. Provide training, seminars, and workshops to employees as well as to owners/managers.
8. Improve communication and infrastructure facilities in Muslim areas.

Implications

1. Firms tend to fold up before they reach the age of five years. If the imputed stability of at least six years is true, then a great majority of the manufacturing firms in Muslim areas are past their critical stage. The rest still have to mellow as they struggle for survival in the world of manufacturing business.
2. It is common knowledge that many small businesses in the Philippines are started as sole proprietorship. After operating for some time, he invites or gets invited to form a partnership or a corporation. Manufacturing firms in Muslim areas are not exceptions, they, too, passed this stage. Corporation is formed in order to generate bigger capital required of manufacturing business.
3. The source of capital of manufacturing firms were derived from their families, friends, or relatives, banks, personal money, and contributors' contribution. Banks offer various types of credit. To avail loans some requisites must be met such as, collaterals, an agreement not to exceed a specific amount, the specific purpose of the loan, good credit reputation of the borrower, and the stability of business of the borrower, all of which are enough to convince the lender.
4. Liberalization has positive moderate effects, particularly in the enhancing effects, to a great majority of the respondents. However, liberalization also has negative moderate effects, particularly in the adverse effects, to few respondents. In either case, there is the need for the government to conduct a series of campaign and wide dissemination of information of what good liberalization can bring to manufacturing firms, and thereby encourage them to hasten their global participation and, eventually, in the global industrial development process.
5. Some manufacturing firms have access to government support program for global industrial development, but their access is inadequate. The government should improve and strengthen their support program through its appropriate agencies so that manufacturing firms can avail wider access and facilitation.
6. The manufacturers have somewhat known many agencies who, were tasked to promote and facilitate their participation in global trade. However, the agencies should continue to improve their information dissemination in order to attract more manufacturing firms to participate in the global trade and industrial development.

7. Manufacturing firms have access to foreign support, but their access is only somewhat adequate. It would be imperative for the government to facilitate improvement of their access to foreign support.
8. The manufacturing firms have few known countries that have provided them support. The government should improve their political and business relationships so as facilitation of support to manufacturing firms would be enhanced and more accessible.
9. A huge number of manufacturing firms have no access with foreign traders. There is the need for the national government to mediate by bringing together both the local manufacturing firms and the identified foreign traders. With this, it would promote and help develop good business relationships and understanding.
10. The participation of manufacturing firms is hindered by so many problems. The government should take cognizance of these problems and make it as basis in devising and development of strategies to alleviate, if not, lessen the problems hindering the participation of manufacturing firms in Muslim areas into the global industrial development.

Recommendations

Based on the findings and implications of the study, the following recommendations are drawn:

1. The establishment of a branch of the Development Bank of the Philippines (DBP) in Marawi City. The nearest branch of the DBP is located in Iligan City. Manufacturers and other businessmen in Marawi City have to go down in Iligan City to transact their business.
2. The national government, through the “Bangko Sentral ng Pilipinas” (BSP) in consultation and coordination with some government agencies, should put up more banks, private or commercial banks, in Muslim areas so that manufacturing firms located therein can easily access and avail financing assistance and financial services. Likewise, Islamic banks should also be established in Muslim areas to cater to the financial requirements of Muslim manufacturers and other businessmen. With the establishment of Islamic banks, Muslim manufacturers, businessmen, and even private individuals can avail of financial assistance whose terms and conditions are acceptable and in no way conflict with Islamic belief.
3. The Canadian International Development Agency (CIDA) is one of the foreign donors providing assistance to the Philippines. There were three pilot areas, Regions 6, 7 and 11 who have already benefited the financial, training and technical assistance provided by the CIDA. Given this kind of foreign support, the national government can request or ask the CIDA to provide the same assistance to the Autonomous Region for Muslim Mindanao, Regions 9, 10 and

12. The assistance provided to manufacturing firms in Muslim areas would help hasten the participation of said manufacturing firms in global industrial development.
4. The local government officials should encourage their constituents who have potentials to engage in manufacturing, and provide the necessary initial assistance, and likewise, extend support to existing manufacturing firms in their area.
5. There are several institutions, which provide assistance to business firms. The national government in consultation and coordination with the Department of Trade and Industry, Department of Science and Technology, and National Economic and Development Authority, must give first priority in providing training assistance and seminars to manufacturers in the field of:
 - 5.1. Global economic liberalization of manufacturing firms.
 - 5.2. Marketing fundamentals, marketing management and market development.
 - 5.3. Management training and development.
 - 5.4. Financial management or business finance.
 - 5.5. Production and technology transfer.
 - 5.6. Mass communication/information technology.
 - 5.7. Proprietary product technology.
6. Effective and sufficient information dissemination of support programs, business opportunities, new trends in economic liberalization and global industrial development.
7. The infant industry argument for government intervention is that to let manufacturing get a toehold, governments should temporarily support new industries, but not to end up protecting the inefficient.

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