

# Southeast Asian Capitalist Systems

## The influence of regional institutions on economic development in the Philippines



Universiteit Utrecht

Bram van Helvoirt, PhD Candidate

Urban and Regional research centre Utrecht, International Development Studies, Utrecht University, The Netherlands

b.vanhelvoirt@geo.uu.nl

### Introduction

In spite of claims that the world has become a global village, the diversity of capitalist systems has remained enormous. At International Development Studies two research projects focus on the impact of economic institutions in order to explain regional diversity: one intra-national in the Philippines and one international on the border of Thailand and Malaysia. This poster presents results of a comparative analysis of the impact of regional capitalist institutions in Bohol, Cebu and Negros Oriental (Philippines).

### Research set-up

For a comparison of the three neighbouring island provinces, this study uses Whitley's (1999) Comparative Business Systems approach. This approach offers analytical tools to differentiate spatial economies, using a specific set of institutional characteristics. Differences in the nature of relationships between economic actors are decisive in contrasting business systems.

Being a firm-oriented approach, inter-firm relations are a key dimension to define business systems. Three characteristics are taken into account: (1) extent of alliance coordination of production chains; (2) extent of collaboration between competitors; and (3) extent of alliance coordination of sectors.

### Empirical findings

The results shown on this poster are distilled from a business survey among 117 SMEs. Another survey was carried out among 21 local business associations. Further primary data were gathered from semi-structured interviews with entrepreneurs, business leaders, business support organizations and public sector agencies.



#### Bohol:

- small-scale agricultural economy
- operates at local scale
- recent emergence of tourism industry

#### Cebu:

- urban economy; centre of trade, industry and commerce
- operates at global scale
- export-oriented manufacturing and services

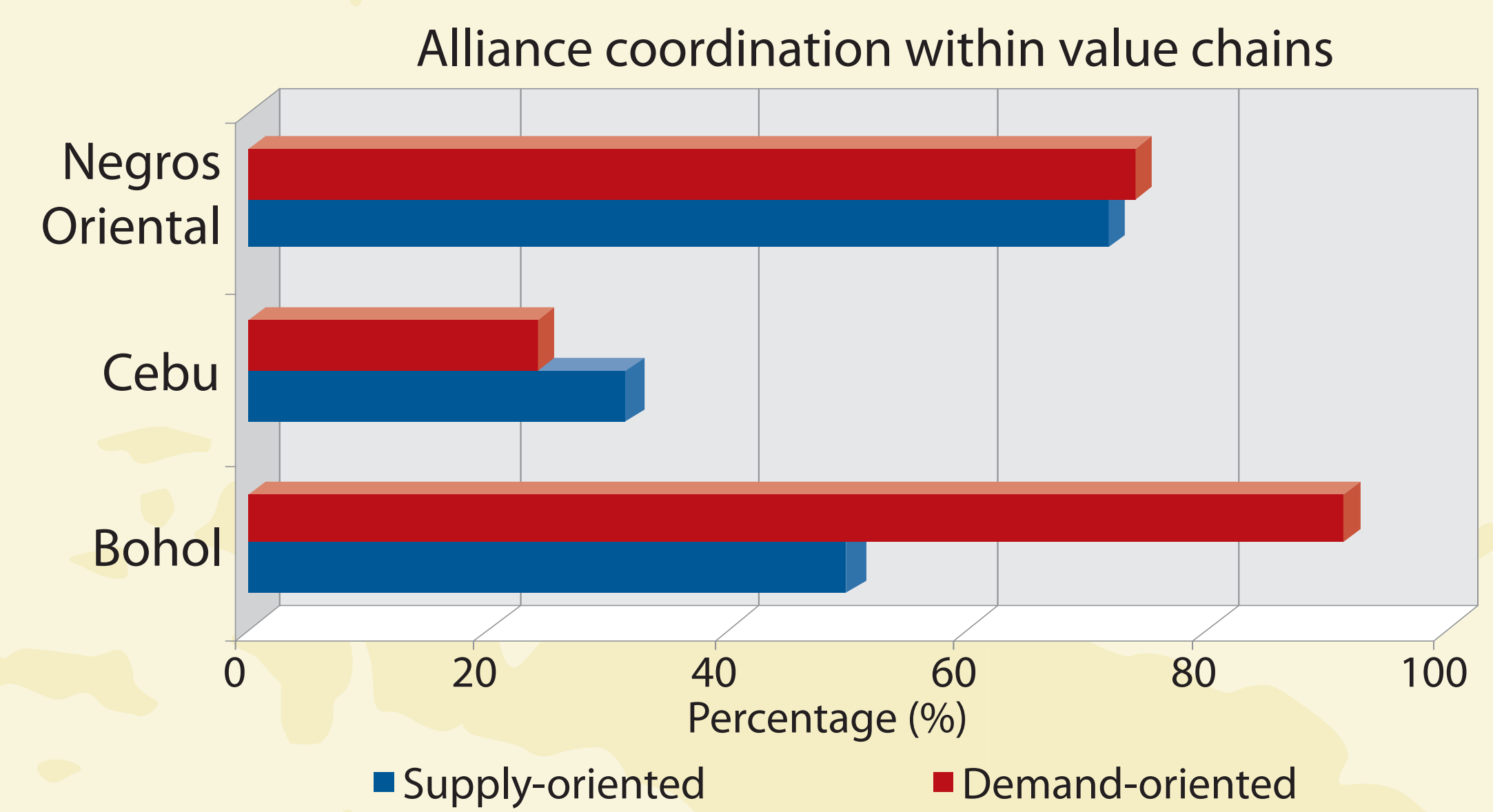
#### Negros Oriental:

- large-scale agricultural economy
- operates at national scale
- monocrop production

### (1) Alliance coordination of production chains

Source: Business survey, 2006

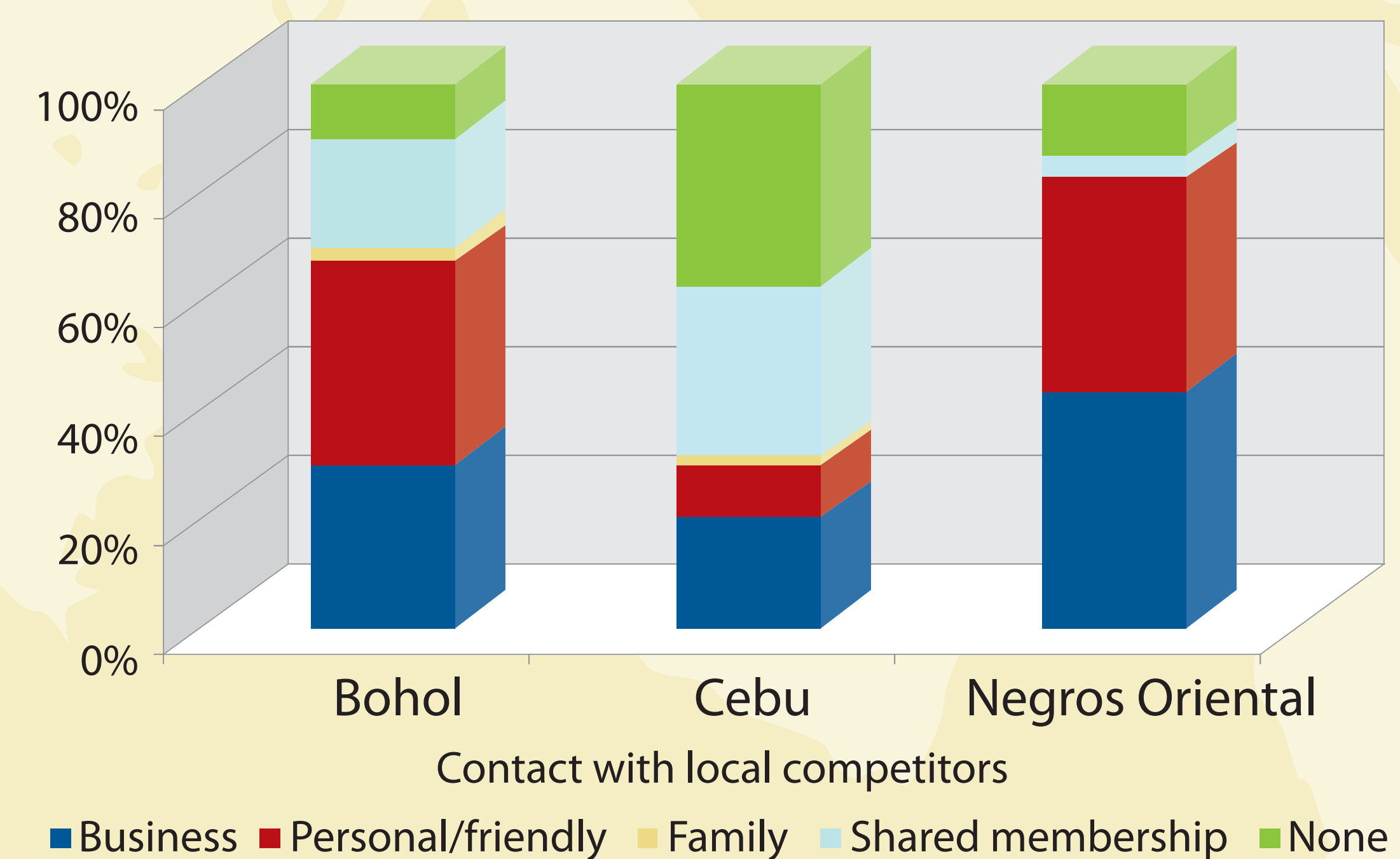
- Strong informal coordination in Bohol and Negros Oriental, due to short distances and personal ties;
- Weak informal coordination in Cebu, due to reliance on international contract-based arm's length relationships.



### (2) Collaboration between competitors

Source: Business survey, 2006

- Personal relationships between competitors who operate on the same market in Bohol (local) and Negros Oriental (national);
- Fierce competition on the global market causes weak horizontal linkages among local competitors in Cebu, due to low level of trust.



### (3) Alliance coordination of sectors: the role of business associations (BAs)

Source: Business association survey, 2006

	Bohol (agro)	Bohol (tourism)	Cebu	Negros Oriental
Presence of sectoral BAs	Weak	Strong	Strong	Weak
Level of organization	Low	Moderate	High	Moderate
SME participation	Rarely	Frequently	Frequently	Occasionally
Impact of sectoral BAs	Weak	Moderate	Strong	Weak

- Strong presence and impact of business associations in Cebu, serving as coordinative platforms;
- Sectoral divide in Bohol;
- In the agricultural economies of Bohol and Negros Oriental, sectoral alliance coordination is less organized and more based on informal and personal linkages among individual entrepreneurs.

### Conclusions

The strong insertion of Cebu in the competitive global market has a clear effect on the functioning of the provincial economy. Business associations try to fill the 'coordinative gap' that exists between individual export-oriented manufacturers. While it offers opportunities way beyond that of Bohol and Negros Oriental, global competition also means there is a more selective environment in Cebu than in the other two provinces. In Bohol and Negros Oriental, the agro-based businesses operate on smaller, more familiar home markets. These less competitive environments give them more room to rely on informal inter-firm relations. As an effect, the economies remain more inward-oriented and regional development occurs at a slower pace than in Cebu.