

## Philequity Corner (April 19, 2010)

By Valentino Sy

### Yellow vs. Red

A battle between yellow and red has been heating up in Thailand, and we are not talking about curry pastes. It is a battle between the Yellow shirts which represents the People's Alliance for Democracy (PAD) and the Red shirts which stands for the National United Front of Democracy (UDD). The Red shirts are mostly from the rural/poor areas and are supporters of ousted Thai Prime Minister Thaksin Shinawatra. Meanwhile the Yellow shirts are the ones who took the power from Thaksin with the king's blessing.

Recent clashes between the two factions have turned violent after the Red shirts called for the resignation of Prime Minister Abhisit Vejjajiva and his government and allow fresh elections. Massive rallies and protests were staged in Bangkok early this month and later in Pattaya where a major ASEAN-sponsored summit is being held. A state of emergency is declared, the summit was cancelled and the foreign dignitaries in Pattaya were evacuated. Last week, a military crack-down on the protesters left two people dead and 123 injured.

### Yellow vs. Orange

Here in the Philippines, a similar battle of colors is happening between yellow and orange which represents presidential frontrunners, Noyonoy Aquino and Manny Villar, respectively. Yellow is supported by the A-B crowd, while orange (which supposedly stands for "hirap at tiyaga") represents the poor. While there has been no violence involved, there has been a lot of black propaganda, dirty tricks and negative campaigning between the two camps.

### A tale of two countries

The Philippines and Thailand has always been compared. They are neighbors and both are members of the Association of Southeast Asian Nations (ASEAN). They have many similarities but there are differences too.

Country Profile	Philippines	Thailand
Population	90.35 million (2008)	67.89 million (2008)
Religion	Roman Catholic	Buddhism
Political System	Democracy	Constitutional Monarchy
GNI Atlas method	\$170.41 billion (2008)	\$191.65 billion (2008)
GNI per capita	\$1,890 (2008)	\$2,840 (2008)
Exports of goods and services (% of GDP)	43% (2008)	75% (2008)
Remittances from workers abroad	\$18.6 billion	\$1.8 billion
Revenues	Remittances/BPOs	Exports, Tourism

Source: The World Bank Group

There are more people in the Philippines: 4 Filipinos for every 3 Thai nationals. The major religion in the Philippines is Roman Catholic, but in Thailand it is Buddhism. In terms of politics, the Philippines practices democracy while Thailand has constitutional monarchy.

Gross National Income (GNI) per capita is higher in Thailand (\$2,840) compared to the Philippines (\$1,890). GNI (formerly GNP) is defined as the sum of value added by all resident producers including remittances from employee compensation and property income from abroad. The main sources of dollar revenues in Thailand are tourism and exports (which account for 75 percent of GDP). In the Philippines, it is remittances (which reached \$18.6 billion in 2009) and the earnings from the BPOs.

### **Political violence and coup d'états**

Compared to the Philippines, Thailand has a longer history of political violence, especially coup d'états. A crucial turning point in Thai history was the 1932 Siamese coup d'état which changed the political system from an absolute monarchy to a constitutional monarchy. Prior to 1932, the king had ultimate authority as both head of state and head of government. After the transition to constitutional monarchy, the king relinquished his powers as head of government but remains the symbolic head of state. Since then, Thailand had experience at least one successful coup d'état every 15 years. These were in 1947, 1951, 1957, 1971, 1976, 1991 and 2006. The last Thai coup d'état overthrew then Prime Minister Thaksin Shinawatra.

Compared to Thailand which is already a veteran of coups, the Philippines is just a neophyte. We experienced our first coup d'état attempt in 1986 during the People Power Revolution which put an end to a 20-year dictatorship. This was followed by failed coup d'états in 1986-1987 (total of six, including the August 1987 Black Saturday coup), 1989 (Siege of Makati), 2003 (Oakwood Mutiny), 2006 (Fort Bonifacio-Marines crisis) and 2007 (Manila Peninsula incident).

### **Moral leaders**

They say that for a coup d'état to be successful in Thailand, it has to have the support of the king. Although Thailand has transitioned into a constitutional monarchy, the king continues to wield considerable influence as a moral leader.

In the Philippines, the Catholic Church plays a similar role as moral authority like the Thai king. It's no wonder that there have been no successful coup d'états here except for the 1986 People Power Revolution which had the support of Cardinal Sin and the Catholic Church. The Catholic Church strictly condemns violence and blood shed.

### **Elections: a game changer?**

Investors should watch carefully the May 10 elections which can be a game changer for the Philippine stock market. So far, the Yellow is leading by a comfortable margin over the Orange. The question now is whether command votes (from political kingpins and bailiwicks) will be enough for the Orange to offset the lead of the Yellow.

Like we said last week, if there is electoral fraud or if the presidential outcome is hotly contested and not accepted by the public, then the stock market is expected to reverse course. But hopefully, we do not fall into a same scenario as Thailand where

the outcome was a class warfare between the middle class and the city residents (Yellow) vs. the poor and rural dwellers (Red). The chart below shows you what may happen to the stock market if the Thai scenario comes about.



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