

Thailand: Constitutional Court's rulings shake Thai politics, prolonging political instability risks | Credendo

Event

In the first half of August, Thailand's Constitutional Court took two major rulings in a few days. The most controversial is the dissolution of the popular opposition Move Forward Party (MFP), which won the general elections in 2023, and the banning of its leaders from politics. The Court explained that the MFP's reform proposals threatened the monarchy and were unconstitutional. The second decision led to the dismissal of incumbent PM Srettha Thavisin, from the ruling Pheu Thai Party (PTP), on the ground of ethics violation. Thavisin was replaced by another PTP member, Paetongtarn Shinawatra, the 38-year-old daughter of former PM Thaksin Shinawatra and Thailand's youngest PM ever.

Impact

Political turmoil is expected to result from these two recent verdicts, maintaining high political instability risks in the country in the coming months and years. The ban of the Move Forward Party has a sense of déjà vu in Thailand's political history: it is seen as a measure from the conservative establishment (including royalists and the military) against a reformist party that notably promised to change the lèse-majesté law and modernise the monarchy. However, as in the past, the ban of the MFP will do nothing against the clear call for change among the young population, which was expressed through the MFP's resounding victory in the 2023 elections. Therefore, a newly formed party sharing the same political objectives is likely to emerge to replace the MFP. Looking ahead, this latest ruling shows that the arm-wrestling approach between reformists and conservatives is not about to end any time soon, carrying the lingering risk of another potential military coup.

The Constitutional Court's second ruling could be interpreted as a way to maintain pressure on the governing PTP party, which used to be the leading opposition party and has now been in a government coalition with conservative parties (aligned with the military) since the 2023 elections. It might also be a warning to Thaksin Shinawatra, the current PTP leader, not to take any rising political role to the detriment of conservative parties, as he is expected to remain an influential political figure given the political inexperience of his youngest daughter. Meanwhile, policy continuity is largely expected under the new PM term, with some readjustment though. The long-delayed digital wallet scheme, a large fiscal stimulus package benefiting households, could indeed be reviewed, as it has been mismanaged so far and remains questionable in terms of economic outcome and impact on public finances. Despite some volatile political developments, economic recovery continued in the second quarter on the back of improving exports and strong private consumption. It remains however to be seen whether political instability risks will weigh on the economy in a one-year outlook. At this stage, Credendo's risk ratings remain unchanged.

Analyst: Raphaël Cecchi – r.cecchi@credendo.com