

Thailand Politics

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News Update

PM Prayut is suspended from office

- **Constitutional Court suspends PM Prayut from office**
- **Deputy PM Prawit becomes the caretaker PM**
- **Cabinet can still fully function**
- **Neutral for now but can be market positive later**

The Thai Constitutional Court yesterday accepted a petition to rule on Gen Prayut Chan-Ocha's term as a prime minister and suspended him from PM duty until the ruling. To recap, 2017 Constitution bars a prime minister from serving more than eight years in total. There are unclear interpretations of when Gen Prayut's term as PM started. That is, whether it should be counted since he became PM in after a coup in 2014 (implying his term ended yesterday), or since the new Constitution was approved and signed by the King in 2017 (implying a room for nearly three more years) or since the Constitution was officially activated in the general election in 2019 (implying the room until 2027).

There is no law limiting the Court's ruling timeline but in this important case, it is expected within a month. In the meantime, by law and by ranking, deputy PM Prawit Wongsuwan automatically becomes the caretaker PM. The cabinet's status remains as a full-function cabinet. Gen Prayut isn't suspended on his other cabinet position as the Defense Minister and he plans to continue on that role.

What if the Court eventually rules that Gen Prayut's term has ended? Then, the whole cabinet becomes a caretaker one. Assuming no House dissolution by the caretaker PM, both lower and upper Houses have to convene to vote for a new PM with names enlisted in the 2019 PM candidate list in the 2019 general election. Then the new PM appoints new cabinet members. The new PM and cabinet will only have a few months to work as the administration's term will end in March 2023.

Our view is below.

- We do not expect significant impact to market sentiment at this stage because; 1) the budget bill has passed; 2) the current government's term will end anyway in March 2023; 3) even the Court eventually rules against Gen Prayut, the new PM and cabinet are likely to continue to come from the current coalition camp, thus making no difference. Many political experts are also of the view that the Court's decision yesterday is likely to reduce political temperature from protests on this particular issue.
- Will the caretaker PM dissolve the House? By law he can but it is very unlikely as this is just a suspension of duty awaiting for the Court's ruling rather than a remove from office. However, if the court rules to end Gen Prayut's term, it is no longer just a suspension of duty and that is when the caretaker PM may dissolve the House. Actually, we see this scenario as more likely than letting the House and the senate vote for a new PM as that can create risk of uncertainty for the current regime. And the House dissolution can be at least slightly market positive as political activities can create some economic value and spur consumption earlier than the due date next year.
- How do we read the whole political episodes from the latest censure debate to the unfinished business of the organic election law and PM's suspension? On a big picture, we still believe the current regime will continue to have tight relationship with other coalition parties to form the next government. However, in a smaller picture, we are interpreting that a strategy is being adjusted given waning popularity of the main Palang Pracharat (PPRP) party. One scenario is the current regime wanting to change its PM candidate in the next election to a fresh face, rather than Gen Prayut. And the Court's ruling to end his term could well be considered a nice landing for Gen Prayut compared to just a sudden change of the PM candidate name from PPRP. Another scenario

is a House dissolution after the Court's ruling and the regime hopes that the unfinished organic election law (2-ballot system) means the new election will go back to use the old 1-ballot law, which can remove the risk of the opposition winning the election.

- Despite on the surface it seems to be a happy time for the opposition PT party on the suspension news, we believe deep down PT is actually worried on two things. One is whether the potential fresh face of PPRP's PM candidate in the next election can sell much better than Gen Prayut? Another worry is if the Court makes a ruling to end Gen Prayut's term and the caretaker PM dissolves the House before the 2-ballot organic election law is finished and signed by the King. That scenario will create an uncertainty of what election law, i.e. the old 1-ballot or the in-the-process 2-ballot system, will be used in the next election. PT is significantly disadvantaged under the old law.

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