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Reliable intelligence on political unrest, economic stability and international relations around the world

In this month's report:

Thailand, Tunisia, Venezuela, Poland

Thailand

The recent Thai general election held on May 14 marked a significant moment for the country, with nearly 40 million voters participating in their first national election since 2019. In a notable outcome, the progressive Move Forward Party (MFP), led by entrepreneur Pita Limjaroenrat, and the centre-left Pheu Thai Party (PTP), led by Paetongtarn Shinawatra, emerged as the major winners, securing 151 and 141 seats respectively in the House. This election holds immense importance for Thailand, as it comes after years of military rule following a coup in 2014. Gaining the most seats, Pita Limjaroenrat, however had failed to garner enough votes in parliament on July 13. In addition, military-appointed senators have taken part in rejecting Pita's premiership, indicating potential risks of destabilisation in the country as the military are seeking to maintain its grip on power.



The two parties had formed a coalition, but the results of the election were subject to ratification by the Electoral Commission, a process that took up to two months. Once confirmed, the newly elected parliament will convene to establish the new government. However, the Senate still dominated by military-era leaders have blocked Pita from power. The MFP's proposal to reform the lese majeste rules, which pertain to the imprisonment of individuals for insulting or defaming the monarchy, were one of the reasons that jeopardised Pita's efforts to form a government. However, Pita has not gone down without a fight as on the 19 - 20 July, legislators will reconvene on the necessity to hold a new vote. Throughout the years, the military has employed coups and court decisions as tactics to prevent political opponents from assuming power. In this context, Pita also faced allegations of irregularity concerning shares held by a family trust in a defunct media firm. This situation presented an opportunity for the military to exploit and solidify its hold on power. By hindering the coalition's efforts to bring about meaningful change and reform, the country's political stability will come under question as the military rule has overturned the mandate of 40 million people. Similar events unfolded in 2019 where the disqualification of the former leader of the MFP served as a catalyst, prompting thousands to take to the streets in protest during the period of 2020-2021. This played a role in propelling them to victory in the recent elections. With Pita now rejected from being the Prime Minister, if he is also rejected in the next vote, there is a high likelihood of further protests erupting.

Thailand

Conversely, recent economic developments indicate a gradual recovery following the challenges posed by the pandemic, as the country's important tourism industry rebounds. This trend is anticipated to contribute to the strengthening of the Thai baht against the dollar alleviating inflationary pressures, allowing the Bank of Thailand to adopt a more relaxed approach to monetary tightening. While the upturn in international tourism has generated favourable outcomes, Thailand's economic expansion has remained moderate, registering a growth rate of just 2.6%. However, the revival of the tourism sector under normal conditions is expected to deliver a substantial boost, particularly with the influx of Chinese tourists, which is a key factor for Thailand's tourism industry. If Pita had assumed the role of prime minister, his government intended to implement progressive policies that included raising the minimum wage to 450 baht, providing six-month subsidies to small and medium enterprises, and granting them access to open market data. These measures had aimed to further stimulate economic growth and enhance the welfare of businesses in Thailand.

Furthermore, a significant shift could have been anticipated in

Thailand's foreign relations. Historically, the military has prioritised maintaining its international reputation rather than safeguarding national interests. However, Pita Limjaroenrat made firm commitments to elevate fundamental rights to the forefront of Thailand's foreign policy agenda. The progressive platform of the MFP represented a remarkable departure from past authoritarian practices. Thailand's foreign policy has been characterised as "bamboo diplomacy," emphasising flexibility and pragmatism. Pita advocated for a rules-based foreign policy while asserting that Thailand will maintain a neutral stance and refrain from aligning with any specific great power. Pita envisioned a more "independent" and "multi-aligned" foreign policy that upholds Thailand's sovereignty and promotes a balanced engagement with various nations.

However, with the parliament blocking Pita's premiership, the military's long-standing control over Thai politics presents a significant challenge to democratic human rights-based reforms. Pita will most likely challenge this decision with such high stakes posing a risk of political destabilisation, with so many people may want to voice their anger and opposition to the parliaments vote. It is clear many people want change in Thailand as protests have become much apparent in the country, which therefore will result in possible political, and social destabilisation.

Tunisia

Tunisia, once seen as the last beacon of hope from the Arab Spring, has experienced a significant decline in democracy in recent years. Following his election in 2019, President Kais Saied swiftly consolidated political control and executed a power grab in July 2021. He invoked Article 80 of the country's constitution to dissolve parliament, removed the prime minister from office, and utilised the military to block the speaker of parliament's entry into the building. These actions, coupled with dismissing 57 judges through a single presidential decree, has demonstrated signs of increasing authoritarianism.

Despite the evident signs of authoritarian rule, many Tunisians initially supported these measures. The country was grappling with an economic crisis, widespread government corruption and bureaucracy, and a poorly managed response to the Covid-19 pandemic. In fact, recent polls indicate that over 75% of Tunisians are primarily concerned with finding a government that can effectively solve their economic problems, irrespective of its type. Countless instances of corruption and internal conflicts within political groups over the seven years preceding Saied's takeover had fuelled public anger. The excessive presence of politically appointed individuals in government organisations led to resentment among professional bureaucrats, blurred lines of authority, and reduced productivity as various offices competed for projects.

Since assuming full control, Saied has relied on his tight grip on the security services to govern with increasing autocracy. His two-year project to rewrite the country's constitution, at the expense of much-needed governmental policy, has further entrenched his power while contributing to the country's decline. Saied has repressed opposition politicians, political parties, trade unions, and judges. He has also conducted sham elections, with the most recent seeing a dismal 8.8% voter turnout in the first round — the second-lowest turnout for a national election globally since World War II. However, support for Saied has waned, leading to increased protests and violence across Tunisia. In response, the government has cracked down further, including the arrest of Rached Ghannouchi, the head of the now-banned Islamist Ennahda party and Tunisia's prominent opposition leader. In 2023 alone, more than 50 politicians, businesspeople, trade unionists, judges, and media personalities have been arbitrarily detained, resulting in legal challenges at the African Court of Human Rights. The president's obsession with political power and lack of meaningful assistance for struggling Tunisians have caused former supporters to question his increasing tyranny, pushing Tunisia closer to domestic unrest.



Tunisia



In addition to his repressive actions, Saied has concentrated policymaking within the presidency's office, exacerbating Tunisia's financial woes. The country has long suffered from economic weaknesses, and the Covid-19 pandemic causing the country's worst-ever recession has hindered recovery. According to the IMF, the economy is projected to grow sluggishly at just 1.3% this year, following an 8.8% decline in GDP that coincided with Saied's rise to power. High import dependence and the impact of the Ukraine war have contributed to inflation rates exceeding 10%. Furthermore, Tunisia faces a debt-to-GDP ratio of 80%, its highest on record, resulting in a downgraded credit score and limited access to affordable foreign currency. A much-needed IMF bailout failed to materialise in December 2022 due to Saied's refusal to comply with certain loan conditions, including reduced government spending, despite the promise of \$1.9 billion in funding.

The majority of the financing was expected to come from EU members, who are Tunisia's largest investors. The EU pledged nearly \$1 billion in aid pending the IMF agreement and offered immediate financial support of around \$120 million, referred to

as "migration funding". This assistance is in response to Tunisia's position as a prominent migration route to Europe. The Tunisian government claims to have intercepted over 13,000 migrants attempting to cross the Mediterranean illegally in the first three months of 2023, setting new year-on-year records. The surging migration numbers have allowed Tunisia to demand concessions from the EU, especially from right-wing Mediterranean governments such as Italy, who pressure the EU to address illegal immigration. Despite concerns over collapsing democracy and human rights, a recent visit by EU President Ursula von der Leyen underscored Tunisia's importance to the EU's migration reduction efforts. While Saied has publicly stated that he will not turn Tunisia into an EU detention centre and has expressed resentment toward sub-Saharan African migrants transiting through Tunisia, this is in part a negotiation tactic as the country seeks to secure more resources to strengthen Saied's control and ensure national security in the crumbling nation. Consequently, the EU has remained a passive observer as Tunisia descends into autocracy, and there is a risk that it may even inadvertently fund the growing repression in the future.

Venezuela

The protracted political and economic crisis in Venezuela has had profound consequences on both the country's population and its political stability. This crisis has resulted in an alarming number of Venezuelans, exceeding 7.1 million individuals, seeking refuge outside their homeland, while over 7.7 million residents within Venezuela find themselves in dire need of urgent humanitarian assistance according to the UN Refugee Agency (UNHCR). Adding to the complexity of the situation, it has been observed that two-thirds of the major non-state armed groups operating in Venezuela receive support from the current regime under President Maduro. This support undermines the legitimacy of established enabling institutions and poses a significant threat to future stability within the country. Disturbingly, the regime has persistently provided support and fostered an enabling environment for these non-state armed groups, which engage in egregious acts such as recruiting and deploying child soldiers, as well as perpetrating sex trafficking and forced labour. These activities are conducted with impunity, further exacerbating the precarious situation. Such criminal activity is allowed in part due to the political weakness of the country. After the 2019 elections, the country's executive became divided, with both the de facto military supported ruler Maduro and national assembly leader Guaido laying claim to the presidency. International support is largely aligned with geopolitical interests. Although Guaido garnered support from a wider international coalition, Maduro's military allegiance ensured his grip on power. The collapse of effective governance and legitimacy exacerbated political instability. Throughout this period, the divided executive resulted in a lack of legislative action, detrimental economic policies, and political conflicts that undermined Venezuelan society. While Guaido's attempts to establish a parallel government have faltered, the governmental institutions remain highly corrupt and ineffective, exacerbating socioeconomic challenges across the nation.



Venezuela

Venezuela is grappling with a series of severe economic challenges and currently holds the unenviable position of having the highest inflation rate in the world. The consequences of this situation have been devastating for the country's currency, the Bolivar, rendering it practically worthless and causing a significant erosion of the savings held by Venezuelan citizens. The root causes of these economic woes can be attributed to ongoing hyperinflation that has persisted since the mid-2010s, off the back of extreme political instability and domestic unrest. This, in turn, has created a chaotic economic environment characterised by political corruption, infrastructure deterioration, and human rights abuses. Moreover, Venezuela finds itself in a state of debt default while being heavily reliant on oil exports and reliant on hydrocarbon consumption. Given this complex landscape, the business climate in Venezuela presents formidable challenges for U.S. and multinational companies. The presence of hyperinflation, and state intervention in the economy including expropriations, macroeconomic distortions, physical insecurity, corruption, violations of labour rights, and a volatile regulatory framework all contribute to the arduous nature of operating in the country. Both domestic capital and international regulatory controls further complicate matters, making it difficult to repatriate earnings or import industrial inputs and finished goods. The lack of access to dollars, price controls, and inflexible labour regulations have forced numerous U.S. and multinational firms to downsize or completely cease their operations in Venezuela only compounding the economic misery of the country.

Venezuela's foreign policy is centred on strengthening its strategic diplomatic ties with key entities, such as OPEC members, Russia, China, Iran, Turkey, and Cuba, in order to enhance its global standing and extend its influence. A noteworthy event took place in January 2018 when Maduro, officially severed diplomatic relations with the United States. Consequently, the United States has withheld recognition of Maduro as the legitimate leader of Venezuela, and this status quo remains unchanged today. Nevertheless, recent efforts have been made to foster positive advancements in Venezuela's diplomatic relations with neighbouring countries, particularly Colombia and Brazil. These endeavours signify a renewed commitment to promoting regional cooperation and improving bilateral relations. However, challenges persist in the relationship

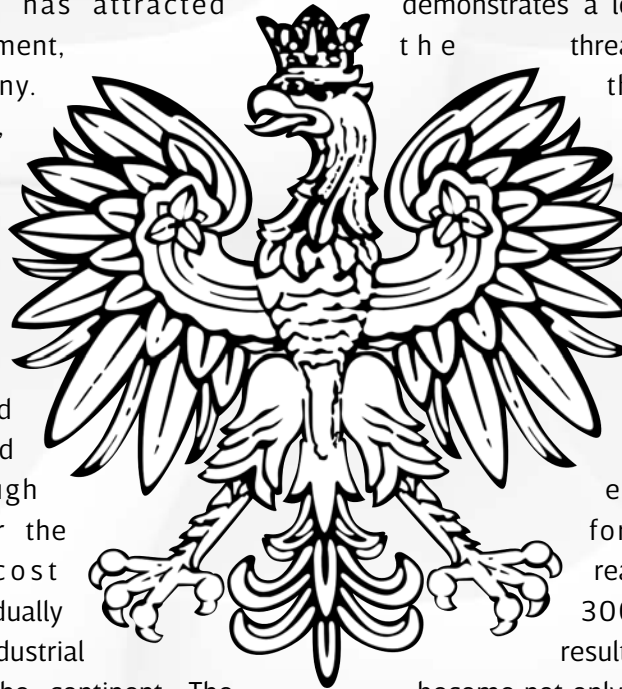


between Venezuela and Colombia due to ongoing disputes over the maritime boundary and the administration of the Los Monjes Islands near the Gulf of Venezuela. Furthermore, Colombia-based illegal narcotics and paramilitary activities pose significant security challenges that impact the border region shared by both countries. These intricate diplomatic dynamics underscore the complexities faced by Venezuela in managing its engagements with various nations while simultaneously addressing territorial disputes and political divergences. It is crucial for Venezuela to address these complexities in order to establish a solid footing within the global arena. However, achieving this goal will prove exceedingly difficult until domestic unrest and instability are effectively mitigated.

Poland

Since the liberalisation of Poland in 1989, the country has been hailed as an economic miracle. During this period, Poland has undergone a remarkable transformation, to the point where it is expected to surpass the United Kingdom's GDP per capita by 2030. The country's success can largely be attributed to its hand-in-hand liberalisation and democratisation, which has attracted significant foreign investment, particularly from Germany. According to the World Bank, Poland's gross domestic product in 2021 was over 300% larger than it was in 1990, compared to a 155% rise for the EU as a whole (Purchasing Power Parity, USD 2015). While Poland initially experienced economic growth through proving a destination for the outsourcing of low-cost manufacturing, it has gradually developed a high-skilled industrial base that rivals any on the continent. The country is no longer just a peripheral hub for Germany's low-cost manufacturing, Poland now flexes its newfound economic muscle in Europe's political landscape, emerging as a central player in the continent's manufacturing core.

With this extraordinary rise in GDP per capita, nearly tenfold since its liberalisation, Poland has been accompanied by an expanding geopolitical influence. Throughout the invasion of Ukraine, Poland has emerged as one of the staunchest



supporters of Kyiv, providing significant military assistance. Poland's history of Soviet and German oppression has profoundly shaped its strategic foreign relations. Its commitment to joining Western European institutions like NATO and the EU, combined with its provision of substantial democratic assistance funding in Eastern Europe, demonstrates a long-term understanding of the threat posed by Russia. Since the invasion of Ukraine, Poland has further increased its military spending, allocating 4% of its GDP to defence, one of the highest figures within the NATO alliance. This investment will allow for the modernisation and expansion of its armed forces, with the goal of reaching a military size of 300,000 personnel. As a result, the Polish army could become not only one of the largest standing armies in Europe, surpassing the UK and France, but also a formidable fighting force equipped with the latest Western technology, including Abrams tanks, HIMARS rockets, F-35 fighter jets, all supplemented by Poland's growing innovative domestic arms industry. However, despite its economic and geopolitical development, Poland's stability is marred by a process of democratic backsliding carried out by the ruling Law and Justice party (PiS).

Poland

Taking cues from Hungary's Fidesz party under Viktor Orbán and Turkey's AKP under Recep Erdoğan, the PiS has systematically undermined the democratic principles that brought them to power. Democracy rarely dies overnight, and over the course of eight years of PiS rule, the country has witnessed a gradual erosion of democratic ideals, indicating that the country now teeters on the brink of transitioning into an illiberal democracy. This trend began with judicial reform, as the government consistently disregarded court verdicts and exploited the constitutional court to shield ministers from the justice system. Moreover, the government has gained control over public media, increasing political bias. While taking a page from Orbán's playbook, state funds have been used in attempts to close or purchase remaining independent news outlets. Furthermore, the government's illiberal stance on the human rights of minority groups, migrants, and the LGBTQ community, exemplified by allowing local "LGBT-free zones," has drawn international scrutiny from organisations such as Amnesty International. Such backsliding poses a mounting risk of discriminatory practices towards domestic and travelling foreign nations and undermines political stability, posing growing disincentives to international investment.

The growing realisation of the mounting threat to democracy in Poland was prompted by the establishment a commission to investigate Russian interference in Polish elections. However, despite appearing rational on the surface, the commission has clear political objectives. Manned solely by government loyalists and empowered to ban political candidates from running for ten years, the commission is widely seen as a politicised judge, jury and executioner in an attempt to prevent opposition candidate Donald Tusk from participating in the upcoming fall elections, particularly as opinion polls show a tightening race. This legislation has drawn international criticism and serves as a wake-up call to the increasing threat of another illiberal democracy at the heart of Eastern Europe.

While Poland's democracy is not yet extinguished, as demonstrated by the massive demonstrations involving reportedly over 500,000 people in Warsaw following the bill's announcement, the upcoming election carries immense significance. It will determine whether Poland continues on its path of democratic development post the Soviet Union transition or, more troublingly, solidifies another illiberal democracy in Russia's backyard. The redline between autocracies and democracies remains uncertain, but the outcome of the upcoming election will undoubtedly shape the future of Poland's democratic trajectory, with a potentially growing risk of illiberal state actions affecting businesses and travellers in the country.



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