

## **Editorial Introduction**

Since the beginning of 2020, the advent of Covid-19 has impacted industries and workers worldwide with varying magnitude and dimension. For Thailand, as an emerging country, its economy is highly dependent on exports which accounts for more than two-third of its GDP. Industries being seriously affected are particularly those relying on foreign demands, namely automobile, computer, chemical products, air conditioners, machinery, oil, plastic and rubber products. Contemporaneously, domestic demands are constrained, especially in the sectors of tourism, retail sales, automobile and real estate. In this difficult time, we are grateful to all our contributors, the boards, the reviewers, the authors and the readers.

This issue contains a well-diversified combination of quality research findings that have important policy implications, particularly for developing and emerging countries. The first article of this issue, “Performance of Foreign Investment Enterprises in Developing Economies: the Case of Vietnam Redux” by Tran Van Hoa is an empirical investigation into the growth and performance of Foreign Investment Enterprises (FIEs) in Vietnam. The author makes use of Vietnam’s business survey data to explore how domestic factors, such as capital, labour, government policy, and legal reforms, have impacted the growth and performance of FIEs. The paper also looks at how FIEs have responded to various regional and international crises over the past decades.

Vietnam is a fast growing economy which has gone through many major changes over the past decades. The author highlights some of these changes, noting in particular the effects of the Doi Moi reforms in 1986, and Vietnam’s increasing openness and economic integration into the global

economy in the years leading up to and after Vietnam's accession to the World Trade Organization in 2007.

The article separates FIEs into two broad groups, 100%-owned FIEs and joint-venture FIEs. The author notes that foreign investment in Vietnam is generally concentrated in four sectors: mining, manufacturing, electricity, and water. A seemingly unrelated regressions (SUR) model is constructed to identify the factors which impact the performance of these two types of FIEs.

The paper finds that joint-venture FIEs have outperformed 100%-owned FIEs over the period studied, and that the results would seem to indicate that the two types of FIEs have different production technologies, and respond differently to domestic reforms. The author concludes by highlighting that the biggest contributors to the success of FIEs are economic liberalization and legal reforms, and suggests a way forward for continued growth being the improvement of management methods and human resources training to boost entrepreneurship and labour productivity. The author, however, points out that it is important to be aware of the potential negative effects of the contagion that arise upon increased economic integration.

The second article, "Carbon Pricing and International Competitiveness for Thailand and ASEAN" by Chayun Tantivasadakarn is a timely investigation into the ways in which Thailand may meet its carbon emission reduction commitments in line with the Paris Agreement. Climate change is a pressing issue which all countries have agreed must be tackled, and this article helps us to understand how policies to reduce carbon emissions will impact specific sectors within Thailand.

The author investigates potential pathways for Thailand to implement carbon pricing measures, namely the implementation of an Emissions Trading System (also known

as cap and trade), or the imposition of a carbon tax. A version of the Global Trade Analysis Project (GTAP) model is used to simulate the impacts of Thailand unilaterally imposing carbon pricing measures, as well as a scenario where five ASEAN countries (Indonesia, Malaysia, Singapore, the Philippines, and Thailand) jointly implement carbon pricing measures.

The author finds that, while both methods of carbon pricing in both scenarios may lead to slight decreases in welfare and international competitiveness, for Thailand the scenario which causes the least negative impacts was a joint implementation by the ASEAN countries of a carbon tax. The implications for Thailand from the research are clear: Thailand needs to work with its neighbours in order to achieve its emissions reduction commitments in the least damaging way.

The third article, “Demographic Change and Fiscal Sustainability of Old Age Allowance Policy” by Teerapong Wijaranavarn, employs a scenario analysis of the challenges of an ageing population which Thailand, like many other developed and developing countries, will soon need to address. Though the changes brought about by an ageing society will impact every sector of the economy, this research paper focuses on Thailand’s old age allowance policy which provides support for individuals over the age of 60. Given the demographic trend in Thailand, the number of individuals qualifying for such support will increase. At the same time, government revenue is declining as the working population decreases due to a declining national birth rate.

The author makes use of an Overlapping Generations Model in a general equilibrium setting to present policy options for simultaneously providing support for aged individuals, financing increased expenditures, and taking government debt into account.

The model compares the effects of increasing personal income taxes or increasing value-added taxes to raise

government revenue. The author finds increasing value-added taxes to be a more preferred policy option for the government. The research also indicates that increasing the old age allowance will have a positive impact on the economy by acting as a fiscal stimulus, while also raising the welfare of the elderly. However, the author notes that care must be taken not to increase government debt to the unsustainable amounts.

*Thammasat Review of Economic and Social Policy (TRESP)* is a young biannual double-blind peer reviewed international journal published in June and December. Its first publication was in December 2015. Upon celebrating its third year of publication in 2019, Thammasat Review of Economic and Social Policy (TRESP) has successfully applied for inclusion in Thailand Citation Index (TCI) database, Tier 2. In the evaluation, 65 out of 114 applied journals passed the comprehensive criteria. The Faculty of Economics, Thammasat University and the Editorial Team of TRESP seek to provide an effective platform for reflecting practical and policy-oriented perspectives that links the academic and policymaking community. Having devoted to our ‘knowledge-for-all’ philosophy so as to drive our society forward, the Faculty decided that TRESP published in an open access model. There are no submission and publication fees. However, the submitted manuscripts must be policy relevant and comply with the scope and requirements of the journal. Authors are responsible for the published articles. The views and opinions expressed in the articles do not necessarily reflect those of the Editors and the Editorial Board. For further information and updates on this journal, or to submit an article, please visit our website at [www.tresp.econ.tu.ac.th](http://www.tresp.econ.tu.ac.th).

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