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Existence of sovereign wealth fund

A sovereign wealth fund (SWF) is a state-owned investment fund comprised with money generated by the government, often a country's reserves (Investopedia, 2020). Purpose of SWF varies country to country, but, generally, this fund aims to generate a return to the country. Other purposes could be stabilizing country's economy, protecting economy from excess volatility, or diversifying from non-renewable resources for countries that heavily rely on these resources. SWF, similar with other funds, operate by putting money into various types of financial assets: stocks, real estate, bonds, or gold.

However, there has been extensive debate about pros and cons of SWF. On one hand, one would say that this form of government investment will bring about a broader and more sustainable income base for some countries that most of their income was from a certain good, i.e. Middle East countries that mainly export crude oil. On the other hand, one might argue that SWF cannot operate as efficient as other commercial funds which their motive is crystal clear, to provide return to their investors since there might be political force that shape their action in a certain way.

On pros, if a country relied on non-renewable resources which normally will be commodity goods with high volatility, having SWF will help diversify its source of income, becoming less economically vulnerable, and preparing its economy for post-commodity era. Furthermore, in a long run, people in that country would also be benefited from the fund by mean of better government service and trickle-down effect.

On the contrary, SWFs are, in general, not very transparent. Many are still concern about its motive whether it was purely commercial or partly political. For illustration, any investment by Chinese state-owned company is deemed to be an attempt to gain exposure on advanced Western technologies. Therefore, most of the actions by SWFs would arouse scrutiny and concern among the public.

In the status quo, more than 40 percent of existing SWFs come from Asia (Middle East, to be specific). We can observe that most of that these countries' national income rely heavily on oil and gas business, large state-owned companies. Therefore, revenue from these companies will go directly to the government which give them power to manage the money on their own. Comparing with Thailand, most of Thai's revenue comes from exports. Hence, money will go into the hand of capital owners, not the government. Thailand has different condition and nature regarding sources of national revenue. It might be harder for Thailand to set up a sovereign wealth fund.

Furthermore, even if Thailand is in the top 20 of foreign exchange owners, Thai government still say that Thailand is not ready for SWF. In January 2020, Former Finance Minister Utama Savanaya ruled out private sectors' request on Thai SWF to curb baht's straight. "The government has no plans to establish a sovereign wealth fund because the incorporation would require the consideration of multiple issues including the laws and scope of investment", he said.

To conclude, there were three main points discussed in this essay: definition and purpose of SWFs, its pros and cons, and Thai's ability to set up a sovereign fund. We can see that SWFs can be both effective and defective. Such action to establish the fund should be cautiously evaluated.

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