

FREE TRADE: A liberalised mart has its benefits

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JUST last month, the minister dealing with consumer issues issued a strong statement that the Competition Policy or Fair Trade Policy would be tabled in Parliament that month.

He emphasised that the act would protect consumers against businesses that manipulated the prices of goods. To date, there has been no further news on the act.

Then, contradicting his earlier statement in support of competition and fair trade, the minister said last week that liberalising the sugar trade would cause problems for local sugar-based industries.

Well, the whole idea of liberalising the market is to allow more competitors to break the power of the holders of approved permits, who can and do manipulate prices.

The issue is not that more competitors would reduce supply; rather it is that the price of sugar is controlled.

In liberalising the market, the government should provide a safety net for the marginalised through food coupons or other forms of support; the rest of the consumers will have to learn to adapt to the market.

In the short term, prices may go up because of crop failure in some key sugar producing countries.

Currently, the government spends RM720 million on sugar subsidies.

After ensuring the poor get the support, the government will need to educate consumers to adapt to the market; that might simply mean consuming less sugar.

For the agricultural and food sector as a whole, the supply chain needs to be liberalised to prevent importers, wholesalers and other traders from colluding and manipulating prices to the detriment of other businessmen -- especially small businessmen who may otherwise be left out either because they simply lack the connections or because they are not part of the collusion -- as well as consumers. In the long term, a competitive market benefits society as a whole.

Then the minister said if petrol stations are allowed to charge prices below the ceiling price set by the government, there would be inflation. When there is competition and competition forces prices down; there is less, not more inflation.

The beneficiaries are the consumers. The ceiling price ensures, again through government subsidies, that prices do not go above the price fixed by the government.

In the long term, for a viable and sustainable economy, three significant factors are important.

Firstly, the market has to be liberalised at every level (imports, wholesale trade and retail trade) so that competition and not price-fixing is the primary vehicle for price determination.

Secondly, there should be a social safety net for the poor and marginalised so that they are not left out and society is able to sustain them through some form of food and basic support system.

Thirdly, consumers must learn to change their mindset and their lifestyle to reflect market realities.

The time when consumers expect the government to keep prices low through increasing subsidy schemes is over. They have to take personal responsibility over their lifestyle and consumer behaviour.

Finally, in enhancing consumer protection and consumer welfare in Malaysia, a minister more committed to consumer issues also helps.

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