

## Oh Minister! We need more not less Competition in the Market

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Tuesday, 27 October 2009 09:20 - Last Updated Tuesday, 27 October 2009 09:24

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<p align="justify">We seem to have a rather confused Minister dealing with consumer issues. ♦ Just last month, he had given a strong statement that the Competition Policy or Fair Trade Policy would be tabled in Parliament in October. ♦ He had emphasized in his statement that the rationale of the Act was to protect consumers and to act against business which manipulated the price of goods. ♦ To date there has been no such Act. ♦ As expected from this Minister, he let Malaysian consumers down. </p><p align="justify">Then contradicting his earlier statement in support of Competition and Fair Trade, he claimed yesterday that liberalizing sugar would cause problems to local sugar based industries. ♦ Well, the whole idea of liberalizing the market is to allow more competitors in the market to break the power of the holders of APs, who can and do manipulate prices. ♦ The issue is not that more competitors would reduce supply, that being a rather absurd argument; rather it is that the price of sugar is controlled. ♦ </p> In liberalizing the market, the government should provide a safety net for the marginalized through food coupons or other forms of support; for the rest of the consumers they need to learn to adapt to the market. ♦ In the short-term there may be prices going up to reflect that due to crop failure in some key countries, world supply of sugar is lowest ever and this forces the prices to go up, in fact sugar prices in the world are the highest ever. ♦ Currently Government spends 720 million on sugar subsidy comprising 70% of subsidies on bread, flour and cooking oil. ♦ After ensuring the poor get the support, the Government needs to educate consumers to adapt to the market; that might simply mean eating less sugar. ♦ <p align="justify">For the agricultural and food sector as a whole, the supply chain needs to be liberalized to prevent importers, wholesalers and other traders from colluding and manipulating prices to the detriment of both other businessmen, especially small businessman who maybe otherwise 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.</p><p align="justify">Then the Minister again shows his lack of understanding of prices and inflation by stating that if petrol stations are allowed to charge prices below the ceiling price set by 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 government. ♦ </p><p align="justify">In the long term for a viable and sustainable economy, three significant factors are important. ♦ The market is liberalized at every level, from import, to wholesale, to retail, so that competition and not price fixing is the primary vehicle for price determination. </p><p align="justify">Secondly, that there is a social safety net for the poor and marginalized, so that they are not left out and society is able to sustain them through some form of food and basics support system. ♦ Thirdly, that consumers 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 behaviors. ♦ Finally, in enhancing consumer protection and consumer welfare in Malaysia, a Minister more knowledgeable ♦ and more committed to consumer issues also helps. </p><p align="justify">Dato ♦ Paul Selva Raj<br />Consumer Research and Resource Centre</p><p align="justify">♦</p>