

PM: Pass on the benefits to consumers

KUALA LUMPUR, Wed. The Prime Minister reminded importers and traders that they must pass on the benefits of lower import prices down the line, and should not take advantage of the strong ringgit and regard it as windfall profits.

"The government views seriously the need to strictly enforce the competitive pricing behaviour among traders, to bring down costs in the economy for the benefit of producers and consumers alike," Datuk Seri Dr Mahathir Mohamad said.

Speaking at the annual dinner of financial institutions here tonight, Dr Mahathir said in this regard, any remaining barriers and rigidities preventing the free flow of goods and services in the country would need to be liberalised or deregulated.

At the same time, the pricing behaviour and the efficiency of the price discovery mechanism will have to be closely monitored and improved upon.

The tendency to profit from reduced cost while responding to increased cost by immediately increasing prices should be resisted.

"Reduced cost of imports due to appreciation of the ringgit, for example, should be passed on to the consumers as much as increased cost is passed on."

By passing on reduced cost, inflation can be better controlled. Low inflation reduces pressures for higher wages, among other things, and this will benefit both the importers of raw materi-

als as well as the producers of manufactured goods.

"The nett result is that we will remain competitive in the domestic as well as export market. Profiteering under whatever circumstances will result in a backlash that will hurt everyone."

Even if costs go up, it is better to counter through improved efficiency rather than increased prices.

"The reason the Japanese are unbeatable is because when oil prices went up and when the yen was revalued upwards, they did not follow this with corresponding upward revision of prices.

"Maybe this is expecting too much of the Malaysian business community. But if good economic sense cannot be made to prevail, the government may have to step in."

This is not a good solution as the implementation of regulations is seldom free from abuse. When this happens, the community and the nation will suffer.

"Low inflation is something Malaysians take for granted. Malaysians also consider that inflation must be dealt with by the government through laws, regulations and fiscal measures.

"But there is a limit to what the government can do. In the final analysis it is the people who must play the principal role."

For this, they need to know the causes of inflation and the role they themselves must play.

Perhaps the financial community can promote a better understanding of the

role everyone must play through systematic programmes in the media, particularly through television.

"No one wants to spend a hundred ringgit to buy a bar of chocolate which presently sells for only a ringgit.

"Yet this is the story of many currencies not only in the developing countries but even in the developed ones. We will go the same way if we are not careful," said the Prime Minister.

With increasing competition and rapid changes in the economic environment globally, adjustments have to be made where necessary to stay ahead of others.

In this regard, local producers and exporters should not be discouraged by the recent developments in the exchange rate of the ringgit.

"Currency movements should not be regarded as the principal determinant of export competitiveness. In any case, it should be remembered that the present exchange rate is the same as the rate about five years ago."

Dr Mahathir said at that time, Malaysia was still competitive. It should be as competitive now.

"It is heartening that a shift in this direction is gradually taking place in recent months, based on the profile of the flow of new investments."

Indeed, investments are on average bigger in size, and this represents a welcome change which ought to result in higher productivity, as well as ease the growing tightness in the labour market.