



Remove price controls on agricultural products, think tank tells govt

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Saying over-reliance on private consumption is bad, the Institute for Democracy and Economic Affairs calls on the government to liberalise the agricultural sector to promote exports.



KUALA LUMPUR: Putrajaya should liberalise the agricultural sector to prevent over-reliance on private consumption, says the Institute for Democracy and Economic Affairs (IDEAS).

In a statement today, IDEAS research developer Ali Salman expressed concern over the country's dependence on private consumption.

"Private consumption is volatile because it is vulnerable to inflation and the disposable income of consumers. Yet, in the fourth quarter, we can see that private consumption growth is the highest contributor to our GDP," he said.

Ali was commenting on gross domestic product (GDP) figures released by the Department of Statistics Malaysia. According to the numbers, he said, Malaysia's growth rate at 4.5% in the fourth quarter of 2016 was moderate but lagged behind neighbouring countries Indonesia, Philippines, Vietnam, Myanmar, Cambodia and Laos.

"In order for us to address this issue, we need to boost net export growth by at least 6%. One way to boost exports is by improving exports in the agriculture sector," he said.

Ali said according to the latest GDP figures, economic activity in agriculture declined by 2.4% in Q4 of 2016 and 5.1% in 2016 alone.

“This is one of its lowest recorded growth rates, and prolonged decline in this sector may cause problems with sustainability, particularly in terms of food security.”

He said the better option was for the government to liberalise the agricultural sector to make it more economically competitive. He added that Putrajaya also needed to remove price controls imposed on agricultural products, saying they were hurting the market.

Ali also urged the government to continue efforts to promote investments in small to medium-sized enterprises (SMEs) over government-linked companies (GLCs).

He said this was because GLCs stifled the growth of SMEs and crowded them out from the credit market.

“At the same time, GLCs adversely impact competition and transparency in the market. Thus it is necessary to move towards a more level playing field for SMEs by reducing government exposure to GLCs and promoting investments in SMEs.”