

Merit in Mahathir's proposal

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World corporate tax can give poor nations much needed help

THERE is merit in the proposal made by Tun Dr Mahathir Mohamad to institute a "world corporate tax". The tax to be paid by the world's rich corporations would be used to build much needed infrastructure in the poorer countries.

Since multinational and transnational corporations operating as powerful global economic actors make such huge profits from low-cost production countries in the South, they should not "grudge a small global tax" meant to benefit the poor who often lack the most basic amenities of life.

Such a tax would not even make a dent upon the incomes of these corporations. After all, the combined sales of the top 200 wealthy corporations "are 18 times the combined incomes of 1.2 billion people in the poorest countries."

If corporations and certain rich countries are afraid that the money would be misused by irresponsible governments in the South, Dr Mahathir has suggested a special agency be established within the United Nations to collect, administer and monitor the tax.

It is significant that hardly any global corporation or wealthy nation has responded favourably to the proposal.

The reason is not difficult to fathom. They have no desire to part with even a paltry sum from their coffers.

The global rich and the global powerful have adopted a similar attitude towards yet another tax aimed at helping the global poor, mooted 31 years ago by a Nobel laureate American economist, James Tobin.

Professor Tobin had pro-

posed a small tax be imposed upon foreign exchange transactions which would not only help to check currency speculation but also "raise a great deal of revenue" which could then be channelled into worthwhile international endeavours such as the eradication of global poverty.

The Tobin idea has evolved over the decades and the view held by a number of economists today is that it can be implemented.

Among legislators and civil society groups in more than half a dozen Western societies and in countries such as Brazil, Mexico and India, there is significant support for the idea.

However, the "Washington Consensus" which exercises considerable influence upon the global economic system is totally opposed to it.

Which is also why there has been no attempt to reform the international financial architecture – in spite of the devastating impact it has had upon the lives of the poor in various parts of the world.

What this shows is that those who dominate the global economy will not, of their own volition, help to alleviate the sufferings of the global poor.

This is also the conclusion that one draws from the reluctance of rich countries in the World Trade Organisation (WTO) to make any meaningful concessions to their poor counterparts.

North-South dialogues in the seventies and early eighties had also failed to bring even minimal benefits to the latter.

The countries of the South have no choice but to strengthen their own economies

through internal reforms and at the same time expand and enhance trade and investment ties, educational and scientific relations amongst themselves.

They should also ensure there is greater solidarity within their own ranks when confronting the powerful states of the North across the negotiating table.

But most of all, the countries of the South should cease to follow blindly the so-called "neoliberal" economic model of the Washington Consensus.

It is this model – more than perhaps any other single factor – that is responsible for growing global poverty and the ever widening gap between the global rich and global poor.

DR CHANDRA MUZAFFAR,
Kuala Lumpur.
(via e-mail)