

Dr M: Global tax will benefit the poor

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BOAO, China: Multinational companies, the main beneficiaries of international trade liberalisation, should be taxed on a global scale, and the proceeds be used for the economic development of the world's poorest countries, said Tun Dr Mahathir Mohamad.

The former prime minister of Malaysia said a "world trade tax" that would impose a levy on companies that profit most from international trade should be introduced so that the wide disparities between the rich and poor could be narrowed.

"Globalisation must be for all, and it must benefit all. But as it stands, globalisation means the poor will get poorer," Dr Mahathir said in a speech at the Baao Forum for Asia shortly after it was opened by Chinese president Hu Jintao yesterday.

He warned that the increasingly larger disparity in income levels between rich and poor nations was one of the world's great geopolitical destabilising factors that would ultimately jeopardise economic growth and prosperity for all if no action was taken immediately.

Based on United Nations estimates, over one billion people today subsist on under US\$1 a day, while three billion (or more than 55%) of the world's population live on less than US\$2. Analysts have said that although those living in absolute poverty globally had fallen to 23% in 2000 from 28% in 1975, the rich got richer in both absolute and relative terms, leading to growing disenfranchisement among the poor.

Dr Mahathir said it was therefore in the developed world's interests that more attention be paid in trying

to eradicate poverty in less developed countries and making them new markets for their exports.

He cited the example of Malaysia, which is now a middle-income country: "Had we remained poor, there would have been very little we would have been able to buy from the rich."

Dr Mahathir also called on richer Asian countries - some of whom already identify themselves as part of the developed West - not to ignore the plight of the less developed in the region and to represent their interests in global forums.

"Asia has to speak with some semblance of unity. It will not do for Asian WTO members to speak only for themselves in selfish self-interest," he said.

On the common use of the US dollar as a trading currency in the region, Dr Mahathir said the volatility and recent depreciation of the greenback against the euro and yen had shown that Asia, and possibly the world, needed a more certain currency to transact trade.

"Should Asian economies be held captive to the movements of the US dollar?" he queried. "It is time to get away from the dollar as a medium of exchange and consider a special trading currency for Asia, if not the world."

Dr Mahathir said the return to a gold standard, a system where currencies were backed by gold reserves used prior to the Bretton Woods agreement in 1944, should be seriously studied as the solution to the woes of many countries that were suffering purely from the greenback's volatility.

Admitting that this would take concerted global effort, he added: "We should discuss this as they did at Bretton Woods years ago."