

15/06/2004

Dr Mahathir proposes 'international trade tax'

PETALING JAYA, Mon. - An international "globalisation" tax on multinational companies can make good the loss of state revenue due to the abolition of import duties under free trade, said former Prime Minister Tun Dr Mahathir Mohamad.

As multinationals benefit from reduced or abolished duties under the World Trade Organisation, they should be prepared to pay what Dr Mahathir called "an international trade tax".

"In the end, the taxes they pay will be compensated by the additional profits from the new markets they indirectly create," he said in his speech to the Harvard Business Club tonight.

International investors paid "practically no tax", he said, following incentives governments provided to attract them.

"In effect, it is the host countries which pay as they forgo the taxes due to them. The new international trade tax for the development of poor countries will be less than the taxes the corporations had to pay in import taxes before."

Multinationals, traders and investors would also benefit from developing markets in countries where the proceeds of the tax would be spent building infrastructure, providing health care and education, he said.

An appropriate scale should be worked out so as not to discourage international trade and investments.

Dr Mahathir again urged poor and developing countries to examine globalisation in detail and not be carried away by the idea of a "borderless world".

These countries should reinterpret globalisation so as to enable them to compete fairly.

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