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Dr Mahathir's novel proposal for world corporate tax

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TAXING the rich to help the poor is an idea almost as old as humankind but the mechanisms for doing so have not always been efficient and effective.

However, if Tun Dr Mahathir Mohamad's novel proposal to set up a tax collection agency within the United Nations is implemented, it will be a boost for poor countries.

In his McDougall Memorial Lecture at the opening of the 32nd Session of the Food and Agriculture Organisation Conference yesterday, the former Prime Minister said if rich corporations paid "a world corporate tax", it would enable poorer nations to build "enriching infrastructure".

Dr Mahathir also said the tax, which was morally desirable on the part of rich corporations, would enrich them.

In the end, they would get back more than what they pay, making it an equitable tax.

Dr Mahathir said the world corporate tax or global tax would help create a more stable and economically vibrant market.

Without this assistance, especially in agriculture, poor countries would be prone to famine and other problems.

"If Malaysia's 'prosper-thy-neighbour' experience is anything to go by, then we can assume that a prosperous world would be a good market for the rich countries," he said.

Dr Mahathir is the 23rd speaker of the prestigious lecture which is traditionally delivered at the opening ceremony of the conference. Dr Mahathir received a five-minute applause after his speech.

In his 25-minute address, he offered his solution to help poor nations to better themselves in face of a rapidly globalised world and a world trade order that had never been kind to such nations.

"I would like, with your kind indulgence, to share with you some thoughts which I have about how to reduce the number of unfortunate people who are without proper sustenance and are even starving and dying prematurely because they have no food.

"My ideas may not be welcomed by some. They may sound too idealistic if not downright absurd. But then, in the history of human society, there have been many absurd ideas which assiduously pursued have become so accepted that we now consider the ideas they displaced as absurd."

Dr Mahathir insisted that the UN and the World Trade Organisation include in their agenda a world corporate tax which would be payment made by rich corporations to countries in which they do business.

"The problem is money, not availability of resources, not engineering or technology.

"If we are concerned that the money would be badly administered as in the past, we must devise new ways and new mechanisms for ensuring that the objectives are achieved. The most important thing to remember is that the facilities must be built."

Dr Mahathir said having built the infrastructures, the operations and maintenance must be done by competent personnel, local if available, but foreign if necessary, adding that paying for the efficient running of the facilities should also be from the world tax collected.

"In time, the country concerned would be able to operate and pay for the operations.

"The net result of building and providing needed infrastructures, in particular agricultural infrastructures, for the poor countries must be to

reduce starvation and enrich them and their people."

Dr Mahathir cited as an example Libya's capability to build an artificial river to irrigate its desert, saying that the availability of money could make possible the impossible.

Dr Mahathir reminded the conference of the last WTO meeting in Cancun where "the poor or poorer members" balked at agreeing to the agenda set by the organisation's richer members.

But he said it was not enough just to refuse, as the poorer members must come up with their own agenda that was mutually beneficial.

Dr Mahathir said in a virtual global nation, the corporations which benefit most from global trading and businesses must pay tax on their profits to the globalised world, through a global agency, after paying and deducting their taxes to the countries they do business in.

"It is only logical and right that they do this because the nations of the world and the people are making things possible for them to make money across the world.

"The small petty traders operating within a country benefit not at all from international business, at least not directly. They need not pay a world tax."

Dr Mahathir also spoke of the role of multinationals in bringing in foreign direct investments or FDIs which contribute towards increasing the economic wealth of the countries where they invest.

He said while this was true to a certain extent, what was clear was that profits made by multinationals came from contributions of the poor countries through low wages, fore-going taxes, providing capital and a host of other incentives.

"If the corporations pay a small world corporate tax on their profits, it would not amount to the sum total of their savings through the low wages and incentives that the poor countries have given them.

"In essence, the tax would be paid out from the profits directly contributed by the poor countries. Surely these corporations would not grudge a small global tax after all the profits they get from taking advantage of the low costs in poor countries.

"Yet the WTO has never considered putting this item on its agenda. It is time that the poorer members of the WTO insist that a global corporate tax be a part of the conditions for opening up their markets."