

## THE 32<sup>ND</sup> SESSION OF THE FOOD AND AGRICULTURE ORGANISATION CONFERENCE, MC DOUGALL MEMORIAL LECTURE

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Firstly I would like to thank you, Excellency Mr Director for your kind invitation for me to give this prestigious McDougall Memorial Lecture at the 32<sup>nd</sup> Session of the FAO. I feel greatly honoured that a non-agriculturist should be asked to speak at this important gathering of a United Nations Agency concerned with agriculture and food.

2. 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 very welcome 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.

3. Thus in the old feudal absolute monarchies, liberty, equality and fraternity were considered absurd. Over time these ideas began to catch on until they became so fully accepted that we are horrified there should be any more feudal authoritarian states still existing. And just as the feudal states tried to violently put down the budding egalitarians, today the egalitarians are equally violently trying to put down the autocrats. Thus have ideas about liberty, equality and fraternity taken hold.

4. The point that is to be made is that new ideas, although seemingly absurd should nevertheless be given some thought and pursued if the objective is to improve on the old or the current. Thus those who believe in the benefits of the new ideas should persist and insist and fight against odds until eventually they are accepted or accommodated.

5. We are living today in a world of great wealth and plenty. Never has there been more of everything in human history. There is enough to feed, cloth and house every single one of the six billion plus souls in the world. The problem is that the wealth and plenty are not evenly distributed. There are places where food is so plentiful that people are dying of over-eating and gross obesity even after throwing away much as waste. Then of course there are places where people never have enough to eat to sustain life, where some would die of starvation and at times where famine would strike and whole communities be wiped out.

6. We all know all about this situation of course. So what is new? But before going on to make some suggestions, we need to remind ourselves of the situation which forms the background to whatever solution that may be proposed. In the foreground is the level of civilisation that we have attained. We are so rich and so technologically advanced that we can literally see the sufferings of the starving, the flies which settle and literally eat away their eyes, nose and mouth, the emaciated bodies even as we sit down to a five course dinner with wine and cigars in our luxurious dining rooms or restaurants. And yet we are not moved by these regular television fare as we once were by the pictures of Belsen and Auschwitz. Our conscience is not troubled by this misery happening in real time in front of us. We have become hardened to the sufferings of other people. Yet we and our billions and our huge food surplus can wipe out this scourge completely and forever. It is all doable. Instead we are almost obsessively concerned with making more

billions by prising open the poor countries so we may exploit them more fully. Singapore, Doha, Cancun are about enriching the already rich, with just a passing thought of a possible spill over for the poor. Nothing that is specifically concerned with the alleviation of the poverty of the poor is on the agenda of the WTO.

7. In any society when there is great disparity between the rich and the poor there has always been conflicts and instability. The cry for liberty, equality and fraternity came not from the rich but from the poor. Initially the poor would be too weak to do anything for themselves. But sooner or later a desperate few is bound to resort to some protest and eventually violence in order to get some redress. Failure to take heed invariably leads to escalation of the protest and more violence and eventually to revolution.

8. The French Revolution and the Russian revolution were brought about by these extreme disparities. As a result wealth is now much more evenly distributed within these countries and also within many other countries because of the lessons of the revolutions. But what has not been learnt is that a similar violent revolution can follow the extreme disparities between countries which make up the community of nations today. As the aristocrats of the French revolution cared little for the poverty of the people, we are seeing the aristocrats among the nations of the world not only caring little for the poor nations but just as in pre-revolutionary France, are bent on exploiting the poor further. Hence the focus today is on the World Trade Organisation rather than the FAO. Yes, there is talk that free trade would bring wealth to the poor. But what are the starving millions going to trade with. Can we imagine those emaciated dying people becoming suddenly invigorated because Cancun had succeeded.

9. The world is now propagating democracy as the only system of governance for all the countries of the world. Even if we have to kill people and destroy their countries, we will democratise their Governments.

10. But the sad thing is that we don't think we should democratise world governance. The world is rapidly globalising, removing borders and almost dissolving into one entity, one global community, one global nation virtually. Yet there is no talk about a global democracy where countries have equality of rights. The best thing about democracy is that the poor wields as much voting power as the rich. And because there are more poor than rich, that has forced those who wish to govern to pay attention to the poor. The lot of the many poor countries will definitely improve if there is international democracy.

11. But perhaps that would not come for a very long time. In the meantime more are going to die of starvation. We cannot wait.

12. Fortunately there can be a short cut not to full international democracy but to gaining some clout in international matters for the poor countries, sufficient clout to overcome a little of their miserable condition.

13. We are now negotiating for free trade in the World Trade Organisation. The rich want the poor to open up their countries so that they can fully exploit them. The rich are setting the agenda. And their agenda is blatantly in their interest. If the agenda is accepted, whatever the outcome, they would gain.

14. At Cancun the poor or poorer members of the WTO balked. (The poorest are not even allowed around the table) Cancun may be regarded as a failure by the rich but it is

a victory of sorts for the poor. For the first time the poor presented a united front and refused to discuss the prepared agenda.

15. But we cannot just refuse. We have to come up with our own agenda that would benefit not just us but the rich as well. Our agenda must be fair to both. Our agenda must focus on equitability. Instead of free trade, we must insist on fair trade, and we must insist that in the virtual global nation, those who benefit from it must pay their dues so the poor can also derive some of the benefit.

16. In most countries the rich and the businesses pay income and corporate taxes. Since the rich gain their wealth from society they should return some of their wealth to society. The more stable and supportive the society, the more wealth will the rich acquire. And accordingly the more would be the taxes that the rich have to pay.

17. By the same token 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.

18. At this point it is useful to take a look at the multinationals. Foreign Direct Investments are supposed to contribute towards increasing the economic wealth of the countries where they invest. This is true to a certain extent. But most people who talk about FDI have not troubled to examine what in fact is FDI.

19. Malaysia started inviting foreign investments long before the term FDI became well-known; way back in the nineteen sixties. Our wages were about 5 percent of those in the countries of the investors. But this was not good enough to attract FDI. We had to give tax holidays for 10 years. After 10 years the foreign companies made no profit because of transfer pricing. So no corporate taxes are paid to the host country. We are told this is also an incentive and any attempt to stop this practice would result in an exodus and no more new FDI.

20. It is assumed that FDI involves inflows of capital. But actually four-fifth of the capital is borrowed from local banks. The other one-fifth is in the form of services etc – no cash. So there is really no capital coming in.

21. Today most developing countries want to attract FDI and are offering more and more incentives. And now the lowest labour cost countries have entered the competition for FDI. We have to match the offers these countries make. Inevitably the gainers are the foreign investors.

22. At the same time rich countries undermine the poor countries by offering land and capital free to the investors.

23. What is clear is that the profits made by the multinationals come from the contributions of the poor countries through low wages, foregoing 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 etc 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.

24. But what do we want to do with this money. Dole it out as gifts or lend as before to the poor countries. Let us admit that aid and loans in the past had not benefited the poor countries or their people. Indeed they have made many countries eternally indebted. We need a different approach to ensure the money will yield a good return.

25. We know that when a road or a railway system is built, the very construction would create jobs and business opportunities. When completed new towns would sprout up, new businesses created, better prices fetched for local products, lower prices for imported products and a host of other benefits. But because of lack of funds poor countries cannot build the required infrastructure. Because they cannot build they remain poor and so it goes on.

26. It is the same with other infrastructures like ports, airports, hydro and other power plants and electricity supply, water supply, telecommunications etc. They generate economic benefits and growth. But more important for many countries where food is scarce is the infrastructure for agriculture and food production.

27. Modern science have made it possible for crops to be grown almost anywhere in the world. It is a shame that we are not doing what the ancient Egyptians did with the Nile Valley, converting a desert into a rich fertile land, producing food and building one of the greatest civilisations in history. It is the same with the Euphrates, the Tigris, the Indus and the Yangtze rivers. Great civilisations developed as the waters enabled land to be irrigated and food grains produced, while animals were reared.

28. Yet we know that even today there are a great many rivers and lakes which are not being used to irrigate land to produce food. No matter how barren and dry the land maybe, there are sources of water not too far away. We can pipe gas and oil thousands of miles across deserts, on the sea-bed, over mountains and across wide rivers. We can surely do the same for water.

29. Libya built its artificial river to irrigate its deserts. Many laugh at this effort, claiming that it would soon dry the aquifer. We should instead help this country to maintain the aquifer longer through better techniques and applications. After all when we extract oil from the ground we are also exhausting a natural resource. Water cannot disappear the way oil does. It will recycle itself. It is far better to study and to learn from Libya's great artificial river and examine how we can apply the scheme elsewhere then to simply dismiss this as Ghaddafi's folly.

30. The one most important lesson from Libya is that if money is available than the impossible or the ridiculous can be done. The problem is money, not availability of resources, not engineering or technology.

31. And so we come back to the taxes that I had humbly suggested. We need the money to build the enriching infrastructure, in particular the agricultural infrastructure. 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 important thing to remember is that the facilities must be built. The contractors must be those most capable of delivering the project. If they are not local people, that should not be a cause of complaint. Whoever gets the job, the local workers, contractors and suppliers will benefit. The small local businesses will also benefit. There would certainly be huge capital inflows during the construction stage, which must benefit the country and the people.

32. Having built the infrastructures, the operations and maintenance must be done by competent personnel, local if available, but foreign if necessary. 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 to pay for the operations.

33. 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. And when people are enriched everyone gains.

34. Earlier I had explained the true nature of Foreign Direct Investments I did that to justify the proposal for them to pay a world corporate tax. But I would be remiss if I do not acknowledge that FDI can in some way enrich a poor country.

35. Malaysia, as I said has had a long experience with Foreign Direct Investments. Our principal objective was to create jobs for our people. Here the foreign industries did such an excellent job that we now have full employment and have to accept foreign workers.

36. Beyond that, our people have prospered from a lot of spill over such as construction, supplies and services. To cut a long story short, our people and our country prospered as a result of foreign direct investments.

37. What is of greater interest however is the fact that the rich countries and their businesses benefited in other ways also. A prosperous Malaysia has become a rich market for the products of the rich. With disposable income increasing in tandem with economic growth, imports of foreign goods have been growing rapidly.

38. A poor country cannot be a good market. This much Malaysia has learnt. As a result we have adopted a policy called "Prosper-thy-Neighbour" as against "Beggary-thy-Neighbour". We believe if we can help our neighbours to become prosperous we will benefit from the market created. And so more than fifteen years ago we launched a modest programme called the Malaysian Technical Cooperation Programme to help other countries gain from our development experience. It has paid off handsomely in terms of increased Malaysian export trade.

39. If Malaysia's experience is anything to go by, than we can assume that a prosperous world would be a good market for the rich countries. The taxes they pay should really be regarded by them as an investment for their future, and investment for a more stable world and an enriched market. They will get back more than what they paid.

40. I do not know what the financial position of the FAO is. But I doubt that it gets sufficient funds to carry out the onerous work that it has to do in the field of agriculture and food production. Certainly it will not be able to build the infrastructures mentioned.

But the United Nations will not be able to allocate more. The only way is to set up this tax collecting agency as a part of the United Nations system, so as to collect and administer the funds for the specific purpose of building needed enriching infrastructures in the poor countries. Certainly the infrastructure for agriculture in the countries prone to famine should be given priority.

41. The United Nations and the World Trade Organisation must put this tax on their agenda. Taxing the rich to help the poor is morally desirable. But this tax will also enrich the rich. Therefore it is an equitable tax.

42. Thank you Mr Director for giving me this opportunity to speak on a subject I first brought up in Hainan, China before an audience of businessmen, officials and intellectuals. The response was utter silence.