



NEWS

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New Iraqi Laws Set Low Taxes And Easy Foreign Access – Establish Property Rights Next

U.S. administrator signs orders to implement President Bush's free-market vision for Iraq

WASHINGTON – Iraq administrator L. Paul Bremer, with the support of the 25-member Iraqi Governing Council, signed into law over the weekend legislation establishing low personal income taxes and easy-access trade and foreign investment provisions.

Part of President Bush's free-market vision for Iraq – low taxes, free trade, and generous foreign ownership laws – will make Iraq a magnet for both local and foreign entrepreneurs. And stable economic footing and a growing economy will then help to ensure the political gains of democratic institutions.

“A brand new day is dawning in Iraq,” said taxpayer advocate Grover Norquist, President of Washington D.C.-based Americans for Tax Reform. **“This approach is in the same vein as Russia's implementation of a 13% flat tax three years ago, a wildly successful move that has swelled the economy there. But Russia has also worked to strengthen their legal system to consolidate the gains of free enterprise. In order to win the peace in Iraq and establish a stable, market economy there, much attention has to be given to establishing and securing property rights.”**

Hernando De Soto, who heads the Institute for Liberty and Democracy (ILD) in Peru argues that, while economic liberalization and political democratization are desirable goals, **there must be a stable framework of laws, especially regarding property rights, if a nation is to realize the gains of capitalism and democratic governance.** “The principal reason for the failure of capitalism to gain a stable foothold in most of the developing world is that nations have tried to modernize their economies without putting into place the foundation stone of capitalism – a comprehensive and inclusive property system.” De Soto's group has worked on the ground in developing nations and in the Arab World to disseminate deeds of title to owners of property – essential for property rights and the rule of law.

The new legislation is positive for what it is and will extend the tax holiday for Iraqi citizens and businesses through the end of the year, at which point a top marginal rate of 15% will go into effect. Foreign investors will be allowed to own 100% of enterprises except in real estate and natural resources. A 5% reconstruction duty will be imposed on all non-humanitarian imports, however.

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266 or at jcollegio@atr.org.