

Baghdad Car Market Cools

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Higher fuel prices and import restrictions slow car purchases.

The huge rise in car ownership since the fall of Saddam Hussein is under threat from rising vehicle and fuel prices.

Vehicle ownership grew rapidly after the United States-led Coalition Provisional Authority dropped import taxes in 2003 in an effort to promote a free market economy.

But recent government decisions to allow only cars built after 2003 to be imported and also to reduce fuel price subsidies appear to have halted the growth in sales.

"It was my mistake that I didn't buy a car a while ago when they were cheap and available. Now it's too hard to buy one," said Ahmed Hassan, a 38-year-old civil servant who makes 230 US dollars a month.

With 3,000 dollars in his pocket, Hassan stared at the dozens of expensive new models that are now beyond his reach.

"I want to make my family happy with a new car," he said. "We've dreamt about it for a while, to use it for getting to work. I am fed up with public transport."

Under Saddam's rule, cars were subject to heavy taxes and import restrictions. As a result, vehicle ownership became something of a luxury, enjoyed for the most part by Baathist officials and other members of the elite.

Economic sanctions impoverished many ordinary Iraqis in the Nineties. But incomes rose when sanctions were lifted in 2003, and the car market took off.

The directorate-general of traffic police estimates there were less than one million cars in Iraq before the fall of the regime, and that since then another 1.25 million vehicles have been imported, mostly from Jordan and Dubai.

But the Iraqi government created a major disincentive in December 2005, when it increased fuel prices from 20 to about 150 dinars (around seven cents) per litre under an International Monetary Fund-recommended reform.

Last autumn, the government also decided to restrict vehicle imports, primarily for security reasons.

An official in the interior ministry who asked to remain anonymous said most car bombs are planted in older, cheaper cars, and the government hoped to stem such attacks by stopping these vehicles coming into the country in the first place.

Another reason for curbing the volume of cars on the road is the terrible congestion - exacerbated by chaotic driving, poor roads and security checkpoints - that can bring Baghdad traffic to a standstill for hours.

"Iraq has a huge traffic problem," said Brigadier-General Najim Abid Jabir, spokesman for the traffic directorate in Baghdad. "The government made the right decision on this issue."

While the car market as a whole is suffering from the changes, more fuel-efficient models such as Kias, Daewoos and Hyundais and Opels are still in demand, car dealers report.

A 1993, a Kia Sephia went for about 4,000 dollars before the fuel hike, but it now sells for about 5,000 dollars, said Mohammed Awwad, a 26-year-old car dealer.

Dealers decline to give figures showing how badly the changes have hit their businesses. There are signs that they are trading cars amongst themselves or renovating older vehicles to try to keep the market buoyant.

"The size of the losses can't be counted because when we were importing cars we weren't [tracking them] specifically," said Satar Nasir, a 37-year-old car dealer. "It was a mess."

Meanwhile, dealers warn that worse is to come given the speculation that the government will limit the supply further by taking some of the older models off the road.

However, some experts suggest the dealers are deliberately spreading such rumours so as to increase the demand - and prices - for second-hand cars.

"Businessmen themselves sometimes make up rumours to motivate their businesses," said Raad Mohammed, a University of Baghdad economist.

But dealers' efforts to maintain market activity seem unlikely to bear fruit because of declining average incomes, which, at about 1,250 dollars a year, are not much above the poverty line. Even if cheap vehicles are valued only slightly higher than they were during the boom period, the price of fuel alone makes ownership unrealistic for many.

"I don't want a car now because it's unnecessary and useless," said Yasir Mohammed, a 27-year-old day labourer. "There is traffic everywhere. And even if I had a car, how would I earn enough money for fuel?"

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