

## Iraqis Paying 5 Cents a Gallon for Gas

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BAGHDAD, Iraq -- While Americans are shelling out record prices for fuel, Iraqis pay only about 5 cents a gallon for gasoline -- a benefit of hundreds of millions of dollars subsidies bankrolled by American taxpayers.

Before the war, forecasters predicted that by invading Iraq and ousting Saddam Hussein, America would benefit from increased exports of oil from Iraq, which has the world's second largest petroleum reserves.

That would mean cheap gas for American motorists and a boost for the oil-dependent American economy.

More than a year after the invasion, that logic has been flipped on its head. Now the average price for gasoline in the United States is running \$2.05 a gallon -- 50 cents more than the pre-invasion price.

Instead, the only people getting cheap gas as a result of the invasion are the Iraqis.

Filling a 22-gallon tank in Baghdad with low-grade fuel costs just \$1.10, plus a 50-cent tip for the attendant. A tankful of high-test costs \$2.75.

In Britain, by contrast, gasoline prices hit \$5.79 per gallon last week -- \$127 for a tankful.

Although Iraq is a major petroleum producer, the country has little capacity to refine its own gasoline. So the U.S. government pays about \$1.50 a gallon to buy fuel in neighboring countries and deliver it to Iraqi stations. A three-month supply costs American taxpayers more than \$500 million, not including the cost of military escorts to fend off attacks by Iraqi insurgents.

The arrangement keeps a fleet of 4,200 tank trucks constantly on the move, ferrying fuel to Iraq.

"We thank the Americans," Baghdad taxi driver Osama Hashim said. "They risked their lives to liberate us and now they are improving our lives," said Hashim, 26, topping up the tank on his beat-up 1983 Volkswagen.

Iraq's fuel subsidies, which are intended to mollify drivers used to low-priced fuel under Saddam, have coupled with the opening of the borders to create an anarchic car culture in Baghdad.

Cheap used cars shipped from Europe and Asia are flooding into Iraq. A 10-year-old BMW in good condition costs just \$5,000. Since gas is so cheap, anyone with a car can become a taxi driver. Drivers jam the streets, offering rides for as little as 250 dinars -- about 17 cents.

Iraq has no sales tax, no registration, no license plates and no auto insurance. Some would argue there are no rules of the road. Cars barrel the wrong way on the highway. They swoop into surprise U-turns. They ignore traffic signals.

Analysts say the U.S. gas subsidies can't last forever -- and Iraqis may be in for an unpleasant shock when they end. In the meantime, however, the American taxpayer continues to foot a huge bill.

"The U.S. taxpayer has a right to be indignant, and Iraqis have to be warned about the long-run damages of this," said Anthony Cordesman, an Iraq analyst with the Washington-based Center for Strategic and International Studies. "The minute the aid goes out, the party is over. And there's going to be a hell of a hangover."

The U.S. government paid even more last year for Iraqis' gasoline -- between \$1.59 and \$1.70 per gallon -- when the imports were contracted to Halliburton, the Texas oil services giant formerly headed by Vice President Dick Cheney.

The cheap fuel is spurring unsustainable demand, promoting wasteful use of energy and transportation, and squandering Iraq's oil output that might otherwise be exported, Cordesman said.

"You're leading people to buy cars that aren't affordable at normal costs," he said. "You need to move toward real market prices as quickly as you can without causing instability."

Iraqi drivers protest that the price difference between a gallon of gas in the United States and Iraq is fair, because the average Iraqi earns around \$1,000 per year, a thirtieth of the average U.S. wage.



"If the price of gas goes up, we'll see lots of anger in the street," said cab driver Hashim, at a grimy filling station on Saadoun Street in central Baghdad.

Cheap gasoline is also needed to fuel the ubiquitous portable electric generators in Iraq, which power air conditioners during long daily electricity blackouts.

Hashim and another driver, convinced, like many Iraqis, that the United States reaps huge amounts of cheap Iraqi oil, said subsidized gasoline was the least Americans could provide in return.

"The United States controls all Iraqi resources now," said Jenan Jabro, 50, tanking up his black Opel. "So what if they have to pay a little bit for gasoline? That's nothing compared to what they get in return."

Analysts say there never was a good case -- either before the war or afterward -- that a U.S. invasion would pay dividends in cheap oil.

"Some of the neo-conservatives might've been saying that, but no energy analysts were walking around saying that," Cordesman said.

Iraq's current exports of just under 2 million barrels of oil a day aren't enough to dent the world market price. It will take up to three years to bring Iraq back just to 1991 export levels, said Rachel Bronson of the Council on Foreign Relations. The country is still too unstable for most oil companies, she said.

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