

Economic overview of qatar economics essay



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Over past thirty years Qatar has experienced huge changes. A thriving financial centre has grown out of desert and world class sporting, scientific and educational facilities have been developed.

It is however important not to try and group Qatar with many of the other countries in the gulf enjoying similar economic and social developments: Qatar is not a new Dubai or an Arabic-oriented Miami. Qatar plans to become the “ Singapore of the Middle East”.

In accordance with their “ QATAR VISION 2030” various economic modernizations, good governance and business friendly policies were brought about making Qatar most attractive hub for various trade investments in the past decade.

Qatar is aware that their hydrocarbon resources will eventually run out, hence political and economic focus has moved towards diversifying its economy, investing abroad (through Qatar Investment Authority) and promoting healthcare, infrastructure, education and culture using the revenue generated from oil and gas industry.

Qatar also knows that it won't succeed in transforming its economy alone. As a wealthy country of only 146, 262 native Qatari (Qatar Census 2010), the main issue is not to source the finance to develop a Science Park: it is to attract foreign inventors, scientists and academics to build up projects within the Park. Therefore, Qatari government has launched major scientific and educational programs in collaboration with foreign companies and universities enabling them to foster research on its soil and build a “ knowledge based economy” (World Bank).

Instigated in 1995, after the peaceful coup of the former Emir by his son who has a great vision “ QATAR VISION 2030”, a crucial element of these development programs has been country’s paradigm: Qatar is a very small country with huge financial and natural reserves, with complete control of the economy by the Government.

The possibilities available in Qatar are therefore becoming clearer: investing in Qatar’s oil and gas industry is radically different from investing in Russia, Saudi Arabia, Kuwait, Brazil or Algeria. By gaining a foothold in Qatar, a Major in the energy industry doesn’t only drill as much oil as possible, boosting its short term profit and satisfying its shareholders, it also provides itself with access to a unique environment for building its future business model and investing in what we could call “ flexible options”. It becomes part of the Qatari Vision Project, and benefits from the scientific and educational revolution that is occurring in Qatar.

ECONOMIC SNAPSHOT

The Qatar economic growth started in 1995, ever since the country has been endeavoring to develop the oil and gas sector. When all the aspects of economic freedom is taken into consideration Qatar is ranked 2nd in regional ranking and 39th among the world with a score band of 69. (Exhibit 5). Qatar ranks 50 in the ease of starting a business (exhibit 8). Overall freedom to start, operate and close business is relatively well protected by Qatari government. By addition of a procedure to register for taxes and obtaining a company seal in 2010 number of days required for starting business have gone up from 6 to 12 days, but still stands much better compared to world

average of 35 days. Obtaining a business license takes much less than the world average of 218 days, but costs are comparatively high.

Procedures(number)

Time(days)

Cost(%of income per capita)

Min Capital(% of income per capital)

8

12

9. 7

79. 8

Starting Business information chart (www. doingbusiness. com)

There is tremendous increase in FDI and Net Foreign Assets due to enactment of 2000 investment law. Corporate tax has been slashed to 10% from 35% in 2010 for a foreign corporation in Qatar. The overall tax burden is very low paving way to 99. 9% fiscal freedom. (Exhibit 5&9). Rise in volume of Exports and imports and revenue year by year depicts the increase of industrial activity in Qatar

Qatar's GDP confirms to be one of the fastest growing economies in the world with an average growth of 17. 14% over the past five years (2005-

2009) According to IMF Forecast Qatar's GDP shows an upward trend which makes it a more fertile place for foreign investors.(Exhibit1&2).

Affect of recession was seen in most of the aspects discussed but however Qatar bounced back well in 2010 with a GDP growth more than doubling to 17. 4% in 2010 from 8. 6% in 2009 (IHS Global Insight (USA), Inc.)

Qatar is more efficient in enforcing contracts in comparison with other oil producing countries. (Exhibit 10). Government spending on public amenities like roads and infrastructure is increasing making Qatar a good place to invest.

LEGAL FRAMEWORK:

Qatar being politically and socially very stable a legislative revolution was brought about way back from 1995(exhibit 13) which reflects Qatari desire to attract foreign investments and to make foreign investors to invest in Qatar, which it succeeded in.

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LAW NO (13) OF 2000 INVESTMENT LAW:

This Law stands an exemplary of Qatar ambition to attract FDI and transform in to a industrial zone. This law brought about huge incremental changes in GDP, FDI, Net Foreign Assets, revenue, volume of exports and imports with many foreign companies investing in oil and gas and many other industries in Qatar over the past decade. (Exhibits 1, 2, 11&12).

Features:

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This law allows 100% ownership in agriculture, health, education, tourism, development and exploitation of natural resources, energy or mining industries which was not permitted earlier.

right to lease land for setting up enterprises for up to 50 years, renewable for another 50 years at a nominal rent.

Right of duty free imports of raw materials and equipment required for establishment, operation or expansion of projects which are not available locally.

Foreign investments shall not be subject to expropriation.

Foreign investors are free to import and repatriate funds, as well as transfer profits and assets, and exchange money (Article 9).

Investment disputes can be settled through domestic or international commercial arbitration panels (Article 11).

Foreign companies may be granted tax holidays for 5 to 10 years and tax exemptions may be provided on a case-by-case basis.

LAW NO (7) OF 2005: QATAR FINANCIAL LAW

A new legislation was made law no (7) 2005 Qatar financial (QFC)law to establish “ QATAR FINANCIAL CENTER” a financial and business centre, designed to attract international financial services, and major multi-national corporations. The first class business environment created by QFC enables firms to quickly establish their physical presence. QFC helps its firms in

generating new and sustainable revenue streams providing access to local markets easily by paying local market rents.

QSTP:

Qatar science and technological park (QSTP) was set up in 2009 to attract foreign investors by providing them with ready to occupy world class research facilities labs, enabling companies to work and develop future projects.

Establishment of specific free trade regions like QFC and QSTP where regulations are eased and companies are given much more freedom along with various incentives like 100% ownership, duty free imports etc coupled with legal setup paved way for Qatar rapid growth.

Various other incentives and laws have contributed to the rapid growth of Qatar like:

Providing natural gas and electricity at subsidised rates.

well developed infrastructure

Low cost financing through Qatar Industrial Development Bank;

liberal immigration laws to avail services of foreign labour

easy access to world markets with air and sea connections

Laws(exhibit 13)

Appendix

Exhibit 1

For 2010, Qatar Economic Review, QNB Capital. Reference:([http://www. qnb. com. qa/qnb/DocIndex. jsp? currentPage= QNB_Economic_Review_HYPERLINK “](http://www.qnb.com.qa/qnb/DocIndex.jsp?currentPage=QNB_Economic_Review_HYPERLINK)
[http://www. qnb. com. qa/qnb/DocIndex. jsp? currentPage=](http://www.qnb.com.qa/qnb/DocIndex.jsp?currentPage=QNB_Economic_Review&LangPref=en)
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[LangPref= en\)](http://www.qnb.com.qa/qnb/DocIndex.jsp?currentPage=QNB_Economic_Review&LangPref=en)

Exhibit 2

IMF GDP forecast for Qatar to 2015 [http://www. tradingeconomics. com/qatar/gdp-at-constant-prices-imf-data. html](http://www.tradingeconomics.com/qatar/gdp-at-constant-prices-imf-data.html)

Exhibit 3

Selected Graph from IMF [http://www. tradingeconomics. com/qatar/gdp-at-constant-prices-imf-data. html](http://www.tradingeconomics.com/qatar/gdp-at-constant-prices-imf-data.html)

Exhibit4

Selected Graph from IMF [http://www. tradingeconomics. com/qatar/gdp-at-constant-prices-imf-data. html](http://www.tradingeconomics.com/qatar/gdp-at-constant-prices-imf-data.html)

Exhibit5

Selected Graph from IMF [http://www. tradingeconomics. com/qatar/gdp-at-constant-prices-imf-data. html](http://www.tradingeconomics.com/qatar/gdp-at-constant-prices-imf-data.html)

Exhibit 5

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Year

Overall

Business

Trade

Fiscal

Government

Monetary

Investment

Financial

Property

Freedom From

Labor

Score

Freedom

Freedom

Freedom

Spending

Freedom

Freedom

Freedom

Rights

Corruption

Freedom

2010

69

73.7

82.2

99.9

73.7

65.9

45

50

65

65

69. 1

2009

65. 8

75. 7

81. 6

99. 9

69. 1

67. 3

40

50

50

60

64. 7

2008

62. 2

60

70. 8

99. 8

72. 1

69. 4

30

50

50

60

60

2007

62. 9

60

76. 4

99. 8

71. 4

72. 4

30

50

50

59

60

2006

62.4

60

74.6

99.9

71.7

75.7

30

50

50

52

60

2005

63.5

55

76.6

99.9

75.5

81.7

30

50

50

56

60

2004

66.5

55

76.6

87.5

69.7

90

50

50

50

70

–

2003

65.9

55

73

87.5

70.2

87.1

50

50

50

70

–

2002

61.9

55

77

87.5

56.7

81.2

50

30

50

70

—

2001

60

55

75

87.5

47.1

75.2

50

30

50

70

–

2000

62

55

75

87.5

47.1

73.6

50

30

50

90

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Economic Freedom Index Chart Reference:([http://www. heritage. org/index/Explore. aspx? view= by-region-country-year](http://www.heritage.org/index/Explore.aspx?view=by-region-country-year))

Exhibit 6

Created Graph for Overall Score from Economic Freedom Index Chart

Reference :([http://www. heritage. org/index/Explore. aspx? view= by-region-country-year](http://www.heritage.org/index/Explore.aspx?view=by-region-country-year))

Exhibit 7

Created Graph for Business Freedom from Economic Freedom Index Chart