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## **Qatar: The Economics and the Politics**

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Qatar, the world's largest exporter of liquid natural gas (LNG<sup>1</sup>), is a small state bordering Saudi Arabia in the Persian Gulf. Of the country's approximately 1.8 million people, only about 225,000 are citizens; the rest are foreign residents and temporary laborers. In 1971, Qatar gained independence from the United Kingdom and today is a constitutional monarchy governed by the Al Thani family. The emir, or ruler, Shaykh Hamad bin Khalifa Al Thani, has greatly increased the global profile and influence of country since he replaced his father as emir in a 1995 palace coup. Qatar's political influence is closely related to the rapid growth of its economy and its accumulation of huge financial reserves.

Qatar's strategic location, active foreign policy, and rapid economic growth – made possible by gas, oil, and exports – have contributed to its high profile. Qatar is also home to Al Jazeera, the government- owned satellite channel that now broadcasts worldwide. It also hosts the forward headquarters of US Central Command (CENTCOM) at the Al Udeid air base near the capital, Doha.<sup>2</sup> The emir has maintained close relations with the United States to balance the influence of its powerful neighbors, Saudi Arabia and Iran.

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<sup>1</sup> LNG is natural gas (largely methane) that has been converted to liquid form for ease of storage or transport. It takes up about 1/600th the volume of natural gas in its gaseous state.

<sup>2</sup> CENTCOM covers Afghanistan, Bahrain, Egypt, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tajikistan, Turkmenistan, United Arab Emirates, Uzbekistan, and Yemen.

In the past two years, Qatar has provided support for the Arab Spring revolutionary movements. Qatari aid was instrumental in removing the Libyan dictator, Col. Muammar el-Qaddafi, from power; the Qatari government was one of the first to call for the departure of President Bashar al-Assad of Syria, where it is providing aid to extreme Salafist groups. Qatar has backed the government of President Mohamed Morsi in Egypt with promises of billions in investment. In recent months, Qatar has also pledged \$400 million in aid to the Hamas government in Gaza.

In 2012, Qatar's GDP was estimated at \$185 billion or about \$100,000 per capita; between 2008 and 2012, GDP rose by 75 percent in real terms. This was the result of increases in gas and oil income. In 2008 exports of oil and refined oil products totaled \$29 billion; by 2012 they had reached \$38 billion. Liquefied natural gas and related exports rose from \$32 billion to \$72 billion over the same period. Between 2008 and 2012, the current account of the balance of payments had a surplus of \$185 billion and the reserves of the central bank rose from \$10 billion to \$46 billion.

In 2012, the rate of economic growth more than halved to 6.2 percent. Output in mining and quarrying, which includes oil and gas and accounts for almost half of the GDP, rose only 1.7 percent last year following a surge in oil prices, which drove the economy overall to 13 percent growth in 2011. The change in gas development policy, including suspending gas production development, contributed to this too. But the construction and finance sectors, which each account for more than a tenth of GDP, both grew by 34 percent, while manufacturing expanded by 28 percent. The finance minister expects more rapid growth in the non-hydrocarbon economy than in the hydro-carbon sector in the next four years.

Most of Qatar's natural gas is located in the massive offshore North Field, part of the South Pars/North Dome Gas-Condensate field, which is also in Iranian waters. The size of Qatar's gas reserves is shown in Table 1.

**Table 1**  
Gas Reserves, 1991-2011  
(Trillion cubic meters)

	<b>1991</b>	<b>2001</b>	<b>2011</b>
USA	4.7	5.2	8.5
Russia	n.a.	42.4	44.2
Turkmenistan	n.a.	2.6	24.3
Iran	19.8	26.1	33.1
Qatar	6.4	25.8	25.0
World	131.2	131.2	208.4

Source: BP. n.a. = not available

Details of Qatar's gas production are shown in Table 2. Between 2001 and 2011, world production rose by a third while Qatar's increased over five-fold.

**Table 2**  
Gas Production 2001-2011  
(million cubic meters)

	<b>2001</b>	<b>2011</b>
USA	555.5	651.3
Russia	526.2	607
Turkmenistan	46.4	59.3
Iran	66	151.3
Qatar	27	146.8
World	2477.2	3276.2

Source: BP

Qatargas is the world's largest LNG company and produces 42 million metric tons of LNG annually from its four ventures. It is headquartered in Doha, and maintains its upstream assets in Ras Laffan. Natural gas is supplied to Qatargas's LNG trains (liquefaction and purification facilities) from the North Field, the world's largest non-associated gas field. In 2011, Qatar was the world's largest LNG exporter, accounting for 31 percent of the world market with 75.5 million tons (mt). Its main customers were the UK (16.1 mt), Japan (11.5 mt), India (9.7 mt) and South Korea (7.9 mt). Furthermore, Qatar is the world's largest liquefier, with 27 percent of world production.

Despite proven oil reserves of 25.4 billion barrels, the country has far less oil than the major Persian Gulf producers, such as Kuwait (96.5 billion barrels), Iraq (112 billion barrels), and Saudi Arabia (252 billion barrels). Oil reserves are likely to be exhausted by 2026 at current production rates.

In order to finance the expansion of its gas extraction-LNG production facilities, Qatar has encouraged international investment. The US Export-Import Bank has provided loan guarantees for the development of Qatar's gas production facilities along with other US, European, and Asian companies, banks, and export credit agencies. Although the industry has subsidized capital costs due to government-funded investment, it has high operational costs. As a result Qatar has had to develop economies of scale in order to compete with Indonesia and Nigeria. The large natural gas production and shipping facilities at Ras Laffan are the main site for the country's gas development projects, with several independent gas production and conversion trains linked to corresponding fields and contracted for specific export markets. Long-term contracts, at fixed prices – which are standard in the industry – have provided Qatar with steady

returns despite the global economic downturn. Qatar hosts the headquarters of the Gas Exporting Countries Forum, an assembly of major gas exporting countries that some have described as a potential natural gas OPEC. Qatar has also signed several agreements with US energy companies (ConocoPhillips and Exxon-Mobil) and other international companies to develop facilities to export LNG to the US, the UK, Spain, Italy, South Korea, Taiwan, and India.

Under Project Dolphin, Qatar has begun exporting natural gas via an underwater pipeline to the United Arab Emirates. It has slowed the expansion of export-oriented oil and natural gas projects through 2015 until there are clearer market signals about long-term investment needs. This is because global economic uncertainty and natural gas market changes have complicated global demand projections for Qatari energy exports. Growth of regional energy consumption and the recent effects of regional unrest have, however, created new opportunities for growth in Qatari oil and gas exports. Insecurity in Egypt has encouraged Jordan to examine the potential for importing Qatari gas.

At the beginning of 2012 the Qatar Investment Authority (QIA) – the country's sovereign wealth fund – had over \$100 billion in assets which were estimated to have increased by about \$30 billion during the year, a similar amount to the surplus in the current account of the balance of payments. The QIA is one of the most active sovereign wealth funds in the world. The fund invests domestically and internationally to curtail Qatar's reliance on energy price volatility.

The Arab Spring has encouraged more domestic investment throughout the Gulf. In Qatar this has reinforced existing plans with investments related to the FIFA soccer world cup, which Qatar will host in 2022. Prior to winning the FIFA bid, Qatar had announced plans to spend \$100 billion on infrastructure projects as a part of the country's ambitious National Vision 2030. The FIFA announcement accelerated the infrastructure spending program, which includes a number of huge, high profile projects, largely in transportation, tourism, health, education and housing, as well as a \$25 billion metro and rail network.

In addition, the construction of a new \$10 billion airport has begun. The new airport will have the capacity to cater to 24 million passengers per year and could be expanded to handle 50 million passengers. Other projects include a \$7 billion deep water seaport and a \$1 billion link to the new airport with projects in the northern part of Doha. An additional \$20 billion will also be spent to build and expand roads. This does not include the Qatar-Bahrain Friendship Bridge project at a cost of \$4 billion.

One of the most important projects is the building of a new city: Lusail. Lusail is located about 15 km north of Doha's city center, just north of the West Bay Lagoon, on

over 35 square km; the city will eventually provide accommodation for up to 250,000 people. It will feature marinas, residential areas, island resorts, commercial districts, and luxury shopping and leisure facilities, including two golf courses and an entertainment district. The new Lusail Iconic Stadium, with a capacity of 86,250, will host the opening and final matches of the World Cup.

Why has Qatar adopted such a high-profile foreign policy? There are three main reasons. The first and most important is to maintain its security and stability. Qatar is located in an area dominated by political and military rivalries. By increasing its international profile, Qatar aims to protect itself from the perils of anonymity and vulnerability from which Kuwait suffered in 1990.

In addition, by mediating conflicts in the Arab world, Qatar is attempting to contain those conflicts and prevent them from spreading closer to home. By attempting to mediate between Iranian-backed non-state actors and their rivals, Qatar aims to counter Iranian influence while maintaining cordial relations with Iran.

The third reason for Qatari mediation is a desire to expand its influence as a regional player vis-à-vis Saudi Arabia. The latter has traditionally played a leading role in regional conflicts. In recent years, however, the kingdom has become more active and less neutral. Qatar thus presented itself as an alternative to Saudi Arabia: a potential new leader in the Middle East and an ally that the West, especially the United States, will consider worth defending.

Qatar's policies have yielded benefits. First, they provide it with security in a volatile region with major US military presence. Second, they help to create the image of Qatar as a modern, business-oriented state. Its economic aims are underpinned by the need to guarantee gas exports and the simultaneous realization that long-term viability means moving beyond an oil-based economy. Finally, international alliances divert attention away from Qatar's own political shortcomings. For example, despite the United States' rhetoric on the need for reform in the Arab world, Qatar, along with other Gulf Arab states, has managed to deflect criticism of its own lack of democracy due to its position as a strategic ally of the West.

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