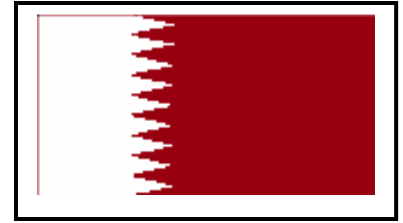




# The State of Qatar



*A country survey based on The U.S. Chamber of Commerce's  
12 criteria for International Investors*

Qatar and the US signed a Trade and Investment Framework Agreement (TIFA) on March 19<sup>th</sup> 2004. The agreement is a step closer to the eventual signing of a Free Trade Agreement (FTA) between the two countries. The TIFA will help facilitate the free flow of goods, services and investment between the two economies. It is the ninth TIFA the U.S. has signed with a Middle Eastern country.

The following is a country assessment of Qatar, based on the U.S. Chamber of Commerce's twelve criteria for international investors.

#### **Size of Internal Market:**

GDP-Per Capita: \$29,800 (2006 est.)

Purchasing Power Parity: \$26.37 billion (2006 est.)

Population below poverty line: NA

**Freedom of Access to the Market:** Qatar became a member of the General Agreement on Tariffs and Trade (GATT) in 1996. Prior to that time, it participated in GATT as an observer. As a member of the Gulf Cooperation Council (GCC), Qatar participates in the GCC's free trade arrangements. Qatar also became a member of the World Trade Organization (WTO) in 1995. Qatar has been engaged through the GCC in trade and investment negotiations with the United States, the European Community and Japan. In addition to the GCC Economic Agreement (1983) signed among member states of the GCC, Qatar has signed economic and commercial agreements with Egypt and Tunisia in recent years.

There are currently no foreign trade zones or free ports in Qatar. However, there are plans to develop a free trade zone in Qatar at the site of the new Doha International Airport, which will be operational by 2008-09.

**Labor Force and Raw Materials:** Qatar's labor force consists primarily of expatriate workers. With a total estimated population of 907,229 and Qataris constituting no more than one fourth of this number, the role of expatriates in the economy is very important. The Ministry of Interior and the Ministry of Civil Service and Housing Affairs' Department of Labor regulate recruitment of expatriate labor.

Oil and gas account for more than 55% of GDP, roughly 85% of export earnings, and 70% of government revenues.

**Protection from Currency Devaluation:** Qatar's official currency, the Qatari riyal (QR), is a floating currency. Due to little demand for the riyal outside Qatar and the national economy's dependence on oil and gas revenues, the Government has pegged its exchange rate to the U.S. dollar. The official rate is QR 1.00 for USD 0.27 or USD 1.00 for QR 3.64, as set by the Government in June 1980. This was reaffirmed by an Amiri decree issued July 9, 2001, as a step

towards establishing a common currency for the Gulf Cooperation Council (GCC) countries, a decision agreed upon at a GCC Summit held in Bahrain in December 2000 and expected to take effect in 2010. The Government maintains a floating rate against all other currencies, with the exception of four GCC countries - Saudi Arabia, Oman, United Arab Emirates and Bahrain - whose currencies are similarly pegged to the dollar.

**Remittance of Dividends, Interests, Royalties and Technical Assistant Payments:** Qatar does not delay remittance of foreign investment returns nor does it restrict transfer of funds associated with an investment such as return on dividends, return of capital, interest and principal payments on private foreign debt, lease payments, royalties and management fees. Similarly, there are no limitations on the inflow or outflow of funds for remittances of profits, debt services, capital, capital gains and other returns. However, local as well as foreign contractors may confront a delay of over three months in receiving their amount due without interest. Foreign exchange is available at all times through banks and branches and exchange companies.

**Property Rights Protection:** Qatar is not a member of the World Intellectual Property Organization (WIPO) nor does it belong to the Paris Convention for Protection of Intellectual Property. Thus, owners of trade marks and copyrights and holders of patents are dependent on Qatar's own national laws and regulations for protection.

**Export Potential:** Imports into Qatar require an import license, which may be issued only to Qatari citizens. Agents and agency agreements are subject to the Law Concerning the Regulation of Activities of Local Commercial Agencies and Their Foreign Principals. In accordance with Islamic tradition, the importation of pork and pork products is prohibited. Also prohibited are firearms, ammunition, immodest prints and pictures, narcotics and artificial pearls. Alcohol and alcohol products are discouraged by the imposition of heavy customs duties. According to a reciprocity agreement among the Gulf Cooperation Council states, products of GCC origin are exempted from customs duties.

Qatar's exports totaled \$33.25 billion riyals in 2006. The majority of Qatar's exports, about 40.2 billion riyals, went to Asian countries. Japan topped the list of Asian consumers (22.4 billion riyals) followed by South Korea, Singapore, Thailand, China and India. While US imports of Qatari goods show a decline over the years (from 1.4 billion riyals in 2001 to 764.7 million riyals in 2003), European imports of Qatari commodities grew steadily, from 300.8 million riyals in 2001

to 940.9 million riyals in 2003. Spain topped the list of consumers.

Qatar's imports totaled \$12.36 billion riyals in 2006. Qatar imported mainly from Germany, the UK and Italy.

**Regulatory Burdens:** The Commercial Companies Law controls the establishment of all private business concerns in Qatar. The updated law provides for corporate mergers, corporate bonds, and the conversion of corporate partnerships into joint stock companies. Joint ventures involving foreign partners almost always take the form of limited liability partnerships. Foreign investors may own up to 49%, and the Qatari partners no less than 51%, of a limited liability concern. Foreign partners in ventures organized as limited liability partnerships must pay the full amount of their contribution to authorized capital in cash or in kind, prior to the start of operations.

Foreigners are generally not allowed to own property or invest in privatized public services. However, some residential and commercial areas of Doha and corporate stocks have been made available to foreign investors. On July 4, 2004, the Emir ratified a law allowing foreigners to own some residential property in select projects of the Pearl of the Gulf Real Estate Development Project. Foreigners may also own land in select real estate development projects in the West Bay Lagoon and Al-Khor areas.

**Favorable Taxation and Tax Incentives:** The government does not impose income taxes on individuals. Salaries, wages, personal bank interest and other forms of personal income are not subject to tax. The Income Tax Law of Qatar imposes income tax on the taxpayer (natural persons and corporate bodies) arising from activities in Qatar, including profits from any contract executed in Qatar, profits realized from the sale of any asset of an establishment, agency commissions, regardless of whether the contract with respect to which a commission is due is executed inside or outside of Qatar, consultation fees, amounts from the sale, rent or concession of intellectual property rights, bad debts which are collected by the taxpayer and net profits upon dissolution of a company. Revenues relating to projects in Qatar, even if executed outside of Qatar, are declared for Qatari tax purposes. Evidence that the work was implemented outside of Qatar is necessary to avoid tax liability with respect to the profits of the project.

**Political Risk:** Qatar is politically stable. There are no political parties, labor unions or trade associations. There is no known organized domestic political opposition.

Qatar achieved full independence in an atmosphere of cooperation with the U.K. and friendship with neighboring states. Most Arab states, the U.K., and the U.S. were among the first countries to recognize Qatar, and the state promptly gained admittance to the United Nations and the Arab League. Qatar established diplomatic relations with the U.S.S.R. and China in 1988. It was an early member of OPEC and a founding member of the GCC.

The ruling Al Thani family continue to hold power following the declaration of independence in 1971. Politically, Qatar is evolving from a traditional society and government departments have been established to meet the requirements of social and economic progress. Elections in 1999 in which men and women participated resulted in the formation of a municipal council. One woman candidate was elected to the municipal council in 2003. As a visible sign of the move

toward openness, the Al Jazeera satellite television station based in Qatar is considered the most free and unfettered broadcast source in the Arab world. Ties between the U.S. and Qatar are strong and marked by frequent senior-level consultations in Doha and Washington. Amir Hamad visited Washington in May 2003 and President Bush went to Qatar in June. Qatar and the United States coordinate closely on regional diplomatic initiative, cooperate to increase security in the Gulf, and enjoy extensive economic links, especially in the hydrocarbons sector.

**Predictable Macroeconomic Management:** Oil and gas have given Qatar a per capita GDP about 80% of that of the leading West European industrial countries. Proved oil reserves of 16 billion barrels should ensure continued output at current levels for 23 years. Qatar's proved reserves of natural gas exceed 14 trillion cubic meters, more than 5% of the world total and third largest in the world. Long-term goals feature the development of offshore natural gas reserves to offset the ultimate decline in oil production. In recent years, Qatar has consistently posted trade surpluses largely because of high oil prices and increased natural gas exports, becoming one of the world's fastest growing and highest per-capita income countries.

**Reliable Infrastructure Support:** The Qatar Government is committed to a huge escalation of investment over the next few years with upwards of \$100 billion in expenditure: \$75 billion for oil and gas projects, \$15 billion for infrastructure and \$10 billion for tourism, leisure and cultural projects. In addition, the Qatar General Electricity and Water Corporation, or Kahramaa as it is known locally, held a press conference at the InterContinental hotel in Doha last week to outline its four-year plan to carry out major infrastructure projects in the electricity and water sector, with a total expenditure set at \$1.6 billion for 2005-2009.

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