Qatar’s economic freedom score is 72.6, making its economy the 29th freest in the 2018 Index. Its overall score has decreased by 0.5 point, with steep drops in the government spending and monetary freedom indicators outweighing higher scores for government integrity and investment freedom. Qatar is ranked 2nd among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The June 2017 decision by fellow Gulf states and Egypt to shut down transport links to the peninsula has dampened Qatar’s growth prospects and dealt a serious blow to business sentiment. The boycott derailed further fiscal consolidation. Now the government must increase subsidies to offset boycott-induced price increases faced by Qatari citizens and bolster public support for the regime. Deeper structural reforms and sounder management of public finances are critical to enhancing competitiveness in the longer term.

**Background:** Once a poor British protectorate noted mainly for pearling, Qatar is an independent state with significant oil and natural gas revenues. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has emphasized domestic issues like health care and education. The government has largely avoided problems generated elsewhere by the Arab Spring uprisings but has been criticized for supporting radical Islamist groups. With more than 25 billion barrels in proven oil reserves and the world’s third-largest natural gas reserves, Qatar has also strengthened sectors like manufacturing, construction, and financial services. After winning its controversial bid to host the 2022 World Cup, the government expedited large infrastructure projects including roads, light rail transportation, a new port, stadiums, and other sporting facilities.
Qataris are permitted to own property, but noncitizens are generally barred from property ownership. The judicial system, which is not independent in practice, consists of Sharia (Islamic law) courts for family law and civil law courts for criminal, commercial, and civil cases. Decision-making authority is concentrated in the hands of the emir and his family. Critics complain of a lack of transparency in state procurement.

There is no income tax or domestic corporate tax. Foreign corporations operating in Qatar are subject to a flat 10 percent corporate rate. The overall tax burden equals 6.4 percent of total domestic income. Over the past three years, government spending has amounted to 36.4 percent of total output (GDP), and budget surpluses have averaged 5.6 percent of GDP. Public debt is equivalent to 47.6 percent of GDP.

Relatively streamlined regulations have simplified the processes for starting and operating businesses. Employment rules are fairly flexible. The labor force consists primarily of expatriate workers; in the private sector, foreigners are over 99 percent of the labor force. According to the Partnership for Open and Fair Skies, Qatar Airways received at least $491 million in government subsidies in 2017, while the government increased other subsidies because of the embargo.

Trade is significant for Qatar’s economy; the combined value of exports and imports equals 89 percent of GDP. The average applied tariff rate is 3.4 percent. Nontariff barriers impede some trade. Government openness to foreign investment is above average. The financial sector, in which the state continues to retain ownership, has undergone modernization. The stable banking sector remains competitive.