Qatar’s economic freedom score is 72.6, making its economy the 28th freest in the 2019 Index. Its overall score is unchanged this year, with higher scores for government integrity and monetary freedom offsetting declines in property rights and the score for government spending. Qatar is ranked 3rd among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

The 2017 decision by other Gulf States and Egypt to shut down transport links to the peninsula continues to dampen Qatar’s growth prospects and has dealt a serious blow to business sentiment. The boycott derails further fiscal consolidation. The government has had to increase subsidies and raise wages to offset boycott-induced price increases 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 gained independence in 1971 and has become one of the world’s richest countries because of its massive reserves of oil and natural gas. Sheikh Tamim bin Hamad Al-Thani, in power since 2013, has promoted improvements in infrastructure, health care, and education, as well as expansion of Qatar’s manufacturing, construction, and financial services sectors. In 2017, Saudi Arabia, Bahrain, Egypt, and the United Arab Emirates broke diplomatic relations with Qatar, citing its support for Islamist extremists and friendly relations with Iran. 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.
Property rights for non-Qataris are limited, although restrictions were eased somewhat in 2018. The judiciary is not independent in practice. The judicial system is divided between Sharia (Islamic law) courts for family law and civil law courts for criminal, commercial, and civil cases. Qatar is one of the least corrupt countries in the Middle East, but personal connections play a major role in the business world. 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 5.7 percent of total domestic income. Over the past three years, government spending has amounted to 37.9 percent of the country’s output (GDP), and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 54.0 percent of GDP.

The process for launching a business and obtaining licenses has become more streamlined. The labor force consists primarily of expatriate workers, and employment rules are relatively flexible. Monetary stability is well maintained. Gasoline subsidies were eliminated in 2018, and the government denies allegations that it provides hundreds of millions of dollars in annual subsidies to state-owned Qatar Airways. The combined value of exports and imports is equal to 89.1 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, Qatar had two nontariff measures in force. Foreign investment in several sectors of the economy is capped. Qatar’s stable banking sector remains competitive. Growth in financial services has contributed to economic diversification.