Qatar

Qatar’s economic freedom score is 72.3, making its economy the 31st freest in the 2020 Index. Its overall score has decreased by 0.3 point due to a drop in the government integrity score. Qatar is ranked 3rd among 14 countries in the Middle East and North Africa region, and its overall score is well above the regional and world averages.

2020 marks the 10th anniversary of the Qatari economy’s inclusion in the Index’s mostly free category, although it has not risen very far up those ranks. GDP has recorded modest growth during the past five years.

The “Arab Quartet” boycott’s effect on Qatar has dampened economic growth. The government feels forced to maintain a high level of spending. State-run institutions have launched initiatives aimed at diversifying and localizing aspects of operations, and the economy more broadly, over the next few years. These actions will not ameliorate the problems that dampen economic freedom in Qatar.

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 its friendly relations with Iran. Since winning its controversial bid to host the 2022 World Cup, the government has expedited large infrastructure projects including roads, light rail transportation, a new port, stadiums, and other sporting facilities.

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Property leasehold rights are enforced, although property rights for non-Qatars are restricted. The judiciary is not independent in practice. Many judges are foreign nationals serving under temporary contracts. The Supreme Judicial Council nominates Qatari judges for appointment by the emir. Although Qatar is one of the least corrupt Middle Eastern countries, critics have accused the government of using corrupt tactics to win the 2022 World Cup.

There is no personal 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 4.9 percent of total domestic income. Government spending has amounted to 34.3 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 48.4 percent of GDP.

Qatar has made minor adjustments to the process for starting a business and has guaranteed borrowers the legal right to access credit data kept by the credit registry. The vast majority of workers are foreigners. The unemployment rate is among the lowest in the world. Gasoline subsidies have been eliminated, and utility subsidies have been reduced, but the government allegedly has funneled billions in subsidies to state-owned Qatar Airways.

The total value of exports and imports of goods and services equals 88.3 percent of GDP. The average applied tariff rate is 4.2 percent, and lingering nontariff barriers increase the cost of trade. In 2019, a new law was enacted to ease restrictions on foreign investment. The financial sector has undergone modernization, attracting more foreign firms. The government retains considerable ownership in the sector.