Qatar

Qatar’s economic freedom score is 72.0, making its economy the 31st freest in the 2021 Index. Its overall score has decreased by 0.3 point, primarily because of a decline in government integrity. 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.

Qatar’s economy remains in the mostly free category this year. The government was able to reduce its spending somewhat, but the economic dominance it exercises through its control of the country’s oil revenue risks crowding out potential private-sector entrepreneurship. The judicial system is another public sector that needs further reform.

IMPACT OF COVID-19: As of December 1, 2020, 238 deaths had been attributed to the pandemic in Qatar, and the economy was forecast to contract by 4.5 percent for the year.

BACKGROUND: Once a poor British protectorate, 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 manufacturing, construction, and financial services. A 4-year dispute with Saudi Arabia, Bahrain, Egypt, and the United Arab Emirates related to Qatar’s support for Islamist extremists and friendly relations with Iran was resolved in January 2021. Since winning its 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.
Property rights and ownership are established through a set of laws, ministerial decrees, and resolutions. The judiciary is not independent in practice. Many judges are foreign nationals. Sharia (Islamic) courts handle family law. Qatar is one of the least corrupt countries in the Middle East and North Africa according to Transparency International’s 2019 Corruption Perceptions Index.

There is no individual 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 14.7 percent of total domestic income. Government spending has amounted to 32.0 percent of total output (GDP) over the past three years, and budget surpluses have averaged 2.1 percent of GDP. Public debt is equivalent to 52.3 percent of GDP.

Qatar has reduced the time it takes to process online applications for new electricity connections. Related costs and overall business entry costs have also declined. The law prohibits all forms of forced labor, but international media and human rights groups allege its existence. The government is working on a plan to transition from subsidies to cost recovery for the state-owned power utility, but it continues to subsidize state-owned Qatar Airways.

Qatar has three preferential trade agreements in force. The trade-weighted average tariff rate is 4.3 percent, and four nontariff measures are in effect. Openness to global commerce through trade and investment underpins Qatar’s competitiveness. Foreign investment in several sectors of the economy is capped. The stable banking sector remains competitive. Growth in financial services has contributed to economic diversification.