UNFCCC WORKSHOP ON ECONOMIC DIVERSIFICATION
(Tehran, Iran (18-19 October 2003)

PROFILE OF QATAR'S MACROECONOMY WITH EMPHASIS ON EFFORTS TO DIVERSIFY THE OIL AND GAS INDUSTRIAL SECTOR

SUBMISSION
BY
THE STATE OF QATAR

Qatar's National Team on Climate Change
Safety Quality & Environment Dept.
QP – RAA, Box - 47
Doha – Qatar
October 12th 2003

I. BACKGROUND

The State of Qatar is a peninsula in the Arabian-Persian Gulf, situated between latitudes 26º34´, 24º30´ north and longitudes 52º45´, 50º40´ east. Its size is approximately 11437 square km and the coastline extends to about 370 km. The climate is arid semi-arid, with rainfall estimated at 75 mm/yr and relative humidity between 45-95%. The soil surface consists of sand dunes, sabkhas, beach deposits and dolomite with gypsum and anhydride beds in the lower parts. Cultivable land represents only 1% of the total area. The population is around 522023 (1997) and the labour force 289736. Qataris represent 13.5% of the total labour force with females constituting 33.3%. Due to the arid conditions in Qatar fresh water resources are scant. Demand for potable and municipal water is met by desalination of seawater (96%). The total consumption is estimated at 134 Million m^3 per annum (SCENR 2002).

II TRADE IN OIL & GAS AND NON ENERGY PRODUCTS

a. Oil & Gas Sector Vital Statistics

The vital Statistics are as follows:

1.	Crude Reserves	13.2 X 10^9 Barrels	B.P. Stat. Rev. 2001
2.	Natural Gas Reserves	25.5 X 10^{12} m^3	QP. May 2002
3.	Refining Capacity	3.0 Mt/Yr (2001)	6.7 Mt/yr (2002)
4.	Local Energy Consumption (including petrochemical)	1.0 Mtoe (2001) Oil products. 18.7 Mtoe (2001) Natural Gas	5% of total 95% of total

(AODG 2002)

b. Oil and Gas Export between 1997 – 2010

	Mt/yr	1997	2000	2001	2002	2005*	2010*
1.	LNG	2.2	9.3	10.2	10.4	22.0	45.0
2.	Crude	22.6	30	30	-	-	-
3.	Condensate	-	-	1.2	-	6.5	14.0
4.	GTL	-	-	-	-	1.4	5.6

(QP 2003)

Note: * (Planned – Potential)

c. Planned Regional Export of Natural Gas

	Project		Capacity
1.	Gas-line Export to Abu Dhabi, Dubai and Oman. (Dolphin Energy Limited).	800 – km gas line	$31x10^9m^3/yr$
2.	Gas-line Export to Kuwait	Al-Khalij	$18.3 \times 10^9m^3$ (serve both domestic and export)

(AOGD 2002)

d. Current and Projected Output of Non-Energy Products

	Product	2001	2004*
1.	14 Products (Fertilizers & Pet)	4.0 (Mt)	8.0 (Mt)
2.	Steel Products	0.72 (Mt)	(2.74)* (Mt)
3.	Hot Briquetted Iron	1.6 (Mt)	2.0* (Mt)
4.	Cement	0.33 (Mt)	0.5* (Mt)
5.	Aluminum Products		0.5 (Mt)

(AOGD 2002)

Note: *(Projected)

III ECONOMY

The economy of Qatar is highly dependent on oil and gas, which constitute over 90% of the exports. Historical record of the Gross Domestic Product (GDP) and its annual growth rates shows that nominal GDP has more than doubled during 1990-2000. Nevertheless, the GDP growth rates during this period were uneven reflecting changes in oil prices. During the early 1990s and also in 1998, due to the collapse in oil prices, negative GDP growth rates were reported. As a result, the economy contracted by -6% and -9% in 1993 and 1998 respectively. As the oil prices soared from 1999 onwards and export of LNG increased, Qatar's economic growth rates rose to 20% - 30% during the period (The Planning Council 1996, 2001).

Analysis of the components of Qatar's GDP for the year 1999 and 2000 is shown in (Diagram 1). In 2000, reflecting high oil prices, the oil and gas sector contributed 58.4% to the economy compared to 45.8% in 1999, whereas the share of the non-oil and gas sectors (NOS) fell to 41.6% from 54.8% in 1999. The components of the NOS and their share to the economy in 2000 are as follows: the manufacturing industry (petrochemicals, fertilizers, steel, flour, cement), 5.7%; trade, restaurants, hotels, 5.4%; building and construction, 3.4%; transport and communication, 3.4%; finance, insurance and real estate, 8%; agriculture and fisheries, 0.4% and government and social services, 14.2%.

Although crude oil has been traditionally the cornerstone of Qatar's economy, this should be eclipsed by natural gas in the very near future (Table II-b). Since LNG production is projected to double by 2005 (22 Mt/yr) and more than quadruple in 2010 (45 Mt/yr), revenues from sale of natural gas would, surpass earning generated from sale of crude oil by 2010 provided that crude production remains at the current levels. Moreover, export by Qatar of condensate and GTL, respectively, is projected to reach 6.5 and 1.4Mt/yr (in 2005) and 14.0 and 5.6Mt/yr (in 2010), adding more revenues to the economy. In summary, it seems that oil and gas would remain the driving force of the economy in the foreseeable future (Table II-b).

Table II-d shows the current and projected output of the manufacturing industry disaggregated by product. This sector is vital for Qatar in order to diversify the oil & gas industry and broaden the economic base. Utilizing available and cheap oil and gas resources for fuel and feed stock, this sector produces a broad range of non-energy goods including fertilizers, chemicals, steel products, hot briquetted iron, cement and aluminum products.

Despite the relatively small contribution of the agriculture and fisheries sector to the GDP (~0.4%), it is important to point out that through experimental farming projects partial self sufficiency was attained in certain food stuff e.g. fruits and vegetables (35% sufficiency), milk (60%) and meat (30%). Since Qatar is a peninsula with an extensive coastal line and rich marine resources, it is prudent to explore the feasibility of boosting investment in the fisheries industry as a viable economic enterprise for economic diversification. Needless to say, fishing was a traditional pillar of Qatar's economy before the discovery of oil and gas. It will undoubtedly remain as a sustainable economic activity for now and the foreseeable future.

Contributions by other major NOS to Qatar's GDP include those from government and social services sector and finance, insurance and business services sector. In 1999 they contributed to the GDP 18.6% and 10.2% respectively and in 2000 14.2% and 8%. The major benefactors from the government services sector include the health services, education, municipalities, youth and sports and electricity and water services.

On the other hand, the banking, finance, insurance and business sector consists of the central bank, nine commercial banks and five branches of foreign banks. The total assets of the commercial banking sector stood at US$ billion 13.7 at the end of 2000. (QPC 1996, 2001).

Moreover, this sector includes the Doha Securities Market (DSM), which began Operation in 1997. The Stock Exchange Index, DSM, is valued at US$ billion 5.75 in 2001.

The building and construction sector; trade, restaurants and hotels sector and the transport and communication sector contribute relatively smaller proportions to Qatar GDP. In 1999 & 2000 each of these sectors contributed to the GDP 3% to 7% on average (Diagram 1). It is important to point out that although the contributions by the above mentioned sectors to the GDP are relatively small, they are essential to the future of Qatar's economy. Together with the finance and banking sector they determine the overall atmosphere required for investment and the future economic growth of the country.

IV PLANNING FOR FUTURE

- Oil and gas resources provided Qatar with significant wealth during the past four decades and assured its citizens a high standard of living.
- Qatar dependency on oil result in high economic vulnerability due to the fluctuations in oil prices.
- Economic diversification, within the hydrocarbon sector and away from it is essential.
- Qatar has chosen a policy of diversification that encompass the following:
  - Expansion of the current LNG facilities and establishment of GTL Projects.
  - Development of oil and gas downstream industries.
  - Development of the petrochemical industry.
  - Development of nonmetallic and metallic industries.
  - Adoption of ambitious programmes for top quality higher education in association with leading universities and academic institutions.
  - Expansion of the transport sector, both marine & air.
  - Acceleration of the privatization process to enhance the growth of the industries and services sectors.

V REFERENCES

AODG (2002) Arab Oil & Gas Directory, Arab Pet. Res. Center, France

B.P. (2001) British Petroleum State. Review, Egham, Survey TW20 8RS, UK

SCENR (2002) The National Report on Sustainable Development, Supreme Council for the Environment and Natural Reserves, Doha – Qatar.

QP (2003) – Personal Communication from Corporate Planning,
Qatar Petroleum, RAA, Doha – Qatar.

QPC (1996) Annual Statistical Abstract, State of Qatar Planning Council, Doha.

QPC (2001) Annual Statistical Abstract, State of Qatar Planning Council, Doha.