



## TRADE PERFORMANCE AND STRUCTURE PROFILES<sup>1</sup>

### Qatar

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# TABLE OF CONTENTS

TRADE PERFORMANCE AND STRUCTURE PROFILES: QATAR	3
I. Trends in Trade and Investment	3
II. Merchandise trade structure and indicators performance	6
Exports	6
Imports	6
Exported Products	7
Imported Products	7
III. Trade Policy	15

# TABLE OF FIGURES

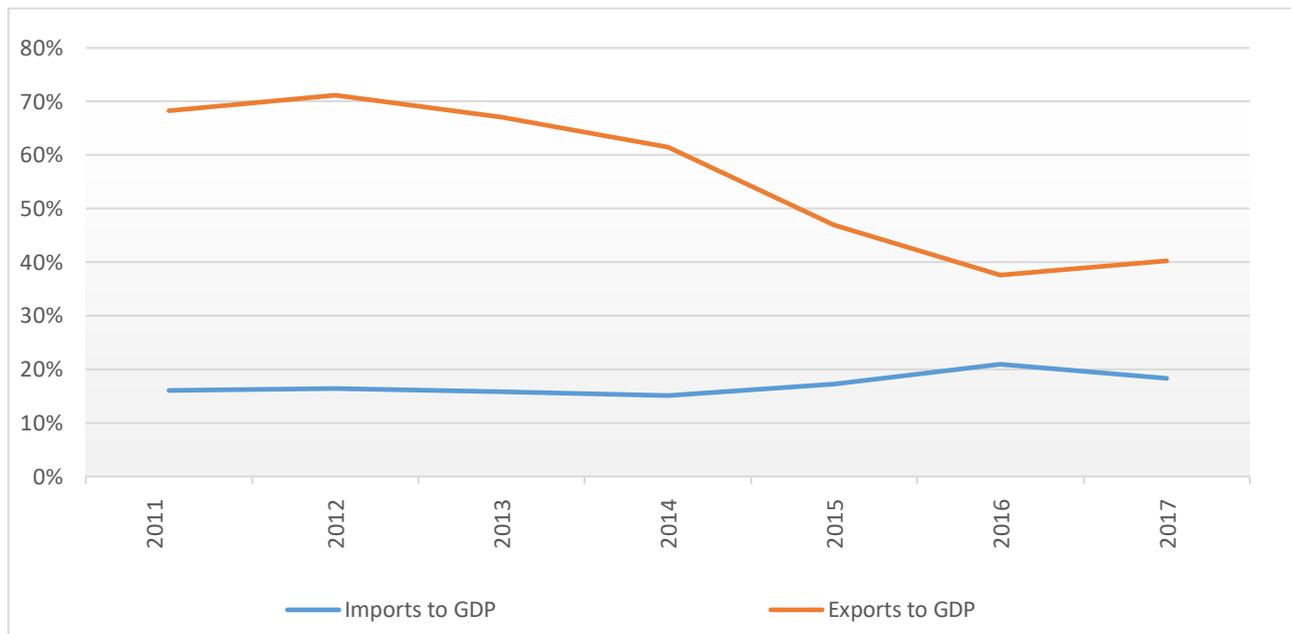
Figure 1: Merchandise Exports and Imports, as a share of GDP	3
Figure 2: Qatar's Share in World's Exports and Imports	4
Figure 3: Qatar's Services Trade, 1995-2017, as a share of GDP	5
Figure 4: FDI net inflows and outflows, 1996-2017, as a share of GDP	5
Figure 5: Top export destinations and import sources, as a share of total exports and imports, 2016	6
Figure 6: Top products exported and imported, 2016 (as a share of exports and imports)	7
Figure 7: Trade Intensity Index	7
Figure 8: Trade Complementarity Index	8
Figure 9: Hirschman-Herfindahl Index (bilateral export portfolio diversification)	9
Figure 10: Export Diversification Index	9
Figure 11: Export Sophistication	10
Figure 12: Export Market Penetration Index	10
Figure 13: Export Similarity Index	11
Figure 14: Hummels-Klenow intensive and extensive margins (product)	12
Figure 15: Hummels-Klenow intensive and extensive margins (market)	12
Figure 16: Intra-industry Trade Index	13
Figure 17: The composition of the change in bilateral merchandise exports between 1999 and 2016 along intensive and extensive margins	14
Figure 18: MFN and applied tariff rates for all products, simple and weighted means	15
Figure 19: Services Trade Restrictiveness Index, 2010	16

# TRADE PERFORMANCE AND STRUCTURE PROFILES: QATAR

Qatar's performance in merchandise trade and attracting foreign direct investment has been mixed in the past decade. Its merchandise exports and imports have not maintained the levels achieved in the early 2010s. Qatar's services trade, however, has increased significantly, almost doubling its share in GDP between 2011 and 2016. FDI inflows have been low in the 2010s, while FDI outflows have been volatile but significant. The most important destination for Qatar's exports has been ASEAN+++ countries. PAFTA and sub-Saharan African countries hold relatively favorable prospects for Qatar's exports, which show weak signs of shifting towards more sophisticated products and limited diversity.

## I. Trends in Trade and Investment

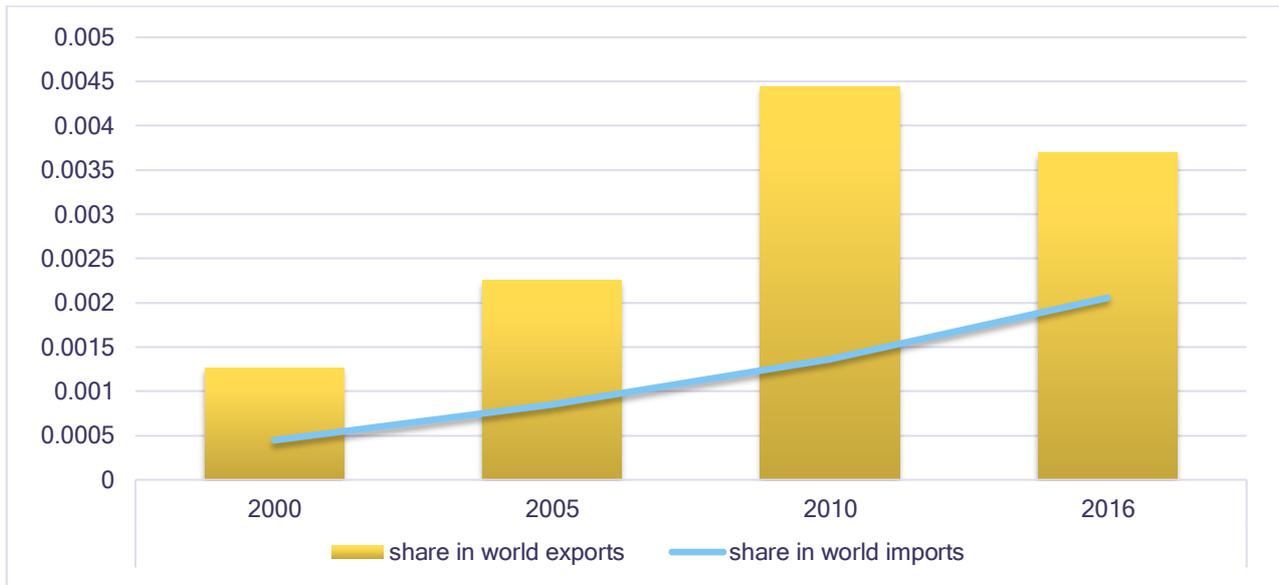
Figure 1: Merchandise Exports and Imports, as a share of GDP



Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Qatar's merchandise exports have declined sharply since 2011, mostly reflecting declines in oil prices. Merchandise imports on the other hand have shown more subdued changes than merchandise exports and stands around levels recorded in 2011.

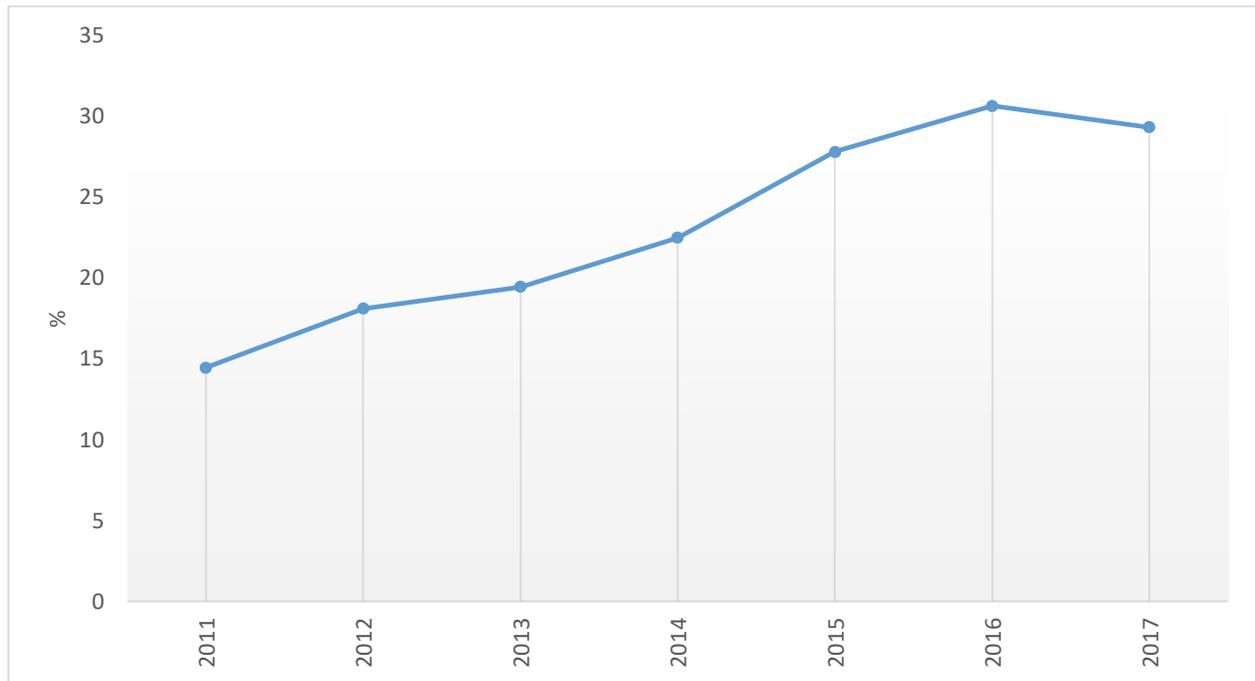
Figure 2: Qatar's Share in World's Exports and Imports



Source: ESCWA calculations using COMTRADE data (accessed October 2018).

Qatar's share in world export has gone up sharply in the 2000s and eased somewhat in the first half of 2010s. Qatar's world import share has surged since 2000, amounting to a three-fold increase between 2000 and 2016.

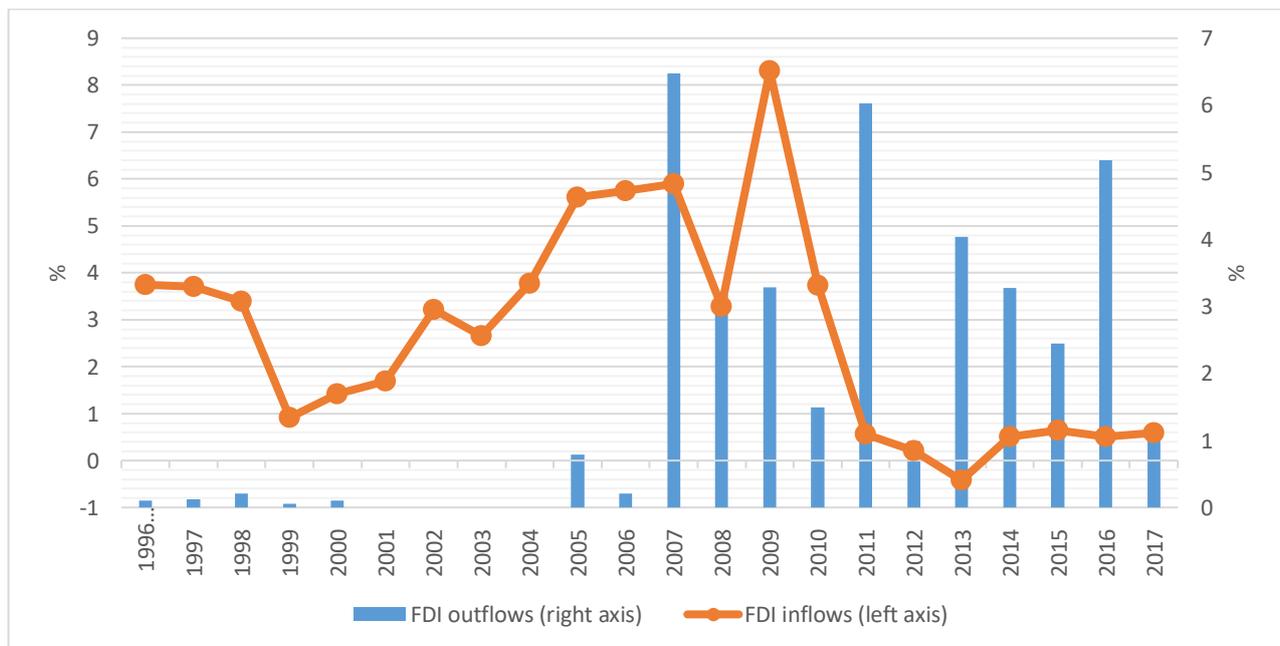
Figure 3: Qatar's Services Trade, 1995-2017, as a share of GDP



Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Qatar's trade in services has shown a remarkable increase since 1995, with its share in GDP almost doubling between 2011 and 2016 and easing slightly in 2017. This is in part driven by lower hydrocarbon prices since 2013.

Figure 4: FDI net inflows and outflows, 1996-2017, as a share of GDP



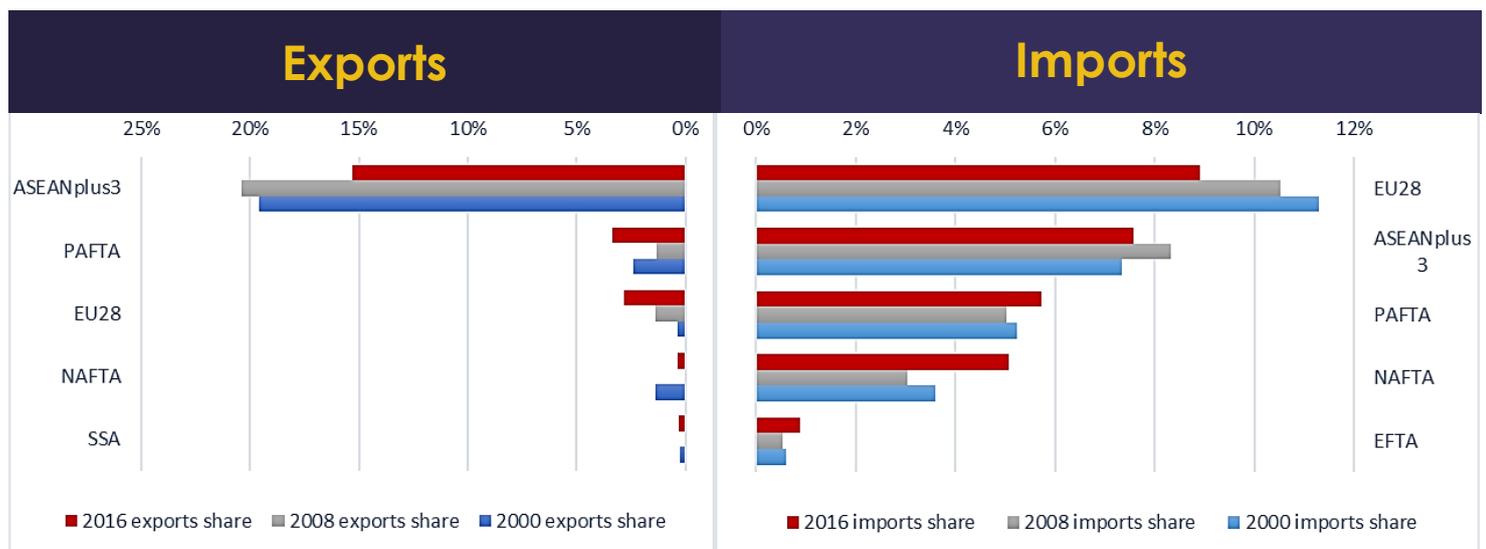
Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Net FDI inflows into Qatar have been relatively subdued since 2011 but prior to 2010 net FDI inflows into Qatar had been rather volatile and amounted to a significant share of GDP. Net FDI outflows, investment net of disinvestment by the residents of Qatar in enterprises abroad, have been volatile but significant since 2007 or so.

## II. Merchandise trade structure and indicators performance

This section assesses the trade performance and structure of Qatar, employing a range of indicators and indices created using highly disaggregated product-level data.

Figure 5: Top export destinations and import sources, as a share of total exports and imports, 2016



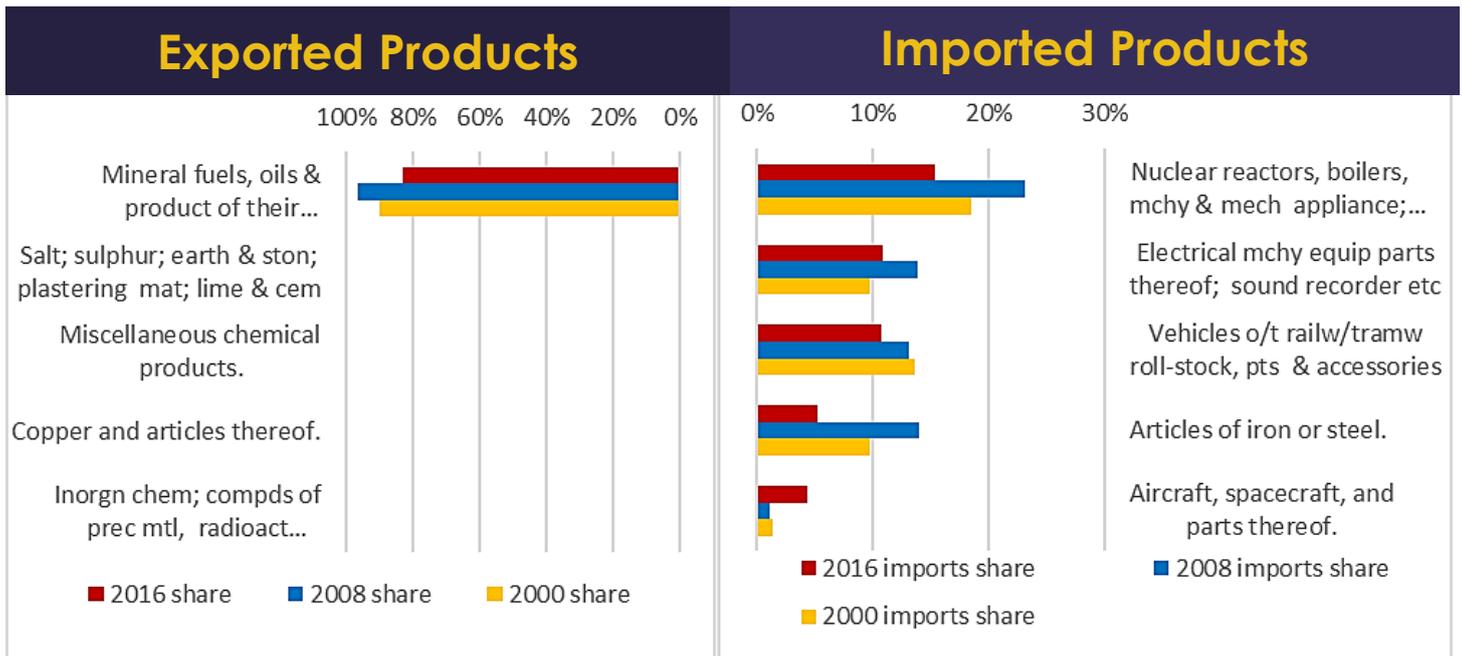
Source: ESCWA calculations using COMTRADE data (accessed October 2018).

Based on COMTRADE data, which rely on data declared by countries and might miss partner-level detail<sup>2</sup>, the ASEAN+++ has been the export top destination as a bloc for Qatar, though its share has moderated since 2000. PAFTA follows ASEAN+++ as the partner bloc with the second highest share in the merchandise exports of Qatar. The EU is and has been the top import source for Qatar, followed relatively closely by ASEAN+++.

**While the EU has some lost ground as the top import destination, NAFTA appears to have claimed the lost share and, as of 2016, is almost as important as PAFTA as an import source for Qatar.**

<sup>2</sup> This appears to case with Qatar, for which a large share of its merchandise exports is not assigned to identified partners in COMTRADE data.

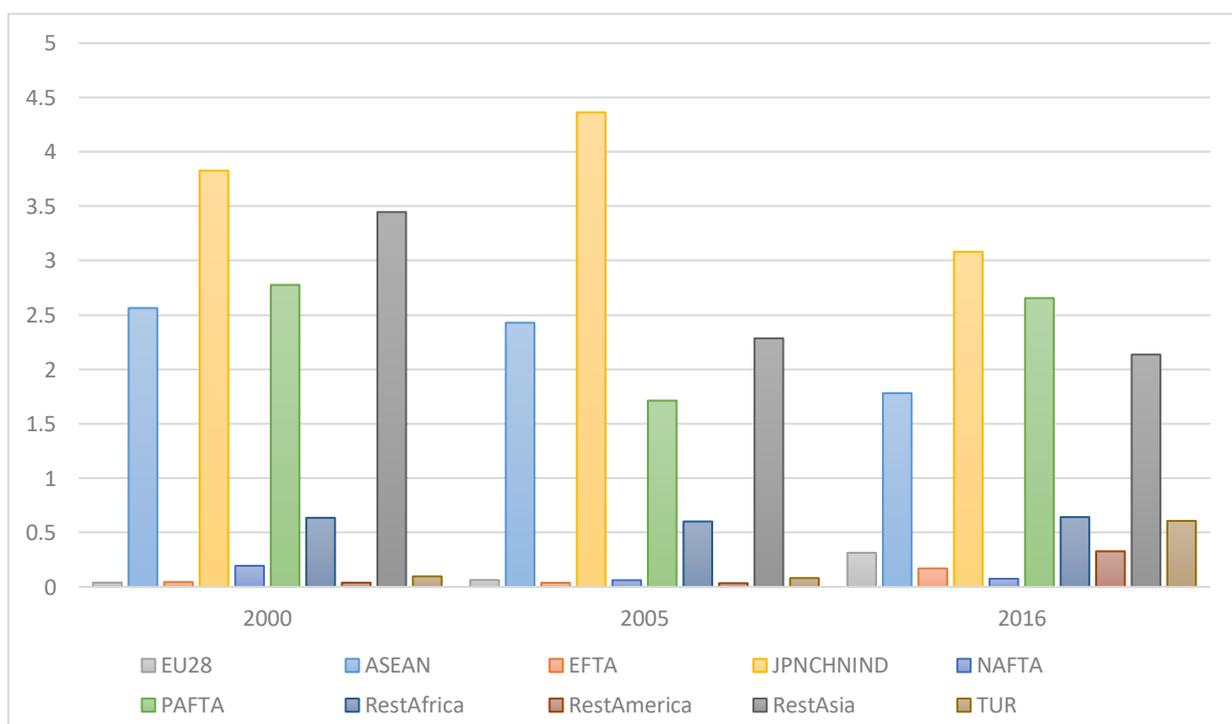
Figure 6: Top products exported and imported, 2016 (as a share of exports and imports)



Source: ESCWA calculations using COMTRADE data (accessed October 2018).

The share of mineral fuels, oils and their distillation products in Qatar's merchandise exports has been extremely high, moderating somewhat in 2016 after exceeding 95% in 2008. Qatar's merchandise imports on the other hand distributed more evenly across different products. Nuclear reactors, boilers, machinery and mechanical appliances, vehicles and their parts, and electrical machinery and equipment have been products with relatively high import shares.

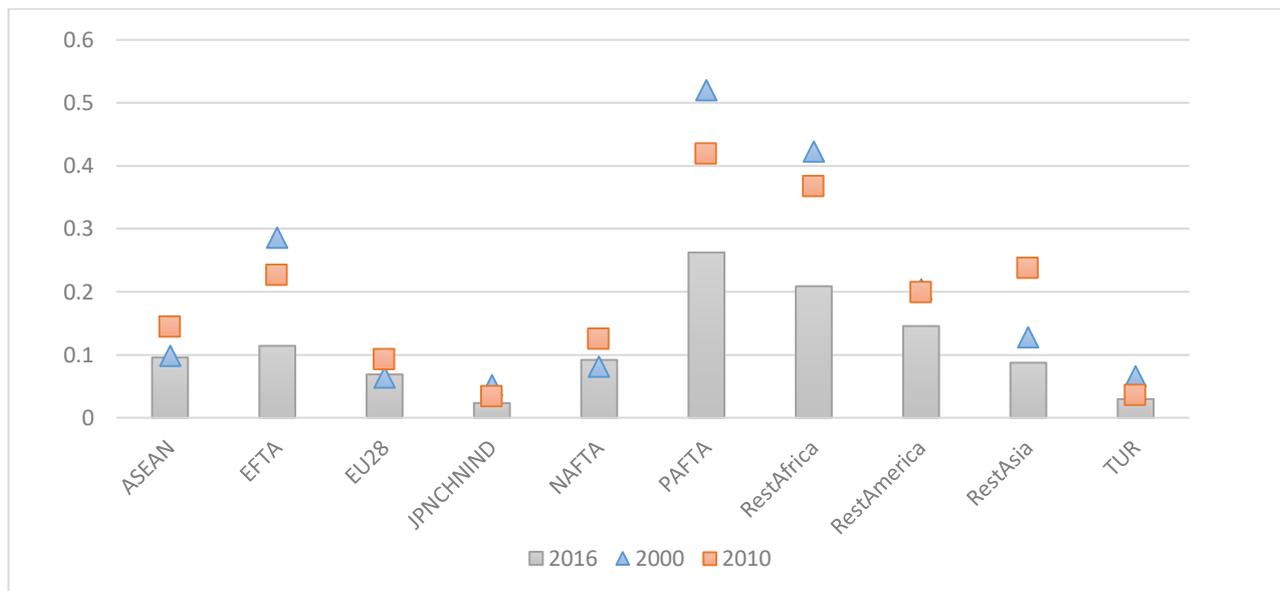
Figure 7: Trade Intensity Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The trade intensity index captures whether the value of trade between a reporter and partner is greater or smaller than would be expected on the basis of their importance in world trade. Qatar has traditionally traded and continues to trade more intensively with PAFTA countries and Asian countries excluding PAFTA members and Turkey. Among Asian countries, China, India and Japan stand out as countries with which Qatar's trade was particularly more intensive than their share in world trade suggests, though they appear to have lost some importance as of late.

Figure 8: Trade Complementarity Index

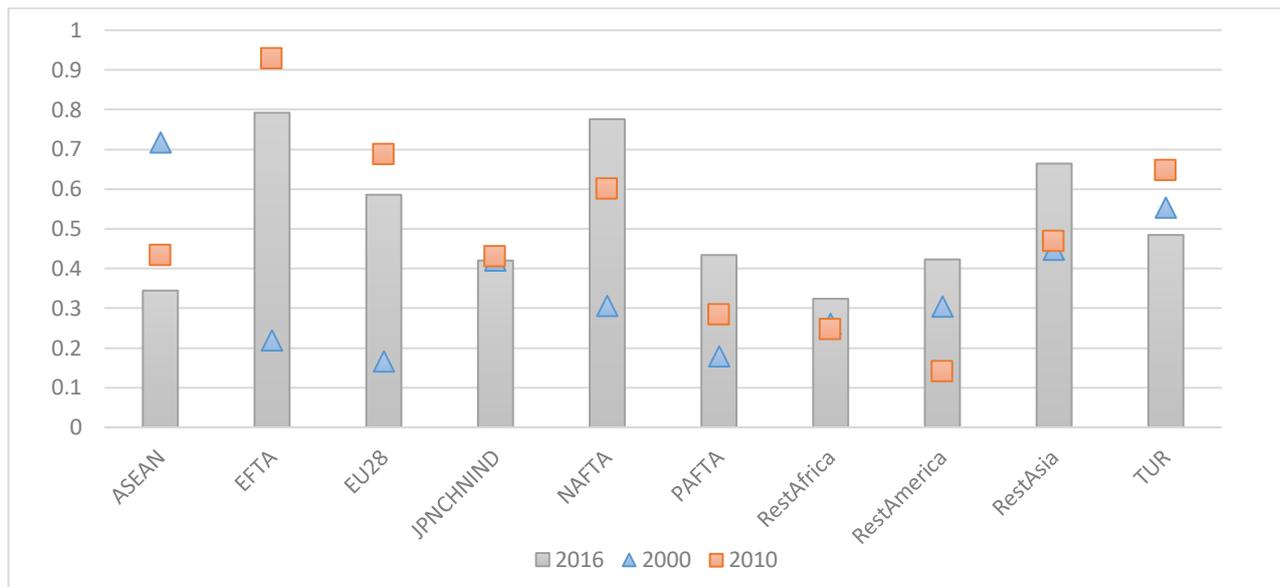


Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The trade complementarity index captures how well the structures of a country's exports and its partner's imports match, showing the extent of prospects for further exchange. The index takes on the value zero when no goods are exported by one country or imported by the other and 1 when the export and import shares exactly match.

The index for Qatar attains relatively higher values with PAFTA and sub-Saharan African countries as partners.

Figure 9: Hirschman-Herfindahl Index (bilateral export portfolio diversification)

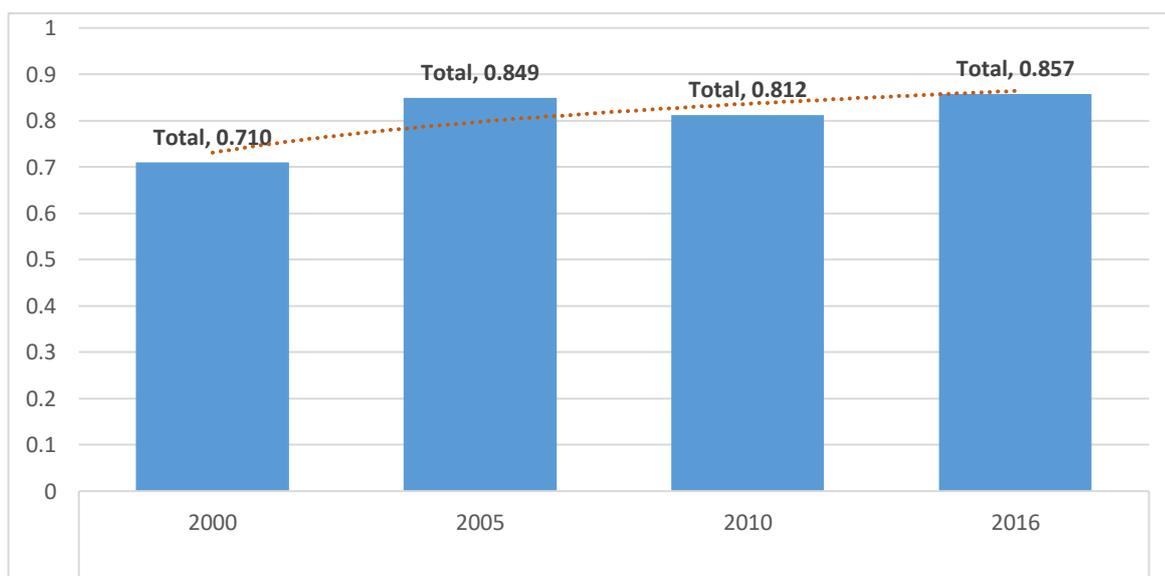


Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The Hirschman-Herfindahl Index captures how diversified a bilateral export portfolio is. A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country which exports only one product would attain the value of unity (least diversified).

**Qatar does not seem to have diversified its export portfolio vis-à-vis most of its partners, with the notable exception of ASEAN countries, and, to some extent, Turkey, as measured by the Hirschman-Herfindahl Index. The diversification of export portfolio vis-à-vis ASEAN is rather striking.**

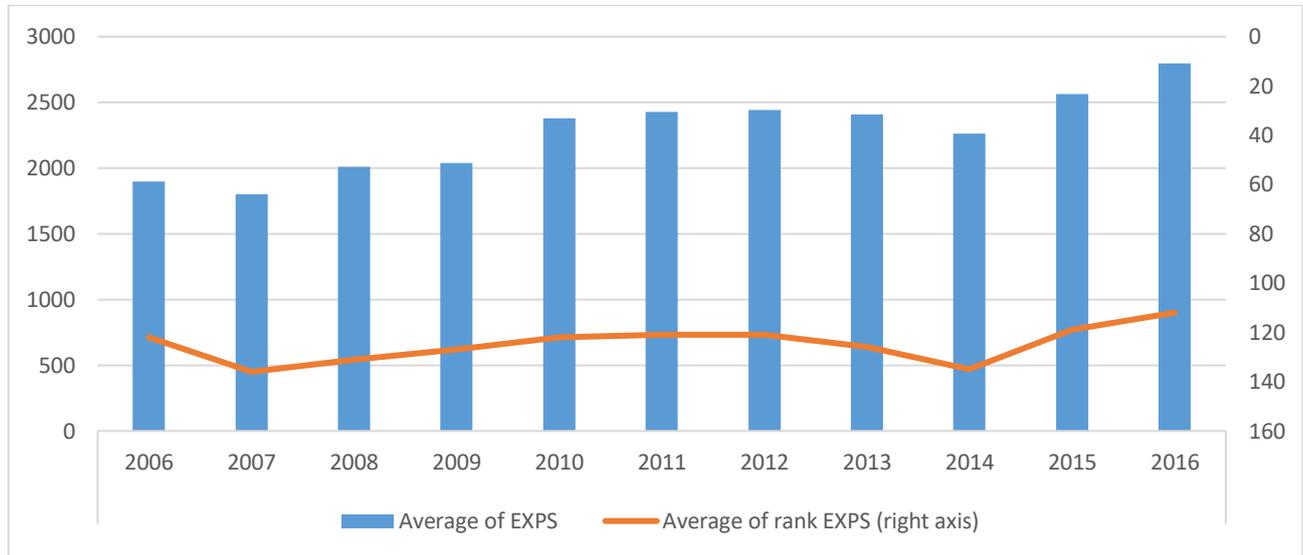
Figure 10: Export Diversification Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Export diversification index measures whether a country is highly dependent on relatively few products or its export portfolio is diversified. The lower the index, the less concentrated are a country's exports. As measured by this index, Qatar has experienced deterioration in the diversity of its export portfolio since 2000, except for limited gains in the late 2000s.

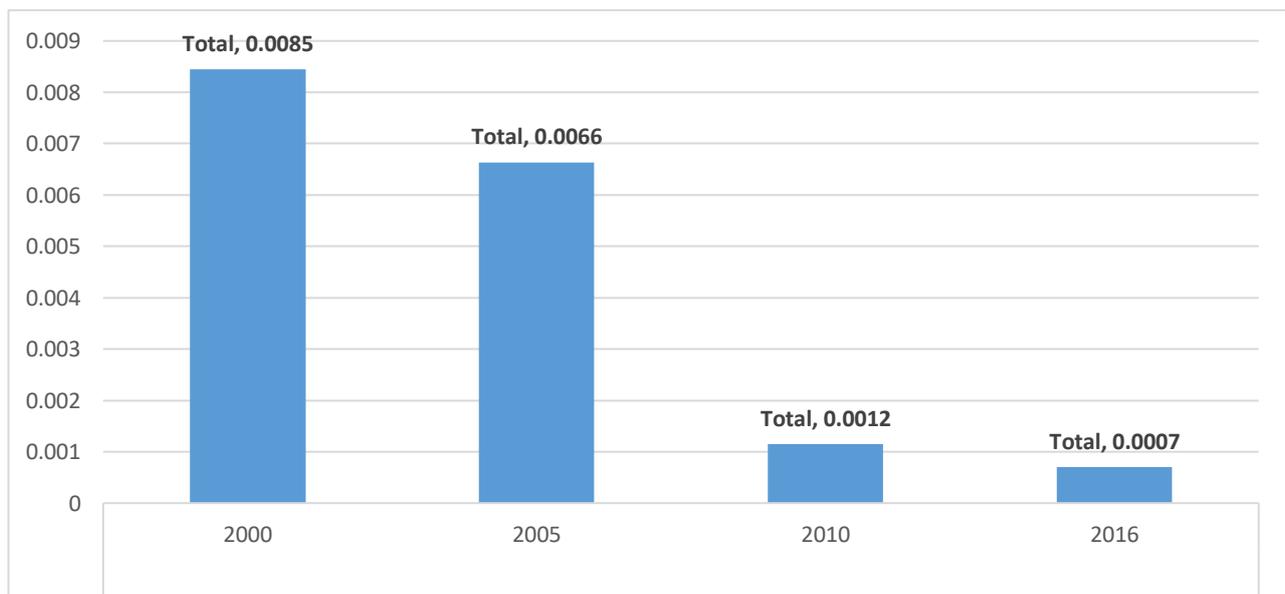
Figure 11: Export Sophistication



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Qatar has been able to specialize in more sophisticated products over the past decade, though progress has not been steady. Qatar has managed to climb a few spots in global rankings, albeit from a rather low initial rank in 2006.

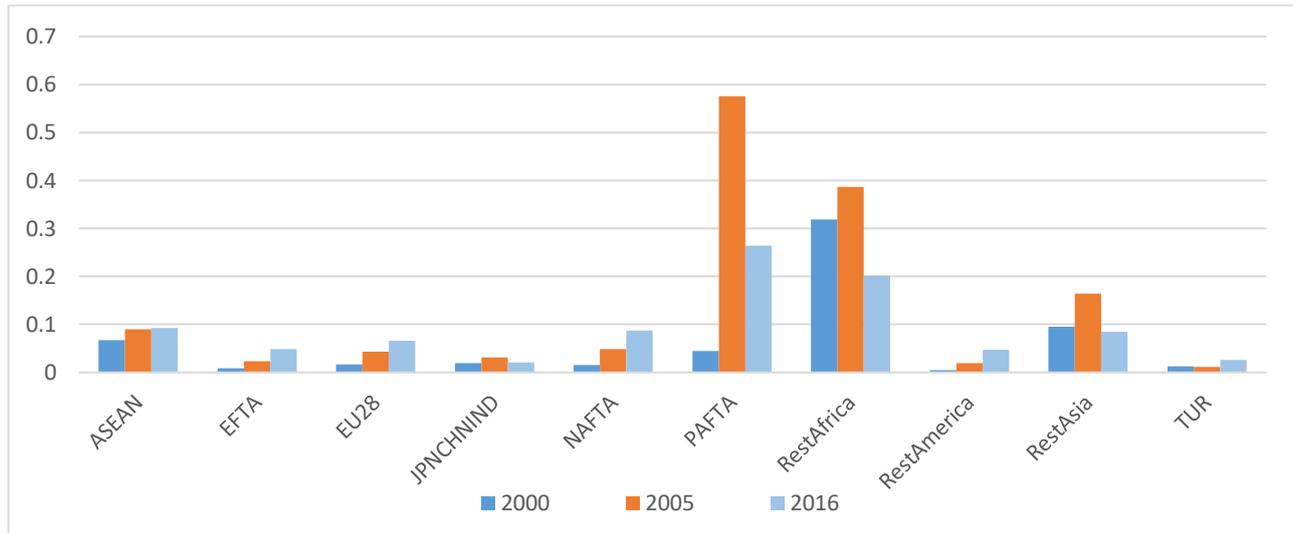
Figure 12: Export Market Penetration Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Qatar's penetration into export markets has deteriorated dramatically since 2000, as measured by the Export Market Penetration index. The index is essentially the share of the actual number of export relationships (at the country-product level) forged by the country in question in the maximum possible number of export relationships it can form given its exports.

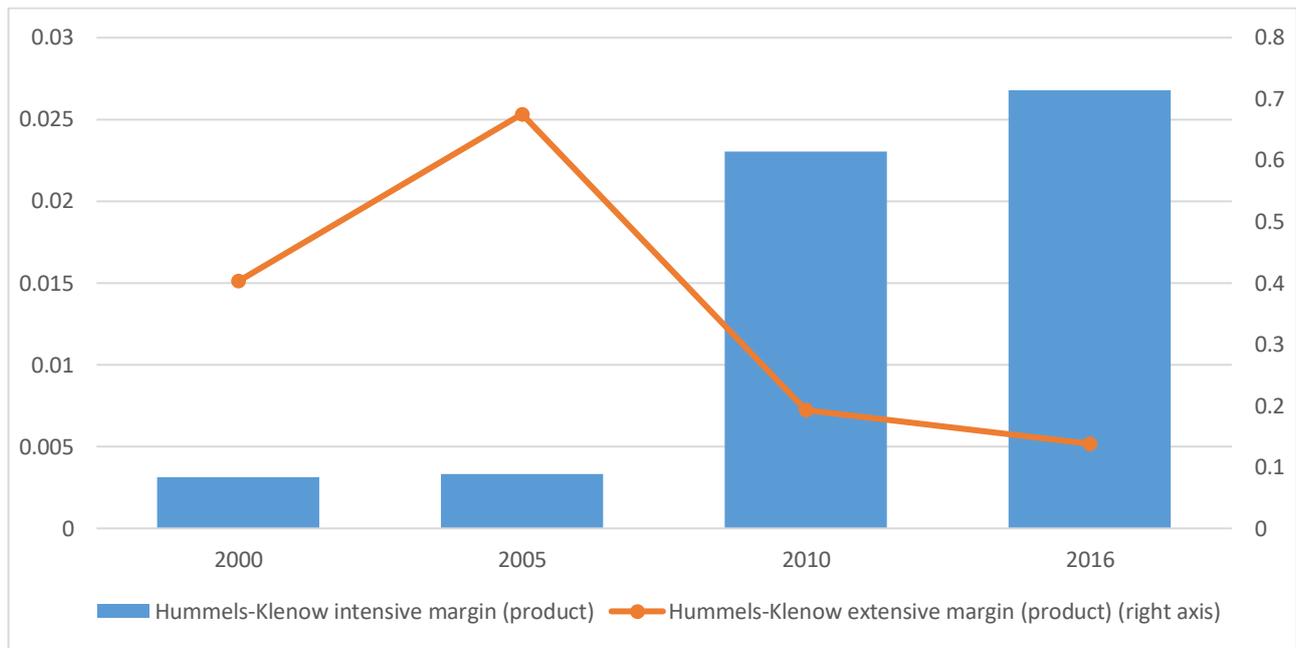
Figure 13: Export Similarity Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The export similarity index captures the extent to which two entities in question are competitors in a common market. The index value of zero suggests that there is no competition between the two countries and of one that they are perfect competitors. Based on the export similarity index, Qatar's main competitors in world markets have been PAFTA and sub-Saharan African countries.

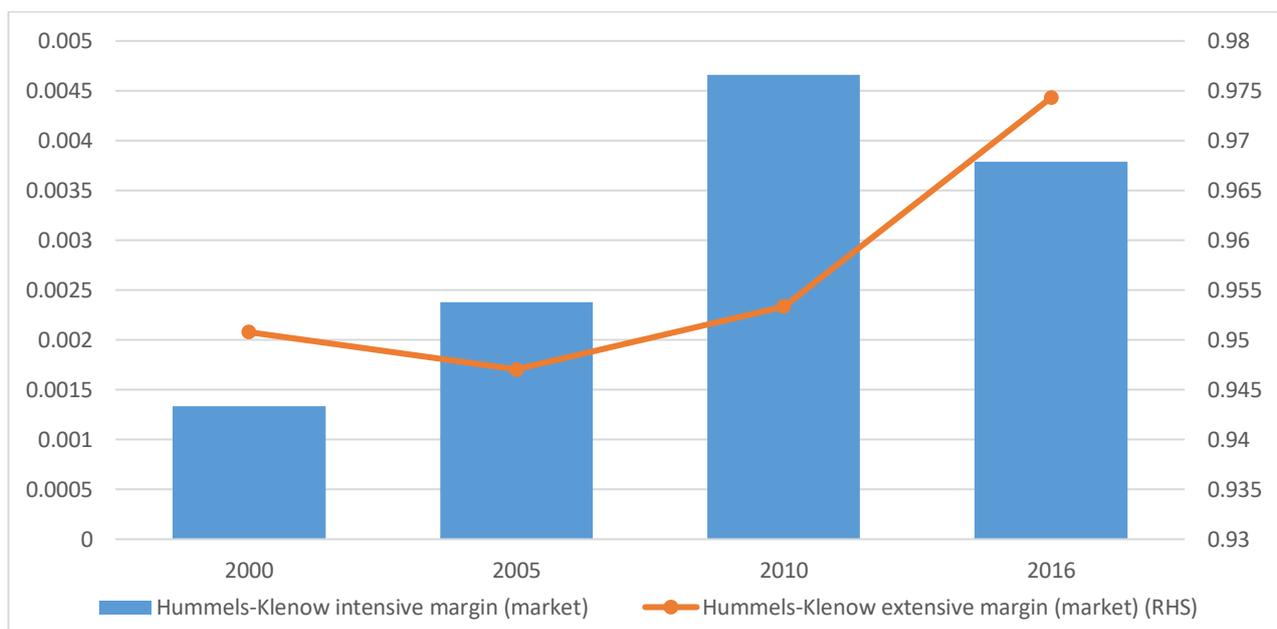
Figure 14: Hummels-Klenow intensive and extensive margins (product)



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

It is interesting to explore whether Qatar exports larger quantities or a greater variety of goods. To measure the first, the Hummels-Klenow intensive margin in products could be employed, which essentially captures the share of Qatar's exports in the world exports of products that Qatar exports. This index has risen drastically since 2005. Qatar experienced a rather sizable decline since 2005 in the share of the products Qatar exports in total world exports of all goods, also referred to as the Hummels-Klenow extensive margin in products and gives an indication of how comprehensive the set of goods a country exports is.

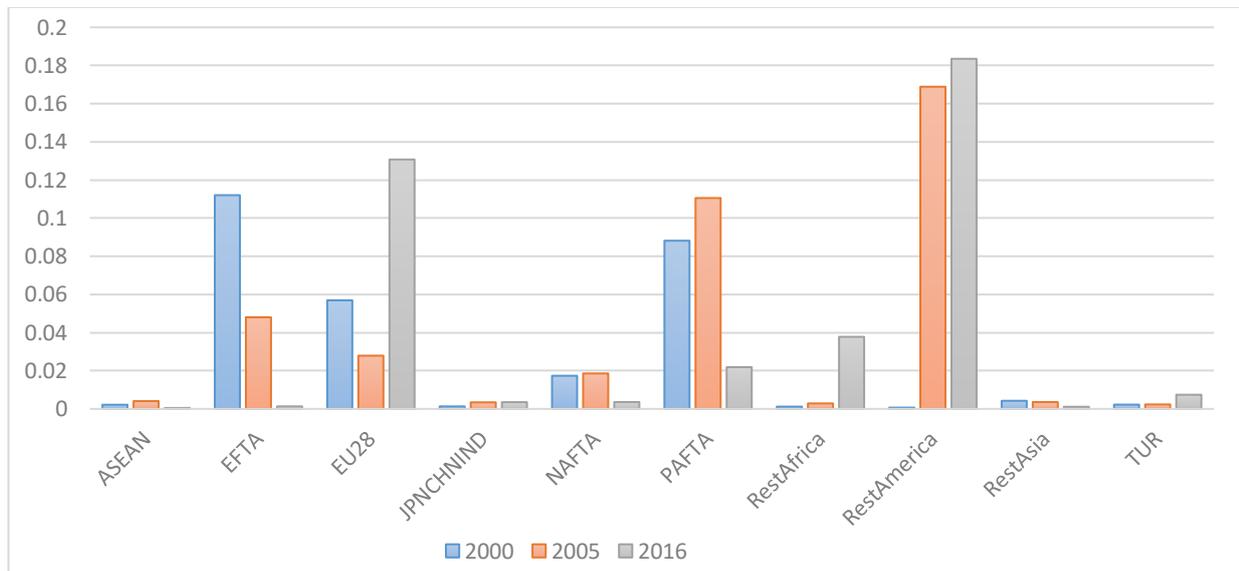
Figure 15: Hummels-Klenow intensive and extensive margins (market)



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Another instructive angle to look into is as to whether Qatar exports larger amounts to its existing trade partners or expands into new markets. As a measure of the former, Qatar's share in the total world exports to only those countries that Qatar exports to, also referred to as the Hummels-Klenow intensive margin in markets, had gone up sharply in the 2000s but eased slightly in the first half of 2010s. Qatar has also experienced a steady increase, from an already high level, in the share of the world exports to only those countries that Qatar exports to in total world exports of all goods, referred to as the Hummels-Klenow extensive margin in markets and captures the extent of expansion into new export markets.

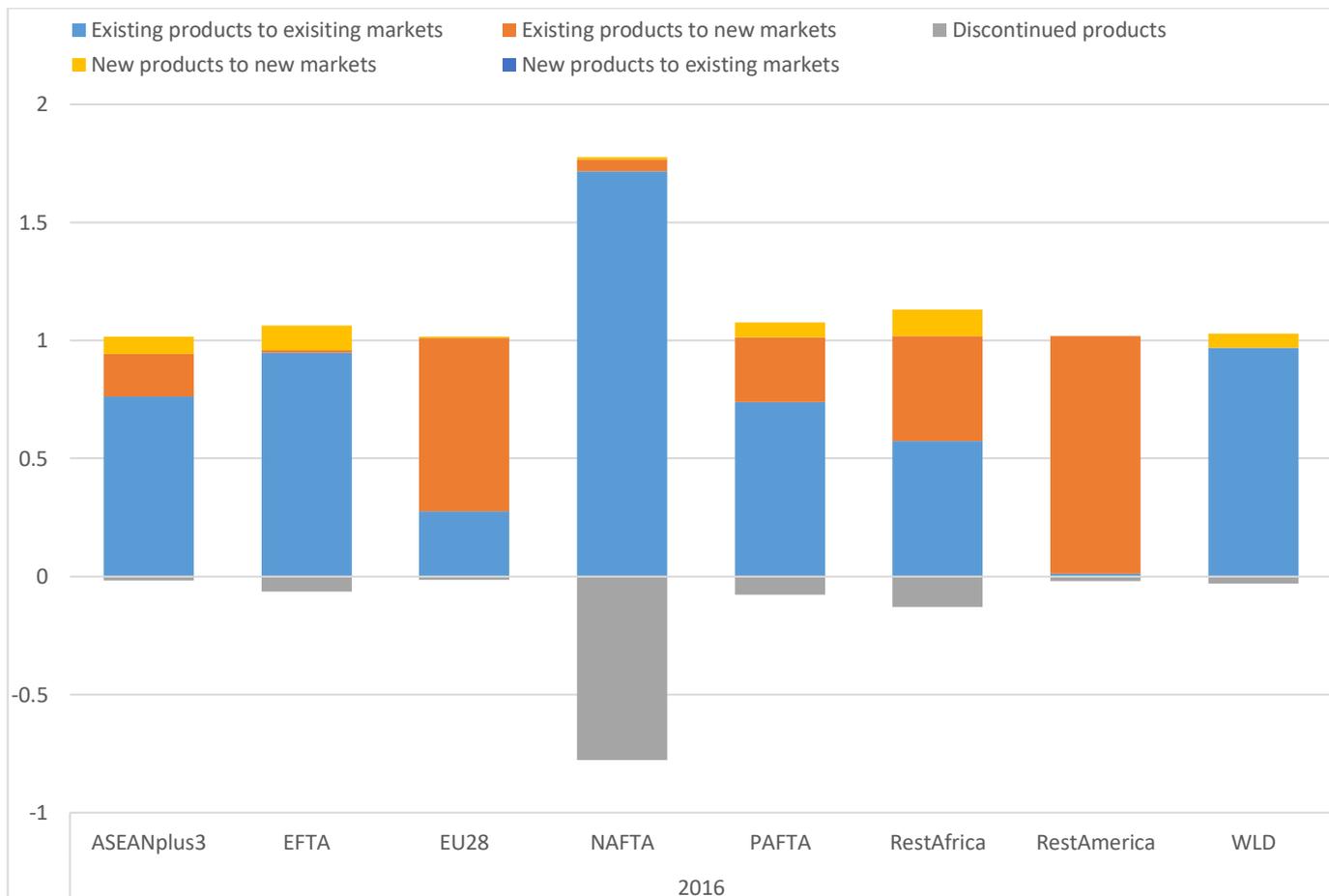
Figure 16: Intra-industry Trade Index



*Source: ESCWA calculations based on COMTRADE data (accessed October 2018).*

The intra-industry trade index measures the extent to which products that belong to the same industry were being traded between two countries, ranging between 0 and 1 and with values close to 1 corresponding to a high level of intra industry trade. Qatar has engaged in intra-industry trade to a relatively larger extent with Latin American and EU countries.

Figure 17: The composition of the change in bilateral merchandise exports between 1999 and 2016 along intensive and extensive margins



Source: ESCWA calculations using COMTRADE data.

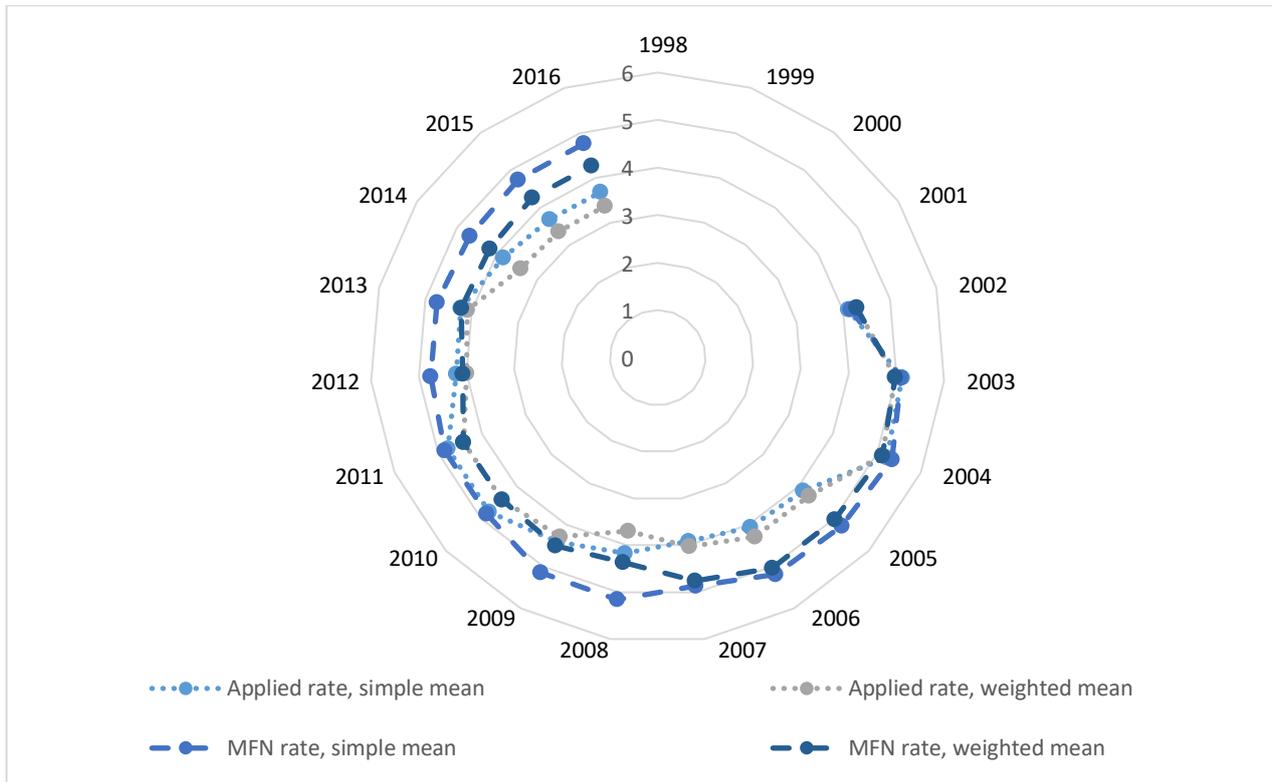
Notes: The abbreviations and the list of the countries included in each group are as follows. The Association of Southeast Asian Nations (ASEAN) is created using Indonesia, Malaysia, Philippines, Thailand, and Vietnam, not including Brunei, Cambodia, Laos, Myanmar, and Singapore. [to be completed]

Between 2000 and 2016, only very limited share of the change in the exports of Qatar has come from expanding into new products and/or markets. This share is around 60% for the United Arab Emirates and Bahrain, and 25% for Viet Nam. Across different destinations, EU, Latin American, and sub-Saharan African countries stand out as destinations covering new markets for the exports of Qatar.

**Qatar has not been able to introduce new products with a significant value share in most destinations.**

### III. Trade Policy

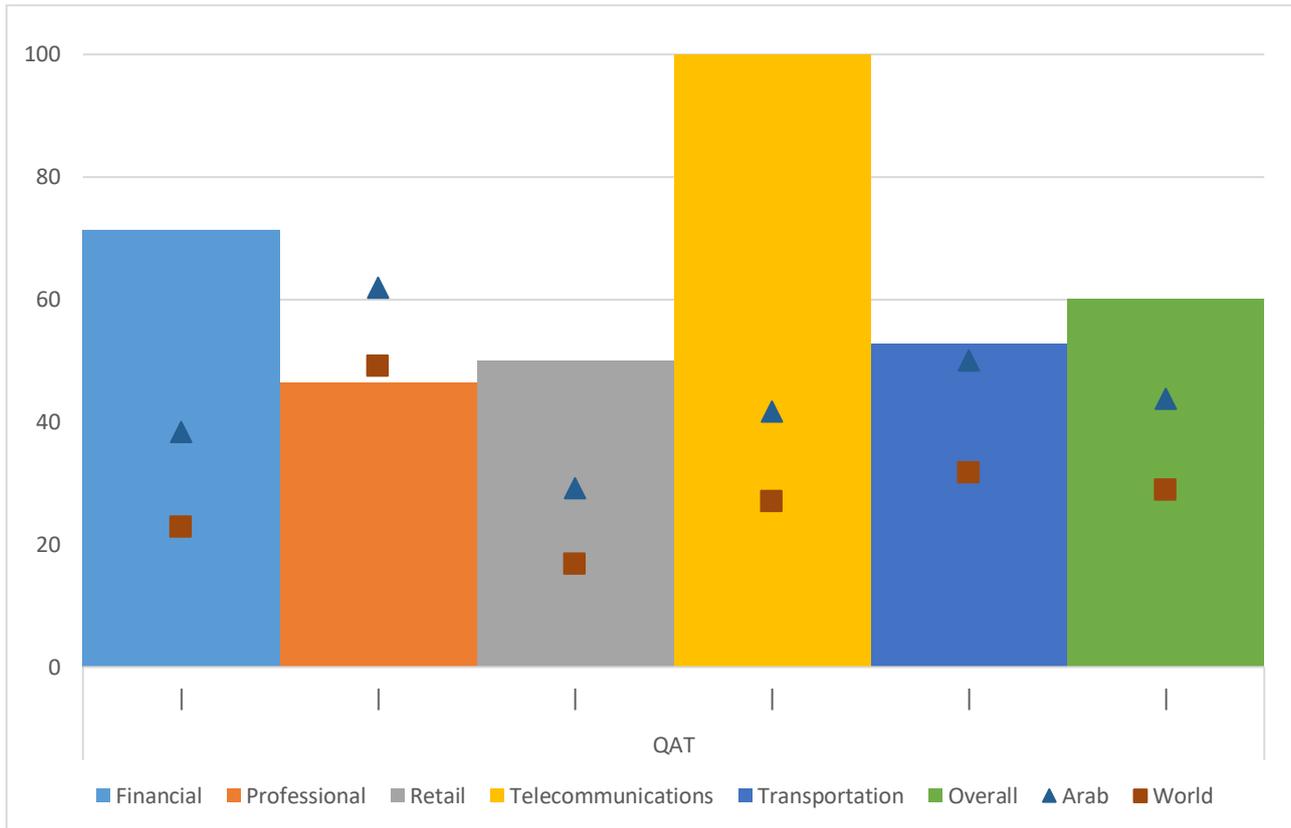
Figure 18: MFN and applied tariff rates for all products, simple and weighted means



Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Qatar has by and large maintained already rather low levels of tariff protection. Applied rates are currently particularly low.

Figure 19: Services Trade Restrictiveness Index, 2010



Source: Borchert, Gootiiz and Mattoo (2014).

As of 2010, policies and regulations on Qatar's services trade tend to be restrictive, more stringent than or as stringent as the world and Arab averages with the exception of professional services. Qatar has relatively more restrictive policies and regulations in retail trade, financial and telecommunication services.

## END NOTE

Qatar's mixed trade and investment performance since the early 2010s appears to be driven by its failure to diversify its export portfolio and to specialize in more sophisticated products. Although Qatar has restrictive services trade policies and regulations in place, services trade has been claiming higher shares, owing primarily to changes in oil prices, and sustaining this momentum by undertaking reforms of the services sector could prove to be an important policy frontier.