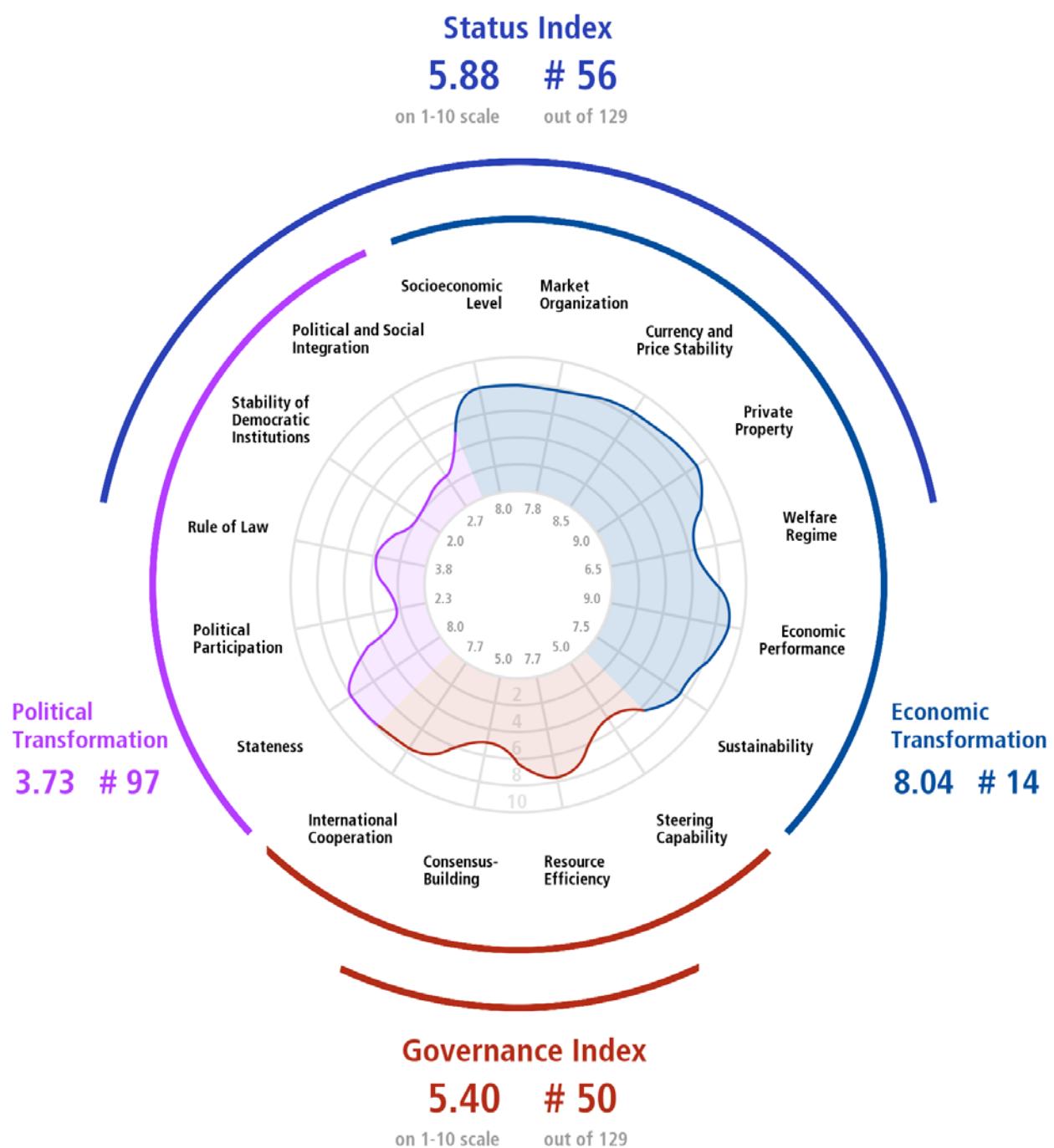


BTI 2018 Country Report

Qatar



This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	2.6	HDI	0.856	GDP p.c., PPP \$	127523
Pop. growth ¹	% p.a.	3.5	HDI rank of 188	33	Gini Index	-
Life expectancy	years	78.5	UN Education Index	0.718	Poverty ³ %	-
Urban population	%	99.3	Gender inequality ²	0.542	Aid per capita \$	-

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period from February 2015 through January 2017 has been primarily marked by the fallout from the collapse in oil and gas prices. While Qatar remains the richest country in the world in per capita income, and managed to avoid a budget deficit in 2015 (as the only Gulf monarchy), the economy has been heavily hit by decreasing revenue, resulting in its first budget deficit in 2016. However, Qatar remains a top performer, due in part to the government's swift reaction and major spending cuts. Measures taken in 2015 and 2016 included the restructuring of ministries, reducing them from 18 to 14, doubling of fines for wasteful use of water and electricity, cutting subsidies for postal services and petrol, introducing rate hikes and streamlining key ministries. The new five-year plan, the National Development Strategy 2017-2022, is expected to increasingly emphasize diversification, as Qatar's economy is still highly dependent on hydrocarbon exports and foreign labor.

After struggling with ostracism from other Gulf Cooperation Council (GCC) states due to its active involvement in regional politics since the beginning of the Arab Spring, Qatar has managed to somewhat repair its image as a reliable GCC ally. Emir Tamim turned toward domestic politics and the succession in Saudi Arabia has improved relations between the two new monarchs, with Qatar now largely following the Saudi Arabian lead in regional affairs, e.g., regarding its participation in the "Decisive Storm" military coalition active in Yemen since March 2015. Qatar has reportedly committed several fighter jets and 1,000 ground troops to the coalition effort.

Apart from foreign policy, the new emir continues most of his father's policies. The more pressing international issue is currently the treatment of foreign workers, which continues to provoke international outrage. Foreigners make up about 88% of the country's population, but are excluded from the wide range of benefits that citizens enjoy, such as free health care, education, water and electricity. Due to the kafala (sponsorship) system, blue-collar workers are particularly highly dependent on their Qatari employers. Often, this results in rights abuses and conditions often described as "modern-day slavery" by human rights organizations. Other Arab states, especially

in the GCC, share this system, but most criticism was directed at Qatar because of the publicity of its foreign policy and the preparation for the FIFA World Cup in 2022. Qatar has tried to accommodate some of the demands and, in December 2016, announced the system will be replaced by a contract-based system. However, implementation is slow and changes so far have been superficial. Critics find political will lacking. Still, the introspection since 2013 catalyzed a much-needed societal discussion on these matters.

There was no progress toward democracy during the review period. Elections to the Central Municipal Council (CMC) were first held in 1999 and have since been held every four years on a regular basis. The last election took place in 2015. Elections to a national parliament, which is supposed to replace the existing Advisory Council with its 35 appointed members, were scheduled for 2004, but have been postponed several times (last in 2016) and will not be held before 2019. While freedom of expression has always been highly restricted, there are signs that Qatar is increasingly concerned about international press coverage on the labor rights issues and less tolerant of international criticism. In 2015, foreign journalists reporting on these issues have been briefly detained on two occasions, which might indicate a tightening of press freedom analogous to the standards in many neighboring countries.

In preparation for the 2022 FIFA World Cup, Qatar has already started to build a network of roads, railways and underground metro. The construction peak is expected in 2017. Such projects demonstrate Qatar's unbroken desire to further improve its positive image as a first-class host of international events, despite temporary economic struggles, and achieve the strategic goals of modernizing its economy and society as enshrined in its National Vision 2030.

History and Characteristics of Transformation

Before oil was discovered in 1940, Qatar consisted of little more than a few villages on the shoreline economically dependent on pearl fishing and nomadic cattle-breeding tribes. Under British status as a “protected state,” the first political institutions and infrastructure were developed, literally fueled by hydrocarbon revenue. After the British withdrawal, Qatar declared its independence on 1 September 1971. On 22 February 1972, Sheikh Khalifa bin Hamad Al Thani became the Emir of Qatar by deposing his cousin. He faced the same fate when his son, Sheikh Hamad bin Khalifa Al Thani overthrew him in June 1995. Emir Hamad voluntarily transferred power to his son Tamim bin Hamad Al Thani (Sheikh Tamim) on 25 June 2013. Compared to his predecessors, Emir Hamad was more committed to an open society and the development of the country, and played an important role in shaping its current form.

Right after taking office, Hamad introduced a series of reforms that have had lasting impact, not only on the economic and political system of Qatar, but also on society in general. As a result, Qatar has been firmly put on the political map, and its capital, Doha, has become a household name globally. Hamad introduced elections and a constitution, developed infrastructure, and invested heavily in health and education. He abolished the Ministry of Information and created the

al-Jazeera Satellite Channel network in 1996, which has since revolutionized mass media in the Arab world and propelled the country onto the international scene.

Qatar's first ever election, albeit at the local level, took place in 1999. The CMC brought novel concepts and practices to Qatar despite its conservative nature and the limited prerogatives of the institution. In a groundbreaking move – not only for Qatar, but for the whole male-dominated Gulf region – women were allowed not just to vote but to stand for election, resulting in the election of the first female council member in 2003.

The adoption of Qatar's permanent constitution in a public referendum in April 2003 with 96.6% approval represented a milestone in the reform process and brought about some modest improvements with regard to democratic ideals. While the constitution stipulates that rulers of Qatar should be from the Al Thani family and the position of the emir is not to be contested, it nonetheless officially provides basic rights and liberties for citizens. Also, it lays the groundwork for an – albeit underdeveloped – system of power sharing between the three traditional branches of government. Significantly, however, the constitution called for the creation of a partially-elected parliament to replace the 35 appointed members of the current Advisory Council. Yet, elections were delayed multiple times and are not expected until 2019.

Extensive economic development required an ever-rising influx of foreign laborers as Qatars were at first unable, later unwilling, to perform the amount of demanding or degrading work necessary for rapid progress. This led to Qatars becoming a highly privileged, but tiny minority in their own country, constituting only about 12% of the population. Qatar's economy is thus highly dependent on hydrocarbon exports and foreign labor and in need of diversification. The acknowledged challenge now is to transform from a primarily rent-based economy to a knowledge-based one and “Qatarize” the workforce. Already, Doha is known as an economic and financial hub, with a strategic location between key markets of Europe and Southeast Asia and world-class airline Qatar Airways. The oil price collapse, beginning in 2014, has put a strain on the Qatari economy, potentially jeopardizing the social contract. However, most of the fallout has been managed or shifted toward the expat population, in turn, protecting its citizens and not directly weighing upon the ruling regime's legitimacy.

Over the last two decades, following the assumption of power by Sheikh Hamad bin Khalifa Al Thani in 1995, Qatar has positioned itself as a key power broker in the region. Backed by its financial muscle, it successfully contributed to the resolution of many regional conflicts, and developed strong ties with both regional and international players. However, bias toward – mainly Islamist – opposition actors and rebels in various Arab countries in the wake of the Arab Spring tarnished its image as an honest broker and led to increasing international and regional criticism and pressure to change course. Saudi Arabia in particular felt threatened by Qatar's growing regional and international profile. Saudi Arabia perceived Qatar's support of the Morsi regime in Egypt as an open challenge, culminating in the withdrawal of the Saudi, Bahraini and Emirati diplomats from Doha in March 2014.

Further pressure was put on the tiny country in the wake of FIFA's decision in December 2010 to give Qatar the hosting rights to the World Cup in 2022. Then, this was seen as a major victory and

a token of international recognition of Qatar's efforts at nation branding and socio-economic transformation. However, media attention soon focused on claims by human and labor rights groups regarding the treatment of foreign workers in the Gulf state. Also, traditional segments of society that do not support further cultural liberalization see the event as a further challenge to the country's identity. Warnings and ultimatums by FIFA and international human rights organizations have yielded only marginal progress to date.

This tension reveals the dualism at play in Qatar in recent years. The pace of reform has been too slow for some, especially among international observers, as Qatar still remains basically a tribal society with an autocratic regime. But conservative elements see change as moving too fast and posing a threat to the traditional and Islamic character of Qatari society.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

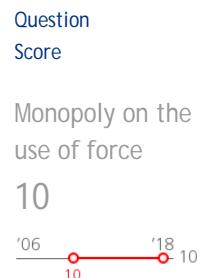
Transformation Status

I. Political Transformation

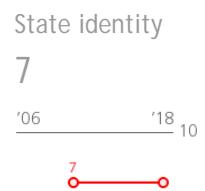
1 | Stateness

The state has complete control over its territory and total monopoly on the use of force through its security forces: police, military and intelligence services. These units are under the direct control of either the Ministry of Interior or the Ministry of Defense. Dissident groups that pose a serious challenge to the authorities do not exist. Succession, a sensitive issue in many neighboring monarchies, is not contentious for the foreseeable future. To the contrary, on June 25, 2013, Hamad bin Khalifa Al Thani was the first Arab monarch to voluntarily transfer power to his successor, his fourth son and current Emir Tamim bin Hamad Al Thani when he was 33, making him the youngest monarch in the region. In the past, however, palace coups d'état were a regular feature in Qatar's political history. Hamad Al Thani removed his father from power in a bloodless coup in June 1995 with the support of other members of the ruling family, members of other tribes and the security forces. The latter himself seized power from his cousin in 1972. During Sheikh Hamad's rule, there were allegedly at least two coup attempts in 1996 and 2002. Since then, there has been no known challenge to the regime.

Given the small population of native Qataris, who represent about 10 to 12% of Qatar's total population of about 2.6 million, the country's extensive wealth, and the role of the state in distributing the country's wealth to their native population, the issue of citizenship is paramount. As a highly privileged but tiny (and shrinking as a percentage of total population) minority in their own country, defining who is or can become a Qatari carries significant political and economic implications. Even though a legal procedure for naturalization exists since 2005, allowing for the provision of Qatari citizenship to an annual maximum of 50 foreigners, naturalization is mainly based on patrilineal jus sanguinis, making it almost impossible to gain the Qatari citizenship for anyone with a non-Qatari father. Naturalized Qatari citizens, e.g., foreign-born athletes, do not automatically get access to the same range of benefits as native-born Qataris. Also, there are layers of citizenship. Not all citizens, including



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native born, have equal socio-economic entitlements. Qatari national identity does not trump other forms of sub-identity, especially tribal identity.

Apart from the mere category of a Qatari national, the definition of its cultural content has also gained in importance. The rapid changes that have taken place in Qatar over the last decade and the high speed of modernization led to resistance by certain conservative elements who viewed these developments with suspicion and feared the loss of traditional identity. Issues of contention include the sale of alcohol in some hotels and restaurants, as well as the relative gains in the status of women, seen as an infringement on Qatari culture. Likewise, conservatives express dismay that Qatar is hosting the World Cup in 2022 because of the changes it will bring, such as the large-scale availability of alcohol and the presence of openly LGBTQ individuals.

In the last years, the government initiated large-scale concerted attempts at developing a distinct “Qatari heritage” including numerous “heritage festivals, heritage villages,” and the ambitious new Qatar National Museum, currently under construction.

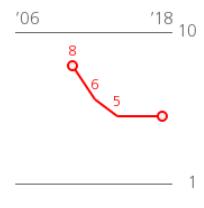
Religion is an essential part of Qatari identity. The official religion in Qatar as per Article 1 of the constitution is Sunni Islam. The legal system incorporates secular as well as Shariah law and Qataris follow the strict Hanbali school. While several other faiths, such as Shi'a Islam, Buddhism, Christianity and Hinduism also exist in Qatar, only the Abrahamic faiths are recognized by the government. The emir participates in religious events but does not hold any official religious function.

The constitution now protects freedom of worship and prohibits discrimination on religious grounds although some restrictions persist. “Apostasy” from Islam is considered a capital offense and proselytizing by non-Muslims is illegal. Although there are some reports on religious discrimination and censorship on religious grounds, religious tolerance is supported by the government. In 2008, the first Christian church was built in Doha on a piece of land donated by the then-emir. Other places of worship for other faiths are being built. Doha has been hosting annual inter-faith conferences since 2003, including Muslim, Christian and Jewish participants. Despite initial resistance, the Jewish presence was later accepted. Former Emir Hamad Al Thani stated that if the state of Israel qualifies for the World Cup in 2022, its team and supporters would be welcome in Qatar.

From time to time, some controversies surrounding Islamic orthopraxy such as the prohibition of alcohol emerge. Societal pressure has led the government to ban alcohol in some places, e.g., in the newly-built Pearl district. This is, however, more strongly linked to the question of state identity and tradition than to encroachment of religion into the political sphere.

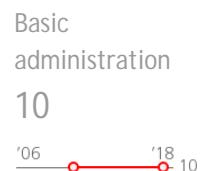
No interference of
religious dogmas

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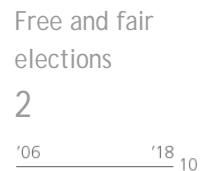
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Basic administration works effectively, is very well developed and compares favorably to any developed country. Whatever is needed for the functioning of a good administration, such as courts, tax collection and local authorities, is in place and implemented in Qatar. The high urbanization rate of over 99% eases the administrative reach. E-government is omnipresent and expanding, and its online service is widely used. Qatari citizens, as well as residents in the country, can access many services and government departments from their computers. The system is very effective and updated on a regular basis. However, the observed efficiency in most government administrative functions is not reflected in the judicial system. Migrants do not have the same level of access to the state's bureaucracy, especially regarding addressing grievances. Human rights organizations have been highly critical of the inefficiency and unfairness of the judicial system, particularly in relation to disputes between natives and foreigners, and they have called for revamping the system. The court system has been slow to embrace technology. To expedite the delivery of justice, the government announced in January 2017 that Qatar residents will soon receive court verdicts via SMS.



2 | Political Participation

Qatar adopted a new constitution in 2003. Originally drafted by a commission and proposed to the emir in 2002; it was approved with an overwhelming majority of 96.6% in a national referendum in March 2003. The new constitution provided for the creation of a unicameral chamber parliament (majlis al-shura, Advisory Council) consisting of 45 members; two-thirds of them to be directly elected by universal suffrage, and the remaining third to be directly appointed by the emir. Once in place, it would have the power to propose legislation and review the budget and would have oversight over the Council of Ministers. The election of this parliament was originally planned for the following year, 2004, but Emir Hamad postponed it several times. Instead, all members of the present council are appointed. In 2016, the new Emir Tamim once again extended the appointed council's new term until June 30, 2019. Consequently, there are doubts about the ruler's intention to implement the constitutional provisions in full.



While elections for the national parliament have been continuously postponed since the adoption of the constitution, some minor reforms did occur at the local level. Qataris went to the polls for the very first time in 1999 to elect a 29-member Central Municipal Council. Elections to this council have been held every four years at regular intervals; the last took place on 13 May 2015. Sheikha Yousuf Hasan al-Jufairi became the first elected woman in the second municipal council elections in 2003, and remained the only woman in the council until the last elections when Fatma al Kuwari gained an additional seat. Five female candidates ran for office altogether. The 2015 elections saw a record surge in election turnout, with an overall turnout of 70% (various constituencies shifted between 51% and 87%), in stark contrast to the



elections in 2011, when only 43.3% participated in the polls. However, this does not signify increased interest in politics or growing trust in the council as the overall number of voters was as voter registration remains low: 14,509 out of 21,014 registered voters elected 29 delegates out of just 109 candidates, some of whom ran unopposed. Tribal loyalty plays an important role in these elections.

Qatar is a hereditary monarchy and the government is not democratically elected (despite Article 1 of the constitution proclaiming the political system to be democratic). The constitution also stipulates that the Al Thani family rules the country. Despite the autocratic nature of the system, there is no clear and serious opposition to the rule of the Al Thani family, and most of the population seems to be content with the country's achievements, especially since the former emir, Hamad bin Khalifa, took office in June 1995. Some criticism has been directed at Qatari regional policies since the Arab Spring, but the transfer of power to Emir Tamim dampened Qatari foreign policy activism and likely precluded an emerging opposition. Furthermore, the fact that all power is concentrated in the hands of the emir and that there are no other serious players, either in the military or the political space that can legitimately challenge his power, has helped to strengthen the stability of the political system.

Freedom of association and of assembly are very limited. Qataris are nominally allowed to organize demonstrations, marches and public gatherings, but holding such demonstrations requires governmental approval – usually a permit from the Ministry of Interior. Such provisions make it difficult to demonstrate against the government or its interests. Likewise, it would be nearly impossible to demonstrate against the U.S. military presence in the country, the largest in the region. Furthermore, freedom of association and assembly are impeded by the simple fact that both political parties and labor unions are prohibited in Qatar. According to local media reports, in November 2015, police were called to break up a work stoppage after several hundred workers at a construction site in downtown Doha went on strike, complaining about unpaid wages. The only operational trade union is the General Union of Workers of Qatar, which, however, excludes 99% of the total workforce in the country (non-citizens and public sector employees), rendering it irrelevant.

Religious groups – given the high percentage of foreigners in the country – are allowed to freely meet and worship if they belong to a recognized faith. Non-recognized faiths (i.e., non-Abrahamic religions) are allowed to worship in private.

Since former Emir Hamad Al Thani came to power in 1995, numerous steps to enable freedom of expression were undertaken. He was the first ruler in the region to abolish the Ministry of Information, responsible for controlling, directing and censoring media. In 1996, he established the al-Jazeera Satellite Channel. The 2003 constitution now protects "freedom of opinion and scientific research," and Qatar has made some progress on facilitating expression in the past.

Effective power to govern

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Association / assembly rights

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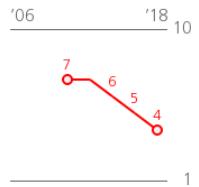
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Freedom of expression

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Since its launch in 1996, al-Jazeera not only put the tiny state of Qatar on the world map, it provided an alternative source of information to audiences around the world and broadened freedom of expression, especially in the Arab world. With its broadcasting format, its large number of foreign correspondents, and its financial muscle, al-Jazeera quickly rose to a global level in terms of quality and outreach. However, in parallel with the perceived meddling and partisanship of Qatari foreign policy since 2011, its reputation was severely damaged, especially among Arab audiences. Earlier criticism had already noted that while Al-Jazeera's coverage was free in theory, it refrained from criticizing Qatar and its policies. Since Qatar's foray into foreign policy, this has become more obvious. Some of the most respected journalists, such as Ghassan Ben Jeddou, resigned after the Arab Spring. He and others charged that al-Jazeera's coverage was biased and lacked professionalism.



The local media is much more restricted. The combination of the overall conservative nature of Qatari society, their limited audience, and the autocratic nature of the government has resulted in a high level of self-censorship among journalists and editors. Political issues are rarely discussed in Qatari media, the topics cluster around cultural or local issues. A draft media law introduced in 2012 calls for abolishing criminal penalties for journalists but also prohibits reports that could damage Qatar's foreign relations or "harm the national or higher interests." In May 2013, a controversial cyber law introduced new restrictions on internet freedom. There are rarely any transgressions, but if they occur, punishment is swift and harsh. In 2012, a Qatari poet, Mohammed al-Ajami, who wrote a poem critical of local Arab rulers, was accused of inciting an overthrow of the political system and was sentenced to life imprisonment. However, he was pardoned in 2016 by the emir. Doha Center for Media Freedom, a non-profit organization focused on freedom of media and expression, is another example of praising freedom of expression abroad while restricting it internally. In 2013, Jan Keulen, the Dutch director of the center, was replaced by a member of the Al Thani family. Doha News, a major local Anglophone news website, has been blocked by the government since December 2016 for "licensing issues". It remained blocked as of January 2017. To bypass the licensing issue in Qatar, Doha News continues to publish online from outside.

While physical attacks are rare, state actors have interfered with foreign journalists on several occasions, as in March and May 2015, when British and German journalists reporting on migrant issues in Qatar had been briefly detained. The country was ranked 117 out of 180 countries in the 2016 Index for Media Freedom by Reporters Without Borders, down two places from 2015 and another two from 2014, continuing a slight downward trend and received 69 out of 100 Press Freedom score by Freedom House (slightly down from 67 out of 100), making it "not free" in terms of press freedom.

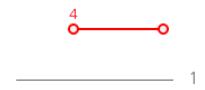
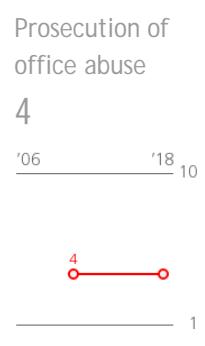
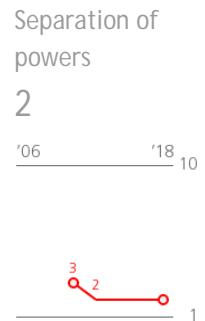
3 | Rule of Law

Separation of powers suggests the existence of the three branches of government: executive, legislative and judiciary. In Qatar, given the absence of the proposed elected parliament, it is impossible to speak fully of the legislative process, let alone separation of powers. Currently, the advisory council is composed of 35 members who are all directly appointed by the emir, and consequently owe their positions to him. Under such circumstances, this body does not perform the traditional role that a legislative body performs. Regarding the courts, the constitution provides for the independence of the judiciary, and the emir and members of the cabinet are nominally under the jurisdiction of the court. Yet given the privileged position of the emir and the wide respect and esteem he enjoys, the court's power is more theoretical than real.

Several articles of Qatar's constitution (Articles 129, 130, 131 and 134) provide for the independence of judges and the judiciary. However, the fact that these judges are appointed by the emir, upon the recommendation of the Supreme Judiciary Council, for three-year indefinitely renewable terms, impedes their independence. They are particularly dependent on the government as most of them are foreign nationals. Shariah courts also exist and deal with matters of personal status, such as divorce for Muslims. A constitutional court was established in 2007 but is still not operational. In an unprecedented verdict in 2013, five high-ranking bureaucrats and businessmen, including one member of the Al Thani family (and Qatar's ambassador to Belgium) and others from influential families, were handed a sentence of five to six years in prison for involuntary manslaughter in the aftermath of a fire in a Doha mall that killed 19 people in 2012, among them 13 children. However, the sentence was thrown out by a judge in the Court of Appeal in 2015, dampening initial hopes of burgeoning judicial independence.

The constitution stipulates in Article 128 that "ministers shall not use their official posts in any way for their own interests or for the interests of whom they have special relations." However, it is highly questionable that high-ranking officials fear legal action in cases of corruption or abuse of power. Many top officials have financial interests and shares in businesses inside and outside the country. When legal action against alleged corruption is initiated, the motivations are likely political.

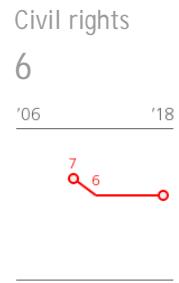
Some high-profile corruption cases have emerged nonetheless. Some Qatari and non-Qatari officials of Qatar Foundation (QF) were caught red-handed, prosecuted, and sentenced to five years in jail and a QAR three million (\$823,916) fine for requesting a payoff from an insurance company in exchange for renewing its contract with QF. Allegations of bribery to win the FIFA World Cup bid in 2022 were leveled against Qatari officials. Mohammed Bin Hammam, President of the Asian Football Federation, was accused of buying votes from representatives of national football associations. He was banned for life from all football-related positions. Qatar was quick to reject these accusations and established the Administrative Control and



Transparency Authority in November 2011 to ensure that corruption would not be tolerated. The emir stated that the state would show no mercy to corrupt individuals. Qatar was cleared of major charges of vote-buying in November 2014. Current high-profile cases involving former Qatari prime minister, Hamad bin Jassim Al Thani, are taking place abroad, and are thus not indicative of the domestic situation regarding abuse of office.

Article 35 of the constitution states that all Qataris are equal before the law and discrimination on whatever basis (religion, origin, sex, or skin color) is prohibited. While discrimination is not legally sanctioned, societal discrimination marginalizes some minority groups, such as LGBTQ and Shi'ites, who keep a low profile. Informal restrictions on women remain ingrained in the culture. Due process under the rule of law is violated. Human rights organizations such as Amnesty International document cases of torture in prison.

The most evident breach of civil rights is, however, the treatment of expatriate workers, especially South Asians in the construction sector. Several reports by international human rights organizations and the ILO have identified massive abuse of these workers. The latter has issued an ultimatum to reform by March 2017 before punitive measures are taken. The problems mostly derive from the problematic kafala (sponsorship) system that is widespread on the Arabian Peninsula and puts workers completely at the mercy of their employers. While it was made public over a decade ago, it has come under more scrutiny since Qatar won the right to host the FIFA World Cup. Surprised by the overwhelming pressure, the Qatar Foundation and the 2022 Supreme Committee for Delivery & Legacy enacted regulations regarding the working and living conditions of migrant workers, but implementation has been slow. A law enacted in December 2016 officially “abolishes” the kafala system, but scholars and NGOs have characterized the changes as symbolic and woefully inadequate, especially with regard to the substantive issue of workers’ mobility. While the law simplifies the procedure for changing and ending employment and exiting the country, establishes a grievance committee for workers and sets up a heavy fine for employer violations, it also keeps certain loopholes intact where employers retain powers over their employees. For instance, only employees in fixed-term contracts can unilaterally leave their position once the contract expires, open-ended contracts can leave their employer, without consent, only after five years. Despite earlier pledges by the government for an automated procedure, migrant workers still must obtain permission before leaving the country but can now petition the ministry if their application has been rejected. In November 2016, Qatar agreed to allow inspections by the international trade union Building and Woods Workers International (BWI) for a year. A U.S. State Department report released in mid-2016 has acknowledged some progress in the fight against human trafficking, notably convicting 11 people under the 2011 anti-trafficking law for the first time. Although some very tentative reform attempts have been undertaken, Qatar has a very long way to go toward meaningful reform.



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4 | Stability of Democratic Institutions

Overall, apart from the Central Municipal Council, Qatar lacks democratic political and judicial institutions. The judiciary has been strengthened in the last decade by the adoption of a number of measures, such as the emir and the members of the cabinet being formally under the jurisdiction of the court. A true legislative body remains non-existent. The elections to the parliament have yet to take place. The current Advisory Council is only a consultative assembly as opposed to a legislature, and, as its name suggests, performs a relevant, albeit consultative function. The most important fora for public participation are regular private majalis (plural of “majlis”; quasi-formal social gatherings) where citizens meet to discuss grievances with local sheikhs, upwards in the hierarchy to the Emiri diwan (the royal court).

Political decisions in Qatar are not made by democratic institutions, but by the royal family and associates. For the time being, no actor or group poses any serious threat or publicly questions the type of political system operating in Qatar. Even the most recent postponement of the Advisory Council elections has not caused much of a stir. The emir wields wide-ranging power in the running of the country’s affairs and apparently enjoys the support of the vast majority of Qataris. Further potential reform toward liberalization or democratization, possibly spurred on by attention while preparing for the 2022 FIFA World Cup, will most likely be resisted by the more conservative sections of society.

5 | Political and Social Integration

Political parties do not exist in Qatar and, for the time being, there is no indication that parties will be allowed to emerge in the near future.

Performance of democratic institutions

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Commitment to democratic institutions

2

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Party system

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Interest groups

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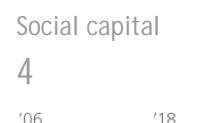
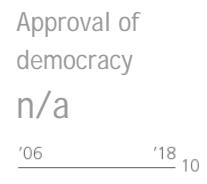
The few existing interest groups are under the control of the government. The establishment of an interest group in Qatar is not an easy task. It is not only expensive but a complicated administrative process. The registration procedure for NGOs and professional and private associations was simplified in 2010, but includes numerous hurdles. NGOs are required to have QAR 10 million (\$2.745 million) in capital and its own or rented premises within six months of licensing. Nonetheless, several groups were established with the blessing of the government. Chief among them are groups working in specific areas of human rights, such as, human trafficking, children’s rights and empowerment of women within Qatar. There is also the renowned Qatar Foundation, the brainchild of the former emir’s wife and current

emir's mother, Sheikha Moza Bint Nasser al-Misnad, who is also its chair. Qatar Foundation is another official tool to improve education and research opportunities in Qatar, and has helped promote a positive image of the country over the last few years. While the government slashed the Foundation's budget by 40% in 2016, it remains the most powerful instrument to advance the government's development agenda.

Institutions are generally of lesser importance in Qatar; personal bonds frequently prevail. Citizens' interests are mostly transmitted via majalis. According to a 2015 survey on social cohesion by Social and Economic Survey Research Institute (SESRI) at Qatar University, 71% of Qatari men and 41% of Qatari women frequent these fora. Examples of interests that were implemented at the top political level are the ban on alcohol sale in the "Pearl" area and the introduction of Arabic as official language at Qatar University. Structural reforms perceived to weaken citizens' privileges, such as the abolishment of the kafala system, are often vocally opposed in majalis and are resisted by businessmen.

In general, Qataris are not said to be particularly interested in democracy and are apparently "satisfied" with the authoritarian political system in place, as corroborated by periodic surveys by SESRI. The political system is generally perceived to be legitimate and no wide-ranging dissatisfaction or serious challenge to it is reported. This perception is further strengthened by the fact that Qatar is the only country in the Arab world that has not seen any serious demonstrations against the regime since the Arab Spring. However, much of this loyalty is bought. Qataris have the highest per capita incomes in the world, life is comfortable and people are apparently satisfied with the status quo. As in other Arab Gulf states, the ruling regime is very keen on maintaining the implicit social contract with the national population. Thus, to stave off the possible contagious effect of the Arab Spring, the government announced an \$8 billion payout in wage, salary and benefits increases for all state and military personnel. A recent SESRI survey (2014) shows a somewhat heightened importance of democracy among Qataris (from barely 8 out of 10 in 2011 to 8.5 in 2014) and simultaneously a sinking trust in government institutions (e.g., from 69% to 53% trust in the Advisory Council). Still, there is certainly disagreement with some policies, especially those of a progressive nature.

Associational activities barely exist in Qatar, and most NGOs are actually RONGOs (royally organized NGOs), dependent or even part of the regime. The state's generous redistributive policies make poverty among Qatari citizens almost unknown and associations that provide support for the destitute do not exist. In 2004, Qataris as well as foreigners, were given the right to form associations, but the formation of these associations is a very expensive activity and marred by bureaucratic red tape. Other organizations that support the work of the government, such as the Red Crescent and the Qatar Foundation, under the leadership of Sheikha Moza Bint Nasser al-Misnad, have been very active in the areas of health care, education and



research although recent cuts in funding are likely to have adverse effects in the short run.

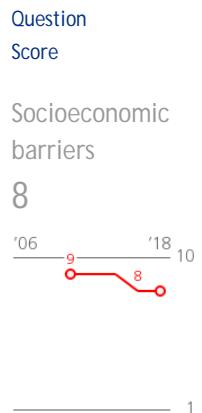
A 2015 report by SESRI shows indeed a societal split between citizens and expatriates. According to the data, 93% Qataris trust other Qataris and 82% trust Arab expatriates, but only 46%, 44%, and 48% of Qataris trust Westerners, East Asians and migrants from the Indian subcontinent, respectively.

II. Economic Transformation

6 | Level of Socioeconomic Development

Qatar has been trying to move away from a rent-based economy to a more knowledge-based and service economy. Quantitative indicators of progress are impressive. Qatar ranks in the “very high” category on UNDP’s 2015 Human Development Index (rank 32, scoring 0.850) with an average annual increase of about 0.45% between 1980 and 2014 and the best score in the region although the score has leveled off in the last years. Healthcare, water, electricity and education is free for citizens, and there are generous loans and subsidies for housing, marriage, etc. Poverty is not an issue for Qatari nationals, but the collapse of hydrocarbon revenue has forced the government to curb social spending. While incidence of poverty based on international criteria is almost non-existent, inequality and perception thereof does exist. However, no data on inequality is publicly available except for 2007, which showed a Gini coefficient of 41.1. Members of the royal family directly or indirectly own and/or control most of the economy. A recent publication of the Ministry of Development Planning and Statistics (MDPS) reports an alternative measure of the Gini Coefficient (measured in terms of “equivalent monthly consumption”) which it claims decreased from 0.293 (10) in 2006 to 2007 to 0.2574 in 2012 to 2013, suggesting improvement in equality. This measure should be taken with a grain of salt as it does not conform to the standard definition and is not internationally comparable. Meanwhile, foreign low-skilled workers receive extremely low wages by local standards, and undergo strict and sometimes oppressive working conditions. Generally, foreign workers pay a subsidized fee for water and electricity, although the prices have been raised in late 2015. By now, about two million temporary workers live on the margins of society, and their welfare is seldom taken into account in government planning. In summer 2016, MDPS stated that roughly 60% of the country’s populace, or 1.4 million people, live in what the Qatari government officially labels as “labor camps.”

A significant percentage of these migrant workers are ‘permanently’ settled although de jure Qatar does not consider any foreign worker as a permanent resident,



regardless of the number of years of residence and service. These “permanent” temporary migrants constitute a potential political problem for the state in future. Women, though not officially discriminated against, are disadvantaged compared to men in Qatar’s patriarchal society. The Gender Inequality Index (GII) that considers women’s status concerning reproductive health, empowerment and labor market access assigns Qatar a value of 0.524, ranking it 116 out of 155 countries in the 2014 index, putting it slightly above the average for the Arab world but significantly lower than some of its neighbors like Bahrain and the United Arab Emirates. The GII must be seen in proper perspective. On education, women are not disadvantaged. The literacy rate in 2015 has risen slightly and shows almost no gender difference (males 97.8% vs. female 97.5%).

In fact, the gross enrollment ratio of women in secondary education is higher than that of men (66.7 vs. 59%). According to the latest data published by the World Bank, gross female enrollment in tertiary education has been growing and reached 51% in 2015. In fact, women greatly outnumber men at tertiary level of education, there being three women to each man enrolled at Qatar University. However, labor force participation of women is significantly lower than that of men (50.8 vs. 95.5%).

Economic indicators		2013	2014	2015	2016
GDP	\$ M	198727.7	206224.7	164641.5	152468.7
GDP growth	%	4.4	4.0	3.6	2.2
Inflation (CPI)	%	3.1	3.1	1.9	2.9
Unemployment	%	0.3	0.2	0.2	0.2
Foreign direct investment	% of GDP	-0.4	0.5	0.7	0.5
Export growth	%	1.3	0.4	-1.4	-
Import growth	%	8.7	6.4	-9.2	-
Current account balance	\$ M	60461.0	49409.9	13750.8	-8324.5
Public debt	% of GDP	33.1	32.3	34.9	56.5
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-

Economic indicators	2013	2014	2015	2016
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	% of GDP	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	14.6	15.5	19.8	23.1
Public education spending	% of GDP	4.1	3.6	-	-
Public health spending	% of GDP	1.9	1.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

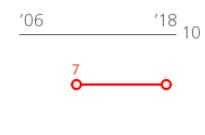
Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Despite moves by the Qatari government to encourage competition and privatization, the largest companies in Qatar are still state-owned although the economic downturn has put the issue on the agenda with renewed urgency. There is discrimination toward foreign businesses and investments, as foreigners face strong restrictions on property ownership and foreign investment in businesses is limited to 49% in most cases since 2014. A 2015 study detailing various subsidies of Qatari and Emirati airlines led some EU countries to seek the help of the European Commission to launch talks to end discriminatory practices toward non-Qatari companies. In November 2016, the emir announced privatization shifts in the health and education sector.

Market-based competition

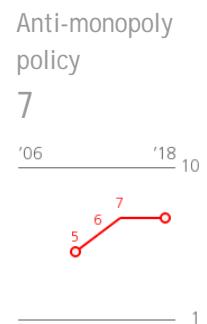
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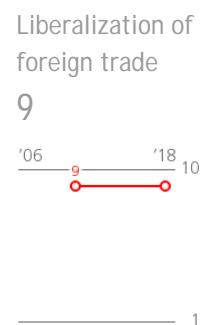
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Following years of a construction boom all over the Gulf region, steel prices are now controlled by the government to protect local steel producers. Qatar is among the last Gulf states to lower gas prices. Gas prices at petrol stations are still among the lowest in the world, thanks to massive governmental subsidies. In January 2016, fuel subsidies were reduced and prices rose by 30%, although they still fluctuate around under \$0.40 per liter. Informal labor is almost non-existent among Qatari nationals, but remains a serious issue for low-skill migrant workers, mainly coming from Asia. Many work in servile conditions with tacit official approval. The country's currency, the Qatari riyal (QAR), is freely convertible into other currencies. Qatar's average tariff rate remains at 4.1%, and non-tariff barriers are low.

In 2006, Qatar issued law no. 19 entitled “Protection of Competition and Prohibition of Monopoly Practices,” or simply “Competition Law.” But it was only in 2008 that a committee was established by decision 105 to deal with the receipt and investigation of complaints relating to anti-competitive and monopolistic practices. The competition law aims to achieve a level playing field for business competition and to create a more open and transparent business environment. However, it does not apply to governmental activities, or to the activities of any organization, entity or corporation controlled or supervised by the state. State companies still enjoy a monopoly in many sectors, such as transportation, petrol retail distribution and meat and livestock. Over the last few years, there have been steps to reduce the number of monopolies. For example, school uniforms must be purchased according to the best available offers since January 2013. In 2014, the state-backed Mowasalat traffic company allowed four private taxi companies to operate although among heavily restricted regulations. In 2016, an amendment to the 2002 law on organization of work of commercial agents was introduced to curb monopolistic practices.



Qatar became a member of the World Trade Organization (WTO) in January 1996, and, on the whole, has been complying with its obligations under the provisions of the regulations. So far, Qatar has not been involved in any trade disputes that needed to be settled under the WTO scheme, but religiously as well as politically sensitive goods such as pornographic materials, narcotics and pork products can be designated as prohibited imports. The last WTO Trade Policy Review (April 2014) appreciates Qatar’s plans to reduce entry barriers and liberalize services and acknowledges progress in customs clearing procedure. As a member of the GCC, Qatar is also a signatory to the organization’s Free Trade Agreement.



Apart from education, tourism and health care, access by foreigners to the local market requires a Qatari partner who has majority ownership and hence ultimate control. The Qatari government has pursued reforms to improve the entrepreneurial environment and broaden the economic base beyond oil and gas. The country’s open trade regime and growing status as a regional financial hub have also contributed to private-sector growth outside of the energy sector. Qatar’s average tariff rate is 4.1%, and non-tariff barriers are low. Qatar’s ranking in the 2016 Heritage Index of Economic Freedom remains stable. However, the World Bank reported a slight decline in the economic freedom index from 71.2 in 2014 to 70.8 in 2015.



The Qatari banking system is strong and shows profitability although economic pressure in the aftermath of the oil shock has lowered liquidity. At about 1.2%, the non-performing loan ratio is the lowest in the region. To attract more foreign investment in banking, investment laws have been amended recently.

The Central Bank of Qatar and the Qatar Financial Center Regulatory Authority are responsible for supervision of the financial markets. Meanwhile, the central bank established in August 1993 is directed jointly by ministries of finance, business, trade and economy. The regulatory authority, established in 2005, counts international

experts as members in its board of directors. Neither of these institutions can act independently from the government.

Branches of international banks, such as HSBC, operate in the country. The largest private bank is Qatar National Bank, though its share of the national market has been shrinking because of stiff competition and aggressive policies by its competitors. In a January 2017 statement, the IMF confirms its view that despite the tightened liquidity brought on by the oil price shock, the banking system in Qatar is sound and well-capitalized. It also affirms progress in implementation of Basel III and the development of Early Warning Indicators.

8 | Currency and Price Stability

Inflation in Qatar is currently fluctuating given the uncertainty of oil prices. While inflation fell in 2015 to about 1.8% (from about 3.4% in 2014), it rose again to an estimated 3-3.4% in 2016, still both times falling short of earlier projections by the Qatar National Bank. Further projections are ambiguous. While the IMF forecasts a moderate lowering of inflation over the medium term during 2017-2018, the Ministry of Development, Planning and Statistics (MDPS) expects a surge to 3.6% (2017) and 3.8% (2018) in its Economic Outlook 2016-2018. The volatility is also visible in the adjustments made in the MDPS reports (the December 2015 report estimated an inflation rate of 1.5% instead of 3.4% for 2016 and 2% instead of 3.6% for 2017). Drivers are volatile oil prices, the continued construction boom and the population surge it brings, rising domestic energy costs, and changes in global food and commodity prices which affect the Qatari riyal which is pegged to the U.S. dollar. Reports from late 2016 claim that while costs for housing and utility (22% of the consumer basket) rose by 1.1% from 2015, food and beverage costs (nearly 13% of the consumer basket) sank by 3.2%. Once the hydrocarbon market re-stabilizes, it is very likely inflation in Qatar will also bounce back. Because of the peg, independence of the central bank remains within a narrow band, as monetary policy is effectively emasculated, limiting the effectiveness of political interference. According to a 2016 study, the average annual inflation rate in Qatar (1980-2011) has been 3.85%. The Central Bank Law 13/2012, in effect since January 2013, increased the central bank's supervision prerogatives. Its legal independence is compromised by the fact that its governor, Abdullah bin Saoud Al Thani, is a member of the emir's family.

The current account balance of Qatar for 2016 stands at -\$2.9 billion, the first deficit in one and a half decades, with the reserves of foreign exchange and gold estimated at \$36 billion (slightly down from 2015 and especially 2014). For the first time in Qatar's recent history, total revenue shrank (by 0.8%) in 2014, and fell dramatically by 20.7% in 2015. On the other hand, there is still a trade and fiscal surplus, the latter amounting to 3.5% of GDP, although it is a long way from 14.1% in 2014. A 2017 IMF report projects public debt at about 48% of GDP at the end 2016. The report

Anti-inflation /
forex policy

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Macrostability

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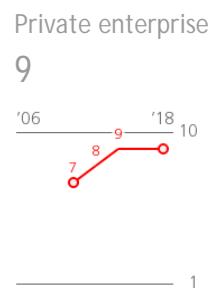
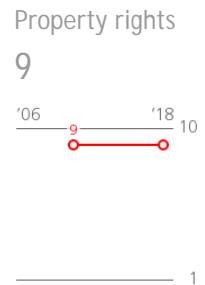
considers it manageable, given the estimated size of Qatar's sovereign wealth fund. Public debt rose sharply, rising to 42.5% of nominal estimated GDP in 2015 from 20% the previous year. The MPDS emphasizes in its Qatar Economic Outlook 2016-18 Report that a sound analysis of the fiscal situation of Qatar should also consider guarantees and borrowing of semi-government institutions and state assets which imply a somewhat stronger fiscal stance of the government. A 2016 IMF report confirms Qatar's measures as adequate and describes the country as "effectively adjusting to the new reality of sustained lower energy prices" and expects a resilient macroeconomic performance. Fiscal adjustments planned for 2017 are characterized as further moves in the right direction.

9 | Private Property

No single, codified source of property law exist in Qatar, but a collection of laws, ministerial decrees and resolutions constitute the country's jurisprudence on property ownership. For years, only Qatari nationals were allowed to own property in the country. In 2002, the Qatari government passed new legislation, which loosened restrictions on foreign ownership of property. Under the new law, nationals from GCC member states were allowed to own property in Qatar under certain conditions. These conditions include three-property limit, restrictions on collective square meters and a requirement the properties are used solely for residential purposes. Recently, Qatar also opened up designated areas of the real estate market to non-Qataris and non-GCC nationals. The laws under which these changes were enacted grant non-Qataris both ownership and usufruct rights in residential real estate located in specific investment zones, such as The Pearl and West Bay. A 2016 reform enhancing transparency at the land registry pushed Qatar up one rank to 26 in the "registering property" category of the World Bank Doing Business 2017 index.

Qatar National Vision 2030 puts the performance of Qatari companies center-stage and the privatization of parts of the telecommunications and utility sectors in the last years have been praised by Qatari businessmen as boosting the efficiency of the economy. Recent initiatives actively promote SME development in Qatar.

Until 2010, there were serious limitations on foreigners operating in Qatar's private sector. Before the government enacted the Foreign Investment Law, each company required a local citizen as a sponsor who had to hold a stake of at least 51%. The 2010 law aimed at promoting foreign investment in specific business sectors including agriculture, manufacturing, health, education, tourism, energy and projects that develop and utilize the state's natural resources. The law permits up to 100% of foreign ownership in these business sectors. Reacting to its upgrade from "frontier" to "emerging" market by Morgan Stanley Capital International in mid-2014, Qatar announced plans to amend foreign ownership restriction rules. At the same time,



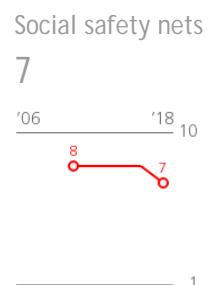
Qatar Financial Markets Authority (QFMA) issued five new regulations concerning the merger and acquisitions of companies listed on the Qatar Exchange.

To strengthen SMEs in the country, the government has cooperated with banks to ensure better access to funds and lower the risk for banks, resulting in, for example, the al-Dhameen program, an indirect lending initiative launched by Qatar Development Bank. As of 2015, 14 of Qatar's banks operate the program. Domestic credit to the private sector has risen to about 20% in 2014 and 2015, up from 13.5% in 2012 and 2013. Abolishing the minimum paid-up capital requirement for limited liability companies has catapulted Qatar's rank to 91, up 21 points on the Starting Business indicator of the World Bank Ease of Doing Business 2016 index.

Privatization sometimes proceeds at an uneven pace. Qatar Airways has been nationalized following the succession of Emir Tamim in June 2013 but its CEO commented in November 2014 that he could see it being privatized again, once its rapid growth levels off. It must be mentioned, given the monopoly exercised by members of the royal family, the distinction between private and public for large-scale projects is misleading.

10 | Welfare Regime

Significant drop in hydrocarbon revenue since 2014 has put the extensive social welfare schemes in place for Qatari citizens under stress. Nevertheless, the overall social spending is still lavish and no one pays income tax. Health care, education, water, electricity and housing grants are free. Eligible nationals can get basic food items such as rice and sugar for their families at subsidized prices. Basic health care is provided by the state through the Hamad Medical Corporation, which runs several clinics and specialized hospitals – although there is more demand than supply. Their services are free of charge for citizens, while other residents are obliged to pay a small amount (QAR 100 per year) to be eligible for treatment. In recent years, institutions have been established to support low-income families and disabled individuals through education and job training programs. The government spent 1.9% of the GDP on public health in 2014, and health care is the fastest growing sector in the GCC. According to a 2016 report, health care spending is expected to double by 2020 to \$8.8 billion. Life expectancy at birth is 78.7 years, the highest in the GCC. Besides the national university, Qataris can study at internationally renowned universities with branch campuses in “Education City” Doha. Furthermore, students choosing to study abroad can apply for grants from the Higher Education Institute, part of the Supreme Education Council.



Still, due to the economic situation, efforts to introduce taxation and curb some of the extensive government spending by lowering or eliminating subsidies are notable. In addresses in 2015 and 2016, Emir Tamim has repeatedly driven home the message that the government can no longer “provide for everything” and that the nation of

“simple social welfare policies” must transition to “a state of action” by empowering citizens. Among the measures taken were subsidy cuts resulting in higher utility rates, gasoline prices and postal services costs, increased for the first time in eight years. Gasoline prices rose by 30% in January 2016. Further price hikes are expected. The new National Development Strategy 2017-2022 emphasizes cutting expenditures while completing all planned projects for the World Cup in 2022 on time.

The welfare sector is where the distinction between Qataris and non-citizens is most stark, as the vast majority of foreigners who reside in the country are excluded from most benefits of the current system. Although, they do benefit from general subsidies for gas, water and electricity for all residents. This distinction is also why non-citizens are the prime victims of the recent austerity politics. As the welfare state is one of the main pillars of the social contract, it is unlikely that spending cuts will target nationals significantly, as indicated by an announcement to raise some government salaries in 2017. Another example is the sudden termination of Seha, a comprehensive health insurance scheme that was supposed to include expatriates before cancellation at the end of 2015 amid accusations of wasting money. A replacement system has not been installed so far, but is expected for 2017. It is likely to be restricted to nationals who continue to benefit from free health care by state-funded facilities, while non-nationals have a slightly circumscribed choice. Migrant workers are entitled to free emergency care as well as free of charge hospitalization for two days; for extended hospitalization, they have to find private charity sources to pay their bills.

Article 19 of the constitution provides for equal opportunity for all citizens and Article 35 enshrines gender, racial, linguistic and religious equality. Due to the overwhelming presence of male expatriate workers, mainly in the construction sector, the population of Qatar was over 76% male according to the General Population and Housing Census as of April 2015. Due to extreme gender imbalance only 13.5% of the total working population are female. However, the high gender inequality index is rooted in societal and cultural practices rather than in demographic imbalance or discriminatory legislation (with some exceptions). According to a report by Al Masah Capital Limited issued in August 2016, 6% of Qatari women own their own business, more than in other Gulf countries. However, Qatari women hold only 7% of legislative, senior official and management positions in Qatar, less than their counterparts in most neighboring states. As per the most recent World Bank data (2014), labor force participation is still significantly lower for women (50.8%) than men (95.5%). The Al Masah Capital report cites a high number of 59% for adult women (25 and older), the highest in the GCC, and especially impressive compared to the MENA average of 24%, the lowest in the world. The gender gap in employment is less pronounced in the private sector and generally slowly diminishing. There is no gender discrimination in education. On the contrary, the proportion of women enrolled in secondary and tertiary levels of education exceeds that of men. More importantly, about two out of every three students enrolled at the tertiary level are females (64% in 2014). Low levels of college preparatory skills, higher propensity to

Equal opportunity

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join the public sector requiring only a secondary school diploma, the higher share of women is partly explained by the fact that a significantly higher percentage of male students are allowed by their parents to pursue their studies outside the country. Segregated education at all levels may have boosted female enrollment as some parents would not have allowed children to enroll in co-ed institutions. Staying in the education system may also be a way to avoid undesirable and early marriage, which is often perceived as the end of personal freedom. Sheikha Masnad was the President of Qatar University until 2016. While Qatar University remains segregated, in the new foreign campuses in Education City, education is co-ed.

There are no legal obstacles for political participation for women, but Qatar is still a male-dominated society when it comes to political participation. The cabinet again includes one woman, with Minister of Public Health Hanan al-Kuwari replacing Hessa Sultan al-Jaber, whose ministry (Communication and Information Technology) was culled in a major cabinet reshuffle in January 2016 when Emir Tamim reduced the number of ministries from 18 to 14. Only a dismal 0.1% of municipal council seats are occupied by women, but two out of five women who ran for election for one of the 130 seats of the Central Municipal Council in May 2015 succeeded.

While most of the gender discrimination is rooted in culture, discrimination based on nationality and citizenship status is legally sanctioned and actively encouraged. As part of the Qatariization process, companies operating in the country are obliged to recruit nationals to meet government goals. Although the kafala system that governed the relations between foreign employees and their employers has been officially renamed in 2016, avoiding the term “kafeel” (meaning “sponsor” in the sense of a personal custodian with far-reaching control rights over immigrants’ private life as well) and using the more distant term “employer” instead, there is still no equal opportunity for foreigners. Kafala persists in all but name. Although workers can change their employer after a fixed-term contract runs out, those with an indefinite term contract must wait for five years if their current employer objects. Currently, foreigners cannot be hired without a local sponsor, whether individually or institutionally. The sponsorship system has been heavily criticized, especially since the country has come into the international spotlight with the 2022 FIFA World Cup. However, even these mostly cosmetic changes are a significant step for a country where domestic opposition to expanded worker rights is massive and incentive to reform is low.

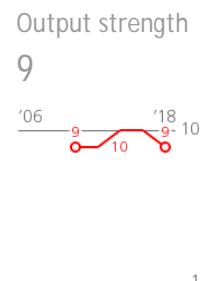
11 | Economic Performance

Qatar has the third largest proven natural gas reserves in the world behind Russia and Iran and is highly dependent on hydrocarbon export for about half of its revenue. Due to the fallen oil and gas prices, GDP is estimated to have shrunk by 2.6% in 2016 (from 3.6% in 2015), but the IMF projects a surge of the growth rate in 2017. Nonetheless, Qatar remains the richest country per capita. In 2015, it was the only GCC member to avoid a budget deficit but could not repeat the feat in 2016, where it amassed a \$12 billion deficit (or 7.8% of GDP, or even 9.1% according to IMF figures) – the first in 15 years. The budget for 2017 calculates with a \$7.8 billion deficit. Education, health and infrastructure will account for nearly half of all expenditures, including building projects connected to the 2022 World Cup. The country's trade balance shrunk by 8% in November 2016 compared to the year before, but still runs a \$2.6 billion surplus and is rising monthly.

The unemployment estimate for 2016 is slightly higher than in previous years, but still negligible at 0.7%. Qatar is thus able to hold its second rank after Cambodia, along with Belarus. Having a small population with abundant resources enables the government to create jobs in the public sector that offer enormous perks and high salaries, less competition, more security and prestige (often not requiring a college degree). This significantly reduces incentives for Qatari to work in the highly competitive private sector. At the same time, the country is promoting private sector growth and opening the economy to international companies.

Tax revenue accounted for 26.6% of GDP. As forecasted, inflation has risen, now estimated at 3.8% for 2016 (up from the estimated 1.7% for 2015), driven by rapid population growth fueled by labor migration to the mammoth infrastructure projects that are underway. However, reports from late 2016 indicate a lower inflation rate of 1.8% in December. They also state that while costs for housing and utility (22% of the consumer basket) rose 1.1% from 2015, food and beverage costs (nearly 13% of the consumer basket) sank by 3.2%.

The growth of non-oil revenue has diminished slightly, but is still moving forward in the medium term. The decisive measures implemented by the authorities to cope with the oil price crisis and rising deficit were praised by the IMF as adequate. In 2015, Qatar increased electricity and water tariffs, raised petrol prices and sold bonds domestically and internationally. It is planning to impose taxes on sugary drinks and tobacco and introduce a GCC-wide VAT in 2018. Thousands of jobs at state or state-dependent institutions were culled, including at Qatar Petroleum and al-Jazeera. The IMF advised the country to revisit its peg on the dollar whose strength is currently weakening Gulf economies. Qatar retains its AA/Aa2 ratings since June 2014.

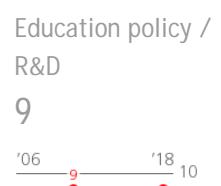
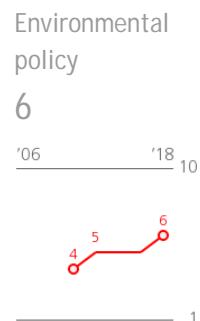


12 | Sustainability

Qatar has a long way to go to achieve a sustainable environmental policy, but there is growing awareness of environmental problems within government and society. Qatar has the second-highest ecological footprint in the world, meaning that almost five planets would be necessary if every country had the same footprint, according to the World Wildlife Fund's Living Planet Report 2014 (the 2016 report does not have a ranking but indicates little change). This is not only due to the hydrocarbon overabundance per se, but also to the use of fossil fuels for electricity generation, water desalination, natural gas processing and general wasteful consumption. As citizens enjoy free water and electricity, both are often wasted, and the low fuel prices worsen the situation. A rise in utility prices for expats has done little to alleviate this problem. To curb the immense water consumption (among the highest in the world per capita), the fine on wasting water was doubled in late 2015 to a maximum of QAR 20,000 (about \$5,500) and QAR 10,000 for unnecessary external lighting. Qatar aims to reduce its carbon footprint by 2030, and plans are underway to achieve this. Improving the public transportation system with a state-of-the-art metro rail network is one of the related initiatives. The government supports initiatives and research that aim to curb consumption, like the project launched in early 2016 at Qatar University to develop heat absorbers. The Ministry of Environment and the Qatar Foundation have initiated campaigns to raise environmental awareness and incentivize environmental protection (e.g., the "Qatar Today Green Award" and "Qatar Sustainability Week," held for the first time in November 2016). The Qatar Environment & Energy Research Institute (QEERI) launched an energy efficiency program and has distributed multiple surveys on environmental protection and energy consumption in cooperation with the MDPS. Results are expected in 2017. The National Development Strategy 2017-2022 puts a strong emphasis on sustainable development.

Qatar aims to be a leader in higher education and scientific research both regionally and internationally and continually raises its investment in the sector to transform the resource-rich nation into a knowledge-based one. Total literacy is at almost 98%. However, economic duress also affected the education sector. After having risen rapidly to a whopping 12% of the 2014-2015 budget, education sector spending fell to 10% in the 2016 and to 10.4% in the 2017 budget. Earlier government plans to double annual spending by 2020 have been put on hold.

Education is also one of the sectors designated for greater private enterprise. The goal of spending 2.8% of the budget on R&D has not been reached because of slow recruitment and expenditure cuts but remains a target for the future. Despite the setbacks, the Global Innovation Index 2016 ranks Qatar 50 overall and 71 in R&D out of 128 countries.



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As percentage of the GDP, Qatar spent 3.5% on education (2014) and 0.5% on R&D.

The leadership has sought international assistance to formulate educational reform policies and to set up new academic institutions and research centers. One of the reforms in school education was the introduction of an independent schooling system in 2004/2005, overseen and funded by the Supreme Education Council. The new system allows independent schools to choose their own curriculum, appoint teachers and set their own priorities. The aim was to combine the advantages of public and private schooling systems. By 2011, all public schools were attached to the new independent administration scheme. Private schools play a minor role, accounting for only about 4% of pupils.

The initiation of “Education City” was another major pioneering project in the education sector, mainly managed by the Qatar Foundation. Currently six U.S. universities have branch campuses here: Weill Cornell Medical College, Georgetown, Northwestern, Carnegie Mellon, Texas A&M and Virginia Commonwealth, along with University College London from the United Kingdom and HEC Paris. Some Qatariis question if the standards of the foreign “branch” universities are equal to the original universities, and also whether the high cost of these universities is worth the price for the relatively small number of Qatari attendees. There is also a question of whether the extensive use of English in these institutions comes at the expense of Arabic, thus producing a Western educated elite alienated from the rest of the Qatari population.

Besides the diversified university landscape, the Qatar Foundation opened the “Qatar Science and Technology Park” in July 2004, currently hosting 34 world class companies involved in scientific research and development. The foundation has also financed the Sidra Medical and Research Center, partly opened in May 2016 after repeated lengthy delays. When fully operational, it will be the country’s first academic medical center. Qatar Foundation has launched a new online database of Qatar’s research resources to enable sharing data and access. Despite expansion plans for 2017, Qatar Foundation was one of the state-funded institutions hit most by expenditure cuts, with budget cuts of up to 40% in 2016.

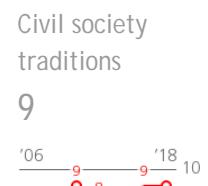
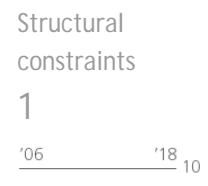
Governance

I. Level of Difficulty

Structural constraints on governance are virtually non-existent. The rent received from hydrocarbon resources has transformed Qatar from a poor country into the richest in the world, based on per capita GDP. The budget surpluses have been so huge they could easily offset the extremely hot climate and lack of agricultural land, forests and water. The current deficits could only seriously hamper management ability if they persisted for several more years. Poverty (among citizens) and widespread pandemics are still unheard of in this tiny Arab Gulf state. As in previous years, the U.N. World Risk Report of 2016 continues to identify Qatar, out of 171 countries worldwide, as the least vulnerable country to natural disasters. The only external constraint is the low hydrocarbon prices and the effect on the Qatari economy, but this is not expected to be permanent if appropriate actions continue to be taken by the leadership.

Traditions of civic engagement in Qatar are underdeveloped, even by the Arab Gulf standards. Qatar went from a tiny peninsula filled with small fishing villages to an economic powerhouse in only a few decades, all under the leadership of one family without contention from any other power center, such as the merchant class in Kuwait. This meant that traditions of societal negotiation could not develop over time and different strata of society did not form traditional habits of interaction apart from neo-patrimonial patronage relations common in the Gulf. Though the Qatar National Vision 2030 calls for “strong and active civil society organizations,” little has changed on the ground. In fact, the country’s only associations are sponsored and run by either the government or quasi-governmental organizations.

Unlike the neighboring state of Bahrain, marked by sectarian violence and social tension between Sunni and Shi'a factions, Qatar's native population is highly homogeneous and lacks any serious religious or ethnic cleavages. Though Shi'ites constitute approximately 10% of the Qatari population, they are well integrated in the society, and wealthy Shi'ite businessmen fully support the Sunni ruling family. However, as Hanbali Muslims, many Qataris hold strong negative opinions about Shi'a. The Global Peace Index 2016 ranked Qatar as 34 “most peaceful” out of 162 countries (up from 38 in 2015, but down from 32 in 2014) and the most peaceful in the Arab world. Violence is not a serious issue in the country. If not for weapons



exports and volatile foreign relations, the score would have been even better. Even the divisions between non-citizens and Qataris, though they play an important role in society, are overwhelmingly nonviolent.

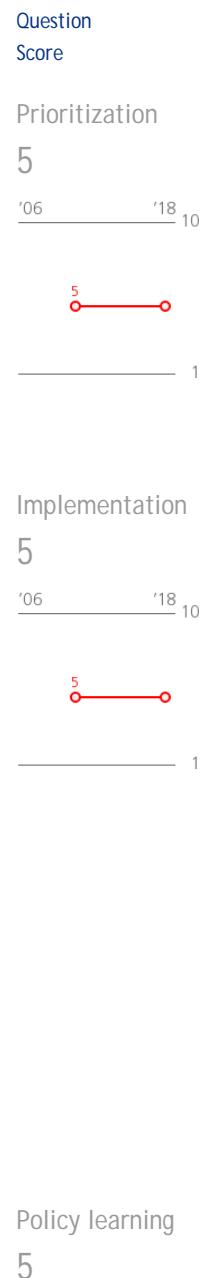
II. Governance Performance

14 | Steering Capability

Given the economy's reliance on the hydrocarbon sector, and the limits of those natural resources, there is a general consensus among Qatar's rulers that the country needs a long-term policy strategy, made more urgent by the recent price shock. Qatar National Vision 2030 enshrines such long-term policy priorities. Diversification, in terms of creating a knowledge-based economy, is its core aim and has received even greater urgency in the shorter-term five-year plans (the most recent being the National Development Strategy 2017-2022). Qatari authorities, especially the emir, have sought to strike a balance between modernity and tradition. Yet, the government's long-term strategic aims do not include a transformation toward democracy.

Since the state is an absolute monarchy, the small governing body is unrestricted in implementing its policies. Tiny steps have been taken toward achieving liberalization by transforming the current system into a constitutional monarchy, but these attempts are still in the early stages and very limited. Public opinion on controversial issues like alcohol sale has forced the government to change its policies. But in the absence of democratic institutions, the reform drivers and defenders are hard to identify. Emir Tamim is often described as more conservative than his reformist father and predecessor. Economic aims are slowly being reached with the diversification of the economy. Being selected to host the 2022 World Cup redirected goals, and some aims of the last five-year-plan (2011-2016) were not reached. The government declared its determination to implement the current plan (2017-2022). Sound policies that are either unpopular among the populace, such as reforming the kafala system, or among the leadership, such as holding national elections to the Advisory Council, have been postponed multiple times, creating doubts about the government's intentions. However, prioritized but potentially painful policies, such as the massive expenditure cuts announced in the wake of the oil price crisis, have been mostly swiftly implemented.

Both domestic and international agencies are consulted during the policymaking process. Most of the new reforms in the country are based on research and thorough consultation. Local elected bodies so far have limited power to make enforceable decisions, but given the current political structure, powerful individuals can influence policy formulation and implementation.



Following the perceived failure of the grand foreign policy vision, and with the stepping down of former Emir Hamad Al Thani and his Prime Minister and Minister of Foreign Affairs, Hamad bin Jassem Al Thani, learning on a regional level is said to have occurred and has enabled a rapprochement with GCC states. Under Emir Tamim, Qatar significantly lowered its regional and international profile and has refocused on domestic issues.

The economic crisis has provided another opportunity for learning, leading to swift and significant cuts in expenditures by the government and the allocation of more sensible budgets. At an information event on the current National Development Strategy 2017-2022, Emir Tamim promised a full evaluation of the last NDS (2011-2016).

15 | Resource Efficiency

Along with diversification of the economy, Qatarization is central to the National Vision 2030. This process is, however, in its early stages. Although competitive recruitment is being increasingly used, the administration and management of the economy still predominantly relies on foreign labor. The country is experiencing an infrastructure overhaul and expects to spend over \$205 billion on infrastructure between 2013 and 2018 alone. International tenders are called to use the funds efficiently. Electronic systems are being implemented for public administration. Except for 2016, budget surpluses have been the norm and debt remains comparatively low for the region. Wasteful use of energy and resources has been identified as a major problem and fees for wasting water and electricity have been raised significantly. The economic crisis has catalyzed attempts at bureaucratic reform, shrinking ministries and state-funded institutions to more reasonable sizes in the last two years. An overhaul of the courts in Qatar included technological upgrades to enhance efficiency, like the introduction of notifications of rulings by SMS since January 2017. Cases have also begun to be archived digitally.

Given the tiny size of the territory and the small population, Qatar's centralized structure is effective for policy implementation. Most government departments, if not all, have a functional and user-friendly electronic system in place. The government departments are well institutionalized, thus minimizing possible policy conflicts. The regime has largely succeeded in balancing the interests of citizens and external pressure from the international community.

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Efficient use of assets

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Policy coordination

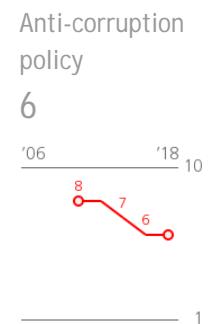
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Qatar has initiated more anti-corruption reforms than most of its peers in the Arab world. High and regularly rising salaries combined with a moderate workload in the public sector play an important role in reducing the temptation for corruption. Qatar's immersion in the global economy has also forced it to adhere more rigorously to international anti-corruption standards. The country's constitution stipulates in Article 128 that "ministers shall not use their official posts in any way for their own interests or for the interests of [those with] whom they have special relations." The State Audit Bureau, established as an independent entity in 1973, scrutinizes the accounts of all ministries and their affiliated departments and bodies, alongside accounts of public corporations, national companies and other government bodies. In November 2011, an Administrative Control and Transparency Authority was set up to trace power and money abuses. In 2015, the public prosecution office launched a campaign to encourage whistleblowers who witness bribes and embezzlement to come forward.



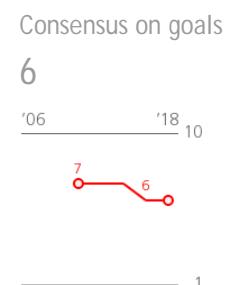
However, as a 2014 anti-corruption country report co-financed by the European Commission clearly states, while Qatar may engage in good practices, there is a lack of transparent infrastructure and a high degree of political interference. The head of the Audit Bureau is appointed by the emir and the reports of the body are not made public. The National Committee for Accountability and Transparency, established in 2007, does not even have a contact address. Laws to protect whistleblowers, anti-corruption watchdogs and non-governmental anti-corruption agencies are non-existent.

While there is a high degree of disapproval in society toward bribery, "wasta" – patronage and nepotism leading to personal gains – is not viewed as corruption. On the contrary, social and tribal relations are viewed as central to maintaining the social fabric. Maintaining confidence and secrecy is very important in these transactions.

The ruling family is immune from persecution, a view confirmed by the Court of Appeal's 2015 overturning of the unprecedented 2013 conviction and six-year sentencing of Ali bin Jassem Al Thani and five others for involuntary manslaughter in the case of the 2012 Villaggio Mall fire disaster.

16 | Consensus-Building

Given Qatar's status as an absolute monarchy, while lip service is often paid to democracy, true democratization is not sought by the county's leaders, although consultation forms an important part of the political culture. Reforms are initiated by the ruling family, mainly in a top-down manner by the emir and some key family members. Though expression of public discontent with the Al Thani regime is rare, there has been some grumbling following the failure of Qatar's ambitious foreign policy and the negative publicity in the aftermath of the award of FIFA 2022 World Cup. Also, Islamists and conservatives have criticized certain reforms, such as selling



alcohol and the empowerment of women. While regular surveys among citizens yield high levels of support for democracy, they also show high levels of support for most government institutions, indicating a general interest in having a stake in the country's future rather than a specific interest in reshaping political institutions in the monarchy. Given the prevalence of or preference for falsification in autocratic societies, the validity and reliability of these surveys should be taken with a grain of salt.

Qatar's economy is getting more and more integrated into the global economic system. The leadership is well aware that the current rentier economy will not last forever. Thus, reforms are underway to drive the market into a more mature stage, and the country's efforts are acknowledged and praised by actors such as the IMF. Political leaders and the business class (in the absence of political parties and civil society organizations) support such reforms as long as they do not hurt the privileges of the citizen population.

Unlike Saudi Arabia, there is no strong local religious ulama class in Qatar with extensive political power, but traditional tribalism and kinship loyalty still play an important role in society and will continue to impact the political structure and its evolution. On the other hand, there is not any consolidated group of reformers. A 2012 manifesto by Ali Khalifa al-Kuwari called "The People Want Reform in Qatar, too," criticizes the lack of democratization in Qatar, but has failed to garner public debate. A smooth transition to democracy is therefore unlikely, especially given the high satisfaction with the standard of living among Qataris. Any liberalization will have to be gradual to avoid facing too much societal resistance. Potential reformers have to find a middle ground between socially conservative (and sometimes anti-democratic) forces and those desiring more rapid reforms. If the 2015 survey by SESRI on Social Cohesion is to be trusted, 99.5% of Qataris consider themselves socially conservative, thus greatly enhancing the leverage of conservatives versus reformers.

Surrounded by countries with massive sectarian cleavages, Qatar has been able to consolidate its citizens into one group irrespective their religious orientation. Shi'a Muslims, who face persecution in Saudi Arabia and Bahrain, are well integrated into Qatar's society. They include prominent businessmen and are avid supporters of the current ruling family. Social- or cleavage-based conflicts are hence mostly unknown in Qatar.

The only real concern is the poor treatment of blue-collar and low-skilled migrant workers, which has repeatedly been criticized by human rights organizations and labor unions. Since they are not regarded as a regular part of the body politic, this issue is not regarded as a societal cleavage and there are little incentives to enhance the situation of the workers, although some progress has been made with recent reforms, albeit at a very slow pace.

Anti-democratic
actors

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Cleavage /
conflict
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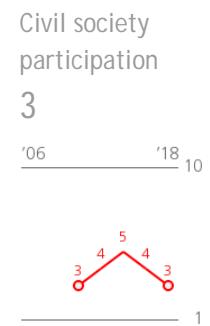
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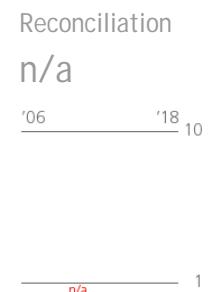


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In the absolute monarchy of Qatar, the importance given to civil society is minimal. But due to growing international pressure, Qatar has been reforming (or has promised to reform) much of its restrictions on civil society organizations. In 2012, in the wake of the COP 18 conference on climate change, Labor Minister Nasser Bin Abdullah Hamidi agreed that workers joining trade unions created by the International Trade Union Confederation (ITUC) will not be punished. This promise alone cannot be considered a game changer especially since the obstacles to actually form a trade union are very high. However, it opens the way for more reforms as the role of Qatar in the international political arena widens. However, a 2013 Civil Society survey commissioned by the Qatari National Human Rights Committee did not find evidence of any official encouragement of civil society activities. On the contrary, it found cooperation and coordination between CSOs and government institutions lacking and respondents most often cited the closed policy process as an obstacle to their work, as well as insufficient knowledge of the political process. A 2016 report by the Gulf Center for Human Rights affirms that civil society organizations are only tolerated in non-oppositional forms with special restrictions on non-nationals.



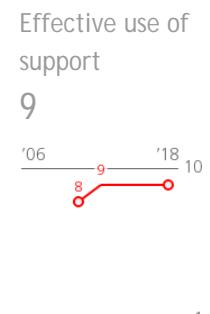
As punishment for their presumed involvement in a 1996 coup attempt, more than 5,000 members of the al-Murrah tribe were temporarily stripped off their Qatari citizenship in 2005. It was returned to all but 200 who remain stateless today, meaning that they are excluded from the local labor market and are not entitled to Qatar's comprehensive social services. The government has not suggested any reconciliation options to them yet. Twenty-one members of the al-Murrah who were in prison since the coup attempt, were pardoned in 2010 and flown to Saudi Arabia.



Apart from this, no major historical injustices have happened in the modern history of Qatar.

17 | International Cooperation

Qatar National Vision 2030 clearly outlines the aim of transforming the nation's rent-based economy to a knowledge-based one. Policies and procedures have been initiated toward achieving that goal, and international assistance has been sought in order to develop the nation and prepare it for a post-oil period. For instance, since 1995, "Education City" has hosted an array of international top universities that have helped elevate the quality of Qatar's tertiary education. Likewise, primary and secondary schooling as well as multiple other projects in the health care sector and the bureaucratic structure have been revamped with the help of the RAND Corporation (which left Qatar in 2013 when a decade-long arrangement was not renewed), although the results faced strong criticism. In general, the government was interested in attracting international think tanks to the country. WikiLeaks cables from 2008 report that Brookings Institution and RAND Corporation offices were opened at Qatari request. However, the need for international support sometimes



proved to be a double-edged sword. During the tensions between Qatar and other GCC states in the 2013-2014 period, Saudi allegedly applied pressure to close these institutions. As of January 2017, Brookings Doha Institute is still operational. The number of think tanks operating in Qatar is seven, lower than in 2013 (10), but still higher than in most other Arab Gulf countries, according to the 2016 Go To Think Tank Index Report by the University of Pennsylvania.

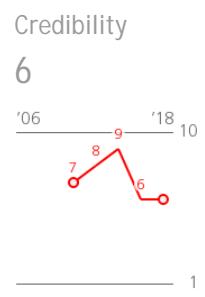
Moreover, the multi-billion dollar infrastructure projects underway in the country, including the ambitious Doha metro system and a new railway system meant to connect Qatar to other GCC countries, have been awarded through international tenders, bringing renowned international companies to the country. The companies involved include Samsung, Hyundai and Deutsche Bahn.

While the country welcomes technical and financial cooperation that it seeks actively, it is wary of external influence perceived as thrust upon it from the outside, especially in the political realm (e.g., pressure for labor and human rights reforms).

Despite the economic crisis, the financial credibility of the country has hardly been questioned and the swift austerity measures have served to reassure international investors. In contrast, Qatar's credibility in the political realm, both in foreign and domestic politics has suffered since it came into the spotlight in the wake of the Arab Spring, since 2011, and the approval to host the FIFA 2022 World Cup.

While the uprisings were perceived as a chance for regional engagement by Qatar, its actual engagement damaged its long-established credibility as an honest broker in the international community. Another victim of the policy shift has been al-Jazeera. Once the most influential and trusted news outlet in the Arab world, it is now (although still popular) widely perceived as having a sectarian bias and not being critical of the Muslim brotherhood. Since 2011, al-Jazeera has been more firmly and obviously tied to the royal family by replacing its director with an Al Thani, and has shrunk due to recent budget cuts amid the economic crisis of the country since 2015.

Domestic reform also did not ensue. Announcements of a long-awaited election to the Advisory Council were delayed once more by Emir Tamim until at least 2019, giving further credence to doubts about whether it will ever be installed. Strong international criticism of Qatar's human rights record relating to the treatment of its foreign workers, fueled by the media focus following the FIFA 2022 World Cup award, produced only very slow progress. Although it has formally been abolished, the kafala system persists in all but name. In March 2016, the International Labour Organization (ILO) announced a one-year deadline for reform otherwise it would install a Commission of Inquiry. Subsequently, the ILO deferred consideration of a Commission of Inquiry for Qatar until November 2017. The same month, FIFA announced the establishment of a watchdog to monitor living and working conditions of the migrant workers. Both warnings indicate that the international community's patience is wearing thin.

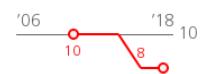


A founding member of the GCC, and a member of an array of international organizations, Qatar is an important partner in the Gulf region. Qatar has tried to keep or establish good relations with all countries and political groups, including the U.S., Iran, Israel, Hamas and Fatah in Palestine, and the Taliban – an array of alliances that no other Arab state can claim. Qatar exploits the North Field gas field together with Iran, which forces both countries to cooperate although conflicts over exploitation rights are not unheard of. Before the Arab Spring, Qatar was involved in resolving international disputes by hosting conferences and acting as a mediator in conflicts in Sudan, Lebanon and Yemen, among others. Border issues with neighboring Saudi Arabia have been solved by diplomatic means. A territorial conflict with Bahrain over the Hawar Islands was solved in 2001 with the help of the International Court of Justice.

While Qatar maintained amiable relations with most of its neighbors for the better part of its existence, its perception as an honest (and financially generous) broker was shattered with Qatar's involvement in regional affairs since 2011. While at the beginning, it was applauded by the international community for supporting rebels fighting against autocratic regimes in Libya, Egypt, Syria and other countries and quickly overtook Saudi Arabia in its influence on regional affairs, the tables later turned. Qatar began supporting Muslim Brotherhood-linked organizations across the region. What initially looked reasonable and clear-sighted given the electoral victories of such groups in Tunisia, Libya and the Syrian National Council, soon turned out to be a miscalculation given the growing discredit of Islamist political actors. Even the new Libyan government, who owed their power to a high degree to Qatari efforts, accused the Gulf state of interference in its internal affairs. Allegations of inefficiency and in consequence erupted when Qatar's foreign policy overstretch became increasingly obvious, for instance when money intended for Syrian rebels did not reach its intended recipients. The final turning point came with the abdication of former Emir Hamad in June 2013, followed only days later by the military coup in Egypt which swept the Muslim-Brotherhood-led government from power. From then on, Saudi Arabia again dominated regional politics and quickly took over the reins from Qatar in supporting Syrian rebels. Qatar became a pariah, especially among the other GCC states, a development culminating in the withdrawal of diplomats from Saudi Arabia, the UAE and Bahrain from Doha in March 2014. The GCC neighbors accused Qatar of interference in internal affairs which was widely interpreted as being a punishment for Qatar's pro-Muslim Brotherhood stance. The group was declared a "terrorist organization" by Saudi Arabia and the UAE in 2014. Since then, there has been a gradual rapprochement and the diplomats were returned in November the same year. This was interpreted as Qatar accommodating some Saudi demands, which allegedly included expulsion of Muslim Brotherhood members from Doha and curbs on al-Jazeera's criticism of Saudi and Egyptian politics. Relations with Maghreb countries and Egypt are still strained, but Qatar's ties to the GCC has been somewhat restored with its determined participation in the Saudi Arabian and Emirati-led

Regional cooperation

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intervention into the Yemeni Civil War, “Decisive Storm”, launched on March 25, 2015. Qatar reportedly committed fighter jets and 1,000 troops to the coalition. A deterioration of relations with the wider international community, especially Western states, was caused by public scrutiny of deplorable labor conditions in relation to the upcoming FIFA 2022 World Cup and by allegations of terrorism financing in the Middle East, including Islamic State (IS). While these allegations are unproven and strongly disputed by Qatar, the image and the friendly relations of the tiny Gulf state have suffered heavily at the regional and international levels. A return to Qatar’s role as mediator is likely desired by the current government, but repairing its tarnished image and partisanship will take time.

Strategic Outlook

The economic troubles following the collapse of the price of oil have shifted priorities of the country's administration. The oil price shock is a mixed blessing. While it has significantly affected the government's budget for R&D and research projects designed to catapult Qatar into a knowledge-based society, it also catalyzed some much-needed structural reforms. As reported in a 2016 World Bank report, the government slashed the Qatar Foundation's budget by 40%; made significant cuts at Western academic institutions in Education City; cut hundreds of jobs at Sidra Medical and Research Centre in December 2015; and halted plans to roll out a national health care scheme. While the crisis led to some concern, it might also prove to be a historic chance to set the country on a more sustainable path in the medium- and long-term view and realize the goals set out in Qatar's National Vision 2030: to create a knowledge-based economy, to diversify the economy to non-oil sectors, and to become a leading host nation in the world. Further subsidy cuts impacting citizens, a stronger commitment toward the introduction of taxes like the GCC-wide VAT planned for 2018 and further emphasis on diversification, both of the workforce (Qatarization) and revenue sources away from hydrocarbon exports would be steps in the right direction – ensuring that future generations of Qataris have the knowledge and the capabilities to take responsibility for their country's path and prepare for the future sustainably. The dependence on oil and gas revenue propelled the tiny state onto the international stage and into modernity, but cannot be relied upon to keep the country in the current position in the coming years and decades without major adjustments. Consciousness raising towards responsible resource management and wasteful consumption is necessary to reduce the massive and unsustainable energy and resource consumption. The same goes for the overreliance on foreign labor. Without a path to citizenship, foreign workers are temporary residents and have no stake in the overall well-being of the country. Once the oil- and gas-powered revenue shrinks, only a highly educated and competent homegrown workforce can preserve the high standard of living to which Qataris have become so accustomed. The leadership took the right steps and seems to recognize these challenges, but these efforts should be kept up and consolidated over the coming years, even if oil prices bounce back. In any case, the economic course Qatar is currently taking – investing enormous resources in the development of a post-oil economy while oil revenues are abundant, and attempting to maximize spending efficiency – is well-advised.

Short-term goals should include reforming the sponsorship system. While formally abandoned, most of the problems associated with it persist. Further and more credible reform is vital to ensure better living and working conditions for the now almost two million people involved, but also to safeguard Qatar's image as a reliable and credible partner. Qatar has worked hard to establish an image as a modern and technologically advanced Muslim and Arab state and this image is inconsistent with the current labor rights situation in the country, damaging the country's reputation. A true reform of the kafala system would probably have the positive side-effect of

making foreign labor less economically attractive and thus push the much-needed Qatariization further.

For Western countries, it is nevertheless important to moderate international pressure for reform. A democratic transition or liberalization is unlikely without a well-organized domestic call for reform, and nothing of the sort currently exists. Despite its advanced and technologically progressive appearance, Qatar is still a highly conservative and traditionalist society. Too much pressure to reform may be (and is already partly) seen as foreign interference and an imposition of foreign norms, which could lead to resistance and a rollback of the incremental reforms that have already been launched. The international community must continue to monitor efforts and criticize shortcomings, but should also calibrate its pressure carefully, acknowledging the difficulties faced by the leadership. As the social contract in Qatar is largely based on welfare and a high standard of living provided by the government in return for acceptance and legitimacy of the monarchy and the Al Thani family, and many citizens feel vulnerable as a tiny minority in their own state, rapid change without domestic demand might upset the balance. Furthermore, a drastic step such as withdrawal of Qatar's World Cup hosting rights at this stage is sure to backfire, feeding into victimization and injustice narratives. On the other hand, smaller penalties like the ILO warning to initiate a Commission of Inquiry and incentive-based actions promise greater success.

On the regional level, Western countries have reaffirmed their ties and support for Saudi Arabia, meaning that the kingdom's agenda is even more likely to dominate GCC policy than before. At the same time, the theocratic kingdom's neighbors, like Qatar and the UAE, have different priorities that should not be neglected. Also, if Qatar introduced meaningful reforms to its kafala system without negative economic consequences, other states might be pressured into following. Instead of merely supporting Saudi Arabia's leadership, steps toward regaining Qatar's former mediator role should be supported.