

The Rebirth of Qatar's Economy

An Interview with His Excellency Yousef Hussein Kamal,
Minister of Finance and Acting Minister of Economy and Commerce, State of Qatar



Yousef Hussein Kamal

EDITORS' NOTE H.E. Yousef Hussein Kamal has been in his current role since January 2002. In addition, he currently holds the following roles: Vice Chairman for Qatari Diar Real Estate Investment Company, since January 2005; Vice Chairman, Supreme Council for Communication & Information Technology, since October 2004; Secretary General, Government of Qatar Supreme Council for Economic Affairs & Investment, since May 2003; Chairman, Qatar Steel Company, since December 1999; Vice Chairman, Planning Council, since 1998; Chairman, Qatar National Bank, since January 1998; Governor, Islamic Development Bank, since January 1998; Governor, International Monetary Fund & World Bank, since January 1998; Vice Chairman, Qatar Petroleum, since November 1996; Chairman, Ras Laffan LNG Co. Ltd., since June 1996; and Director, Qatar Foundation, since 1998. He received his BA in business administration from Cairo University.

As you've noted, "Not too long ago, Qatar was near bankruptcy." What policy decisions were instrumental in transforming Qatar's economy?

The first recent budget surplus occurred in the 2000-01 budget. For more than a decade prior to that, there was a consistent budget deficit. You end up with this situation when your export earnings and budget revenues are dependent, to a large extent, on a single commodity. The oil price was mostly low during that period and subject to large swings.

To avoid this situation, and to benefit from the country's large resources of natural gas, a strategic decision was taken in the early '90s, under the leadership of His Highness the Emir, to exploit the country's North Gas Field in order to diversify earnings within the energy sector and lessen the impact of oil price fluctuations.

Developing the North Gas Field required a large investment and, at that time, we lacked sufficient resources to proceed – both financial and technical. Thus, we resorted to borrowing, accumulating an increased level of debt that reached about 100 percent of GDP at one point. This was expensive debt as well, because at the time, the country's rating was much lower than its current rating. Making things worse, oil prices, which were already low, declined sharply in 1998, by 35 percent for Qatari crude to just \$12.2 per barrel. This led some analysts and commentators to question the merits of our policy, as the financial situation was indeed difficult. Apart from resorting to borrowing, we also invited major energy firms to assist us in the development of the energy sector, in both oil and gas.

With persistence and the determination to proceed with our plans, we overcame this difficult time effectively and successfully. In 1997, liquefied natural gas [LNG] exports began at a modest level of 2.2 million tons and have since increased to about 30 million tons in 2007. They are scheduled to reach 77 million tons by 2011, which would make Qatar the largest exporter of LNG. Meanwhile, with the assistance of major foreign oil companies, we managed to increase oil production from about 600,000 barrels per day [bpd] in the mid-'90s to a current capacity of about 850,000 bpd, a figure that is scheduled to increase to about one million bpd in 2009.

This is what has transformed the economy. As large investments were directed into the energy sector and as the fiscal situation improved with increased export earnings, we directed substantial expenditures to upgrading and expanding the country's infrastructure. I am pleased to report that the economic boom not only is concentrated in the energy sector, but also includes all private sector activities.

What key infrastructure investments are currently paying dividends for Qatar?

Ras Laffan is home to RasGas and Qatargas, two of the world's largest LNG companies, while Mesaieed Industrial City is the hub for

a number of projects involving refining, fertilizers, petrochemicals, and steel. Ras Laffan has been transformed into a massive industrial and energy production site, encompassing some of the world's largest LNG trains. The 254-square-kilometer area also includes Ras Laffan Port, the largest LNG export facility in the world. All of this required a substantial investment to upgrade and expand the country's infrastructure, from road networks, to power generation and water desalination, to ports facilities.

What outlook do Qatar's most important companies have for the country's investment prospects?

Our outlook is very positive. The investment prospects of the country are supported by a host of recently enacted amendments to various laws and regulations governing foreign investments. A critical success factor is minimizing the bureaucratic hurdles that stand in the way of attracting foreign investment, and we have been successful in this regard.

You have expressed optimism about the development of the new Qatar Economic Zone. In what ways might that impact the economies of Qatar and the Middle East?

The initial development of economic zones and the promotion of a favorable environment for foreign investors started in 2000, with the new Foreign Investment Law number 13, which allowed foreign investors to have a 100 percent stake in various projects in line with the State of Qatar's development plans. Furthermore, in 2004, the Qatar Science and Technology Park was established through law number 36 as the first free zone in Qatar and is successfully developing as a center for research excellence and technology. The Qatar Economic Zone will further open the doors to foreign investment. These economic free zones will enable Qatar to further diversify its economy and set up the foundation for a stronger manufacturing base, increasing the number of small to medium-size enterprises.

Of which developments in Qatar are you most proud?

Qatar is investing large sums to further improve the educational and health system in the country. Already, a number of leading U.S. universities have established campuses in Doha. Resources are also being channeled into the arts; a museum of Islamic art, holding a large and unique collection of artifacts and manuscripts, will soon be opened. ●