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Building Qatar's Economic Resilience in a Fracturing Global Trade Order

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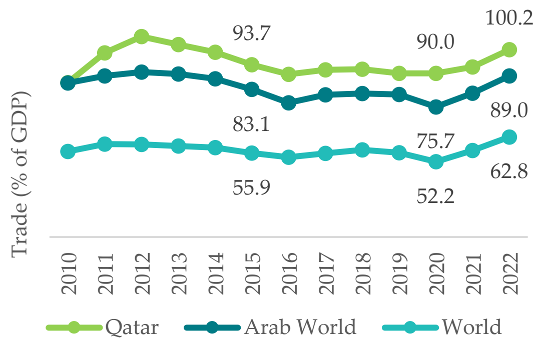
After decades of rising globalization and economic partnerships, the global economic landscape is experiencing a deep transformation. Shifts in geopolitical alliances, a rise in protectionism, and the intensification of trade tensions among major economic powers, such as tariff-based trade disputes between the United States and its key trading partners, have fueled fears of a broader trade war with far-reaching implications for the global economy. While not a direct participant in high-profile trade disputes, Qatar's strategic trade relations and reliance on open markets for both imports and exports expose it to significant indirect risks amidst extensive economic diversification efforts under its Qatar National Vision 2030. For Qatar, understanding how such developments could ripple through its economy, impacting production, welfare, trade flows, investment dynamics, and supply chains is essential for safeguarding long-term national interests. This policy brief explores the potential implications of escalating trade tensions, particularly those resulting from U.S. import tariffs, and outlines strategic policy options for Qatar to mitigate emerging risks and harness opportunities in a changing global economic order.

Qatar's Global Economic Integration

Qatar's economy is highly open and deeply integrated into the global economic system, driven primarily by its export-oriented hydrocarbon sector. As a small, resource-rich country with a limited domestic market, Qatar relies heavily on international trade for both income generation and access to goods and services. Over the past decade, the country has also pursued an ambitious economic diversification agenda under the Qatar National Vision 2030, with the goal of reduced dependence on oil and gas by fostering sectors such as manufacturing, finance, tourism, logistics, and education. These diversification efforts, however, are still significantly reliant on global value chains, foreign investment, and the free flow of goods and technology across borders.

As shown in Figure 1, Qatar has a substantial and sustained dependence on global trade. Between 2010 and 2022, Qatar's openness (expressed as trade-to-GDP ratio) consistently exceeded both the Arab World and global averages, reaching over 100% in 2022. This openness is a double-edged sword. It facilitates growth through export earnings and foreign investment. However, it exposes the economy to global trade disruptions, such as those triggered by tariff wars, geopolitical tensions, or shifts in trade policy among major economies. Maintaining stable, diverse trade partnerships is particularly vital to Qatar's economy.

Figure 1. Trade Openness in Qatar



Source: World Development Indicators Database, World Bank.

In this context, protectionist trade policies are likely to pose a substantial threat to Qatar's economic stability and growth. Although Qatar is not a central player in global trade disputes, it is vulnerable to indirect spillovers, especially if major economies such as the United States and

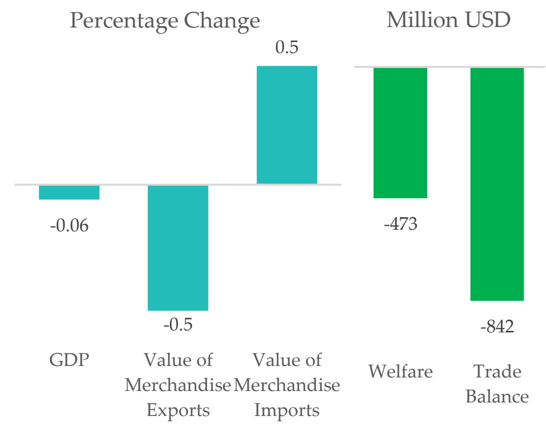
China engage in large-scale tariff measures. Protectionism could lead to disrupted supply chains, higher import costs for capital and intermediate goods, and reduced global demand for energy exports, all of which would negatively affect both traditional and emerging sectors of Qatar's economy. It may also hinder efforts to attract foreign direct investment and limit the transfer of knowledge and innovation, which is critical to Qatar's diversification agenda.

An Experimental Analysis

In order to understand the potential impacts on Qatar of the recently announced, afterward paused, tariffs by the U.S. administration, a preliminary assessment is made by employing a computable general equilibrium (CGE) analysis. This approach simulates economy-wide impacts of trade policy shocks by capturing complex interlinkages across sectors, trade flows, production, and consumption. For the analysis, the Global Trade Analysis Project (GTAP) Version 10 database is utilized. By incorporating the proposed U.S. tariffs into the GTAP model, the simulation accounts for how they could alter global trade dynamics in ways that affect Qatar's economy. Due to the limited scope of this brief, it is assumed that there is no retaliation from U.S. trading partners, which is obviously not realistic. Nonetheless, an analysis based on the initially announced tariffs can provide important insights into potential issues and challenges. Further, the tariffs are expected to be updated for various products and sectors based on their strategic importance, whereas the assumption in this note is that they are uniform across sectors.

The results of this preliminary assessment of the Trump administration tariffs suggest that Qatar is expected to experience a negative shock, albeit a small one. Its economy would shrink by 0.06%, with a welfare loss of around 470 million USD. While its exports would fall by 0.5%, its imports would rise by 0.5%. This would deteriorate its trade balance by more than 800 million USD (Figure 2). The CGE simulation also reveals that the imposition of U.S. tariffs would lead to widespread trade contraction, with the most severe impact felt by the United States itself, which shows a sharp decline in both imports (25%) and exports (21%).

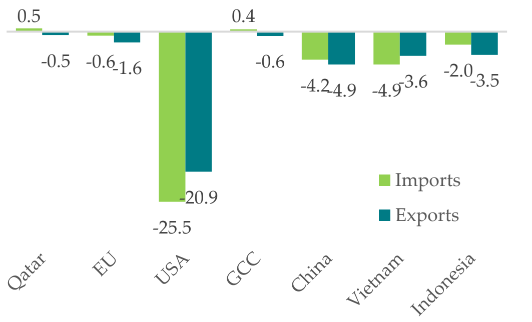
Figure 2: Potential Impacts of Trump Tariffs on Qatar



Source: Authors' calculations based on GTAP 10 database.

Similarly, U.S. key trade partners such as China, the EU, and Vietnam experience notable drops in both imports and exports, thus signaling global trade disruptions. The GCC countries also face marginal export losses (0.6%) (Figure 3).

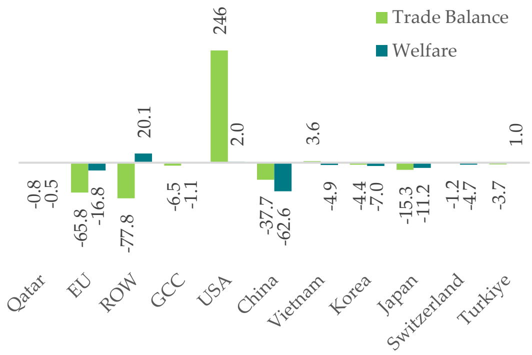
Figure 3: Percentage Change in Total Imports and Exports



Source: Authors' calculations based on GTAP 10 database.

Looking at the broader macroeconomic effects of the U.S. tariff shock, particularly on trade balances and welfare, the model estimates a massive trade surplus gain amounting to 246 billion USD and a welfare increase of 2 billion USD for the U.S., achieved at the expense of key global partners. China and the EU bear the brunt of the shock, with welfare losses of 17 billion USD and 63 billion USD, respectively, alongside major trade balance declines. Interestingly, the rest of the world (those countries affected by 10% tariff hikes) sees a welfare gain, suggesting some trade diversion benefits, while some countries like Vietnam and Türkiye record small welfare gains, possibly due to a realignment of supply chains (Figure 4). Even though Qatar and many other small open economies are not direct parties to the tariff measures, the global redistribution of trade and welfare can spill over onto all economies and undermine their external position and economic well-being.

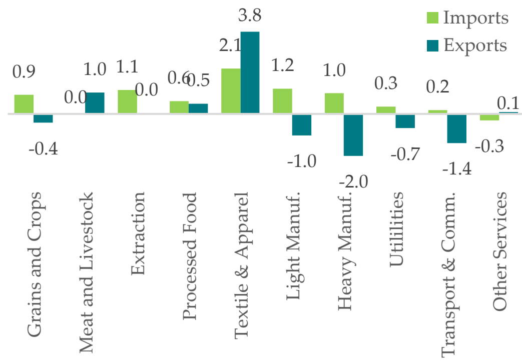
Figure 4: Change in Trade Balance and Welfare (Billion USD)



Source: Authors' calculations based on GTAP 10 database.

In terms of sector-level findings, the impacts are generally mixed, mainly because the simulation considers a flat increase for every sector and ignores the strategic decisions to be taken at the sectoral level. As regards these, Qatar experiences notable increases in imports of textile & apparel (2.1%), light manufacturing (1.2%), and extraction (1.1%). In contrast, exports show a mixed pattern: while textile & apparel enjoys a significant boost (3.8%) and exports of meat and livestock rise by 1%, several key sectors, especially heavy manufacturing (−2.0%) and transport & communication (−1.4%), suffer substantial declines (Figure 5). The export losses suggest vulnerabilities in capital- and service-intensive sectors critical to Qatar's diversification agenda. Excluding the positive export shock in textiles, the overall trend underlines the risks posed by global protectionism to Qatar's emerging industrial and services base.

Figure 5: Percentage Change in Total Imports and Exports of Qatar, Sectoral Level



Source: Authors' calculations based on GTAP 10 database.

Overall, while Qatar is not directly targeted by the U.S. tariff measures, it remains vulnerable to broader global trade disruptions. The modest rise in imports and the slight export contraction potentially mask deeper structural risks, particularly for key sectors like heavy manufacturing, transport, and services, which face notable export losses. Therefore, protectionist trade shifts, if further aggravated, may undermine Qatar's diversification efforts and external resilience.

As a small, open economy, Qatar benefits from a rules-based multilateral trading system. The distributions to global trading system are likely to harm the economy. Therefore, it should continue to play an active role in WTO reform, regional economic dialogue, and South-South cooperation, advocating for fair, transparent, and open trade.

References:
World Bank Group (n.d.). World Development Indicators Database. https://databank.worldbank.org/source/world-development-indicators

Policy Recommendations

In the face of increasing protectionism and shifting trade dynamics, there is a need for Qatar to engage more proactively in trade policy and strategic market diversification. Instead of drafting precise economic effects of trade protectionism, this brief aims to provide a broader perspective that can inform the design of more effective and targeted policy responses. To this end, the following recommendations are made for building a more resilient economy in the face of rising global economic uncertainties.

1. Accelerate Economic Diversification with Targeted Industrial Policy: While there are extensive efforts to diversify its economy beyond hydrocarbons, Qatar should further intensify its efforts to diversify by promoting high-value, export-oriented industries such as advanced manufacturing, renewable energy, and ICT services. This requires a targeted industrial policy to support local value chains, reduce input dependency, and promote private sector development in sectors exposed to global demand.

2. Expand and Diversify Trade Partnerships: In addition to reducing the sectoral concentration, it is also critical to reduce overdependence on a limited number of trading partners. Qatar should deepen ties within Asia, Africa, and emerging markets, while leveraging free trade agreements (FTAs) and regional platforms (e.g., GCC, OIC, AfCFTA). Exploring new logistics corridors, such as Iraq Development Road, and enhancing connectivity (e.g., through ports and FTZs) can improve access to alternative markets.

3. Strengthen Strategic Stockpiles and Domestic Capacity: As global supply chains become more fragile, Qatar must continue to invest in strategic reserves (e.g., food, energy, critical inputs) and develop domestic production capacity for essential goods—particularly in agriculture, basic manufacturing, and pharmaceuticals. This will further strengthen its self-reliance in times of disruption.

4. Promote Services Trade and Digital Economy: Given the growing global demand for services, Qatar can position itself as a regional hub for finance, education, and digital services. Investments in digital infrastructure, regulatory reform, and talent development will enable service exports that are less vulnerable to tariffs and physical trade barriers. New investment in creating data centres can boost its significance in new global digital architecture.