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What Every Investor Should Know About Qatar

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Finding Qatar on a map may be as difficult as learning how to pronounce the country's name.



Alan Copson | Getty Images
The Palm Tower, Al Bidda Tower, and The Burj
Qatar in Doha, Qatar.

But analysts say that shouldn't stop investors from targeting the small desert nation—as long as they understand the business culture and the risks in a region erupting with political strife.

"Not many people know where Qatar is," says Joe Toms, managing director at the Lending Club, an online financial community of investors and borrowers. "But it has some opportunities for investors. It's just in a volatile area."

"They have enormous wealth and are sitting on huge reserves of natural gas and oil," says Timothy J. Pfister, a partner in

the corporate department at the law firm Sullivan & Worcester. "So far, there has been no indication of political unrest. But there are intriguing undercurrents."

For investors who don't know, Qatar is a peninsula off the east coast of Saudi Arabia that juts out into the Persian Gulf. It's about the size of the U.S. state of Connecticut and ruled by a small group of sheikhs headed by an Emir, Hamad Bin Khalifa AlThani, and his family.

Qatar has a population of about 1.8 million people. It's largest trading partner is the U.S., which has a large military presence there. Major firms, like **Chevron** [**CVX 109.33** (---)], **ExxonMobil** [**XOM 85.42** (---)] and **Conoco Phillips** [**COP 80.32** (---)] have ongoing gas and oil development projects there.

Though its economy is mostly dominated by the public sector, Qatar is embracing more privatization of state-controlled enterprises, [according to its ministry of foreign affairs](#). Qatar has had a stock market since 1997—the Qatar Exchange—with 44 regional companies now listed.

As for the pronunciation, Qatar is like the word 'cutter'—which is a holdover way of saying it from British rule that ended in 1968.

What should help investors learn the name by heart, analysts say, is Qatar's tremendous economic growth—based on its massive oil and gas reserves. In 2010, Qatar had the world's highest GDP per capita, while the economy grew by 19.4 percent, the fastest on the globe, according to the U.S. Commerce Department.

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Managing Director Lending Club

If not a household word now, Qatar will gain world wide attention when it hosts the [FIFA 2022](#) World Cup—the popular international football (soccer) championship. Even though it's more than a decade away, Qatar is using the event to begin massive economic changes.

"The World Cup is a magnet for investment," says Pfister. "Because it's so hot there, in order to get the World Cup, they promised to build new air conditioned stadiums. So engineers, planners, construction crews, and all sorts of material will be vital now and in the coming years."

That inflow of investment into Qatar has already started, says Arti Sangar, a partner at the international law firm of Diaz, Reus & Targ.

"Economic growth in Qatar has spurred interest from a broader class of investors," says Sangar, who has dealt with private equity investments in the Middle East. "Besides infrastructure, there are opportunities in the financial sector as Qatar wants to be a regional hub for foreign financial institutions."

If Qatar is bursting with growth, how do market investors find ways to make profits? The options are a bit limited for now, say analysts.

"The Qatar stock exchange maintains a list of brokerage companies that do business in the country for those who want to trade directly," says Jeffrey Born, a professor at the College of Business Administration at Northeastern University. "There are also [a few ETFs](#) (exchange traded funds) trading on U.S. markets that have invested in securities listed on the Qatar exchange."

Investors should expect a rollercoaster ride when it comes to returns, says Born.

"The Qatar exchange has experienced some of the same up and downs as markets in the U.S.," Born explains. "But overall it is much more erratic. Investors should expect compensation for bearing risk but a lot of investors have been disappointed over the last five years."

Other options pose limitations as well, says Joe Toms.

"It's possible to buy Qatar government bonds," Toms explains. "But the problem is that none of this is easy, bonds or equities, nor are they very diversified. It might be better to look to Wall Street, where firms offer structured products that provide exposure to Qatar investments."

Toms adds that the small investor is at a disadvantage.

"Qatar is clearly geared more to the institutional investor—groups that pool their money like retirement or hedge funds," Toms goes on to say. "A retail investor could invest by using a full service brokerage firm that has access to the bonds and perhaps the equity market. But that will not be cheap and would be costly when it comes to profits."

Some of the better investing opportunities may lie on the business side, analysts say.

"Qatar wants to diversify its economy as its [oil reserves](#) won't last forever," says Arti Sangar. "For that reason, the country is offering various business opportunities and incentives for foreign investment."

To create a better business atmosphere, Qatar has relaxed some of its more confining laws. Restrictions on non-citizens owning land in the country were eased in 2004 to spur real estate investing. Qatar also allows up to 100 percent of foreign ownership in agriculture, manufacturing, health and power projects—with approval from the Qatari government.



Getty Images

A McDonald's fast food restaurant in the City Center shopping mall in West Bay district in Doha, Qatar.

Those doing business in Qatar, analysts say, must understand the culture—with a legal system that combines both Islamic law and civil law codes.

"Contracts need to be in Arabic otherwise they are inadmissible in the courts of Qatar," says Sangar. "Religious holidays also have to be taken into account. Patience is also needed language barriers can delay completion of a deal."

Up to now, Qatar has managed to escape the political upheaval that's engulfed other parts of the Middle East. Experts say that's because the Emir has done a better job of using the huge economic wealth to help

the country's poor.

But Qatari leaders are aware of the changing tide.

"So far the Emir has done okay with the population," says lawyer Timothy Pfister. "But a month ago, they announced that if someone in Qatar follows Islamic law, they can't do business with those who don't follow Islamic law. Was this a pre-emptive measure to stem violence? Who knows, but it could hurt business going forward."

In the end, say analysts, once investors find Qatar on the map, due diligence is essential.

"Qatar is unlikely to see disputes on the scale of other countries in the region," says Sangar. "But we are advising our clients in the area to be mindful of the need to protect their investments."

"Obviously, do your homework before investing," says Born. "If you can't find a local brokerage firm that you want to work with, [I'd stick with ETFs](#). Investments in Qatar based firms should be just one part of a portfolio, not the whole thing."