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Beyond oil: a Switzerland in the sands

Petro-dollars are not enough for Qatar: as the west struggles, the reserved and complex emirate is turning to finance. By Ruth Sunderland in Doha

Ruth Sunderland in Doha
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Qatar's West Bay financial district in Doha is the grand project of the Emir. Photograph: Gavin Hellier / Alamy

It's reality TV, but not as we know it. While we have been gripped by the rise and fall of Susan Boyle on Britain's Got Talent, viewers in Qatar are tuning in to Stars of Science, a new reality show beamed across the Arab world, where brainy youngsters compete to produce the best invention.

Among the hopefuls is Hashem al-Sada, a 22-year-old Qatari who is not a star on YouTube, but has devised a tent fitted with solar panels for electricity generation. The show has deliberately eschewed the cruelty of booting out losing candidates: instead, they are invited to team up with successful competitors.

Stars of Science encapsulates the huge faith Qatar puts in research and innovation; the contrast between it and our version of reality TV also says something about the arrogance of assuming western cultural values are automatically superior, though that's another story.

It is not just the TV that is different in Doha. Flying from a downbeat London into the vast, pristine international air terminal is like arriving in another world. The commercial property market in the UK is on its knees, but in the West Bay business district gleaming towers are springing up in the blistering 50C heat. They bear witness to the determination to reduce Qatar's dependence on oil and gas by building a sort of Canary Wharf in the desert - only without the excessive bonuses and the ruinous risk-taking.

While Gordon Brown's grip on government has been weakened by the crunch and the MPs' expenses scandal, the Emir of Qatar, Sheikh Hamad Bin Khalifa al-Thani, does not have to deal with the inconvenience of an electorate and has been able to press quietly ahead with plans to diversify the economy.

Dr Tidu Maini is executive chairman of the Qatar Science and Technology Park, set up to commercialise research in energy, the environment, healthcare and IT; he recently established an experimental facility with Qatari company GreenGulf to study solar-to-electricity conversion methods. "Instead of putting our money into a solar company in the UK or Germany, we are investing in our own country," he says. "There is nobody doing what we are doing in a comprehensive and strategic way."

With a dry smile, he adds: "But it's easy for us because we are a small country and don't have a corrupt parliament."

As Britain remains in recession, Qatar's per capita income has crossed the $70,000 (£43,000) a head mark, making it one of the wealthiest nations in the world. The Qatar Central Bank estimates growth of 7-9% for this year; the IMF predicts growth of 15-18%. Whatever: these are figures Alistair Darling would give his second home for.

Dubai, which has little in the way of oil and gas, may have gone through a highly leveraged boom and bust (see below), but Qatar is in a very different position.

It is currently running a small budget deficit - the first for nearly a decade - because oil prices have been low, although if they show a sustained improvement, that will be eradicated by the end of the fiscal year. But it has a good credit rating, and, most important, it has about 90 years' worth of oil reserves and more than 200 years of gas production. Not that there is any schadenfreude at Dubai's downfall; the feeling is that the whole region will have to support Dubai for the sake of collective credibility.

Neither have the Qataris got too overwrought about the recent rise in the oil price to a six-month high above $67 a barrel, which has led some commentators to speculate about a resurgence of the petro-powers. Opec, the oil producers' cartel, wants to see the price stabilise at around $75 a barrel, which it reckons is the level needed to ensure investment in new supplies. Whether or not that pans out, the Qataris are interested in moving beyond petro-power and rebasing their economy so they are not hostage to a volatile oil price.

Ahmad Anani, a partner in the Al-Tamimi law firm in Doha, says: "I don't think Qatar perceives itself as a petro-power in the conventional sense ... There is no interest in flexing their muscles like Vladimir Putin, or in blowing money in Mayfair casinos. They are using the money to develop the country."

Qatar has been cushioned from the global downturn by its position as the world's leading exporter of liquefied natural gas (LNG) - gas that has been turned into liquid form, making it easier to ship around the world. The UK is a big customer: the Queen and the Emir opened a new LNG terminal in Milford Haven last month. But despite the fact that LNG is a superb resource, the Qataris see no reason to rest on their laurels.

Phillip Thorpe, chairman and chief executive of the Qatar Financial Centre (QFC) Regulatory Authority, says: "Whether oil is at a sustainable level is anyone's guess. The real point is that there has been a maturity around the way the government is approaching oil and gas revenue. It is a wonderful bounty today, but what about tomorrow? There are decades of gas reserves and you would think it's a good reason to go to the beach - but that is not future-proofing the economy."

Thorpe is a key player in one form of future-proofing: the push to turn Doha into a regional financial centre - a Switzerland in the sand, with insurance and wealth management as major elements.

The QFC's headquarters, where Thorpe has his offices, are in a building that is only a few years old - though that makes it practically an ancient monument by the standards of West Bay. It started in 2005; now it has 113 staff and licensed its 100th institution at the end of last year, a Qatari full-service Islamic bank. Next month it will launch Qatar Insurance Services, a system for processing and trading between insurers and reinsurers, with 17 firms as strategic partners.

Another major initiative is the setting up of the Qatar Finance and Business Academy, to try to ensure there are enough well-trained local staff to run a 21st-century financial centre.

Jon Morton, QFC's director for financial development and a former deputy principal of Henley Management College, says: "We need to concentrate on middle-management talent - things like the English language, and a focus on the customer, not an internal focus."

The structure and the skills of the population are a serious challenge. Of the 1.5 million residents, only around 250,000 or so are native Qataris; the rest are expats. It means very few people will be supporting what could be a very large and turbocharged economic engine. Mohamad Moabi, assistant general manager with Qatar National Bank, says: "The challenge is to develop citizens for a post-oil economy. A knowledge-based economy is very important."

To that end, education is free from kindergarten to university level. The seriousness of the commitment to learning is manifest in Education City, a 14 sq km development on the outskirts of Doha that houses not only schools but outposts of leading US universities such as Cornell, Georgetown and Carnegie Mellon. As one British expat sighs: "If my kids were Qatari citizens, all my worries about education would be over."

Dr Mohamed Fathy Saoud, president of the Qatar Foundation, which backs Education City, says: "Human resources are more important than oil and gas resources. We are bringing one of the brightest facets of western civilisation to the region: the top universities. If you talk to people on the street they will be opposed to what the US and the UK did in Iraq, but this project is saying 'look beyond that to what these countries have contributed to education and research'."

The sheer pace of economic development is throwing up social and cultural issues. One is the situation of women. The Emir's consort, Sheikha Mozah, plays a highly visible role in a region where royal wives until recently were rarely seen and certainly never heard.

While it is a deeply conservative society, Qatari women can vote, drive and play a full part in the workplace: headscarves are a frequent sight, but the dress code for women is not as strict as in Saudi. Dr Sheikha Abdulla al-Misnad, president of Qatar University, says about half her staff and 70% of her students are women. "We are very proud of how well our young women are doing, but there is an issue about our young men. Girls work hard and get better grades in high school, while young men drop out." Girls have been high achievers partly because of cultural expectations, she adds.

"Society expects women to work in a safe and professional environment, in a high status job, not to be in low-skill jobs and this is part of the reason why they are they are so determined to succeed academically. It is creating social problems because women are finding their marriage suitors are less qualified.

"The number of single women is increasing. It is difficult for lots of young professional women to find a husband. People don't have taboos about women in education because when education started in Qatar it started for both men and women from the outset, unlike many universities in the West which had been were exclusively for men for decades before women were granted access to higher education."

None the less, the divide may be creating social tensions simply because the women are finding many eligible bachelors less qualified than they are. While the Qataris are keen to show visitors their sunlit uplands, one does have a sense of a reserved, multi-layered, complex society where difficult topics are not discussed, particularly with western journalists.

Qatar has been keen to establish itself as the focal point of the new Arab media: its flagship broadcaster is Al-Jazeera, founded in 1996 and regulated by the UK's Ofcom in the hope of fending off accusations of bias, and the Doha Centre for Media Freedom was set up last year.

Participants don't pull punches in the Doha Debates, a forum for free speech tackling the region's thorniest issues. In the most recent, the vote was in favour of letting Muslim women marry men of their choice. However, the media has a deferential air and the line is that the press should be free, but "respectful".

Thorpe, who was pushed out of his job as head of the Dubai financial regulator after objecting to interference from above, says he is able to operate in Qatar without fear or favour: "The message being sent out by the Emir and the government is that everyone has to abide by the rules."

But it's important to remember who makes the rules. The Emir, who deposed his father in a bloodless coup in 1995, may be an enlightened monarch who has moved towards democracy, but there is no doubt who is in charge.

The credit crunch has led to greater questioning of the western economic and social model. As Moabi says: "Excessive risk-taking and innovation in financial products really hurt the financial system ... Who would have thought that GM would be filing for bankruptcy? We don't have MPs abusing expenses, or Madoffs. Our image of western people is not tarnished, but our image of the system is."

Like the UK, Qatar is a small nation punching above its weight. Like the UK, it wants to become a knowledge-based economy. Like Tony Blair, it has a leader who believes in education, education, education. Perhaps - unlike the UK, which failed to husband its oil wealth - it will make wise use of its windfall.

Dubai's downturn

Dubai has been through a painful learning experience over the past six months. The boomtown of the Gulf, bling capital of the Middle East and the most globalised of the region's economies, it has born the brunt of the world's financial hurricane.

Casualties range from the property speculators who lost millions in the 65% collapse of real estate prices to the sun-seeking expatriates who have quit their tax-free beachside lifestyles, down to the lowly-paid construction workers who have been "relocated" to other projects in the Gulf or back to their homes in Kerala or Guangdong.

But perhaps the real long-term victim has been Dubai's self-esteem. Sheikh Mohammed bin Rashid al-Maktoum, Dubai's ruler, has had to pull back from the vision that saw the emirate as "an Arab city of global significance, to rival Cordoba and Baghdad".

Instead, he has turned to Abu Dhabi, the rich but not much liked "big brother" of the UAE federation, for a handout. And "Dubai Inc" has had to trim its plans to be biggest, tallest and most expensive in everything from man-made islands to luxury hotels.

The crisis hit Dubai so hard because it is not an archetypal oil-rich Gulf state. Its oil began to run out in the 1990s and now comprises around 3% of GDP. To their credit, the al-Maktoum dynasty saw this coming and set in train the process of economic diversification that sparked Dubai's emergence as a hub for tourism, air-travel, regional commerce and financial services. Dubai swapped oil dependence for real-estate dependence, with perhaps 40% of all economic activity related to property.

When times were good and credit cheap, this strategy served the emirate well. Dubai Inc performed like a giant operating company, funding growth through borrowing and cash-generation. But the credit crunch hit the emirate at just the wrong phase of the cycle, when borrowings had hit $80bn.

For a while, the reaction was denial, and warning signs were downplayed in the muzzled press. But when the ruling elite pulled their heads out of the sand, a series of crisis measures were enacted - an Abu Dhabi-backed $20bn bond issue, injections of liquidity into the financial system, and the establishment of a committee of the emirates' leading businessmen to oversee a recovery strategy.

The first signs of recovery are perceptible. House prices rose by 5% last month, banks are lending again and the cranes are moving once more over the bigger construction projects. Green shoots are visible - just.

But all eyes now are on the forecast emigration of expats as the fierce summer takes hold. Just how many decide to return to their "Dubai dream" will determine how quickly the emirate pulls of out of its nosedive.

• Frank Kane is a columnist with The National of Abu Dhabi. These are his own views.

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