

Why Trade Still Costs Too Much: A Policy Brief on Qatar's Trade Facilitation Gaps

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The Third Qatar National Development Strategy 2024-2030 (NDS3) targets the logistics cluster as a strategic growth driver to support economic diversification. Despite targeted reforms and significant infrastructure investments, Qatar continues to face persistent challenges in reducing trade costs and improving logistics performance. Analysis of bilateral trade cost trends and international indices reveals Qatar's elevated trade costs with key partners and stagnating logistics performance relative to top global performers and regional leaders. While Qatar has made progress in trade facilitation mainly due to enhancements in customs efficiency, infrastructure, and logistics competence, gaps remain in automation, interagency coordination, and governance. This policy brief highlights the need for bolder, more integrated reforms in trade facilitation and logistics development to achieve NDS3 objectives, including raising Qatar's Logistics Performance Index (LPI) rank to the top 15 globally.

Background

The Third Qatar National Development Strategy 2024-30 (NDS3) identifies the logistics cluster as a strategic growth driver to support economic diversification, targeting a 6.6% CAGR in real GDP and a 2.4% CAGR in labor productivity from the sector. Qatar aims to position itself as a global logistics hub by expanding air transport, developing a specialized e-commerce distribution platform, and promoting re-exports up to QAR 25 billion, particularly pharmaceuticals, cold chain goods, and high-value items. The strategy also seeks to enhance inter-country freight connectivity, improve logistics infrastructure efficiency, and make the country rank among the top 15 countries on the World Bank's Logistics Performance Index (LPI), supported by digitalization, automation, and comprehensive regulatory reforms.

Strengthening the trade ecosystem is another key component of the NDS3 in enhancing the country's global competitiveness and export capacity. Key reform areas include streamlining customs clearance processes to reduce time, costs, and inefficiencies; expanding trade promotion initiatives and financial instruments to support exporters and mitigate buyer risk; and forging new trade connections through Free Trade Agreements (FTAs), Bilateral Investment Treaties (BITs), and other economic cooperation mechanisms.

Thereby, Qatar aims at reducing export and import times to 6–20 hours, ensuring over 80% of companies benefit from export credit, and securing preferential market access to economies representing 25% of global GDP.

These are all very ambitious goals that require substantive efforts to identify the challenges and develop innovative solutions. The objective of this policy brief is to provide some insights into existing challenges in relation to current trade promotion and logistics performance and stress the importance of adopting innovative approaches to achieve the national development objectives.

Trade costs tend to fall but remain elevated

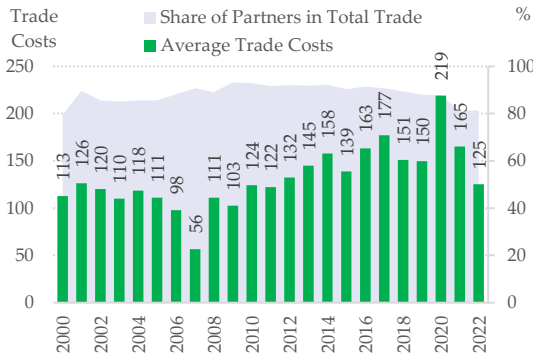
Trade costs are a critical determinant of a country's trade performance, competitiveness, and integration into global value chains. They encompass a wide range of barriers including transport and logistics costs, border delays, and regulatory differences that increase the price of traded goods and limit market access.

Lowering trade costs can significantly enhance export competitiveness and foster economic diversification. In order to calculate the average trade costs for Qatar based on the World Bank–UNESCAP Trade Costs Database, weighted average of bilateral trade costs

with approximately 30 major trading partners is calculated over the period 2000-2022, which accounted for, on average, around 90% of total trade value of Qatar.

As shown in Figure 1, average trade costs have followed an upward trend since 2007, peaking in 2020 at 219.0, mostly reflecting pandemic-related disruptions.

Figure 1: Average Trade Costs in Qatar

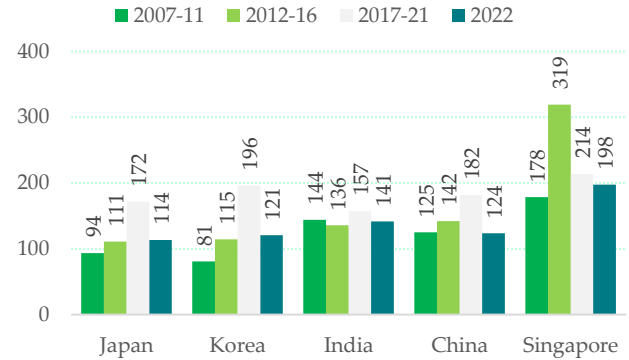


Post-2020, trade costs declined significantly, reaching 125.3 in 2022. While it is promising to observe a declining trend since 2020, the level is still above the average values observed before 2007 and can be a temporary value observed during the post-pandemic period, as significant attempts were made to ease the restrictions all around the world. Therefore, the vulnerability of trade costs to global shocks and the importance of sustained policy efforts to ensure long-term reductions remain major concerns for Qatar.

Looking at the trade costs with top five trading partners calculated over five-year periods, average trade costs tend to rise significantly for all partners, most sharply with Japan, Korea and Singapore, indicating growing barriers or inefficiencies (Figure 2). Trade with Singapore saw a dramatic spike in 2012–16, before falling to 214 in 2017–21 and further to 198 by 2022. Noting the fact that Singapore has the top LPI score in the world, it is imperative to check and correct the inefficiencies in trade costs with Singapore. By 2022, trade costs dropped across all five partners compared to the 2017–21 average, which can be explained by post-pandemic adjustments and potential improvements in logistics, customs, or trade facilitation measures. Despite these improvements, trade costs in 2022 remain above 2007–11 levels for most partners, further

stressing the need for immediate action for trade facilitation with at least major trade partners.

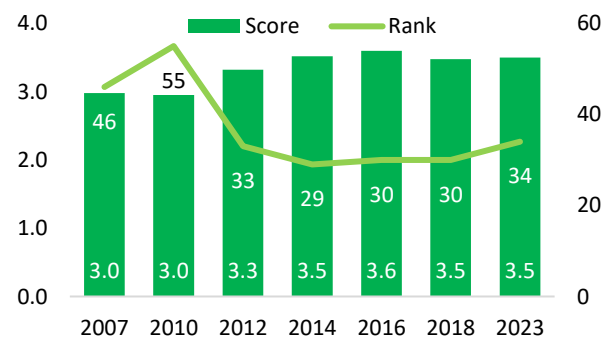
Figure 2: Bilateral Trade Costs between Qatar and its Major Trade Partners



Logistics performance remains stagnant

While trade costs demonstrate a challenging situation for Qatar's economic competitiveness, logistics development has been receiving particular attention in enhancing the country's competitive edge and it is expected to demonstrate a more favourable picture. Looking closer to the performance in logistics, it is observed that Qatar's LPI score improved from 3.0 in 2010 to 3.6 in 2016, mainly due to enhancements in customs efficiency, infrastructure, and logistics competence. However, the overall LPI performance remained stagnant at around 3.5 over the past decade, which caused its global rank to slip to 34th in 2023 after reaching 29th in 2014 (Figure 3).

Figure 3: Qatar's Logistics Performance Index Score and Rank, 2007-2023



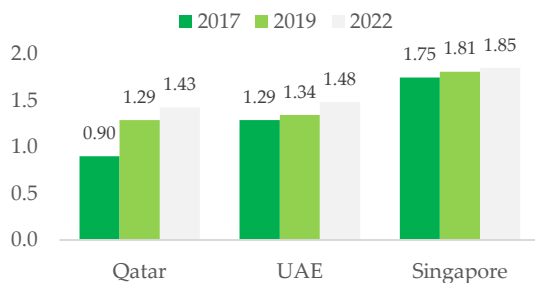
Compared with other GCC countries in 2023, the United Arab Emirates (UAE), which has more advanced logistics infrastructure and global trade hub status, leads with a score of 4.0 and a global rank of 7. Qatar and Bahrain share a score of 3.5, ahead of Saudi Arabia, Oman, and Kuwait. While Qatar performs well regionally, more intensive reforms are needed in digitalisation, integration, and trade facilitation to narrow the wide gap with the UAE. Compared with Singapore, which ranks the top in the world, even further ground-breaking initiatives must be taken to move up in the ranks and meet its goal of reaching the top 15.

Qatar's logistics performance is not yet translating into proportionately lower trade costs, as seen in its elevated bilateral trade costs with key Asian partners. Broader external factors such as regulatory differences, partner country inefficiencies, or global trade disruptions may also influence trade costs. However, it is necessary for Qatar not only to improve logistics performance but also address persistent trade cost inefficiencies, particularly with key partners. To address such inefficiencies, it is important to pay further attention to trade facilitation.

Trade facilitation is improving in multiple fronts

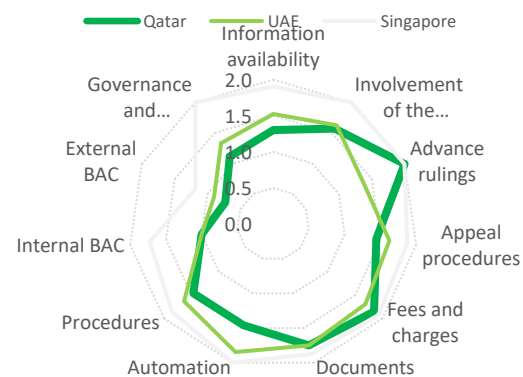
Qatar has been making great progress in improving its trade facilitation systems. As a result, its average trade facilitation performance has steadily improved from 0.9 in 2017 to 1.4 in 2022, with major improvements in advance rulings, automation, and streamlined border procedures. However, its performance still lags behind regional leader UAE and remains significantly below global best practices as exemplified by Singapore (Figure 4).

Figure 4: Comparative Performance of Qatar in Average TFI, 2017-2022



At sub-component level of the Trade Facilitation Index (TFI), Qatar performs well in advance rulings (2.0) and fees and charges (1.8), and is on par with the UAE in trade community involvement (1.6) and documentation (1.8). However, it lags in key enablers of efficiency and transparency—such as automation (1.5 vs. UAE's 1.8 and Singapore's 2.0), information availability (1.3 vs. 1.5 UAE, 1.9 Singapore), and governance and impartiality (1.1 vs. 1.3 UAE, 2.0 Singapore). The lowest scores for Qatar are in external border agency cooperation (BAC) (0.7) and internal cooperation (1.0), areas critical for coordinated and predictable trade facilitation (Figure 5).

Figure 5: Sub-Components of Trade Facilitation, 2022



Time to Take Bolder Actions

While Qatar has made important strides in trade facilitation and logistics reform, progress remains uneven and insufficient to meet the country's ambitious national development objectives. Persistent inefficiencies in trade costs, particularly with key partners, and a plateau in logistics performance demonstrate the need for bolder, more targeted interventions.

To close the gap with global logistics leaders and sustainably reduce trade costs, Qatar must prioritize deeper reforms in automation, inter-agency coordination, regulatory streamlining, and international alignment.

The policy recommendations outlined below provide actionable steps to advance these goals. Further research is needed to understand the root causes of high trade costs and moderate performance in logistics. The evidence presented here already points to clear areas for action.

Advancing these reforms is critical for Qatar to close the performance gap with top logistics hubs reduce its trade costs sustainability and achieve its strategic objective of ranking among the top 15 countries on the LPI.

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2. OECD Trade Facilitation Index (TFI) Database.
<https://www.oecd.org/en/topics/trade-facilitation.html>
3. UNESCAP – World Bank Trade Cost Database.
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4. World Bank Logistics Performance Index (LPI) Database.
<https://lpi.worldbank.org>

Policy Recommendations

1. Fully automate customs and border procedures to enable end-to-end paperless trade.
2. Prioritize FTAs and mutual recognition agreements with key partners to reduce non-tariff barriers and simplify cross-border trade procedures.
3. Improve internal and external border agency cooperation through shared platforms and cross-border data exchange with key trade partners.
4. Introduce AI and block chain solutions for cargo tracking, risk management, and trade documentation, leveraging proven strategies from Singapore.
5. As envisioned, expand and modernize cold chain infrastructure to lower costs for high-value, time-sensitive exports like pharmaceuticals.
6. Offer incentives for private sector investment in smart logistics infrastructure and services.
7. Conduct regular regulatory impact assessments on new trade measures.
8. Develop systems and harmonize procedures to facilitate the delivery of strategic goods ahead of time.
9. Support multimodal transport systems and corridors to gain greater operational flexibility.
10. Reform trade-related dispute resolution mechanisms to ensure transparent appeal procedures.
11. Invest in training and certification programs for custom officials, freight forwarders, and logistics managers to improve human capital, along with strategies to retain a skilled workforce.