

FRANCE AND QATAR: Mutual Economic Benefits

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On behalf of



STUDY

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EXECUTIVE SUMMARY

In the current economic environment, characterized by sluggish economic growth far and wide, **the economic relationship between Qatar and France stands out as surprisingly dynamic.** French export to Qatar is unquestionably booming (+31% in 2014 and +25% in 2015). France has become Qatar's second largest commercial partner, behind the United States, whereas it was in ninth position in 2014.

The vitality of economic relations between the two countries is the result of multiple factors:

- **Qatar's solid economic growth**, which persists despite price drops in oil and gas, the country's main export products. The origins of this growth are to be found in the successful diversification of the country's economy. It is also a real opportunity, as much for major French companies (Total, Bouygues, Thalès, etc.) as for smaller organizations. This applies to all areas of the economy, as the determination to develop the economy around the *2030 National Vision* relies on the creation of activities that are as diversified as possible, a standard of living that is one of the highest on the planet for the population, and the emergence of qualified labor, educated at the world's best universities.
- **Substantial financing requirements for French companies**, when Qataris enjoy extensive resources derived from their energy-based income which they wish to invest in the mid to long term, to anchor their growth and economic development over time. Qatar's investments in France are consequently manifold and significant, coming as much from the Qatar Investment Authority (QIA) sovereign fund, as from the Qatar National Bank (QNB) and major Qatari corporations (Katara Hospitality, Qatar Airways, etc.). They enable new businesses or jobs to emerge or remain in place, and contribute to the development of start-ups and small companies in areas ranging anywhere from luxury hotels to transport, aeronautics and construction.
- **Diplomatic, political and economic relations** that are both strong and long-standing between the two countries, and truly complementary economic structures. Qatar is an emerging economy, whereas that of France already extends well into the past. Qatar is, in other words, thriving economically, where France's growth has been at a stand-

still for years. Qatar remains dependent on hydrocarbon export and end product imports, whereas France's foreign trade is ultimately very diverse. These differences are also complementary factors for two countries that have made innovation, education, culture and sports central to their strategies for development and economic and social progress.

Qatar is a country with which France has developed a trade surplus in excess of €2 billion. In 2014, Qatar became France's fifth largest trade surplus. It also comes in second in terms of investments received from the sovereign fund Qatar Investment Authority (QIA). The latter's investments in French companies have enabled them to launch new businesses. This is the case, for instance, with the investments made by Katara Hospitality, which owns four luxury hotels in France, and the funds of which have made it possible to create nearly 1,500 direct jobs and thousands of indirect jobs in that sector alone in France.

INTRODUCTION

For nearly 20 years now, Qatar has been experiencing an exceptional transformation in its economic development. Considerable investments have been made to modernize the country's economy, attracting many foreign companies to Qatar, while abroad, Qatar investments have been mushrooming. Qatar has consequently developed strong economic and political ties with most of the major economies on the planet. This is true of France, where Qatari investments can be found in multiple sectors of the economy (infrastructure, hotels, sports, but also the luxury sector). As the two countries have come closer together, French companies have been stirred to set out for Qatar, working or investing there. **2015 was, from this standpoint, particularly favorable to economic relations between Qatar and France.** Prominent examples of course include the sale of the Rafale combat aircraft (a contract worth nearly €6.5 billion), but also Thalès (Doha Metro), Bouygues (IDRISS project) and Saint-Gobain (water mega-reservoir), which have won contracts in Qatar, and Chanel or La Fnac, which have opened stores there.

This paper is intended, first, to analyze economic relations between the two countries in order to identify the issues at stake for the two countries and their respective economies. We will endeavor to compare the economic landscapes of these two admittedly very different countries. **These differences are also complementary factors for two countries that have made innovation, education, culture and sports central to their strategies for development and economic and social progress.**

After having laid out the economic landscapes of France and Qatar, we will, in the second section, take stock of the economic relations and trade between the two countries.

1/ COMPARATIVE MACRO-ECONOMIC LANDSCAPES: IN EACH DIFFERENCE LIES A COMPLEMENTARY FACTOR

The 2008 crisis profoundly changed both the economic landscapes of the two countries and the power relationships between so-called advanced and emerging economies. Economic growth in the European countries is being slowed down by the multiple consequences of that crisis. In France, the OECD's latest report points to the need for economic reform and investment in future-facing sectors, when the resources available at national level remain limited. In stark contrast, the emerging countries have enjoyed more dynamic growth, at least at the start of the crisis, to build up currency and significant financial resources, making it possible for them to fund new investments on their soil, as well as across the world. **This is true of Qatar, which initiated multiple reforms to consolidate the development of its economy. The country is posting high and solid economic growth, despite drops in oil prices these past few years.**

The aim of this section is thus to establish the economic lay of the land in the two countries, along three lines:

- Growth and economic development;
- The shift toward open trade in both countries, within a context of globalization;
- The financing of the French and Qatari economies.

The central aim will be to bring out the main lines that distinguish the two economies, which can emerge as complementary factors, laying the foundations for both close economic ties and potential for intensifying relations in the years to come and anchoring it for the long run.

A – Growth and economic development in France and Qatar

These past few years, and for their own respective reasons, the business environments in

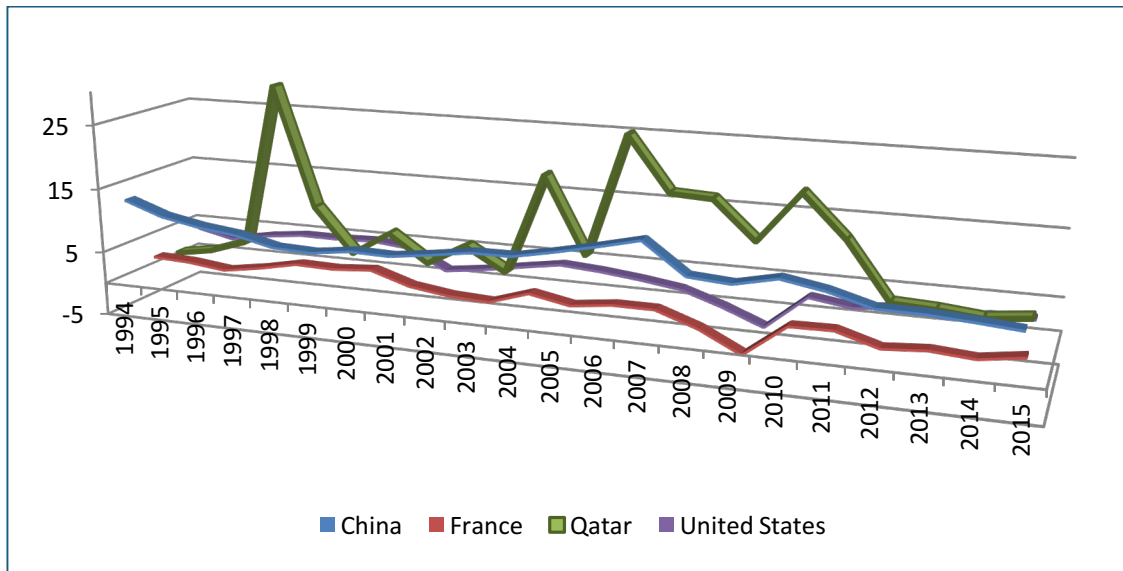
France and Qatar have deteriorated and the two economies now have to deal with a number of risks and threats. Where Qatar is concerned, the drop in hydrocarbon prices has tended to lower the potential for growth, still largely rooted in oil and gas exports. Heightened by crises and regional geopolitical instabilities, the decrease has weakened both public and private investments and public financing. As for France, the economic and financial crisis in the Euro zone is weighing down on growth, not only because it lowers growth potential across the region, but also because it hurts the French economy's competitiveness, when the nation's main partners, even more deeply impacted by the crisis, have restored their own. France's growth is limited in an environment where deteriorated public financing limits the room for maneuver available to the public authorities and where companies are hesitant to invest, seeing that the economic situation remains uncertain.

A1 - The economic landscape in Qatar

According to the rating agency Moody's, Qatar is in good economic shape, despite a relatively deteriorated environment, due to 5 factors:

- Robust economic growth (4.7% in 2015);
- Substantial gas reserves;
- Income per capita with the highest levels across the world;
- A cautious economic, monetary and fiscal policy;
- A solid position in foreign trade, with balance of payments in surplus.

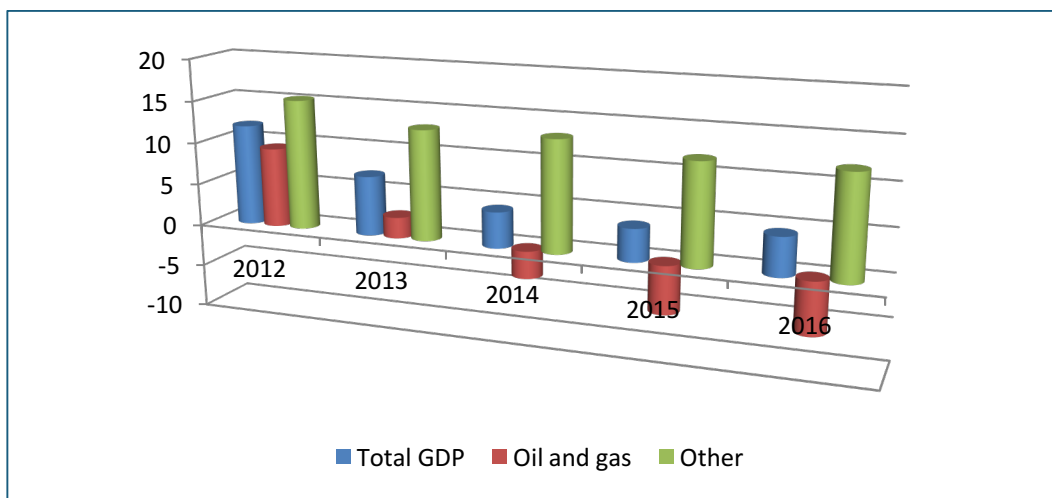
Comparative economic growth, 1994-2015 (in % increase in GDP)



Source: IMF (2015), Global Economic Outlook Database

For more than 20 years now, Qatar has had one of the highest economic growth rates in the world, amounting to an annual average of 8.7% (as compared to 9.5% for China, 3.4% for the United States and 2.3% for France), between 1994 and 2004, and 12% between 2005 and 2015 (as compared to 9.7% for China, 0.9% for France and 1.6% for the United States - see following graph).

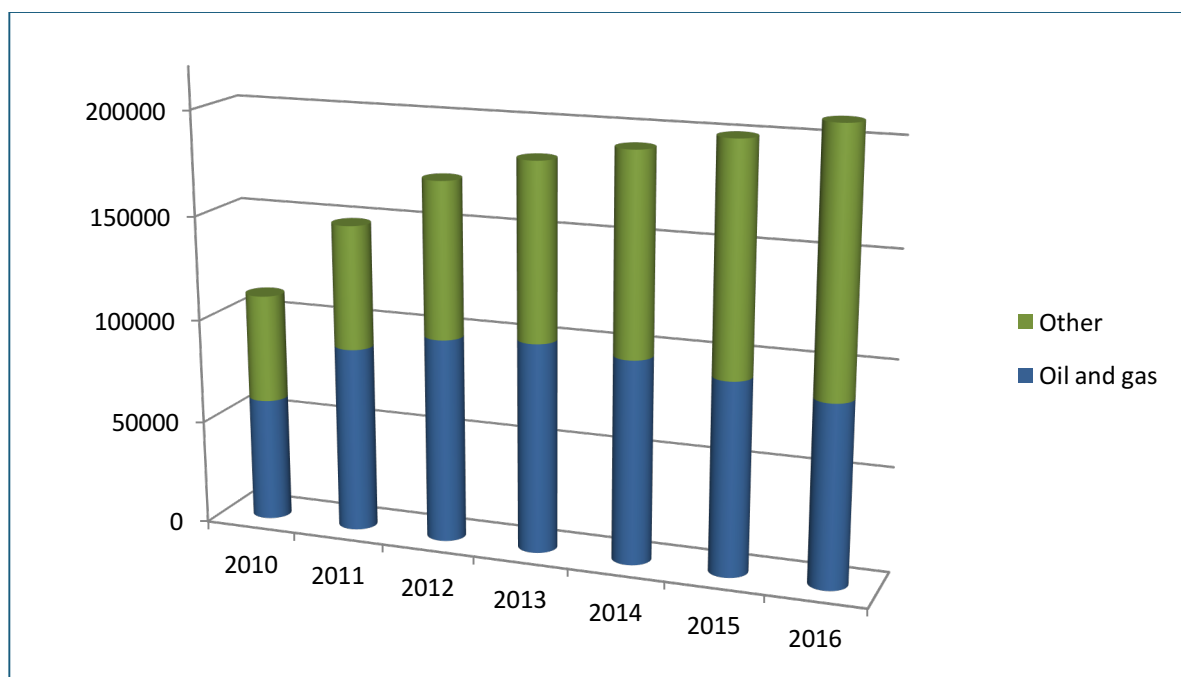
Growth in GDP in "oil and gas" sector and "non-energy" sector (in % of GDP)



Source: Qatar Central Bank (2015), The 38th Annual Report, Financial Stability & Statistics Department

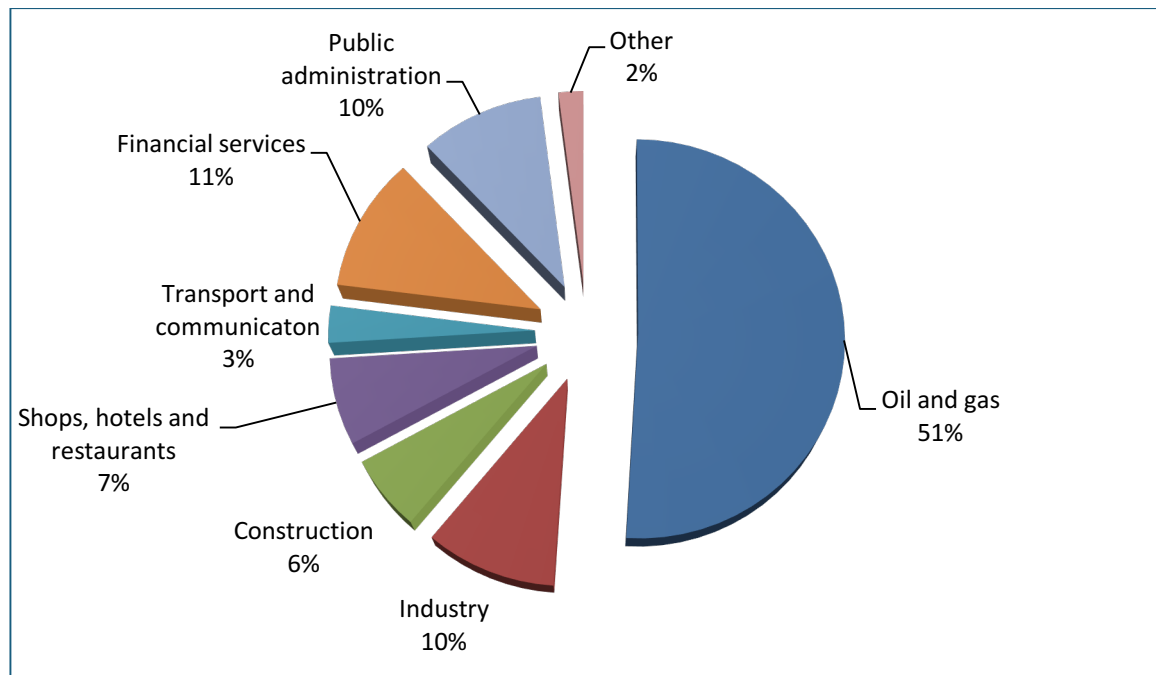
The most spectacular thing for the country these past few years has been the growth rate in the non-energy sector (+13% in 2014, +12% in 2015 and 2016 (forecasts) which has thus become, in just a few years, the Qatari economy's driving force. The dynamism shown by all of the aforementioned sectors is the direct result of the population's high purchasing power, as they continue to be low exporters yet, in return, their development is strengthening and stabilizing the economy, as well as enabling the population's buying power to remain steady or even grow. In exchange, **the Qatari economy's prospects are very attractive for investors and foreign companies.** The steady growth is the result not only of a successful economic development strategy, but also that of the country truly opening up to globalization.

Qatar - Annual production in "Oil and Gas" and "Non-Energy" sectors
(in million euros - average annual exchange rate of the European Central Bank - 2016 forecasts)



Source: Qatar Central Bank (2015), The 38th Annual Report, Financial Stability & Statistics Department

Qatar - GDP breakdown in 2014 (as % of total)

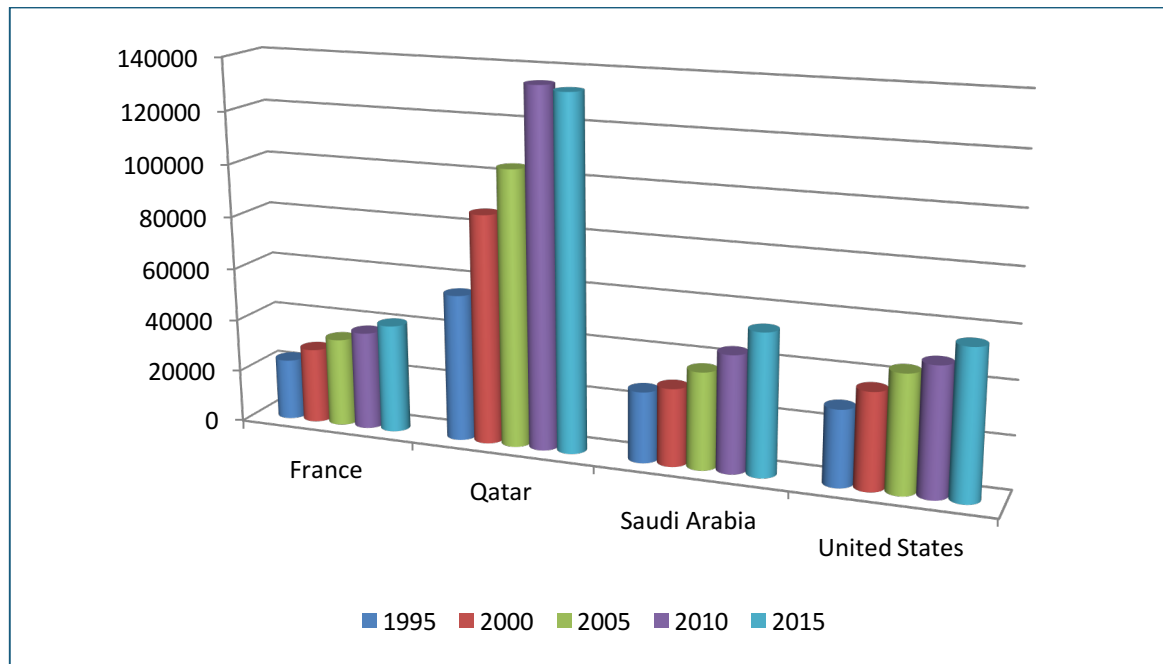


Source: Qatar Ministry of Development Planning and Statistics

The development in the non-energy sector is the result of a strong government policy over the last ten years. This political will is reflected in the 2011-2016 National Development Strategy and the National Vision 2030 (see on the next page).

As a result of that strategy, GDP more than doubled between 2009 and 2013 and it is now greater than that of Kuwait. Qatar has the world's highest GDP per capita in purchasing power parity (or \$133,000 per year per capita in 2015). The economic diversification policy also enabled the rise of a number of players in the Qatari economy, such as Qatar Airways, which is now one of the foremost airlines in the Gulf, or Q-Tel/Ooredoo and Qatar National Bank (QNB), both world-class players in the fields of communications and banking, respectively. QNB has, incidentally, been operating in France for over 35 years, and provides support to most of the French companies that have invested in Qatar. The country's economic vitality truly is an opportunity for foreign companies.

GDP per year and per capita in France, Qatar, Saudi Arabia and the United States for the past 20 years, in dollars and purchasing power parity



Source: IMF (2015), Global Economic Outlook Database



Qatar National Vision 2030

A full-fledged strategic vision for development, the Qatar National Vision 2030 (NV2030) was initiated in 2008. It sets out a series of long-term economic and social targets, including support for economic development and a high standard of living for future generations. It is the long-term uniting concept around which specific economic and social policy frameworks can be developed. It includes five key targets, including: modernization and preservation of traditions; balancing the needs of the present generation and those of future generations; managed growth and uncontrolled expansion; the size and quality of the expatriate labor force and the selected path of development; and economic growth, social development and environmental management. It is structured around four pillars:

- Human development, by building world-renowned education and health systems, effective financing for research and development in order to develop a competent and motivated workforce (increasing and diversifying Qatar's labor force and appropriate participation of expatriate workers).
- Social development, by establishing effective social protection for all Qatari citizens, bringing social structures forward and engaging in international cooperation so as to intensify cultural exchange at both regional and global level, as well as encouraging dialog and cohabitation between different civilizations, cultures and religions, in order to contribute to international peace and security.
- Economic development, defined as sound economic management, by giving priority to reasonable economic growth rates enabling economic stability, sound financial policy, a conducive business environment based on coordination with Gulf Cooperation Council States and Arab and regional economic organizations. It will also be achieved through responsible exploitation of oil and gas (optimum use of resources, promoting innovation in cutting-edge technologies aimed at managing the oil and gas sector, a fully-developed gas industry and long-term maintenance of the strategic reserves of oil and gas) and economic diversification.
- Environmental development, aiming to balance the needs of development with those of environmental protection.

To achieve this, the Qatar National Vision has identified two key challenges: developing the private sector while also providing aid to companies established in the country, and implementing public policies that meet Qatar's development requirements.

Source: Qatar National Vision 2030, General Secretariat For Development Planning, July 2008

In this context of economic growth, Qatar needs many skills not yet available as such in the country. It is partly for this reason that Qatar has opened up to foreign companies over the past few years. These companies bring in their expertise in key areas of development (construction and infrastructure, sanitation and resource management, project management, etc.) along with the skills of highly qualified labor. French companies, well aware of the opportunities available, are prominently present.

JCDecaux Middle East and ELAN Decaux



A French company specialized in outdoor advertising, this company is the world leader in its field. Founded in 1955, JCDecaux became international in the 1990s and now operates in over 70 countries across the world. In the Middle East, JCDecaux Middle East serves as the brand's presence in the United Arab Emirates, Oman, Saudi Arabia and Qatar.

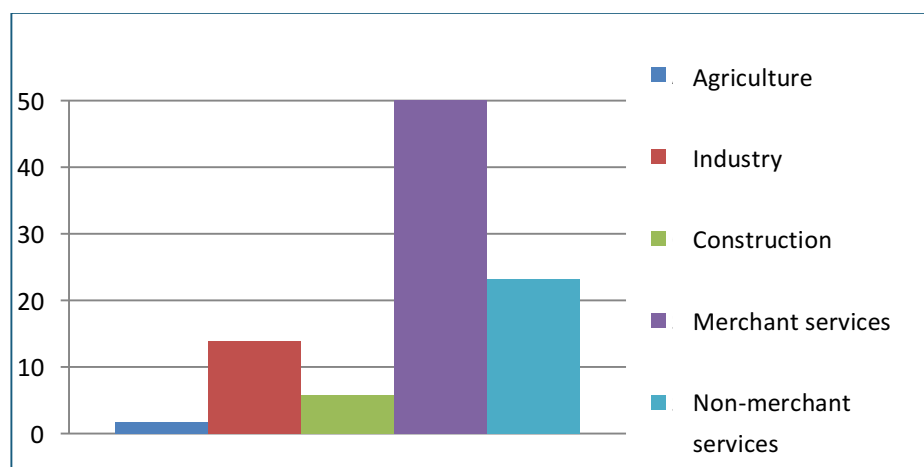
ELAN Decaux is a merger between French company JCDecaux and the leading Qatari player in communications and media ELAN. The company secured the urban development and advertising contract for the city of Doha. It also manages advertising across the country's bus and taxi system (over 10 million travelers per year). The Company is also behind the advertising at two of Qatar's major shopping centers, the Villaggio (over 16 million visitors in 2014) and the City Center (15 million visitors).

One of the consequences of this economic growth is the significant need for both qualified and un-qualified labor. The resident population rose from 890,000 inhabitants in 2005 to just over 2 million by the end of 2013; and is expected to reach 2.3 million in inhabitants in 2018. In 2014, 1.69 million foreigners worked in the country, 238,600 more than in the previous year. The ratio of foreign workers to nationals is 90%, one of the highest in the world. 75% of the foreign workforce is employed in the private sector, reflecting one of the main challenges for the country's economic development: access to an ever-increasing workforce, part of which is highly-qualified and part of which is populous and low-cost. It can be said in passing that, according to a recent study conducted by HSBC Bank and quoted by the magazine *Challenges*, 57% of expatriate women in Qatar earn a higher salary than they could have in their home country (the second-ranking country in this respect is Switzerland, where 56% of expatriate women can make this claim).

A2 - The economic landscape in France

Economic growth in France saw a significant slowdown from the 80s, after several decades of growth (the Glorious Thirties) and following the oil shocks in the 1970s. The increase in oil prices and developing export to new industrialized countries in Asia led to a deep-set crisis in the French economy, which had a particularly significant impact on the country's industry. However, the "de-industrialization" process was more a drop in its relative contribution to GDP to the benefit of services than a decline in France's industry. Industrial manufacturing generated over €700 billion in turnover in 2014, as compared to €493 billion in 1984 (making for 30% growth), at constant prices but barely 14% of GDP (as compared to 22% in 1984). The impact in terms of jobs was significant, leading to the emergence of massive and long-term unemployment and a rapid increase in public spending, which deepened public deficit and magnified public debt.

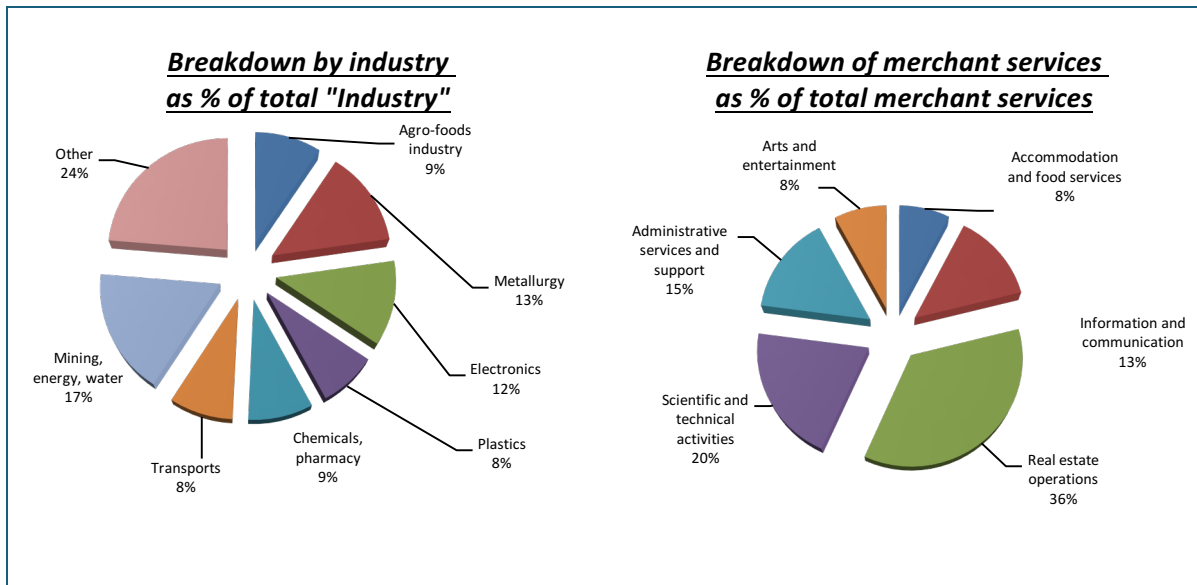
France - Breakdown in GDP (in % in 2014)



Source: INSEE (2015), national accounts

The service sector dominates in economic activity, around a number of strengths: research and innovation, tourism and services to individuals and companies.

Business sectors across the French economy in 2014



Source: INSEE - 2015 National Accounts

In 2015, France's actual GDP increased by 1.2%. This growth, lower than expected, magnified the budget deficit, which increased from 3.3% of GDP in 2008 to 7.5% of GDP in 2009, then 4% of GDP in 2014 and 2015, while France's public debt increased from 68% of GDP to over 98% in 2015, and could exceed 100% in 2016. Unemployment continues to be the economy's main weakness. It amounted to 10.6% of the active population in 2015. Youth unemployment (near 25%) is of concern, but has continued to decline over the last 2 years. France's youth, though highly-qualified and well-trained, no longer has qualms about leaving the country to seek brighter prospects elsewhere. This is particularly true of children of Southern Mediterranean nationals, for whom the vitality of the Gulf countries, first and foremost Qatar, is a true asset. This will, without doubt, also contribute to bringing France and Qatar closer together in the future.

From the standpoint of international organizations, **France is a developed economy** (or advanced, according to the International Monetary Fund's terminology). In other words, **it is a diversified economy, in which domestic consumer spending** (56% of GDP for households and 23% for administrations in 2014) is dynamic enough to be an economic growth driver, unlike most emerging or developing economies, which are often more dependent on their export. **This consumer spending, combined with the economy's diversification, are factors for**

relative economic stability: growth, though deemed low, is relatively steady and crises are generally of lesser magnitude than in less developed countries.

Many of France's major corporations are in the world's Top 10 in terms of turnover in their respective business sectors. Examples include Danone in agro-foods, Adeo (formerly Leroy Merlin) in do-it-yourself, Vivendi in entertainment, LVMH, Kering and Hermès in luxury, L'Oréal for cosmetics, Airbus for aeronautics, Saint-Gobain, Vinci or Bouygues for construction, Lafarge for cement, Michelin for tires, Orange for telecommunications, Publicis and Havas for advertising, Air France KLM for air transport, SNCF for rail, Sanofi for chemicals, etc.

The French companies that ranked in the World's Top 100 in 2013

World ranking	Company	Market capitalization		Turnover		Employees	
		Total In Millions of \$	Foreign-owned in %	Total In Millions of \$	Abroad in %	Total In number of employees	Outside France
5	Total Group	238,870	72	227,901	77.1	98,799	66.4
14	EDF Group	353,574	36.8	100,364	46.8	158,467	18.3
17	Engie	219,759	55.2	118,561	60.8	147,199	49.6
38	Airbus Group	128,474	60.4	78,672	92.2	144,061	62.2
54	Compagnie de Saint-Gobain Group	62,957	85.3	55,795	72.1	187,726	75.0
56	Orange	118,178	44.3	54,409	42.7	165,488	51.6
64	Sanofi	132,266	36.6	43,748	91.9	112,128	49.8
71	Christian Dior Group	71,981	61.0	38,511	88.9	108,546	79.3
78	Lafarge Group	51,046	81.3	20,178	78.2	63,687	77.3
81	Renault Group	103,252	39.6	54,344	75.6	121,807	58.1
86	Carrefour Group	59,981	63.2	98,644	52.3	364,795	73.4

Source: CNUCED 2015 – World Investment Report and Top 100 Transnational Corporations and 2015 Reference Documents regarding shareholder capital owned by foreigners in Total Group

In the 2015 annual rankings of the Top 100 Global Innovators published by Thomson Reuters, which consider the number, quality and influence of patents filed, France ranked third world-wide, with seven companies (Arkema, Alstom, Alcatel-Lucent, Safran, St Gobain, Thalès and Valeo) and three laboratories (CEA, CNRS, IFP-New Energies) in the rankings. France is second only to Japan (40 companies) and the United States (35).

Key Economic Indicators for France/Qatar in 2015

	France	Qatar
Total land surface area in km ²	643,801	11,571
Population in millions	64.2	2.4
GDP in billions of \$	2,423	192
Growth in GDP in %	1.16%	4.7%
GDP in billions of \$ and purchasing power parity (ppp)	2,647	324
Percentage of GDP (ppp) in global GDP in %	2.34%	0.29%
GDP per capita in \$	37,728	78,829
GDP per capita in \$ and ppp	41,221	133,040
Inflation rate in %	0.15%	1.6%
Jobs in millions of individuals	24.9	NA
Unemployment rate in % of the active population	10.2%	NA

Source: International Monetary Fund, Global Economic Outlook Database, October 2015

Notwithstanding, the bulk of France's companies are small and medium-sized structures. In 2014, there were more than 3 million SMEs (excluding agriculture, finance and insurance) in France, accounting for 99.8% of companies, 49.3% of salaried jobs (in full-time equivalent), and 15.5% of revenue from export. In 2013, France registered 538,200 company openings and 62,429 bankruptcies. Its vitality has also shown through in recent years with the increasing number of "start-ups" in business sectors emerging around information and communication technologies, the "uberisation" of the economy and the development of the green, social and solidarity-based economy. **However, the most prominent issue faced by such companies today lies in finding financing.** France's major financial institutions, which have become systemic, or in other words global, find greater appeal in complex or international financial investments, which are admittedly riskier, but also more profitable in the short term than financing a new economy with lower returns. The French government has taken a number of measures to remedy this situation, including the newly created competitive clusters, research tax credits, and BPI and OSEO. The system is also designed to attract capital and foreign companies in order to support the development of this new economy and job creation.

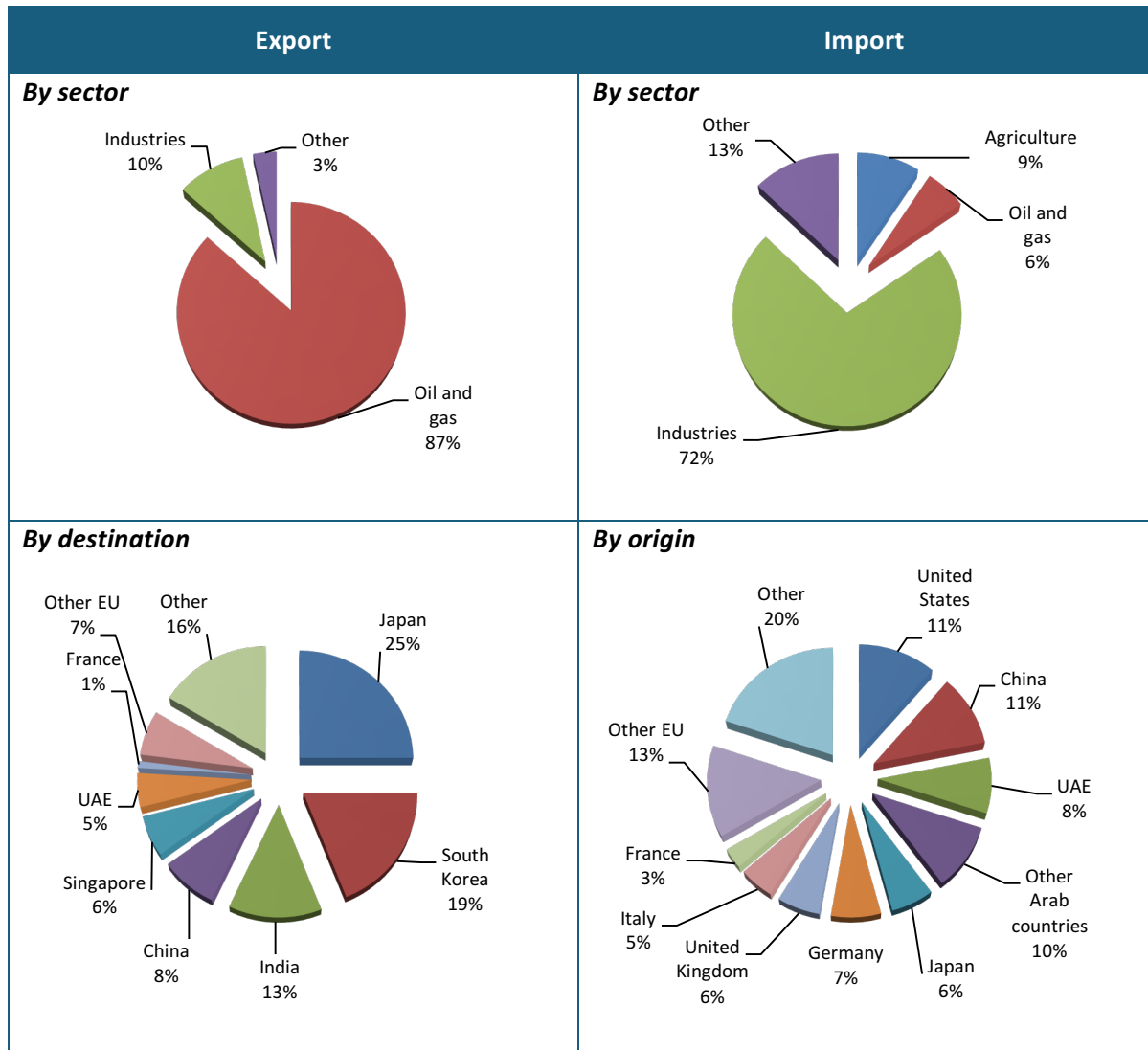
KEY TAKEAWAYS:

- Qatar's economy is emerging and in the midst of an economic boom, despite a real weakness in global economic growth and the drop in oil prices.
- Its solid economic growth is built on diversification of the economy and a very high standard of living (GDP per capita was, in purchasing power parity, the highest in the world in 2014).
- There are many opportunities for French companies in all areas of activity.
- Qatar furthermore shows real interest in investments from those companies, with major contracts granted (infrastructures, transport) and financial support.
- France's companies are, meanwhile, attracted by the financing capacity of Qatari investors, ever more present in France, and in sectors ranging anywhere from luxury hotels to sport, transport, etc.

B - France and Qatar in the age of globalization: compared market openness

Both France and Qatar are countries highly open to international trade. France's trade with the rest of the world amounted to €1,000 billion in 2015, 34% of GDP (including both import and export). **As to Qatar, import and export combined amounted to 16% of GDP** across the country in the same year. Qatar massively exports hydrocarbons, which in 2014 still amounted to 10% of its GDP, despite a marked decrease in its export, as oil prices flattened. **With a trade balance that remains in surplus, Qatar was able to bring in nearly €5 billion in revenue in 2014.** The country's export destinations continue to show little diversity, with France accounting for only 1% of Qatari's trade outlets. 80% of exports were aimed at Asia, with Japan the leading importer of Qatari hydrocarbons, though outlets there have tended to recede these past years, to the benefit of India, Singapore and China, the next three most significant outlets.

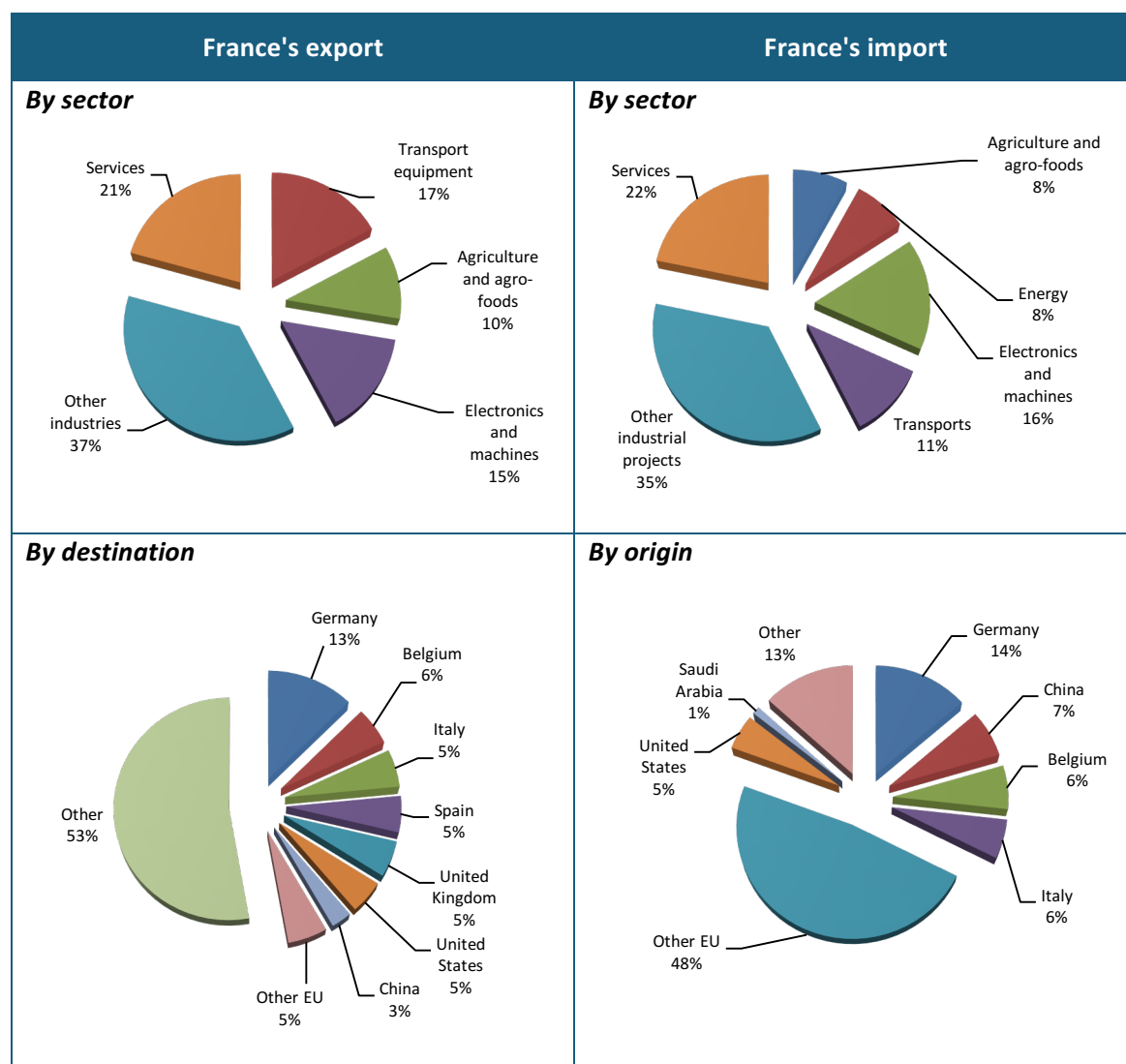
Qatar's Foreign Trade in 2014 (as % of total)



OMC (2015), Qatar Country Profile – World Trade Statistics

Unlike its exports, Qatar's imports are far more diverse, as illustrated by this economy's trends and development. The needs of local industry and consumers are such that imports of manufactured products dominate (72% of total import, 3% of GDP in 2014). Agriculture is another major line of import, as the climate does not enable diversified crops. European Union countries are some of the country's main suppliers. They provide for 34% of Qatari imports, with France positioned fourth in 2014, though its market share grew sharply in 2015.

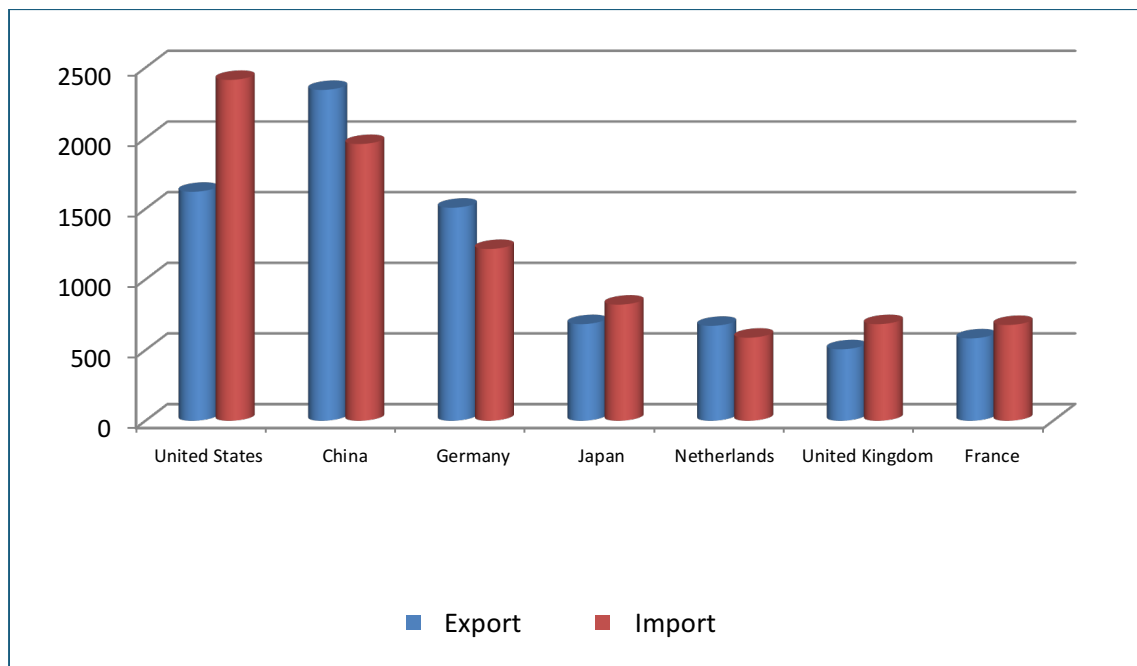
France's Foreign Trade in 2014 (as % of total)



Source: INSEE (2016), Comptes nationaux, rubrique commerce extérieur de la France
[French Statistics Agency, National Accounts, France's Foreign Trade], 2015

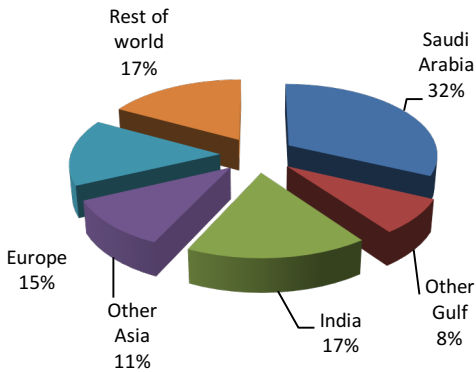
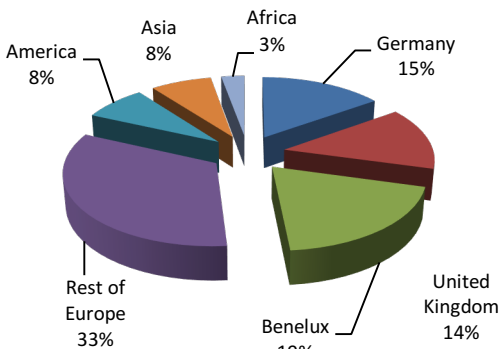
Like its economy, **France's foreign trade is particularly diverse**, both in the products it exports and the partners with which it works. However, France has been struggling to boost its export and global market share for some ten years now, and recurrently posts a trade deficit. The country remains, however, a major commercial power, sixth in terms of export behind the United States, China, Germany, Japan and the Netherlands, as well as in terms of import, behind the United States, China, Germany, Japan and the United Kingdom.

The major commercial powers in 2014 - in billion dollars



Source: WTO (2015), World Trade Report

In a further illustration of how the two countries are opening up their trade relations, they show the same determination to develop their tourism industries, Qatar around the FIFA World Cup in 2022, which it will be hosting, and France, increasingly aware of the benefits of tourism for the country's renown, has made it a priority these past few years. Very much a common point between the two countries, tourism is typically a business sector where the convergence between the countries offers synergies for shared development of activities, wealth and jobs.

TOURISM IN FRANCE AND QATAR																															
QATAR	FRANCE																														
<p>It is the Qatar Tourism Authority that developed Qatar's Strategic Plan on tourism implemented in 2014. The Qatar Development Bank offers financing at preferential rates for this purpose. Coordinated with other planning in the lead-up to the 2022 FIFA World Cup, the strategic plan calls for Doha to be a major regional convention center and transit platform between Europe/America and East Asia.</p> <p>In 2014, tourism in Qatar amounted to:</p> <ul style="list-style-type: none"> • 2% of GDP; • 2.8 million visitors (+8% in one year and a target of 7 million in 2030); • a 73% hotel occupancy rate (65% in 2013); • over 40 regional and international conferences; <p>Origin of tourists in 2014</p>  <table border="1"> <caption>Origin of tourists in Qatar 2014</caption> <thead> <tr> <th>Origin</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Saudi Arabia</td> <td>32%</td> </tr> <tr> <td>India</td> <td>17%</td> </tr> <tr> <td>Rest of world</td> <td>17%</td> </tr> <tr> <td>Other Asia</td> <td>11%</td> </tr> <tr> <td>Europe</td> <td>15%</td> </tr> <tr> <td>Other Gulf</td> <td>8%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • over 2.5 billion dollars in contracts granted to companies in the sector; • world-class players (Qatar Airways, Katara Hospitality, etc.). 	Origin	Percentage	Saudi Arabia	32%	India	17%	Rest of world	17%	Other Asia	11%	Europe	15%	Other Gulf	8%	<p>Tourism is truly one of the French economy's strengths. France is the world's most visited country and continues to enjoy the third highest revenue in the world from tourism. France's appeal is owed to the large number and tremendous variety of its points of interest, the diversity of its landscapes, the breadth of its historical, cultural and artistic heritage, the temperate climate, and convenient access points and transport infrastructures.</p> <p>In 2014, tourism in France amounted to:</p> <ul style="list-style-type: none"> • 7.4% of GDP; • 84 million foreign visitors (1st place); • 43 billion euros in income (or 3rd place, behind the United States at 133 billion, and Spain at 49); <p>Origin of tourists in 2014</p>  <table border="1"> <caption>Origin of tourists in France 2014</caption> <thead> <tr> <th>Origin</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Rest of Europe</td> <td>33%</td> </tr> <tr> <td>Benelux</td> <td>19%</td> </tr> <tr> <td>Germany</td> <td>15%</td> </tr> <tr> <td>United Kingdom</td> <td>14%</td> </tr> <tr> <td>Asia</td> <td>8%</td> </tr> <tr> <td>America</td> <td>8%</td> </tr> <tr> <td>Africa</td> <td>3%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • A surplus trade balance for the past 20 years and 6.8 billion surplus trade balance in 2014; • world-class players (Air France-KLM, Accor, etc.). 	Origin	Percentage	Rest of Europe	33%	Benelux	19%	Germany	15%	United Kingdom	14%	Asia	8%	America	8%	Africa	3%
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Saudi Arabia	32%																														
India	17%																														
Rest of world	17%																														
Other Asia	11%																														
Europe	15%																														
Other Gulf	8%																														
Origin	Percentage																														
Rest of Europe	33%																														
Benelux	19%																														
Germany	15%																														
United Kingdom	14%																														
Asia	8%																														
America	8%																														
Africa	3%																														

Key Trade Indicators for France/Qatar in 2015

	FRANCE	QATAR
Export in	849.6	144.5
Export as % of GDP	30%	68.5%
Import in	925.6	64.6
Import as % of GDP	32.7%	30.5%
Trade balance in billion \$	-75.9	+79.9
Trade balance as % of GDP	2.7%	38%
Main trade partners	EU, United States China	Japan, South Korea, China, India, EU and the United States
Main exports	Manufactured products	Oil and gas
Main imports	Energy, Manufactured products	Manufactured products
Growth in imports of goods and services in %	5.3%	4.6%
Growth in exports of goods and services in %	5.8%	1.1%

Source: IMF 2015 and WTO (2015)

KEY TAKEAWAYS:

- Significant foreign trade in both countries (34% of GDP in France and 16% in Qatar).
- Surplus trade balance on Qatar's side, dominated by gas export, and a trade deficit on France's side, despite diverse trade, both in terms of the goods and services imported and exported and the trade partners with which it works.
- France was Qatar's second largest trade partner in 2015 (whereas it was ninth in 2014), and still enjoys potential for progress and substantial development. The reciprocal development of tourism offers an illustration of this.

C - The two economies' mechanisms and financing

Financing is, for any economy, the crucial factor underpinning its current and future vitality. It can come from public (governments and local authorities) and private (firms, financial institutions and households) stakeholders, or foreign investors (investments in portfolios or foreign direct investments). Both France and Qatar enjoy all three of these types of investments.

Financing for the French and Qatari economies in 2015

	FRANCE	QATAR
Total investment as % of GDP	21.7%	22%
Gross savings as % of GDP	21.5%	51.4%
Public revenue as % of GDP	53.2%	40%
Public expenditure as % of GDP	57%	36%
Public deficit as % of GDP	-3.8%	4.5%
Net debt as % of GDP	89%	-118%
Gross debt as % of GDP	97%	30%
Incoming FDI flows in billion \$	15.2	1.04
Incoming FDI flows as % of total investments	2.5%	1.4%
Outgoing FDI flows in billion \$	42.9	6.75
Incoming FDI flows as % of total investments	7%	9.4%
Stock of incoming FDI flows in billion \$	729	31
Stock of incoming FDI flows in % of GDP	25.6%	14.8%
Stock of outgoing FDI flows in billion \$	1279	35.2
Stock of outgoing FDI flows in % of GDP	44.9%	16.8%

Source: International Monetary Fund, Global Economic Outlook Database, October 2015

Both public and private investment remains very important to Qatar. **Between 2003 and 2008, the percentage of private investments in Qatari's GDP amounted to 31.6%, which is the highest figure in the region (Bahrain = 23%). Between 2009 and 2014, however, private investments amounted to only 22% of GDP. This is due to the increase in GDP, as they continued to surge and even slightly exceeded those of the previous period.** Growth in private investments amounted to 8.3% on average between 2003 and 2008, and 8.5% between 2009 and 2014, making it the fourth country in the region.

INVESTMENT RULES IN QATAR

Law 13 ratified in 2000 provides that foreign investors may invest in any sector of the Qatari economy, provided that they have a Qatari partner with a stake in share capital no lower than 51%. It provides that exceptions to the rule may be granted, with the approval of the Ministry of Economy and Trade (MET), making it possible for foreign investors to increase their stake in share capital to 100%. This is particularly the case with agriculture, the manufacturing industry, health, education, tourism, natural resource development and mining, energy and/or extraction industries, consulting services, IT services, cultural, and sporting and recreational services, provided that the projects are compatible with Qatar's development target.

Preference should be given to projects that use "raw materials available in the local market, manufactured products for export, and projects concerning a new product or use of advanced technology".

The Law prohibits foreign investment in banks and insurance companies as well as in commercial agencies and in real estate.

Incentives have been instituted to attract foreign investments:

- Foreign investors can lease land for up to 50 years, under long-term contracts (renewable).
- Foreign investors may import all equipment needed for their projects.
- Foreign capital invested is exonerated from tax duties for a period not to exceed ten years from the date of the investment project's implementation. Exemption from customs duties on imports of machinery, equipment and spare parts have also been provided.

These investments are largely supported by public funding in the country. The Qatari government's investment program provides that 220 billion shall be invested over the upcoming years, looking ahead to the 2022 World Cup. Investments are made in special economic zones to attract SMEs and stimulate creation, in public transport systems (metro and rail), and in road and port infrastructure.

Qatar Airways in France



Qatar Airways is Qatar's national airline. Founded in 1997, the airline has become one of the leaders in its sector in less than 20 years, and has already been commended three times, earning Skytrax's "Best Airline of the Year" Award (2011, 2012 et 2015). Qatar Airways is the Middle East's only airline to have been awarded 5 stars by Skytrax. The company's new hub, Hamad International Airport, the world's first airport designed to accommodate the A380 is the center-pin of the airline's network, which provides connections to over 150 destinations across the world, on all continents. Qatar Airways has become one of the Middle East's foremost networks in just a few years.

Qatar Airways has operated for over 15 years from France and now offers three flights daily between Paris and Doha, with service to the Middle East, Asia, Africa and Australia. Its partnership with the SNCF as part of the TGV AIR Program also enables the airline to operate from 19 cities in France, offering them as final destinations to passengers the world over. Qatar Airways has also announced that it will be back in Nice, from summer 2017. As the second departure point for Qatar Airways in France, the opening of operations in Nice will enable residents on the Riviera to take advantage of the airline's world-wide connections and make it possible for numerous new visitors to experience the region's delights for the first time. One or two flight crew recruitment sessions are held in France each year, so that service in French can be offered on the company's flights.

First taking to the air in 2015, the A350 became an immediate commercial success. With an initial order of 80 aircraft, Qatar Airways kicked off the program, contributing actively to the development of a new aircraft already acclaimed for the outstanding comfort and efficiency it boasts (reduced fuel consumption, etc.). Qatar Airways brings this pinnacle of French industrial design to the rest of the world, having deployed it in Europe (Munich and Frankfurt), Asia (Singapore), the United States (New York and Boston), and even in Australia (Adelaide).

Majority-owned by Airbus, the Qatar Airways fleet deploys the full range of the manufacturer's designs, from the A319 to the A380. In addition to 103 Airbus' already flown by QA, more than 170 aircraft have already been ordered, generating several thousand direct and indirect jobs in France, at Airbus and at all of its subcontractors, amounting to 6 years' work for the manufacturer and its suppliers.

Foreign Direct Investment (FDI) is another key driver for Qatar's economic development. It amounted to \$2.8 billion per year on average, between 2004 and 2013, or 3.6% of GDP. Qatar's FDI stock stood at an estimated \$35 billion at the end of 2015, an increase of over 11% compared to 2014, accounting for 15% of the country's GDP. Furthermore,

the country massively invests abroad through its sovereign fund, the Qatar Investment Authority. The fund's central aim is to invest the income derived from oil and gas in order to curb the Dutch syndrome¹ but also to spread the income resulting from an exhaustible source over multiple generations.

Qatari investments and the luxury hotel industry in France



Katara Hospitality is the Qatar Investment Authority subsidiary in charge of investing in the hotel sector in Qatar and the rest of the world. It currently owns 35 hotels (already open or in the process of being developed) in Qatar and in several countries across three continents: Egypt, Morocco, United Kingdom, France, Germany, Italy, Spain, Switzerland, the Netherlands, Singapore and Thailand. 25 new projects are expected to come into being by 2026, resulting in more than 60 properties.

With a figure expected to double over the course of the next decade and over 6,000 rooms on offer (4 and 5 star), Katara Hospitality is one of the world's foremost luxury hotel companies.

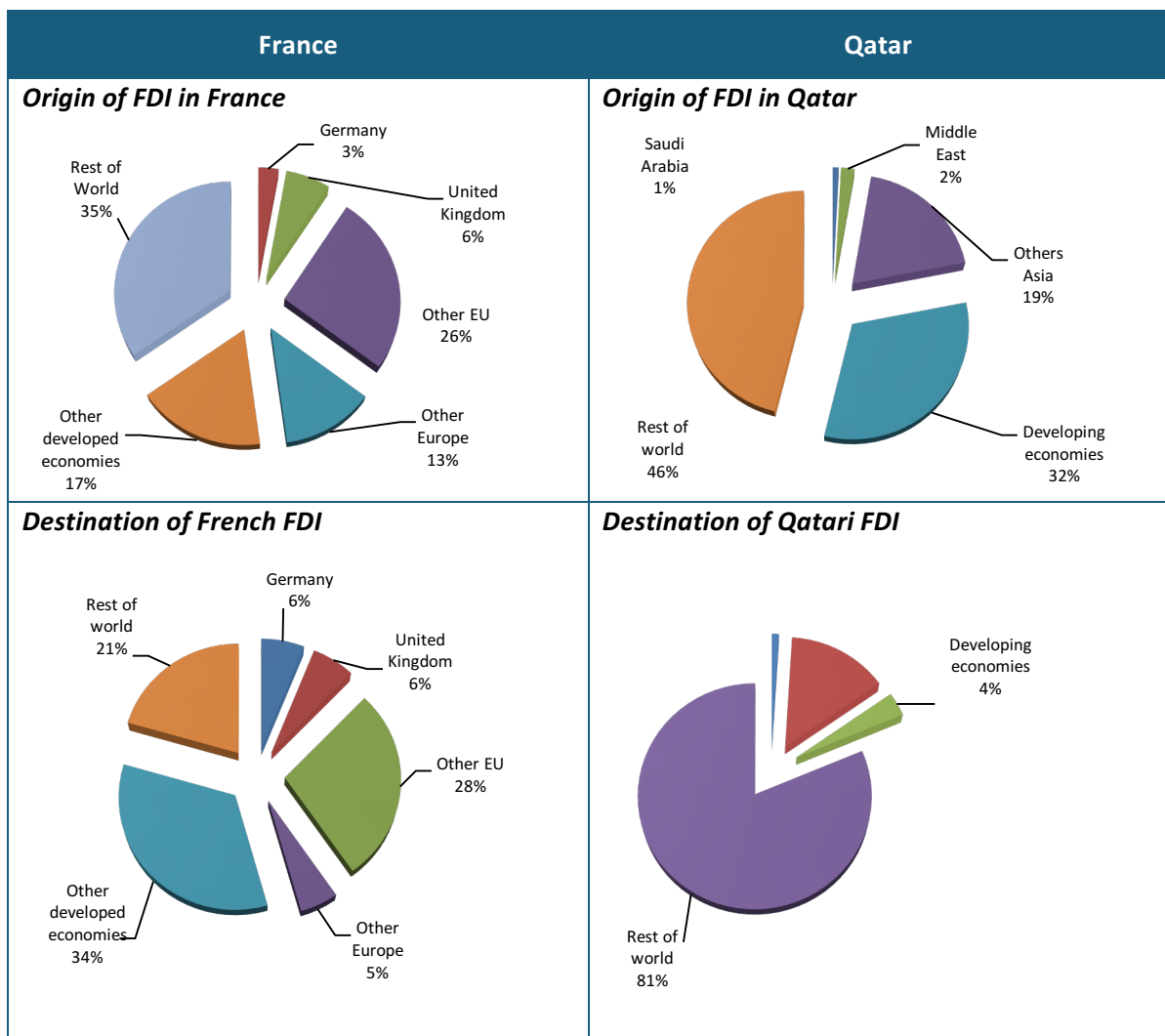
In France, Katara Hospitality owns four hotels through its subsidiary, Katara Hospitality France: The Royal Monceau Raffles Paris, The Peninsula and the Buddha Bar Hotel in Paris, along with the InterContinental Carlton Hôtel in Cannes. These hotels account in total for over 1,500 direct jobs and thousands of indirect jobs, making Katara Hospitality the leading Qatari employer in France.

The investments incurred exceed €2 billion. One of the angles of these investments in France consists in investing in luxury hotel restoration, with respect for tradition and the sites' history. This is the case of The Peninsula in Paris, which opened in 2014 after four years of works, and The Royal Monceau, also in the capital. The restoration work also provides opportunities for France's finest craftsmen. It increases the hosting capacity of luxury hotels in Paris and across France, which is appealing to both a domestic and international customer base.

¹ The Dutch syndrome, also referred to as the Dutch Disease, is a phenomenon affecting countries that massively export a good when the price of that good suddenly increases on the global markets. The export revenue that the countries then take in reaches such levels that they maximize national currency, raising the price of the country's other exports. This type of phenomenon can most frequently be seen in the event of raw material export, in particular, oil. The national economy's declining competitiveness leads, in almost all instances and automatically, to crises in other sectors of the economy, consequently causing those activities to fall out of existence. This can be avoided through the use of sovereign funds, specifically by recycling revenue into foreign currency on non-domestic markets, so as to prevent the national currency from growing stronger.

France, Germany and the United Kingdom were, in 2014, the main recipients of investments. Five business sectors share the funds: energy, real estate, the luxury hotel industry, financial services and telecommunications. The challenge for Qatar will lie in also taking advantage of this foreign capital to support the country's economic development and form the nation's heavyweights in all of the economy's key sectors, like Qatar Airways in air transport, Qatar Petroleum, the Qatar National Bank, etc.

French and Qatari foreign direct investment stock in 2014



Source: CNUCED (2015), World Investment Report

Incoming FDI stock in Qatar is concentrated primarily in mining (45.2%) and processing industries connected with oil and gas projects (14.4%). These are, for the most part, greenfield projects, meaning asset creation amounting to 1.2 billion invested in 2014, still

far from the 5 billion posted annually between 2005 and 2007. This sharp and constant decrease in investments by foreign companies in Qatar since the 2008 crisis also explains, in part, the determination to diversify the economy. Furthermore, Qatar has invested more than 3.8 billion to take over companies via mergers and acquisitions across the world.

KEY TAKEAWAYS:

- Two economies open to foreign financing and supported by heavily involved governments, determined to support both countries' economic vitality.
- Qatar's interest in investing abroad can be ascribed to the need to diversify a domestic economy that could be weakened – economically, politically and socially – by its excessive dependency on hydrocarbon exports.

2/ ECONOMIC RELATIONS BETWEEN FRANCE AND QATAR:

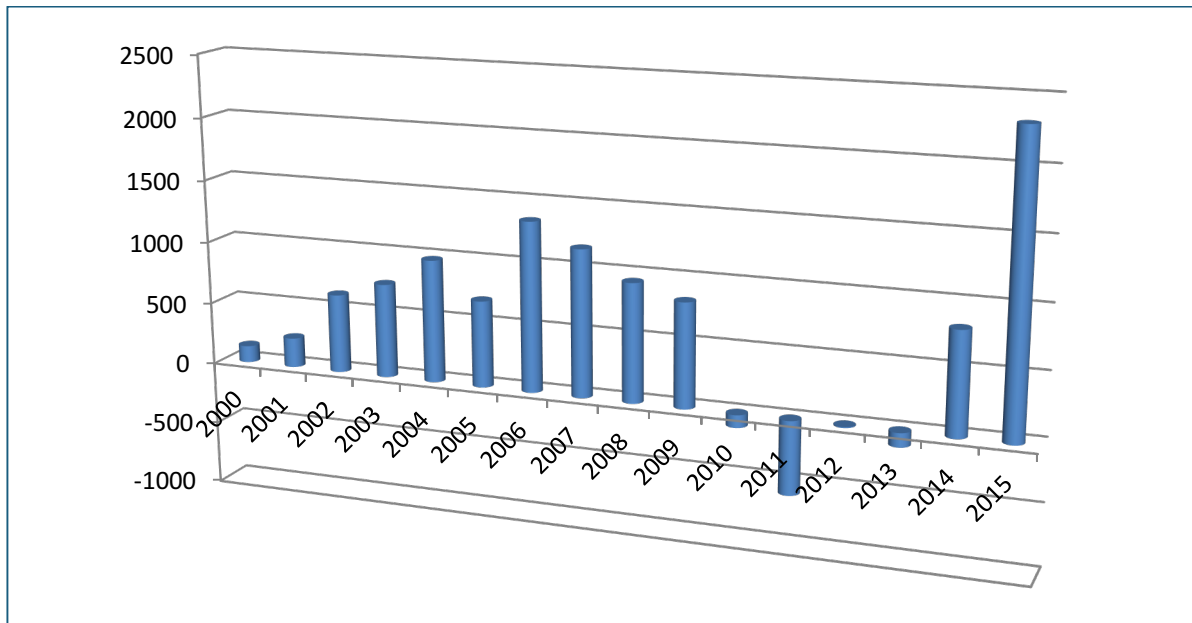
The complementary economic landscapes and areas of specialization, and thus resources and needs, between the two countries, naturally fosters the development of economic relations between France and Qatar. This has been made clear in the first section of this paper. That being said, bilateral economic relations between the two countries are anything but disconnected from the geopolitical and economic environment and solely based on the two countries' comparative benefits. Against this background, the political factors and relations between the two countries with their economic partners (France in the European Union and Qatar in the Middle East, for instance) inevitably impact the choices and decisions of private economic players. Such is the picture that emerges from this section and one of the reasons for which trade as well as investment between the two countries has been gaining magnitude these past few years, around three aspects:

- Commercial trade between the two countries;
- Qatari investments in France;
- The presence and positioning of French companies in Qatar – these are considered in this second section.

A - Commercial trade between the two countries

Commercial trade between France and Qatar tends to be favorable for France, from the standpoint of commercial balance, as Qatar is looking more for knowledge transfer and growth drivers for its economy than for direct, short-term financial gains. Consequently, France's trade balance with Qatar is generally on the surplus side, as French export to Qatar exceeds Qatari import to France. Commercial relations between the two countries are based on their respective economic structures, as described in the first part of this study and on the complementary features that result from them. France exports a variety of products, from equipment to consumer goods, for which there is a growing need in Qatar, while the share of hydrocarbons in Qatari export remains preponderant. Furthermore, the commercial outlets for Qatar are found more in Asia.

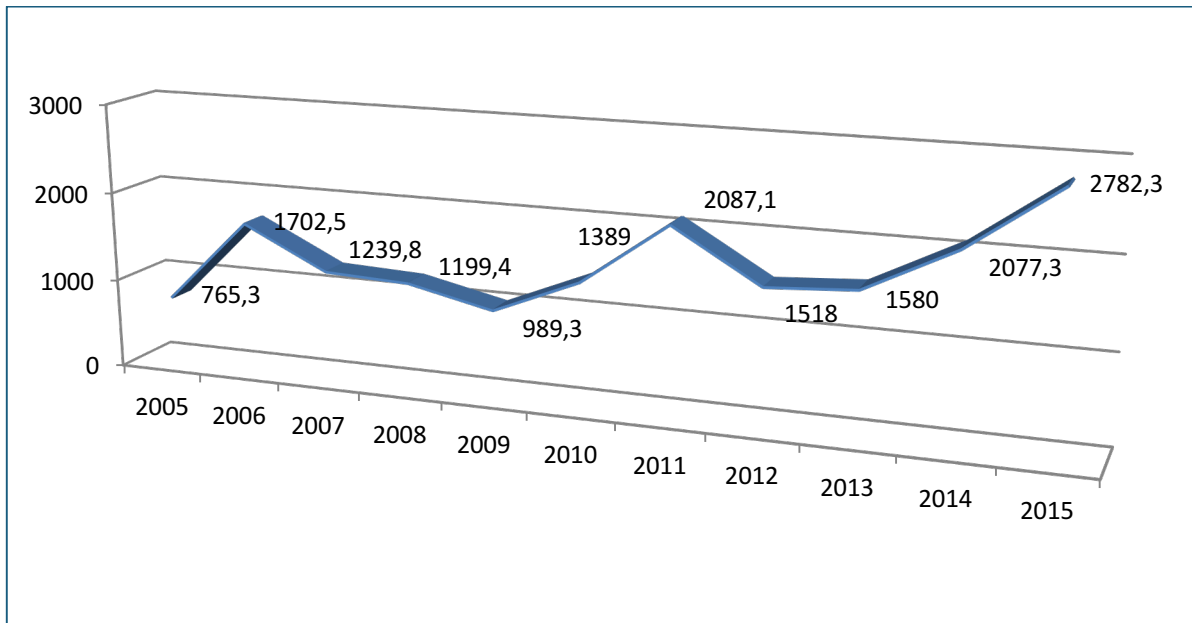
Commercial balance between France and Qatar (in million euros)



Sources: French Customs and Economic Department of the French Embassy in Doha

France posted a record-high surplus in 2006, taking in €1.35 billion more in trade with Doha that year. After 2006, the rise in hydrocarbon prices affected, though to a moderate extent, France's foreign trade balance with Qatar. France's surplus fell by 15% in 2007, 24% in 2008 and 14% in 2009 but still remained on the surplus side. It was in 2010 that the slowdown in the French economy and its slump in competitiveness due to the crisis started to weigh down on French-Qatari trade. The first deficit came in 2010 (amounting to €99 million), opening the door to a record-high deficit of 583 million in 2011. It was not until 2014 that the drop in hydrocarbon prices, combined with a notable increase in French exports returned France to a trade surplus situation. This surplus reached €814 million in 2014 and over 2.31 billion in 2015, an increase of nearly 65%. **In 2015, Qatar was France's Number 5 trade surplus country, behind the United Kingdom, Hong-Kong, Singapore and the United Arab Emirates. That same year, France consequently became Qatar's second largest supplier, just behind the United States, whereas it was in ninth position in 2014.** At the regional level, in 2014, Qatar fell from fourth place to third place amongst France's customers in the region, behind the United Arab Emirates and Saudi Arabia, and remained its fourth largest supplier. The following graph confirms the ramp-up in commercial ties between the two countries over the past three years.

Total trade between France and Qatar (Export + Import, in million euros)

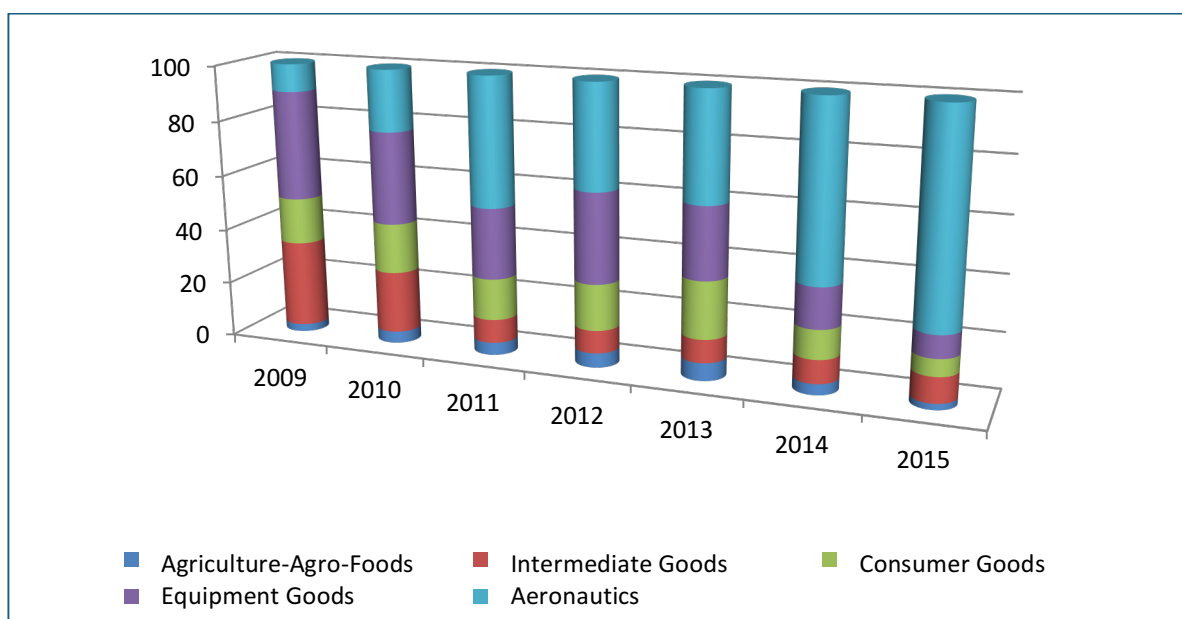


Data source: French Customs and Economic Department of the French Embassy in Doha

After a sharp decrease in 2012 (-25%) and a slight increase in 2013 (1.7%), **trade between the two countries established itself firmly in 2014 (+31%) and 2015 (+25.3%), when it amounted to €2.1 billion.** French export to Qatar is based on three main components:

- **Airbus deliveries to Qatar Airways** (between 20% and 60% depending on the year), aeronautic export accounted for nearly 75% of France's export to Qatar in 2015 (as compared to barely 10% in 2009),
- **Equipment supply under major contracts** (between 25% and 40%),
- **Current trade** (between 25% and 45%).

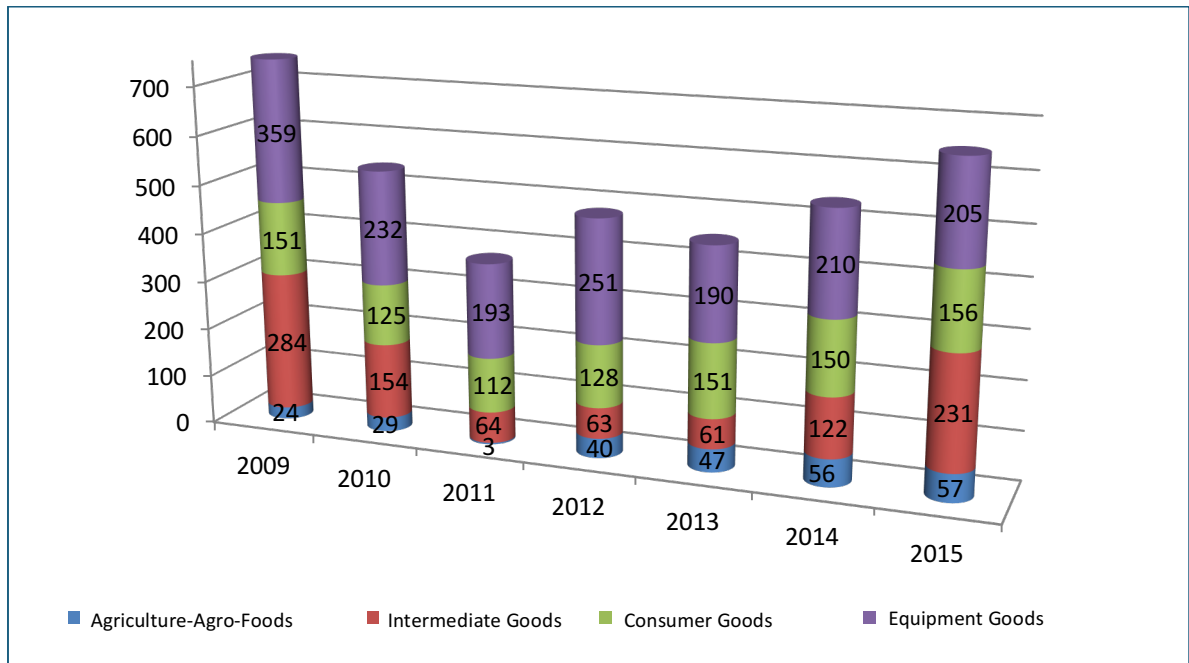
Structure of French export to Qatar (in % of total)



Sources: French Customs and Economic Department of the French Embassy in Doha

During 2014, total Airbus sales grew by 215%. They already accounted for the bulk of our export in 2013, and remain by far our leading source of export to Qatar. **Excluding aeronautics, our export posted a 20% increase and amounted to €539 million.** Equipment goods sales rose by 10.5% compared to 2013 (210 million), as projects connected with the 2022 World Cup started up. They accounted for 14.5% of total export and 39% of our export excluding Airbus. Metallurgical and metal products, excluding machines and equipment, also increased sharply (+42.5% in 2014, or 21.2 million), due to a 291% increase in sales of foundry works and metal structures and parts of structures (9.6 million, + 209%).

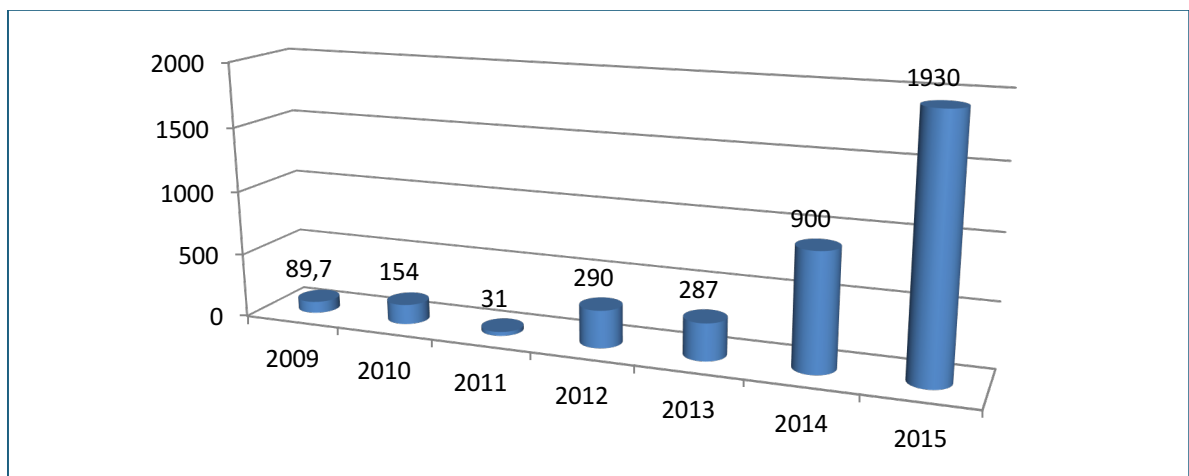
Structure of French export to Qatar, excluding aeronautics (million euros)



Sources: French Customs and Economic Department of the French Embassy in Doha

Consumer goods exports (10% of our sales) stagnated in 2014, but took a turn for the better in 2015. Agro-food product exports continue to improve (+17% in 2013, +19.3% in 2014 and +2% in 2015). They account for 8.7% of French export in Qatar excluding aeronautics, particularly due to food industry products (30 million, +21.9%): dairy and cheese products (7.2 million, +10.6%), prepared foods (6 million, +36.3%).

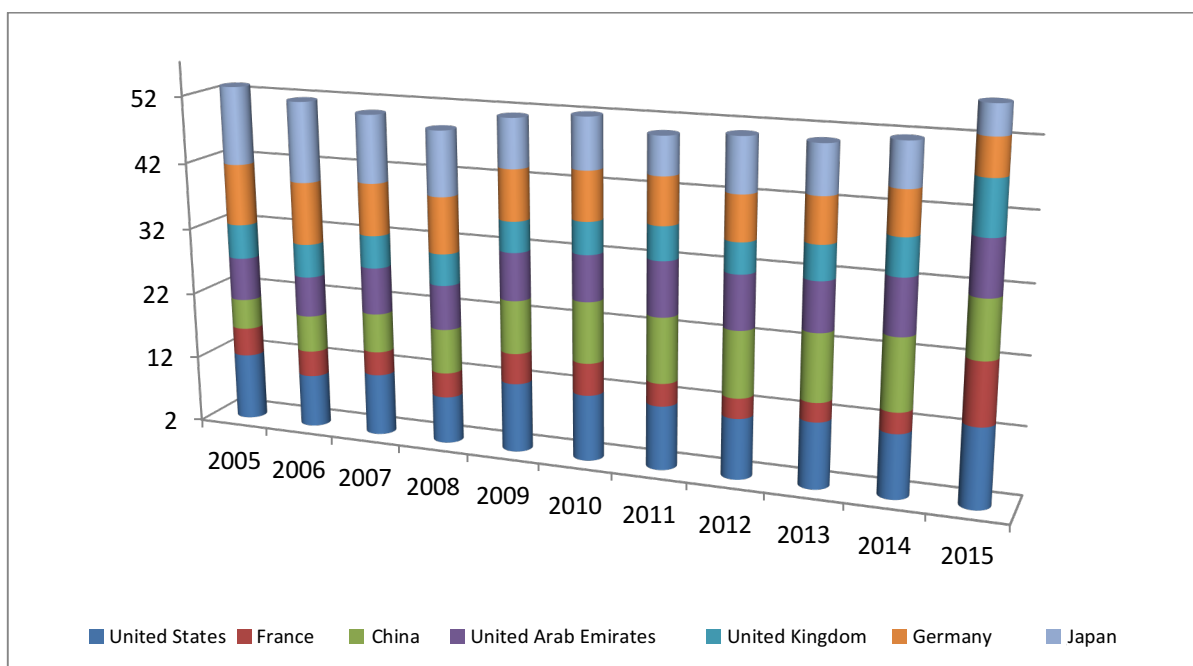
Change in French aeronautics exports to Qatar (million euros)



Sources: French Customs and Economic Department of the French Embassy in Doha

France is far from being Qatar's only commercial partner. Quite the contrary, Qatar based its influence-building and international recognition strategy on developing close economic ties with major economic powers. It should thus come as no surprise that the planet's six leading economies are all vying to be amongst Qatar's leading suppliers. **In 2015, France held a 9.15% market share in Qatar, second behind the United States (13.7%), but ahead of China (8.5%), the United Arab Emirates (8%) the United Kingdom (7.8%), Germany (5.4%) and Japan (4.9%).** Against this backdrop, despite very tight competition from other countries, in particular from new entrants (China, Korea, India and Turkey), France managed to triple its market share in Qatar compared to 2014 over the first 10 months of 2015, reaching 9.15% according to IMF figures (a record since 2004).

Change in market share in Qatar (%)

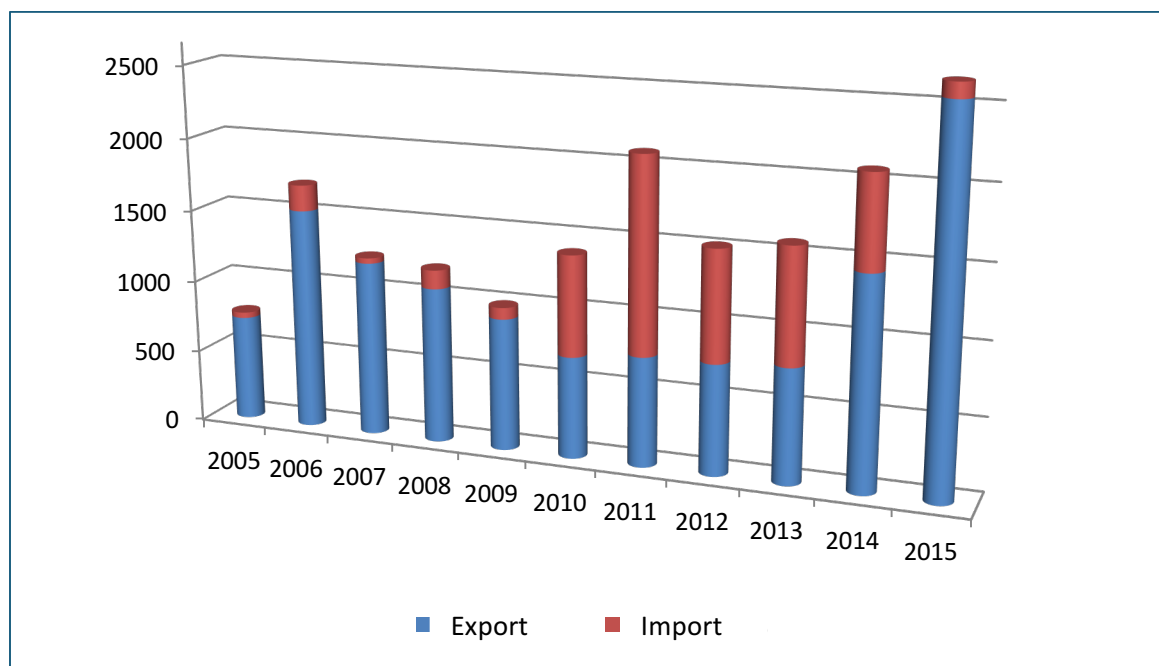


Sources: WTO and IMF

In addition to strategic matters, the differences in economic structure between Qatar (high dependency on energy exports and desire to diversify the economy) and the world's major economies create interdependency conducive to the development of trade between them. Because of this, economic relations between the planet's major economies and other Gulf countries are similar in nature. Yet, what is surprising in Qatar's case is the boom in its foreign trade and increasingly tight economic partnerships

over the past 20 years, first around hydrocarbons and, more recently, through the surge in Qatari demand (companies and households) resulting from the economy's development, the increase in the population's purchasing power and the increase in population as well. **The trend is particularly perceptible in and beneficial to Qatari trade with France.** Qatari import to France had never exceeded €130 million up to 2010. Since that time, it has consistently exceeded €650 million. Similarly, French export to Qatar has been 20% higher on average since 2010 than between 2005 and 2010.

French export and import to and from Qatar (in million euros)



Data source: French Customs and Economic Department of the French Embassy in Doha

In the years to come, the outlook calls for steady growth in French export, driven by Airbus sales (the A380, A350 and A320 Néo programs), equipment goods due to contracts resulting from major infrastructure projects, and consumer goods, supported by population growth. With French export resuming, the bilateral trade balance has recovered and is returning to the surplus side. Since 2014, however, Qatari imports to France have tended to decline, due primarily to the drop in oil and gas prices, and the decline in our purchasing in that area, due to low economic growth in France. Underlying this is the fact that import from Qatar remains focused on hydrocarbons. In 2014, hydrocarbons accounted for 84% of Qatari export to France, compared to 86% in 2013,

with natural gas and refined oil accounting for 59% and 25% of Qatari sales respectively. There has been a strong surge in our refined product imports (€158.1 million, +160.5%), as France has not imported crude oil from Qatar for the past five years. In contrast, our natural gas import from Qatar has been on the decline for several years in a row. The drop in commercial outlets for Qatar in France has nonetheless been largely offset by other forms of economic cooperation. This is true of Qatari investments in France, as well as of the surge in the number of French companies putting down roots in Qatar.

KEY TAKEAWAYS:

- Truly complementary economic landscapes and areas of specialization, and thus resources and needs, between the two countries, naturally fosters the development of economic relations between France and Qatar.
- Commercial trade between France and Qatar is highly beneficial to France where commercial balance is concerned. In 2015, Qatar was France's fifth country in terms of commercial surplus.
- France is Qatar's second largest supplier, just behind the United States, whereas it was in ninth position in 2014.
- Export to Qatar is based on three main pillars: Airbus deliveries to Qatar Airways, equipment supply under major contracts, and current trade.

B - Qatar in France: the importance of Qatari investment in France

Qatar is, like all countries in the region, an economy that derives the bulk of its wealth from mining and exporting hydrocarbon, oil and gas. This characteristic, sometimes referred to as the raw material curse, raises at least three risks for the economies involved:

- The risk of resource depletion, as hydrocarbons are fossil energies and thus fuels (which burn upon consumption), and are derived from sources that will, moreover, prove non-sustainable in the more or less distant future.
- The geopolitical instabilities inherent in holding an asset and resulting from predatory behavior aimed at capturing something essential to economic development, insofar as a rare resource is involved, and one unevenly spread across the planet;
- The Dutch Disease, an economic phenomenon that describes the negative consequences of too much success in certain exports in a country. The revenues that the country derives from them weaken the rest of the economy by making them less competitive on the export market, through almost mechanical currency valuation, when the said currency abounds on the domestic market.

In addition to looking for diversified investments in order to cut back its financial risk, **the country is investing in areas of activity that can directly or indirectly serve its 2030 Strategic Vision and economic development.** From that standpoint, both the differences and the common factors between the two economies are beneficial for Qatari investors: major French companies are very prominent in the fields of energy, construction, infrastructures and transport, but also in culture, luxury, craftsmanship and tourism, and are attractive to Qatari investors. France is, furthermore, Qatar's long-standing preferred partner.

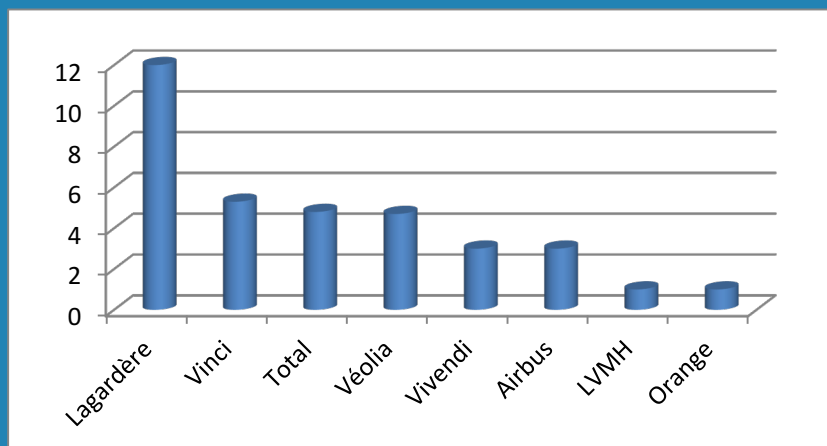
QATARI INVESTMENT IN FRANCE



Founded in 2005, Qatar Investment Authority (QIA) is the sovereign wealth fund of the State of Qatar. In 2014, the fund invested more than 260 billion globally. France remains QIA's second-largest beneficiary, home to investments of at least 30 billion dollars, or 11% of QIA's assets, just behind the United Kingdom (13%). In addition to QIA's contribution, further investments are generated from private Qatari companies or individuals, in particular within the luxury real estate industry (approximately 10 billion dollars).

Founded in 1964, the Qatar National Bank has been operating in France for over 30 years. It provides support to many French companies wishing to establish themselves or develop their activities in the Gulf countries or Qatar (Total, Vinci, Véolia, etc.). QNB belongs to the Paris Saint Germain (PSG) Football Team's Partners Club.

Examples of Qatari stakeholdings in French companies (in % terms)



Sources: Companies' Annual Reports

The Qatar Investment Authority (QIA) is the fund responsible for most of these investments across the world. The fund's purpose is not to speculate in the short term, but indeed to invest in business sectors in the medium term. For this reason, the projects funded must drive economic growth for Qatar and, all the more so, for the host country. Qatar engages in three types of financing in France:

- **Portfolio investments**, primarily in funds and managed by QIA. As the aim is to ensure long-term profitability and keep risk-taking to a minimum, these investments are large in number, highly diverse, and often lead to some level of

stakeholding in the relevant companies. In June 2013, an article published in *Le Monde*'s estimated **Qatar's holdings in CAC 40 companies at €7.6 billion.**

- **The acquisition of all or part of an initially French company or corporation, often with the support of the Qatar National Bank, which funds such transactions.** Examples include a number of luxury hotels in France (Peninsula Hotel, The InterContinental, The Martinez Hotel, The Royal Monceau Raffles Paris), but also extend to the PSG Club (football and handball), the leather goods store Le Tanneur, Le Printemps department store, and the BeIN Sports cable television channel;
- **Investments in small and medium-sized companies offering new business and innovation opportunities, through the program Future French Champions,** hosted by the *Caisse des Dépôts et Consignations* and initiated by the French government in 2014. These investments amount to over €300 million. "The CDC and its Gulf partner target start-ups and high-potential companies. Up to this point, Qatar had never invested in non-listed or intermediate-sized companies. The fund, endowed with €300 million, is now ready for operation," announced a delighted Laurent Vigier, Chairman of CDC International Capital, the Caisse entity dedicated to partnerships with State funds. France hopes to nudge Qatari investments in a new direction, most of them currently being aimed at CAC 40 companies (Lagardère, Total, Vivendi, etc.), prestige investments (Royal Monceau Raffles Paris, Peninsula, Printemps, PSG, etc.) or residential real estate (Hôtel Lambert, Hôtel d'Évreux, etc.). ("Qatar Interested in French SMEs", *Journal du Dimanche*, 24 June 2014).

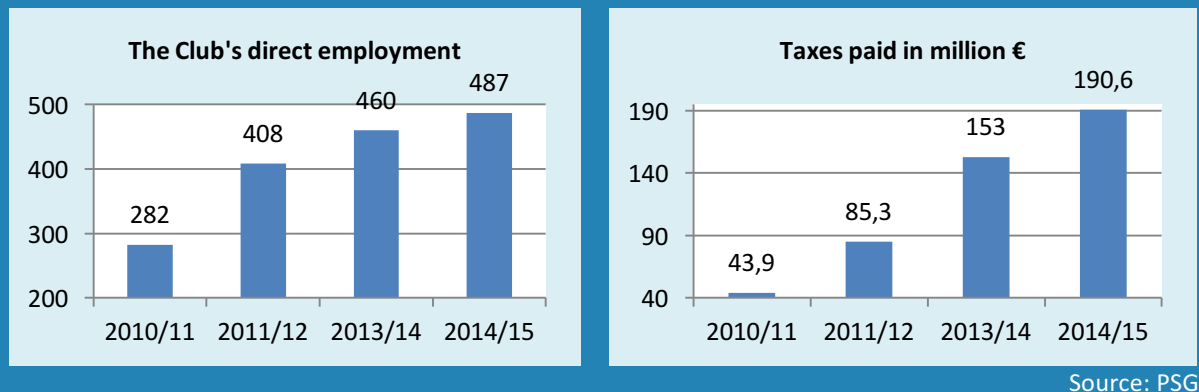
Paris Saint-Germain



PSG was born in Paris in 1970, from the alliance between Stade Saint-Germain, founded in 1904, and Association Paris Football Club, created one year earlier. Part of the French Premier League since 1974, Paris SG is the club with the longest uninterrupted stretch in the League. It boasts 25 national titles, a record which it shares with Olympique de Marseille.

Acquired in 1991 by Canal+, PSG was sold to the American investment fund Colony Capital in 2006, and five years later, to the Qatari sovereign fund, Qatar Investment Authority (QIA).

Since it was acquired by Qatar Sports Investments in 2011, the club has blossomed like never before. The club has brought on board uncontested stars, who attract viewers and television audiences, and make French football more visible and competitive at international level.



In total, Qatar holds over €30 billion in investments in France. From France's perspective, these investments are beneficial for several reasons:

- They provide additional capital, which is invested in the French economy, when investments in manufacturing have been sluggish in the past few years, employer taxes paid to French social welfare agencies and corporation taxes.
- They enable the creation of new businesses or the development of existing businesses and companies.
- They created jobs. A recent study estimates the direct employment created by companies now held by Qatari investors at 9,000 new jobs, as well as some 10,000 indirect jobs resulting from the same investments, either thanks to the influx of new capital from Qatar, or thanks to new businesses launched by the French companies held by Qatari capital.

- They are also sources of competitiveness, attractiveness and reputation for the companies benefiting from the funding and for France. The restoration of the Peninsula Hotel in 2014, for instance, was one of the largest-scale projects in the capital city at the time and the opening of one of Paris' most lavish luxury hotels. Also, the acquisition of PSG was the Club's starting point in taking up a new position at European level, supplying the transfer market for several years.

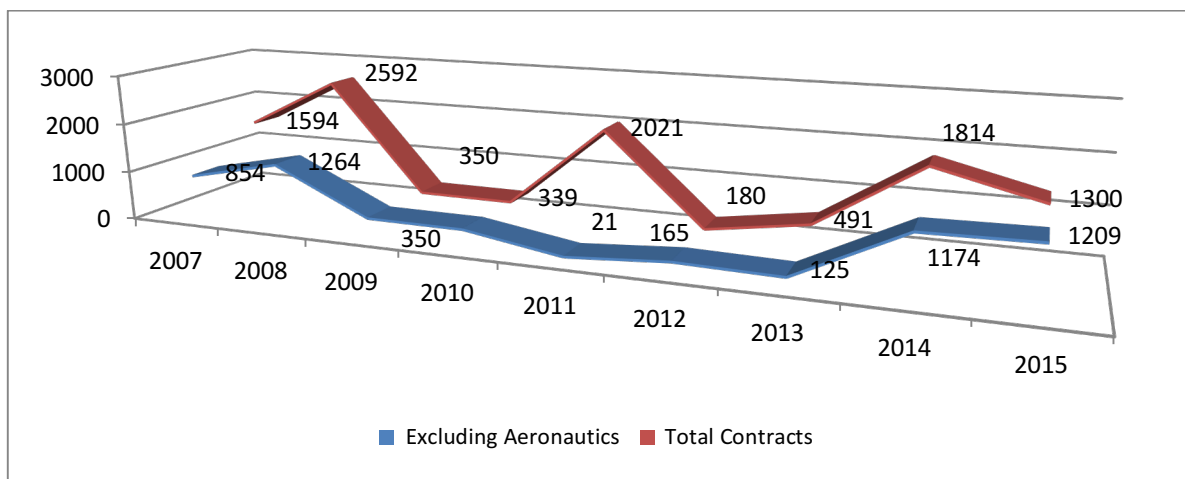
KEY TAKEAWAYS:

- Qatar invests in business sectors that can directly or indirectly serve its 2030 Strategic Vision and economic development.
- The Qatar Investment Authority (QIA) is the fund responsible for most of these investments across the world. In France, this implies three types of investments: portfolio investments (Qatar stakeholding in CAC 40 companies reached €7.6 billion), the acquisition of all or part of selected companies (Peninsula Hotel, PSG, Le Tanneur, Le Printemps, etc.) and investments in small or medium-sized companies, as part of the "Future French Champions" program.
- Qatar holds over €30 billion in investments in France.
- These investments are the key enablers for business continuation or creation, job creation (9,000 new jobs and tens of thousands of indirect jobs) and corporate tax payment. They are also sources of competitiveness, attractiveness and reputation for the companies benefiting from the funding and for France.

C - France in Qatar: History and significance of French investments in Qatar

Traditionally, French companies have always been well-represented in Qatar. They have long been present in Qatar (e.g., Total). Initially channeled at exploiting gas and oil resources, and subsequently at the construction of infrastructure and distribution networks, they have started to become far more diverse today. **Stable since 2009, the total amount of major civil contracts won by French companies has been on the rise since 2012.**

Value of major civil contracts won by French companies (in million euros)



Source: Economic Department of the French Embassy in Doha

Qatar has developed a far-reaching infrastructure development plan for Doha, in preparation for the 2022 Football World Cup. **France's companies are well-positioned with respect to the international competition in 2015, being traditionally very prominent in the sectors toward which these investments are channeled** (construction, transport, public infrastructures, etc.). The Qatari authorities for instance chose French companies for the Doha metro system, Thalès for port security, Bouygues for the IDRISS Project, and Saint-Gobain for equipment to be used in constructing drinking water mega-reservoirs. In the services and engineering sectors, French companies are also very well-positioned. Orange won its first contract in Qatar, for the supply of ICT services to the new city of Musheireb. The RATP-SNCF Consortium also posted a first win, with a contract to assist in operating the "Education City" tramway. Last but not least, the company EGIS won five

contracts in 2015.

Total and Qatar



Total is the leading company still operating today in Qatar, after having first set up operations there in 1938 and now operating in most areas of production, on the key liquid natural gas projects (2.21 million tons of liquid gas sold by the Group to Qatar), and in the country's petro-chemical activities.

Three core businesses:

- Exploration and Production. The company owns a 40% stake in the Al Khalij oil field and conducts deep-sea explorations 130 km east of the Qatari coast. It owns a 20% stake in the NFB block, which is part of the gigantic offshore gas field known as "North Field", and a 16.7% stake in one of the two liquefaction trains (8.0 Mt per year in capacity each) in the integrated liquid natural gas project Qatargas 2, supplied using North Field gas.
- Gas. Total has signed liquid natural gas (LNG) purchasing contracts for a total volume of 5.2 t per year, for twenty-five years, initially intended for commercialization primarily in France, the United Kingdom and North America. LNG delivery began in 2009.
- Refining and Chemicals. Total owns a 10% stake in the condensate refining plant Ras Laffan, located north of Doha, stakes in joint ventures Qapco and Qatofin, and a commercial affiliate (Qatar Branch Office) that addresses the international market as well as serves as agent to Muntajat for part of the polymers produced locally by joint ventures Qapco and Qatofin.

Total maintains close ties with the national company Qatar Petroleum, with which it signed a \$1.3 billion contract in 2013, and which holds a 15% stake in Total's affiliate, Total E&P Congo. Qatar moreover holds a 4.8% stake in the company's capital.

Source: <http://www.total.com/fr/au-qatar#sthash.EiErm7h.dpuf>

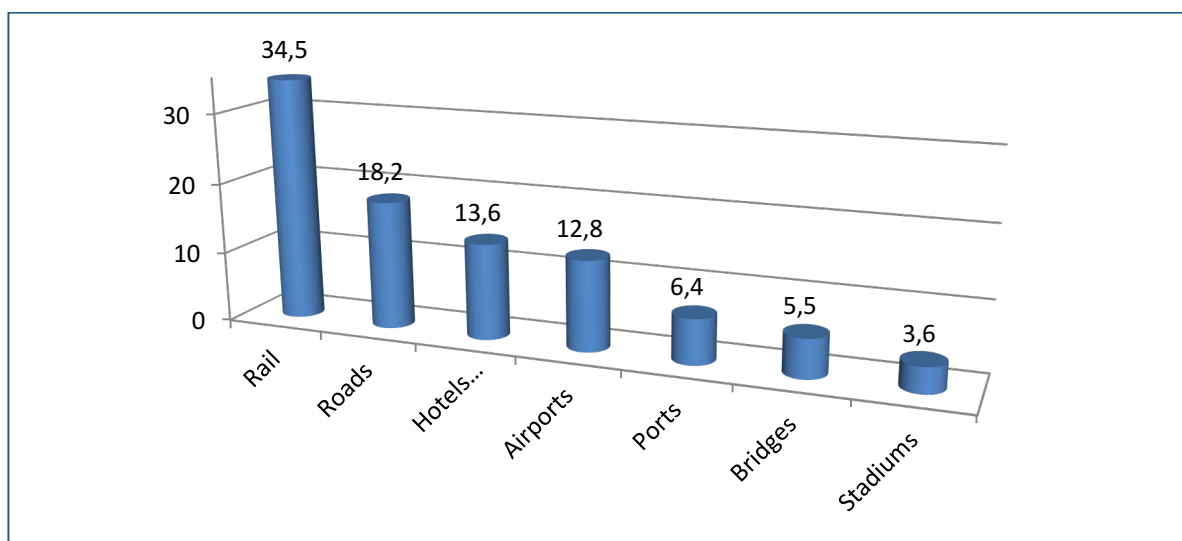
The French companies operating in Qatar do not just include major corporations, with a long-standing history and setting conducive to developing operations on-site. **More and more small and medium-sized companies are making the move to establish operations in Qatar.** The Vice-President of Medef International, explained in November 2014, while leading a delegation of 34 companies in Qatar, that France was "on favorable ground" in Qatar, adding that "French SMEs are very much in demand, at a time when there are "huge" projects likely to pave the way not only for major contracts, but also for niche

markets".

There are two types of local operations in Qatar:

- Franchises of French companies and French sales outlets in Qatar, with a total of 97 companies represented in Qatar, in multiple fields:
 - Luxury, with Hermès, Dior, Cartier, Lacroix, Louboutin, Lancel, and Vuitton, for instance.
 - Retail distribution and apparel with Carrefour, Camaieu, Célio, Géant Casino, Lacoste, Monoprix, Morgan, Naf Naf have stores and shops in Qatar. Numerous major brands furthermore started operations in 2015, including Chanel and FNAC, which opened in the Middle East for the first time. Galeries Lafayette plan to open a store in 2016.
 - Interior design and decoration (Habitat).
 - Leisure (Go Sport, Sephora or The Body Shop).
 - Fine foods with prestigious French brands such as Alain Ducasse, Fauchon, Ladurée, Lenôtre, l'Atelier du Chocolat, Paul or Pierre Hermé.
 - Hotels, with the Accorhotels Group, which still has a modest presence in Qatar (one Mercure Hôtel and an Adagio apartment hotel under management), but which is expected to ramp up in the years to come, with a 4-star Pullman hotel, MGallery Boutique Hotel, along with an Ibis/Adagio combined establishment, totaling more than 1,300 rooms in the years to come. In addition, the company has submitted an offer to Katara Hospitality to open a Sofitel Hôtel in the upscale shopping centre, "Place Vendôme", in the new city of Lusail.
- French companies established in Qatar. As of 15 June 2015, 106 companies had established in the country, 95 of which were affiliates of French companies and 11 of which were companies founded in Qatar by French nationals. The number rises each year and has now reached nearly 100 self-owned structures in a wide range of sectors (ICTs, engineering, construction, distribution, financial services, etc.), with contracts totaling €2.3 billion in value.

Investments planned as part of the preparations for the 2022 FIFA World Cup – in billion euros



Source: WTO (2014), Commercial Trade Review Body - Commercial Policy Review - Report on Qatar

According to Banque de France data, Qatar is now the country receiving the second largest amount of French investments expressed in terms of stock in the Gulf Cooperation Council region, with €2.377 billion in 2014, just behind Saudi Arabia (3.7 billion), or an increase of 25.1% compared to 2013, when they amounted to only €1.9 billion. Cumulative direct investment stock in French companies in Qatar has increased by a factor of five since 2005, and now amounts to 0.26% of France's total direct investment stock across the world.

Examples of French companies operating in Qatar, by area of activity



Source: Authors' conclusions, based on data from the National Treasury,
French Presence in Qatar, 10 June 2015.

The presence of French companies in Qatar has a further consequence: it attracts an increasingly large French community to Doha. This community is now estimated at nearly 5,000, a large part of which is made up of managers and company directors. It is the third largest Western community in the country, behind those of the United Kingdom and United States, but well ahead of Germany.

KEY TAKEAWAYS:

- French companies have long been operating in Qatar (Total, Vinci, Bouygues etc.).
- The total amount of major civil contracts won by French companies has been on the rise since 2012.
- More and more small and medium-sized companies are making the move to establish operations in Qatar.
- There are two types of presence in Qatar: French franchises and sales outlets, with 97 brand names found in Qatar, including Hermès, Dior, Carrefour, Camaïeu, Accorhotels Group; and French companies based in the country, specifically, a total of 106, in areas as diverse as energy, transport, B-to-B services, banking, insurance, etc.
- Qatar is the second largest recipient of French investments stated in stock terms in the Gulf Cooperation Council Region, with €2.377 billion in 2014.

CONCLUSION - Issues at stake and challenges to come: What lies ahead for the economic relations between the two countries?

In a run-down global economic environment, and given the complex regional geopolitical landscape, **Qatar's economy is surprisingly dynamic**, proving beyond any remaining doubt that it is possible to chart out a country's economic development over the long run, even for a country well-endowed in raw materials for energy. **The economic situation described is anything but the result of chance or any well-seized opportunity. It is the fruit of real political determination, set out as early as the mid-1990s, to make the country into a prosperous and diversified economy, enabling its fellow citizens to enjoy a standard of living on a par with that of the wealthiest countries.** That political determination was anchored in a number of different strategies, initially around natural resource mining, then the economy's diversification from the mid-2000s. It was further consolidated with the development of cooperation agreements and partnerships with the planet's leading economies.

France is one of those partners, and a long-standing one. As this paper has shown, some of France's major corporations have been operating in Qatar for decades, and the country's leaders have been investing in France for at least the same amount of time. Notwithstanding, **relations between the two countries appear to have entered a new boom these past three years, underscoring the interest of French and Qatari companies and investors in trade and investments between the two countries, around financial and economic interests well-grasped by the said economic players,** though often misunderstood by the general public, in France in particular. To wit, few are familiar with the **Future French Champions** program, hosted by the Caisse des dépôts et Consignations and launched by the French government in 2014, and in which Qatar has invested **over €300 million to support small innovative French companies.**

Looking beyond controversy, often exploited by the media aiming for the highest possible "buzz factor", we have attempted to show, in this paper, the benefits the two economies stand to gain by working together, trading, investing and cooperating through ever more partnerships. The areas for potential cooperation are multiple and manifold, as suggest the

statistics and figures shown in this paper. It shows that it is to the benefit of both countries to work together, thanks to true complementarity at all levels, and given the challenges which both will need to take on in the 21st century. The recent surge in their economic relations proves that this cooperation is only just beginning, and that **the future of economic relations between the two countries is laden with promise**, as illustrated by the ties developed between Qatar Airways and Airbus, for instance, which have enabled the latter to enjoy one of its greatest commercial successes, while attracting business for many French SMEs and creating jobs in Airbus' local communities in the South of France.

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