

Foreign Trade Theories, Policies, and Influence: Case Study of Natural Gas Trade in the State of Qatar.

Abstract

On macro level, trade becomes a major issue for states and individuals. The need for trading on international level has pushed states to use it as sanctions against each other.

In this paper we attempt to inspect the influence of “Natural Gas” on Qatari economy, in context of “Foreign Trade”. The main idea is to examine the strength of an economic model that depends on “Natural Gas” trade as one of its main two greatest GDP generators: crude oil and natural gas.

The construction of this thesis is built on two main pillars: Literature Review, and one Case Study (Qatar). The Literature Review focuses on the terms “foreign trade” and “natural gas”. The preliminary chapters discuss “foreign trade” definition, types, policies, theories, and influences in context of best of interest for economy. The latter chapters of the literature review discuss natural gas market, prices, and factors affecting its trade. It also examines the main actors of “Natural Gas” trade on international level, and the influence of this trade on states, people, and economies, in general.

The second pillar of the paper is a case of study of state that trades with natural gas worldwide. Qatar is considered the third whale of natural gas export worldwide. After Russia, and Iran, Qatar occupies the third seat of the biggest natural gas exporters on earth.

The case study goes not off the limits set by literature review, it rather draws a parallel line with a practical case -at hand- to examine “Natural Gas” trade on an international aspect.

The case starts with a quick fly-off the economic history of the State of Qatar. It then examines the natural gas industry in Qatar and its trade on Qatari local level and on international level. The thesis then follows to examines the potentials of natural gas and the

role of the Qatari Investment Authority (QIA), which was founded solely for backing up trade with investments.

Lastly, the paper provides a set of conclusions and recommendations aimed at proving solutions for problematics faced in the pillar above.

Objectives and Methodology

2.1 Objectives

Although many schoolers have directed their writings towards the foreign trade, few have discussed these writings in the context of natural gas. It is particularly important to target this topic because of the misunderstanding, represented in the mere dependency on such foreign trade as the main economy model for a country's survival.

There is also an urgent need for this type of research, given the new aspects introduced in the world economy, such as having natural gas as an alternate product for oil. Furthermore, the lack of specific and clear behavior of natural gas market -being influenced by politics- is yet another reason for conducting such a research.

Consequently, the paper aims to identify the natural gas as a product of foreign trade and its influence on local economy. The paper provides Qatar as a case study to understand the concepts arising from foreign trade theories, policies, and types.

Finally, the paper provides several recommendations aimed at the reformation of economies relying on natural gas trade internationally, in its economies. The recommendations are derived from the conclusion drawn on the final chapter of the research.

This thesis is meant to focus on the economic aspect of natural gas market as to constitute an essential incubator for Qatari natural gas trade behavior, its influence, risks and potentials.

2.2 Methodology

The selected research methodologies chosen for this thesis are qualitative method, quantitative method, and textual research. These methods will allow a systematic analysis of the topic, in two pillars: Literature Review (theoretic), and the Case Study of the state of Qatar (practical).

These methods are best suitable for this research, because of the nature of data to be consumed. This method is used in examining social phenomenon or interpreting a certain dilemma and are useful for discussing the first pillar: literature review.

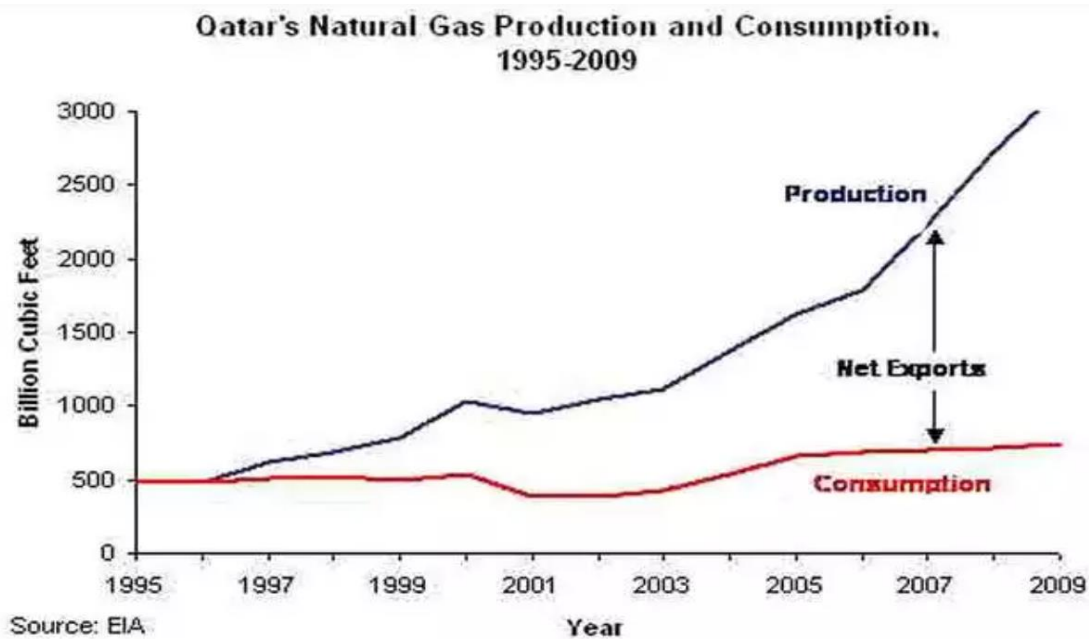
This way, we will be able to conclude results based on standing facts, answer some questions regarding foreign trade definitions, types, policies, theories, and influences. Also, E-library and archival sources are to be of great importance as many literature reviews are to be conducted. Contextual evaluation of foreign trade is to be conducted in context of factors affecting prices, exports, and imports.

In addition, I will use numerical and quantitate analysis (statistical information) of natural gas market in Qatar, as a case study. This would show a practical profile of the foreign trade models applied on Qatari natural gas trade. The study will also include analytical methods using graphs to determine how gas price fluctuation effects the overall economy of Qatar negatively or positively.

Methods of collecting data will be based on electronic sources of a set of Qatari governmental websites, Qatari Ministry of Development Planning and Statistics, and other official websites. Also, studies conducted by third party organizations/ NGOs, records, reviews, and observations of other scholars are all included in the research.

The aim of the research as mentioned before, is to examine the concept of foreign trade in applied method with Qatar as a case-study. The qualitative data used in the research will demonstrate the basis of interpretation of the foreign trade theories, and policies. And the statistical data, on the other hand, are to illustrate the influence of natural gas trade -as a foreign trade product- on the economy of Qatar.

Figure 1: Natural Gas Consumption and Production in Qatar from 1995 to 2009:



The figure above shows the consumption of natural gas in Qatar and the production in trillion cubic feet from 1995 to 2009 which illustrates the opportunity Qatar has had to flourish its economy since the development of the Northfield.

Natural gas in Qatar presents a big share of natural gas supply globally. In 2011, Qatari natural gas reserves were estimated to be 25.4 trillion cubic meters, which measures for 14% of the world natural gas reserves, which is the largest gas reserve after Russia and Iran.

Thanks to the gigantic natural gas field of the offshore North Field, which covers an area as big as Qatar itself. Qatar relies on gas in its power generation almost entirely, thus it uses a part of its production of the domestic consumption.

natural gas production:

Qatar is known to be one of the richest countries in the world, having always been in the top rankings of GDP per capita, thanks to its huge, production of natural gas and crude oil and its relatively small population that measures to be around 2.8 million people, which makes the majority of its trade balance. Qatar's dependence on exporting natural gas, mainly LNG keeps the country as rich as it may seem to be, despite the fact that Qatar is the fourth largest

producer of natural gas in 2007, yet it has always been the leading country for producing natural gas per capita. Gas production per capita in Qatar is 63.54 cubic meters per capita, surpassing the major natural gas producers combined.

conclusion:

The paper has concluded the required sections, starting with clarifying the ambiguities around foreign trade, and its three types: foreign import, foreign export, and foreign exporte. It then discussed the advantages and disadvantages of foreign trade and its influence on people and economies.

The paper then examined the main theories behind foreign trade elements. These theories were: classic theories, and modern theories.

The paper then mentions the natural gas part, its extraction, transportations, means of trade, and markets. In this part, the paper was able to drop this concept on a big scope of foreign trade and the way it interacts with on a global scale.

Qatar has the equivalent of 600 times its annual consumption of gas, thus, is expected to continue supplying natural gas for its importers for the next few decades while growing its economy because of this trade.

The second part of the paper examined the historic context of Qatar and the road from poor to rich. It the followed to discuss the main areas of Qatari natural gas reserve, its management and export. Also, the natural gas market and factors influenced by it, were discussed in the same context.

In summary, the economic model of Qatar, specifically, the reliance on crude oil and natural gas trade has proven its efficiency for a while. On the other hand, it proved the weaknesses of such model in rescuing a drowning economy. The interaction between natural gas biggest exporters and importer, have also demonstrated a scene, where prices of gas and nature of politics played a major role.

The emergence of the QIA, as an alternate economic approach further deepened the idea that an economy, which relies on foreign trade alone is a weak economy. Throughout the text, the paper was able to draw the conclusion on the main needed factors for an integral and a healthy economy.

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