 ISSN 2227-6068

GEOPOLITICS OF QATAR NATURAL GAS IN THE ERA OF HYDROCARBON MARKETS TRANSFORMATION: SMALL STATE APPROACH

Nikolay Kozhanov

College of Arts and Sciences, Qatar University
ORCID: 0000-0001-6101-4199

https://doi.org/10.36169/2227-6068.2021.03.00007

Abstract. *Using the elements of the 'small state' theory, the article examines interconnections between Qatar's foreign policy priorities and existing challenges to Doha's presence at the natural gas markets caused by the impact of the US shale revolution, beginning of the global energy transition, and COVID-19 pandemic. The study argues that Qatar's previous efforts aimed at the development of its export-oriented LNG industry allowed the Emirate to fund and pursue a foreign policy strategy that was uncommon for a small state. Since the late-1990es, Qatar's diplomacy was based on the principles of complexed risks hedging that allowed maintaining the substantial degree of independence rather than more typical "bandwagoning" or "balancing" used by other "small states". During the last two decades, Doha was also more oriented towards interaction with players outside of the Gulf Cooperation Council. At the same time, the ongoing transformations of the hydrocarbon markets created a threat to the sustainability of the main financial source that is finding the current model of Qatar's foreign policy behavior—LNG exports. Under these circumstances, the country must fight for its place in the market, ensuring sustainable demand for its main export product. This, in turn, forces Doha to re-adjust its relations with both LNG consumers and its main market rivals to maintain the sufficient inflow of financial revenues from energy exports that helps Qatar to pursue a more active and independent foreign policy than the so-called "small states" can traditionally afford. However, it was the same experience of the risk hedging strategy traditionally applied by the Qatari leadership that allowed Doha to develop the set of response measures to emerging challenges.*

Keywords: *Qatar, small states, shale revolution, energy security, Persian Gulf*

Introduction

The phenomenon of small states and their foreign policy remains insufficiently studied in the modern literature, although researchers have been actively addressing this topic since at least the 1950s. The initial interest in this issue was caused by the collapse of the colonial system and results of the Second World War that led to an increase in the number of small (in terms of territory, population, economy size) states that had limited influence on other players due to limited capacities to mobilize resources of material, diplomatic, regulatory, and legal nature (Almezaini et al. 2017: 11). The attention of researchers to small states was determined by the global confrontation between the USSR and the United States, which required politicians to understand what position with regard to the opposing ideological systems will be taken by different countries, including those that were unable to independently ensure their security and influence the processes going on around them (Walt 1990). By default, the status of a "small state" implied not only inability of a country to pursue completely independent foreign policies but also necessity to build alliances/coalitions to compensate existing limits meaning that, in terms of their behavior and decision-making mechanisms, small states were different from their "big" counterparts. However, during the Cold War times, the most obvious conclusion that their policy is reactive towards the major players finally forced academics to abandon the purposeful study of the small states phenomenon (Walt 1990).

A new surge of interest in small countries took place after the 1990es collapse of the USSR, Yugoslavia, and Czechoslovakia. These political cataclysms not only created new small states, but also forced the existing smaller players to reconsider the system of their coalition relations. A separate reason for the interest in foreign policy issues of small states was created by their increased ability to influence the international environment overcoming the limits naturally imposed by their size (Miller 2020: 124–125). The collapse of the bipolar world led to the emergence of new options to form coalitions or alliances that were deprived of ideological constraints. At the same time, the growing costs of military actions as a foreign policy instrument raised the importance and effectiveness of diplomatic tools that were more accessible for small states, thus, also increasing their weight as international players (Skriba 2014).

Unfortunately, neither before, nor after 1991, the small states of the Persian Gulf attracted the same attention of researchers as the European states or some countries of the former USSR. The number of recently published academic studies focused on the specifics of the Gulf states behavior hardly goes beyond two dozen (among the most significant are: Belfer 2014; Kamrava 2013; Miller 2020; Ulrichsen 2014). Meanwhile, the foreign policy of these countries has their own specifics that allows talking about them as a special variant of a small state. As opposed to other small players, they can pursue a relatively independent and, at the same time, influential foreign policy, avoiding the formation of rigid coalitions and complete neutrality.

Traditionally, it is taken for granted that small states see their highest foreign policy priority in ensuring their own security. Due to limited resource capabilities, it can be achieved through the formation of coalitions by either bandwagoning (when a small state follows an existing regional leader that can also be perceived as a source of threat), or through "balancing". In the latter case, a small state forms a coalition with other players and/or interacts with international institutions to limit the influence of a regional leader or a larger rival (thus, balancing the threat coming from it) (Walt 1990; Skriba 2014). Under these circumstances, small states are supposed to be in constant search for a golden mid not only between the policies of balancing and bandwagoning, neutrality and the need to participate in regional alliances, but also between involvement in coalition structures and the degree of autonomy that they would like to maintain by participating in them (Almezaini et al. 2017: 12–13).

However, the small states of the Gulf and, first of all, Qatar adhere to a slightly different strategy that Almezaini and Rickli call the "hedging" behavior. It is adopted by a small state simultaneously dealing with many challenges and living in the environment that implies the high degree of uncertainty (Almezaini et al. 2017: 15–16). This strategy includes simultaneous formation of multi-level and multi-format coalitions that balance each other and allow a country to be ready to respond to almost any challenge, although such approach is believed to be more complicated and expensive for a small state. When applying the "hedging" policy, a small state can, for example, establish bandwagoning relations with a leading regional player and, at the same time, deter its influence by the formation of 'balancing' coalitions at the international level. This allows a small state to maintain a higher degree of autonomy and even to enter into occasional limited confrontation with partners in different coalitions/alliances if necessary (Almezaini et al. 2017: 15–16). Thus, currently, Doha compensates for its close contacts with Iran through a partial restoration of relations with Saudi Arabia and the UAE, Tehran's natural rivals. At the same time, Qatar's close alliance with Turkey makes it possible to confront Riyadh and Abu Dhabi on several occasions in the Middle East. On the other hand, Doha's close political relations with the United States are, to some extent, balanced by trade and economic ties with Japan, China, and India, as well as cautious flirtation with Russia. In addition to that, Qatar tries not conduct a reactive foreign policy but also to influence the international situation. Doha clearly has long-term diplomatic plans, and it does not focus on close cooperation with its immediate neighborhood which, according to Miller, is unusual for small states (Miller 2005: 241).

In the article I will explain the origins of Qatar's deviation from the small state theory. It will also show how the status of a small state helped this country to formulate a response to the current challenges for Qatar's presence at the natural gas markets that were caused by the US shale revolution, beginning with the global energy transition, COVID-19 pandemic, and the existing physical threats to the sustainability of oil and gas exports from the Gulf region.

Natural Gas as a Foreign Policy Driver

Qatar's deviation from the standards of the small state behavior is explained by its control over significant gas resources and ability to ensure their sustainable exports to external markets (BP 2020: 12, 90). By 2020, Qatar annually received $45 billion from the exports of natural gas (61% of the country's total exports). During 2016 – 2019, the export of hydrocarbons (including oil) provided up to 55% of annual state revenues. Together with the dividends received by the government from Qatar Petroleum, this figure can reach up to 82% (Ingram et al. January 2020; Planning and Statistics Authority of Qatar 2019). Significant financial revenues from the export of natural gas and a small number of indigenous populations with whom the ruling elite needs to share the income from the export of hydrocarbons allow the country's leadership to accumulate the substantial amount of free funds necessary for the implementation of a rather costly and expensive “hedging” policy that differs the Emirate from other “small states” (Miller 2020). Under these circumstances, Doha's desire for dominance in the LNG markets is defined by three national goals:

1) ensuring the sustainable economic development of the country;

2) guaranteeing the stability of the domestic political regime;

3) strengthening of foreign policy independence.

As a result, natural gas has never been just a commodity for Qatar. Its significance for the country turned out to be much greater: it is one of the tools for achieving the strategic goals set by Doha, as well as a factor influencing various spheres of the country's life, including its foreign policy.

In the eyes of the main consumers and producers of hydrocarbons, natural gas as the key item of country’s exports significantly distinguishes Qatar from other Arab countries of the Gulf. The Emirate has the third largest natural gas reserves in the world after Russia and Iran, and, as of January – July 2020, was also the largest LNG exporter, while other GCC member states do not have such significant export potential for natural gas, considering oil as the main source of their income (BP 2020: 12, 90). This situation adds to Qatar's uniqueness, forcing external players to consider it separately from other small states of the Gulf seeing it as an actor whose importance for the gas markets is comparable with that of Saudi Arabia for the global oil trade. It is not a coincidence that several researchers unwittingly call Qatar “Saudi Arabia of gas” (Cochrane 2020; Dargin 2007: 136–142). This comparison, although somewhat strained, reflects the essence: Qatar more than compensated for its relative insignificance as an oil supplier by its importance as a gas market player, which, from a geopolitical point of view, equates its weight with that of the Kingdom of Saudi Arabia (KSA). There is also a certain similarity between the two states in their ability to influence the situation on the hydrocarbon markets. However, Qatar does not affect the market by changing the volume of supply, as Saudi Arabia does, but by changing export flows (primarily between Europe and Asia), when necessary.

The existence of natural gas as Qatar’s key economic resource partly explains Doha's unwillingness to engage in close dialogue with its neighbors within the GCC, a coalition group that, to a certain extent, is seen as more or less subordinate to its leader— Saudi Arabia. The latter often tries to act as a “big state” when dealing with the other GCC members. Not in the last turn, such approach by the Saudi authorities is based on the understanding of the Kingdom’s leading status in the oil market when compared to other oil-producing monarchies of the Gulf. Under these circumstances, while being a GCC member state, Qatar builds its foreign policy on the principle of the maintenance of a high degree of autonomy from its regional neighbors by establishing strong relations with players outside of the region (Çavuşoğlu 2020: 86; Piet et al. 2016: 163).

It is generally accepted that Qatar's foreign policy is based on the principles of considerable independence and autonomy from Doha's regional neighbors and ability to have strong political relations with the players outside of the region (Çavuşoğlu 2020: 86; Piet & Wright 2016: 163). However, few researchers argue that, in the mid-1990s, the creation of LNG production capacities became a turning point in the history of the country: revenues from the LNG exports ensured the financial wealth and, therefore, political independence of the country. It can hardly be a coincidence that the beginning of Qatar's exit from the foreign policy guardianship of Saudi Arabia began in 1995 with the coming to power of Khalifa bin Hamad Al-Thani (1995 – 2013). The new emir received his throne in a coup that was not either approved or supported by the GCC neighbors. In an effort to find additional sources of income to strengthen its independent positions in a hostile environment, he ordered to accelerate of the creation of LNG production facilities. As a result, the first shipments of liquefied natural gas from Qatar were delivered to the foreign market in 1997, ensuring the well-being of the emirate's population and creating the basis for the future independence of the Qatari state from its neighbors and providing Doha with an instrument of its influence in the international arena (Dargin 2007: 136–142; Çavuşoğlu 2020: 85). It is not surprising that Doha's active attempts to influence regional developments during and shortly after the Arab Spring of 2010-2011 coincided with the moment when Qatar finally became confident in its ability to generate substantial revenues to finance foreign policy activities. This, however, did not prevent Doha from somewhat moderating it's international (first of all, Middle Eastern) ambitions by 2015, when the oil and gas market began to experience difficult times under the pressure of changing fundamentals.

Finally, natural gas and the LNG form of its exports determined not only the independent nature of the country's foreign policy, but also the nature of the tools used for its conduct. Taking into account the significant positive foreign trade balance, the revenues received from the hydrocarbon exports are actively directed by Qatar to the needs of its soft power, which includes humanitarian diplomacy, promotion of Qatar as a brand, organization of sports events, politically oriented investments, as well as direct financial injections into existing or potential partners of Qatar. The latter approach is often called "checkbook diplomacy" (Ingram 2019). It would be hard to implement this policy without relying on revenues from oil and, first of all, gas exports. Substantial part of these revenues is invested abroad by the Qatar Investment Authority whose actions are often guided not only by economic benefits, but also by political expediency, thereby helping the country's leadership to transform money into influence in the international arena (Çavuşoğlu 2020: 90).

In 2017, with the beginning of the blockade of Qatar by the KSA and its allies (UAE, Egypt, Bahrain) Doha, as a first move, tried to avoid international isolation and find support from other players through the promise of investment and loans, often postponing discussion of the economic feasibility of these promises later. On another occasion, in January 2019, Qatar declared its plans to buy USD 0.5 bln bonds from

Lebanon. This move was encouraged by the surplus of Doha's 2018 foreign trade incomes and done solely for one purpose: to challenge the KSA leadership, which considers Lebanon its zone of interest. All in all, the Qatar's "checkbook diplomacy" funded by oil and gas money, is quite effective. Thus, the financial and humanitarian assistance provided by Doha to Gaza is an important lever of influence on Hamas, and, through this, Israel. In August 2020, promises of additional financial assistance to Gaza by Qatar allegedly allowed Doha to facilitate the seize-fire agreement between Hamas and Israel. This, among all, supposedly helped the Qatari leadership to persuade Tel Aviv not to succumb to the anti-Qatar rhetoric by the UAE whose leadership would not have been able to mediate the same type of agreement with Gaza (GSN 2020: 3).

The key to Qatar's success in international gas markets was and is the low cost of LNG production and the convenient geographical location that allows redirecting LNG exports flows in accordance with the changing dynamics of the regional gas markets. In addition to that, by 2015, the central role in the success of Qatar's export policy was played by the gas transportation infrastructure created by Qatar whose key element is represented by a modern tanker fleet owned and managed by Nakilat, a subsidiary of Qatar Petroleum. By the mid-2015, it had at its disposal more than 60 modern gas carriers of the Q-Max and Q-Flex types, built after 2008 and capable of carrying more than 200 thousand cubic meters of gas each. These vessels allowed Qatar to significantly reduce transportation costs and increase profits by supplying LNG in large volumes to external markets. Qatar's LNG fleet is one of the largest among all liquefied gas suppliers, allowing for a flexible export policy. At the same time, Qatar's ownership of tankers was another fundamental factor of the country's strategy. Full ownership not only made it possible to minimize dependence on freight, which, as the experience of other oil and gas market players showed also carries certain political risks in addition to economic costs. In addition to the geographical flexibility of supply, maritime LNG exports also implies a higher level of security from possible military and political risks: while a transnational pipeline may well become a hostage to the changing international environment (as has happened many times in the history of Middle Eastern pipelines), the threats to the maritime transport of hydrocarbons, including LNG, are usually not that high.

By 2021, Qatar's trade was based on supplies under long-term contracts, the price of which was tied to oil prices with a lag of 3 – 6 months. At the same time, a certain amount of LNG has always been traded on the spot market and on the terms of short-term transactions. This allowed the country to make additional profits during periods of short-term growth in spot prices (due to gas supplies to those markets where price growth occurred), while demonstrating the advantages of LNG to other producers and stimulating the development of global spot trade in liquefied natural gas.

At the same time, a number of weaknesses in Qatar's dependence on LNG exports also became apparent by the 2020s. Qatar, like other countries exporting resources from the Persian Gulf, is dependent on the security of the Hormuz straight heavily affected by the dynamics of Iran's tensions with the US and Tehran's relations with its neighbors in the Persian Gulf. As a result, even during the most difficult periods of Iran-Qatar relations in the 2010s, Doha tried to distance itself from the Saudi-Emirati tandem that was excessively aggressive towards Iran. By doing this, Doha was making sure that the deterioration of relations between Iran and the GCC in the wake of the so-called Arab Spring of 2010-2012 would not affect the security of Qatari LNG supplies (MEES 2017).

However, the most vulnerable point of the Qatari gas empire was not the military-political situation in the Gulf, but the very fact of the country's dependence on the export of hydrocarbon resources that makes Doha vulnerable to periodic production shocks, changes in consumer behavior, as well as oil and gas market changes that started in the second half of the 2010s.

Hydrocarbon Markets' Evolution and Qatar's Interests

The roots of the above-mentioned transformations that began in the late 2000s and affected global markets by the mid-2010s are linked to two factors: the US shale revolution and the beginning of the global energy transition to non-carbon fuels. Thanks to the shale revolution, the United States not only became the largest producer and exporter of hydrocarbons, but also stimulated the emergence of new players. In addition, the booming American LNG industry, fueled by shale gas, has prompted even conventional producers, such as Russia, to increase their LNG production capacity. This inevitably led to an oversupply in the market and increased competition between key players.

Under the influence of the above-mentioned factors, the growth rate of global oil supply steadily exceeded the growth rate of oil demand since 2011, which led to an oversupply in the hydrocarbon markets in recent years. Given that Qatar's long-term LNG contract prices are linked to oil price fluctuations, changes in the oil market were also sensitive for Doha. Due to the specifics of shale oil production, neither the 2014-2016 price war unleashed by the KSA in an attempt to bankrupt its global competitors, nor the subsequent OPEC+ efforts to regulate the market by reducing oil production, were able to eliminate these additional barrels of supply. Unsurprisingly, by the time the Corona-virus pandemic began, the global oil market was already full: in 2020, even without COVID-19, the volume of market supply was expected to exceed demand by 2 million barrels per day.

In other words, the oversupply in the market, that created alternatives to suppliers from the Persian Gulf and made any theories about the "uniqueness" of hydrocarbons irrelevant to the formation of oil prices, arose long before the coronavirus. Under these circumstances, a new round of economic turmoil in the GCC de facto began almost simultaneously with the rise of American shale oil. In 2014–2016, the global oil market was hit by a new price crisis, caused for the first time in history by the growth of shale oil production. The Arab monarchies were not prepared for it, and their economies never fully recovered from the shock. After 2014, their GDP growth rates declined significantly, periodically showing negative values, and the oil and gas revenues of key players have never returned to normal.

The increased competition of GCC producers with other market participants was also the result of the shale revolution that changed the trade flows of hydrocarbons. The

United States has ceased to be an important consumer market, becoming another exporter (a competitor for traditional suppliers) and redirecting a significant portion of global hydrocarbon exports from America to Asia. This inevitably increased competition in Asia, the main consumer market for GCC oil and gas producers. At the same time, the high sensitivity of shale production to price changes has subsequently shortened the duration of global oil price cycles and changed their amplitude: given the ability of shale oil producers to rapidly increase production with positive market dynamics, oil prices cannot rise too high and/or for too long, forcing the GCC countries to forget about the era of ultra-high incomes.

As a result, by 2020, Qatar found itself in the grip of low prices and growing competition for markets. However, this was not the only unpleasant consequence of market changes for Qatar (GIIGNL 2020). Among other things, there have been significant changes in the structure of the LNG market leaders. So, if in 2010 the list of major LNG exporters included Qatar, Indonesia, Malaysia, Australia, and Nigeria, then by 2019 the market leaders were distributed as follows: Qatar, Australia, the United States, Russia, and Malaysia. At the same time, Qatar and Australia have equalized their export opportunities, competing for the title of the main LNG exporter for the entire period 2019-2021 (GIIGNL 2020). This change was very significant for Qatar. Now, Doha was competing not with developing countries that, by 2010, it had managed to leave far behind (GIIGNL 2011), but with world political and economic leaders, including the United States that continues playing a key role in ensuring the security of the GCC countries and whose companies are actively present in Qatar’s economy, including in its gas sector. Consequently, when deciding to compete with the new leaders of the LNG trade, Doha is inevitably forced to consider the potential political costs for it as a small state.

There are also risks to the sustainability of Qatari relations with consumers. The active development of the global LNG industry has made natural gas available to almost all consumers in the world, encouraging the formation of a single gas market and gradually reducing the price difference between regions. In particular, due to the growing LNG market, the price gap between the Asian and European markets, which previously motivated Qatar to focus on Asian consumers offering a higher price, seriously narrowed and almost disappeared between 2015 and 2019 (GIIGNL 2017; GIIGNL 2018). Currently, the movement of LNG flows is largely determined by the emerging short-term advantages in a particular market. The increase in the number of suppliers and available volumes of gas ultimately leads to a weakening of the mutual binding of sellers and buyers. The emerging market for spot contracts weakens consumers' interest in long-term deals, forcing them to avoid signing new contracts for more than 10 years; to demand a review of existing ones; and, as happened with Qatar in 2020, to occasionally take only the minimum agreed volume from suppliers. In this situation, players should not only be flexible when signing new contracts, but also be ready to diversify their trade between long-term and spot deliveries. So far, Qatar has not been very successful on this issue, relying on long-term contracts and positioning them as giving much greater certainty when predicting future gas prices. Moreover, by 2020, Qatar's share in the spot and short-term markets decreased to 5% (from 19.7% in 2017) (GIIGNL 2020: 7).

 ISSN 2227-6068

The growing availability of LNG forces its producers to compete with suppliers of pipeline gas. At the same time, prices are increasingly responding to market signals coming from the main centers of consumption, which means that sellers are increasingly becoming the party accepting the price. For decades and until recently, the oil and gas markets have been relatively dominated by producers (but the extent and nature of this dominance has been uneven over the past 70 years), making it easier to protect their interests. However, since the beginning of the 2010s, the market balance has gradually changed in favor of buyers. The shale revolution gave consumers of hydrocarbons the right to choose among the suppliers offering the cheapest price. Under these circumstances, Qatar is forced to ensure its own sustainable access to markets in order to guarantee the adequate development of its own economy, including the oil, gas and petrochemical sectors. In other words, there has been a shift in the focus on ensuring the energy security of the GCC countries from protecting the interests of oil consumers to protecting the interests of oil producers. In the context of ongoing market changes, when, under certain scenarios, not only the cost of natural gas may decrease, but also the demand for it may slow down (and, in some markets, even begin to decline), the security and stability of this source of Qatari foreign policy and identity is of particular importance.

The COVID-19 pandemic that hit the region in 2020 only increased the negative impact of the processes that were triggered by the market transformation. The slowdown in global economic activity has exacerbated the oversupply of hydrocarbons, which in turn has accelerated the fall in oil and gas prices in 2020. The global glut of oil and gas, in turn, has forced the GCC countries to wage a fierce price war for a share of hydrocarbon markets. During the first half of 2020, Qatar and Oman failed to offer competitive prices for their LNG supplies to the shrinking South Korean market. As a result, the volume of their exports decreased by 24% and 10.5%, respectively, compared to the same period in 2019 (Cockayne 2020; MEES 2020). At the same time, Australia, the United States, Indonesia, Malaysia, and Russia managed to increase their supplies to South Korea. During the same period, in Taiwan, Doha played differently. It managed to offer the most attractive prices to local consumers and increased export volumes, despite the negative market conditions. However, its main competitors also managed to increase their exports at the expense of other players, thereby narrowing the gap between them and Qatar. Consequently, in 2020, Qatar's macroeconomic indicators deteriorated significantly, which was due to a decline in revenues caused by falling oil prices and an all-out war for market shares (Ingram May 2020; Bousso 2020).

Qatar's Response to Emerging Challenges

The threats posed by the transformation of the gas market to Qatari economic and political interests could not but provoke a response. Doha's response to the existing challenges was to choose a market strategy based on the principle of accelerated monetization of available natural resources to invest received revenues in the diversification of its own economy. On 24 May 2020 Qatar Petroleum chief executive, Saad al-Kaabi, stated that his country not only does not intend to reduce gas exports to the market in order to maintain high prices for liquefied gas, but also considers it necessary to significantly increase production capacity, even if this will lead to a further glut of the market. Al-Kaabi based his claim on the fact that Doha is the most cost-effective gas producer in the world and therefore can cope with market shocks. He also added that many manufacturers will have to curtail production due to low prices, but for Qatar such a scenario is excluded (Podymov 2020).

In other words, Doha declared its readiness to wage a price war against its opponents. Qatar has been preparing for this scenario for a long time. In 2017, the country lifted a moratorium on further development of the Northern Dome gas field, and since then it has been constantly reviewing its development plans in the direction of further increasing production (GIIGNL 2017; GIIGNL 2018). It was originally planned to increase the liquefaction capacity from 77 million tons per year to 100 million tons per year, but this figure was increased to 126 by 2021. However, this approach contradicts the behavior of small states aimed at forming coalitions or pursuing neutrality, rather than going into confrontation without allies. Nevertheless, the choice in favor of a price war did not have an alternative.

Qatar could not affect prices through decrease in its own output only: considering the overall level of LNG production in the world and volumes of pipeline gas exports by other players Doha would only voluntarily give up its market share in favor of other players (Mosis 2020). The problem could be solved by uniting the largest gas producers within an OPEC-type cartel that could make binding decisions to regulate production and remove surpluses from the market. And, formally, such a scenario would be more logical for a small state that seeks to ensure its interests by forming coalitions. However, although a number of analysts periodically suggest turning the already functioning Gas Exporting Countries Forum (GECF) hosted in Doha into a market-regulating structure, the emergence of such an organization in the foreseeable future is unlikely. First, there is still not a united global gas market that is necessary for the functioning of a gas cartel. Second, due to national legislation in a number of countries and, above all, in the United States (that are not included in the GECF, as well), it is very difficult to force local producers to reduce production by government decisions. Third, Doha considers the traditionally negative reaction of Western countries (and consumers in principle) to the cartelization of energy production and, therefore, does not want to spoil relations with them by creating a gas OPEC (Cohrane 2020).

Under these circumstances, the maximization of the market share (and, in fact, a price war with rivals) turned out to be the only suitable strategy for Qatar. However, this approach is inevitably associated with a few costs that the need to conduct a confrontational policy towards Qatar market competitors may bring. And this is where the strategy of "hedging" through the creation of multi-level coalitions may help Qatar to mitigate negative consequences of its choice by forming flexible alliances with both producers and consumers of natural gas.

First of all, Doha is focused on strengthening relations with current and potential consumers as the question of who is going to buy additional volumes of LNG that Qatar is set to produce by 2026 remains open (Cohrane 2020; Mosis 2020). This forces Doha to be more flexible about the terms of future long-term contracts when they are negotiated with customers. Qatar Petroleum is also developing its capacities to quickly react to price fluctuation by being able to change the direction of LNG exports towards more profitable spot and short-term markets (Cohrane 2020; Mosis 2020). Thus, by 2021, Qatar already demonstrated exceptional flexibility in the geography of supply. During the first half of 2020, the decline in the volumes of Qatar's LNG exports to Asia (Doha's customers began to buy only the minimum required volumes of gas declared in their long-term contracts with Qatar, both due to lower domestic consumption and partial reorientation to cheaper spot markets) led to an increase in the volume of LNG exported by Qatar to Europe. In the winter of 2020 – 2021, rising demand and prices for LNG in Asia, on the contrary, forced Doha to increase its supplies to the Asian market. To be ready to respond to changes in regional price trends and gas consumption by moving its gas supplies from one region to another, Qatar is strengthening one of the most important tools of its gas empire – the LNG fleet. Doha plans to receive at least 60 large modern gas carriers built in the shipyards of South Korea and China. At the same time, by placing this order, the Qatari authorities also ensured that a huge amount of shipbuilders' production capacity was loaded, preventing Doha's competitors from using it.

However, Doha's main bet in its battle for gas markets is still put on the expansion of its list of long-term contacts (even if they signed on less favorable terms than before). Through active diplomatic contacts, Qatar continues convincing both the leading Asian countries (such as Japan, South Korea, and China) and growing economies of the Asian region of the need to conclude long-term contracts for LNG supplies from Qatar. In 2021, these efforts already led to the signing of new contracts with Bangladesh and Pakistan. In 2018 – 2020, Doha's active contacts with its trading main partners showed that Asian countries remain the priority direction of gas exports by Qatar (GIIGNL 2018; GIIGNL 2019; GIIGNL 2020). The latter is not surprising: in the coming years, it is the Asian countries that will remain the main consumer of natural gas, responsible for the lion share of demand growth. The only difference from the previous decades will be that the growth in consumption volumes in Asia will be largely secured not by the East Asian economic leaders, but by the developing economies of Southeast Asia (Fulwood et al. 2020; Gulf Times 2019).

Interaction with its direct competitors also remains the important part of Qatar's market strategy, and it is largely determined by Qatar's status as a small state. On the one hand, the leadership of the country indicated its readiness to enter into a price war with both competitors in the LNG market and those players who prefer to export pipeline gas. However, it is intended to fight only in case of extreme need and due to economic considerations. For example, in the first half of 2020, Qatar increased its LNG exports to Europe. Subsequently, Doha was not only able to strengthen its position there, but also challenged the interests of Russian Gazprom and Algerian producers. By entering into competition for the European market, Doha enjoys advantages provided by the political situation and, above all, the EU's desire to diversify its dependence on Russian gas supplies, thus forming, in general, an anti-Russian coalition and partly following the balancing strategy (countering Russia—its economic rival at gas markets—through the formation of a coalition with Moscow's opponents). For example, Russia's negative image in Europe was the reason for Poland to become a customer of Qatar (by 2020, Qatar became the main and largest supplier of liquefied gas to the country). After 2021, the Qataris will further strengthen their presence in the Eastern European market by supplying LNG to Croatia and Hungary through the LNG terminal on the Croatian island of Krk. In the future, Doha plans to increase supplies through the Krk to one billion cubic meters (GIIGNL 2021).

On the other hand, readiness for confrontation is only one element of the Qatari strategy. Qatar, as a small country, still prefers forming alliances that are not targeted against anyone. Unlike Saudi Arabia or Iran, Qatar has never considered its natural gas as a weapon of political pressure, although for example, the Russian side periodically suspected Doha of trying to oust Gazprom from the European gas market due to non-economic reasons. In different years, Russian pro-government analysts and even politicians argued that by competing with Russia's natural gas producers for the EU market Qatar was either avenging Moscow for some of its moves in the Middle East (for instance, for Russia's decision to support Assad in the ongoing Syrian civil war) or fulfilling some obligations to the US whose leadership asked Doha's help in undermining the economic potential of Putin's Russia. In reality, whenever Qatar participated in price wars for external markets, including, for example, its active struggle for the European market share in 2009 – 2012 or 2020, its motives were explained primarily by economic reasons (Wan 2011; Orlova 2019: 216 – 217). In its political diplomacy, Doha saw its natural gas supplies as a means to build alliances and binding other players to itself, rather than a means of pressure.

Doha also tries to "buy competitors" through active foreign investment in oil, gas, and petrochemical industries of its rivals, including but not limited to the US shale industry. Since the mid-2010s, Qatar has been actively expanding its presence in the oil and gas sector of Africa, Latin America, Asia, the EU, Russia, and the United States. The logic of the Qatari leadership is quite simple. By investing in various hydrocarbon producers, including its direct competitors, Qatar, on the one hand, hedges risks by gaining access to alternative sources of income, and, on the other hand, makes its competitors less interested in confrontation and more motivated to interact (al-Tamimi 2015).

As a result, the American vector of its diplomacy is particularly important for Doha. The United States is one of the main guarantors of Qatar's security. Under these circumstances, any competition with Washington for gas markets (for which there are serious prerequisites) is extremely undesirable for Qatar. For this reason, Doha is trying to focus on cooperation with the United States through mutual economic penetration, following, in some cases, the logic of the bandwagoning strategy. Over the years, the American business, primarily represented by ExxonMobil, became the largest foreign investor in the development of Qatar's gas industry, and it is likely to play a key role in the current expansion of Qatar's production capacity. ExxonMobil has a 10–30% stake in 12 of Qatar's 14 LNG production lines. It also helped Doha build a supply chain to Europe: while Qatar has its own fleet of gas carriers, ExxonMobil is the co-owner of two LNG terminals in Italy and the UK that are used by Qatar to unload its cargos. For example, the Adriatic Regasification LNG Terminal with a capacity of 8 billion cubic meters per year, owned by Qatar Petroleum and ExxonMobil, was specially built to receive Qatari LNG. By 2021, Qatar Petroleum and ExxonMobil have implemented several projects for the exploration and production of hydrocarbons in Argentina, Brazil, Mozambique and Cyprus. In February 2019, the companies reached a final agreement on the construction of the Golden Pass LNG terminal in Texas (USA) to be constructed by 2024 whose export capacity is estimated in 16 million tons per year (GIIGNL 2020: 40).

According to al-Tamimi, Qatari financial resources are extremely important for completing the construction of the Golden Pass terminal, which meets both Qatari and American goals for the expansion of their market presence. Thus,

> … if the project gets the green light, the terminal will add almost 15 bcm/y of export capacity to Qatar's overall LNG portfolio. Although the decline in oil and LNG prices make the project look less economically attractive, but Total's Senior LNG Advisor Guy Broggi recently told MEES that he thinks Qatar will go ahead with the project because of its strategic importance: "This project has a strategic importance and Qatar and ExxonMobil will go for it: short-term prices have no relevance when you talk strategy… This future LNG could easily go to the UK and the west coast of Europe, while new markets like Pakistan, Bangladesh … will be supplied by quantities diverted from the current UK or European contracts." (al-Tamimi 2015: 34).

In February 2019, the Qatar Investment Authority announced its intention to increase investment in the US economy from the existing $30 billion to $45 billion over the next two years. Apparently, the Qatari government will do everything possible to ensure that relations with Washington are conditioned not by competition, but by mutual interest. All this can lead to the formation of an even stronger interaction between Qatar and the United States, which, in theory, will have an impact on the global natural gas market.

Conclusion

To ensure its ability to pursue the policy of risk hedging that is expensive and not quite standard for a small state, Qatar has been actively and successfully strengthening its presence in the regional natural gas markets over the past twenty years. At the same time, the beginning of the era of relatively low hydrocarbon prices, frequent oil price fluctuations, limited potential for global growth in oil and gas demand as well as intensification of international competition for gas consumer markets threatened the sustainability of the main source of financing for the current Qatari foreign policy model—LNG exports. However, the same strategy of risk hedging allowed Doha to develop some elements of its response measures set. Thus, even under increased market competition and being prepared to wage a price war, Qatar is actively trying to form alliances that minimize potential risks by building, as far as possible, close contacts with both consumers and exporters of natural gas. Unlike some of its Gulf neighbors, Qatar hardly sees its hydrocarbon riches as a weapon of political blackmail or aggressive pressure. Even his "checkbook diplomacy" was and still is aimed more at creating favorable conditions for the existence of Qatar in the international arena, rather than at aggravating

 ISSN 2227-6068

the stance of its opponents. Whenever Doha was engaged in price wars for foreign markets, including, for example, an active struggle for European market share, its goals were primarily economic, although the political situation could be used to achieve them.

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