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OMAN: NATIONAL CHALLENGES AND REGIONAL ISSUES IN THE POST-SULTAN ERA

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ABSTRACT

This report outlines the main national and international issues at stake with the potential succession of Sultan Qaboos, whose health began to decline in 2014. He will be difficult to replace due to his status as the Father of the Nation who brought the country out of the feudal era. He modernized the state and gave it a diplomatic role as a mediator which has become extremely valuable in a region constantly on the brink of tensions and conflicts. In the short term, his successor will be faced with a difficult task due to falling oil prices affecting the economy. In the medium term, the challenge will be to revive a social contract that is running out of steam. However Oman's diplomatic role as a mediator in the region and an intermediary between Washington and Tehran, along with its strategic position at a crossroads on the Silk Road play in the country's favour in getting regional and global players to support the post-Qaboos Sultanate.

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INTRODUCTION

In Oman, it is difficult to publicly allude to the end of Sultan Qaboos¹ reign. However, people are now considering the future once he is no longer in power (I). Uncertainty and apprehension abounds, especially due to the economic downturn caused by declining oil prices since the second half of 2014. The issues that surround the succession stem firstly from the problem of replacing the Sultan², who modernised the country's economy and brought peace after ending the Dhofar Rebellion³. The sultanate of Oman is especially known in the West thanks to a number of publications on its unique mediation and diplomacy role in a region where tensions between Iran and Saudi Arabia dominate. However, the iron-clad and autocratic power of the Sultan is less well-known. He tends to be seen more as the comforting Father of the Nation. In reality, the Sultan holds almost all executive powers. He is the head of state, chief of staff of the armed forces, Prime Minister, Minister of Defence, Minister of Foreign Affairs and Minister of Economy.

The majority of challenges which his successor will need to face are therefore domestic. He will not be able to replace the model of absolute power incarnated by Sultan Qaboos (I) and will need to reign with a more collegial approach that relies on a younger elite to establish a new long-term social contract (II). The challenging succession is not likely to be helped by the poor economic situation (III). However, the future sovereign will be able to count on the strong legacy left by Sultan Qaboos of a peaceful and unified nation and a non-interventionist diplomacy and mediator role⁴ that have become essential in a region marked by strong tensions (IV). Furthermore, Oman's role in the strategic balance needs to be maintained for the region's key regional (Iran, Saudi Arabia) and global players (United States, China) (V).

THE SUCCESSION OF THE SULTAN

When the Basic Statute of the State was promulgated in 1996, like other dynastic monarchies in the region⁵, the Sultan began to reform the institutions to strengthen central power, especially with regard to the delicate issue of his succession. Oman's succession differs from other monarchies in that the Sultan does not have a direct heir. According to Ibadi tradition (the dominant religion in the country, a syncretic outgrowth of the Kharijites movement, which is neither Shia nor Sunni Islam), which is the State religion of the former imamate, the successor is chosen based on quality rather than heredity. Although the Al Said dynasty, from which the Sultan descends, has ruled the country since 1744, Article 5 of the Basic Statute of the State of 1996 states that the Sultan's successor must be a Muslim, mature, rational and the legitimate son of Omani Muslim parents, in the male descendants of Sayyid Turki bin Said bin Sultan, who reigned from 1871 to 1888.

The succession process is currently virtually certain in view of its imminent approach as the Sultan's health has declined since 2014⁶. The Statute states that the Royal Family Council shall determine the successor within three days of the death of the Sultan. If they are unable to agree on a choice, the Omani Defence Council shall instate the person designated by the Sultan in letters held in different locations in the country. This provision is meant to avoid any conflict

1 Sultan Qaboos has been in power since July 1970 after deposing his father, who was opposed to the country's development and modernisation.

2 The Sultan still has strong popular support. By optimising growing oil revenue in the 1970s, he managed to modernise the country through a so-called "Omani renaissance" (Nahda).

3 The province of Dhofar, which borders Yemen, was the starting point of a rebellion in the 1960s against the authority of Sultan Said bin Taimur (1932-1970, father of the current Sultan. Organised in 1965 as the Dhofar Liberation Front, the Marxist-Leninist inspired movement began being backed in 1968 by South Yemen and countries within the Soviet block, and other Arab supporters, including Kuwait, Bahrain and the UAE. With military support from the British, who helped overthrow his father in 1970, and from Iran under the Shah and Jordan, the rebellion was defeated and Sultan Qaboos declared the end of the war in December 1975.

4 This tradition of mediation is reflected in a resolutely pacifist and non-interventionist policy with Arab and Persian Gulf countries. Muscat has also played a facilitative role between Tehran and Washington since the Iranian Revolution of 1979, which resulted in diplomatic relations being severed between Iran and the United States. Since then, the Sultanate has worked to help resolve various political problems. Noteworthy examples include negotiating the release of American detainees in Iran, or arranging secret meetings between American and Iranian diplomats from 2013 to facilitate negotiations on the nuclear agreement signed between Iran and the P5+1 in Geneva on 14 July 2015.

5 Fatiha Dazi-Héni, "La résilience des monarchies du Golfe dans un monde en plein tumulte", *Pouvoirs*, 152, January 2015, p. 27-44.

6 This hypothesis has been confirmed by numerous Oman specialists and several interviews conducted in Muscat in March 2017 (by agreement with those interviewed, their names will not be cited here), some of the authors cited in the bibliography (John Peterson, Kenneth Katzman, Jeremy Jones, Marc Valéry, and Simon Henderson), as well as Arab authors from the Gulf who have had reliable analyses published in the Gulf Centre for Development Policies in Arabic: "Al-Thâbit wa-l-Mutahwil. Al Khâlij al-Akhar » (Stability and Change: the Other Gulf), <http://www.gulfpolices.com>, 2015.

within the Royal family. The Defence Council is made up of the Minister of Defence, the Chief of Police, the Minister of Diwan of Royal Court, the Deputy Prime Minister for the Council of Ministers, and the Chairman of the Council of State.

For several years, the names of four candidates have been circulating, including three of the Sultan's first cousins. As'ad bin Tariq is currently a frontrunner after being appointed as Deputy Prime Minister for International Relations and Cooperation Affairs on March 2, 2017. He has been the Personal Representative of the Sultan since 2002 after holding command of the Sultan's Armoured Corps. This move seems meant more to send a message to the international community and especially its Saudi and Emirati neighbours, seen by the Sultanate as being too interventionists in the region. By doing so, Oman shows that it is in control of the situation at home and that it is planning for the future. The other two candidates are As'ad's half-brothers – Haitham, Minister of Heritage and Culture, and Shihab, who retired from his position as a naval commander in 2004 to become a special advisor to the Sultan in the area of research. All three are in their sixties. As'ad is said to have a long-standing close relationship with the country's tribal leaders and his 37-year-old eldest son, Taimur, who is married to a Dhofari princess, is a potential fourth outside contender⁷.

The most likely theory is to maintain continuity, making As'ad the favoured candidate. However, if the tendency was to replace the dynastic elite, the young Taimur could be a clear step away from the era of Sultan Qaboos, who will be difficult to replace, regardless of who becomes his successor. In the neighbouring monarchy of Saudi Arabia, 32 year-old, new heir, Prince Mohammed bin Salman, who replaced his cousin, previous Crown Prince Mohammed bin Nayef (57 years old), also most valued as the skilled minister of Interior at the head of the anti-terror fight in the Kingdome, are the expression of a renewal of the Al Saoud dynasty. The young Omani interviewed seem impressed by this new Saudi dynamic, in a monarchy that has often been seen as old-fashioned. However, Omani's leadership is not comfortable with the new Saudi heir who is believed to be unpredictable and under the influence of its hawkish mentor, Abu Dhabi's crown prince, Mohammed Bin Zayed Al Nahyan whose hard-line and confrontational stances on the Middle East and North African region and vis-à-vis Iran are quite unpopular in the Sultanate.

Some people in Oman predict that the Royal Family Council will directly follow the recommendation of the Sultan (al-wasîyya – his will) without waiting the three day period. This scenario would avoid weakening the legitimacy of the Sultan's successor should an agreement fail to be reached within the designated timeframe. However, Article 5 of the Basic Statute of the State does not include provisions in the event that the Sultan is unable to govern due to health reasons. In this case, the Defence Council would take on a *de facto* transition role pending the appointment process set out in the Basic Statute of the State.

Identifying the modern Sultanate with the current absolute monarch should eventually make a more collegial and institutionalised form of governance irreversible. According to several former senior officials, this measure would better protect the Sultan's legacy. For the most part, those interviewed predict a smooth transition despite the many uncertainties surrounding the post-Qaboos era. It should reflect the image of a resilient society that has been strengthened by the historical and cultural assets of the Omani nation. This reality allows Omani society and the State to be confident and build strong relations in difficult contexts, even when regimes change, as was the case with the Shah and the Ayatollahs. This characteristic is widely lacking in the monarchies and societies of neighbouring countries.

SOCIAL CHALLENGES: A TRIBAL-SECURITY-BASED MODEL CHALLENGED BY YOUTH IN SEARCH OF EMANCIPATION

The Omani nation dates back some two thousand years and comprises a mosaic of cultural influences (Zanzibar, formerly under Omani control), with a significant population of migrants from the Indian sub-continent adding to the mix in more recent years⁸. In this multicultural context, several Omani Muslim faiths cohabit together. Although Omani officials present Ibadism as the dominant faith, adhered to by 75% of the national population, CIA data reflects a lesser proportion at just over 50%. Shiites make up just 5% of the population (Lawatis, Arab 'Ajman Shiites who settled in Muscat before the arrival of the Portuguese in the 17th century).

⁷ Simon Henderson, "The Omani Succession Envelope, Please", *Foreign Policy*, 3 April 2017.

⁸ In 2016, there were 2 million Omanis in the country and of the 2 million foreigners in Oman, 1,650,000 were Indo-Pakistani-Bengalis (Banyan population), for a total population of 4 million (figures provided by the Omani Economic Association, www.oca-oman.org).

The rest of the population is Sunni, mainly concentrated in Dhofar. Ibadism was at the centre of the imamate's political theology until it was quashed by the Sultan's father in 1959. It can be compared to Methodist Protestantism, where the emphasis is placed on moral control and conduct. He also completely rejects any form of sectarianism, allowing other religions to practice freely. This formed the basis behind Sultan Qaboos' idea to establish it as a generic and shared form of Islam where training institutions and mosques combine all branches of Islam. To avoid any conflicting interpretations, the Sultan established himself as the protector of all communities and faiths, making this one of the foundations of the social contract in Oman.

The other defining feature of this complex and diverse society is the vertical socio-political system organised around the tribal relationship and obedience to Sultan Qaboos. To create this, the monarch institutionalised the tribe as a vector of communication between the State and society, making tribal leaders the regulators of their community. The State nevertheless is careful not to let tribal leaders become too powerful. It encourages the breakup of tribes that become too demographically and/or economically powerful in order to weaken them and maintain control. This strategy is implemented based on neo-tribalism rather than a tribal relationship solely built on lineage, and on multiple identity and economic-related factors. Tribal origins – Arab in the South (Qahtani) or North (Nizari), Baloch, Indian (Banyans from Gujarat) – or religious affiliations and the business interests which they represent are the main factors that come into play. They are of significant political interest for the State, which incorporates tribal leaders as key mediators between the State and society. This makes tribes the key to the fundamental legitimacy of the Omani monarchy. Tribes and the State have a mutually dependent relationship. Tribes receive various kinds of funding and aid, and in exchange, their leaders watch over and control their communities, in cooperation with the Palace's security forces.

Any rare political tensions or protest movements that have arisen since the Dhofar Rebellion have been handled via this regulating/co-optation system. In 1994, thanks to the action of tribal leaders, the Government managed to prevent the Muslim Brotherhood movement from turning into a popular uprising. These tribal leaders convinced some of their members, some of whom were key activists in the movement, to abandon the rebellion or risk having the entire tribe accused by the authorities of being hostile to the higher interests of the State.

In 2004, the centre of religious power, concentrated around a group of ulamas (religious scholars) in the city of Nizwa, the bastion and capital of Ibadism, publically called for the return of the Imamate. However, negotiations with tribal leaders prevented the movement from taking hold.

In early 2011, Oman was not spared the series of protests known as the Arab Spring. For the first time, the economic and industrial bastions of Muscat (17 January 2011) and Sohar (25 February), lying north of the Capital, saw thousands of young people march the streets in protest against unemployment and low wages. Slogans against corruption and widespread privileges between the government and the powerful merchant families who control the most lucrative sectors of the country's economy politicised the demands. The movement spread down the coast to Sur, and over to Salalah, the capital of Dhofar, though it did not reach Nizwa, in the country's interior.

Although the Omani security apparatus is ever present due to the intermediary role played by tribes, it was surprised and overwhelmed by the spontaneous organisation of the movement. The central powers attempted to quell the unrest, using their regular strategy of tapping into allegiances and sending in tribal leaders to convince the young people to abandon their protests. However, when the same protesters scoffed at tribal leaders, the authorities sent in parliamentarians from the Consultative Assembly (*Majlis al-Shura*) to attempt a more modern political mediation alternative, once again, to no avail.

After organising non-stop sit-ins and protests in the streets from February to May 2011, the dissidents refused dialogue with anyone but the Sultan. The authorities set up public *majlis* (councils or meetings) in the cities where the uprisings were taking place in order to hear the militant's grievances pending concrete answers from the Sultan. These led to several ministers being ousted and more importantly, 50,000 public sector jobs being redistributed. The minimum wage was increased to 325 rials (just under €800) and investments were made in unemployment benefits. Like in other neighbouring monarchies, the solutions were meant to buy social peace and calm the disquiet without actually resolving structural problems.

The uprising reveals the extent to which the vertical and authoritarian regulating and consolidation mechanisms of the Sultanate are obsolete⁹. The country's young people under the age of 35, who make up 70% of the population¹⁰, are much more interested in change for their day-to-day lives, finding jobs and meeting the challenges that stand in the way of their self-fulfilment. Today, the waters have calmed but structural problems prevail, with a tribal-security-based model that has shown its limits.

It is likely to continue to erode under pressure from young people in search of a new social contract who were at the heart of the 2011 uprising.

ECONOMIC REFORM UNDER THE “TANFEEDH” IN THE CONTEXT OF A FROZEN EXECUTIVE

Since the drop in oil prices in September 2014, the economic and financial situation of the Sultanate of Oman has continued to decline. Although 40,000 Omanis enter the labour market each year, very few jobs have been created since 2014. The private sector is practically bankrupt due to the lack of new contracts and revenue¹¹. Many scholars believe that the “Omani Spring” was a missed opportunity due to the considerable spending injected to create 50,000 jobs in the public sector and heighten security.

Like other neighbouring countries, “buying” social peace brought calm at a time when oil prices exceeded \$100 the barrel. However, for the last three years, prices have been fluctuating between 40 and \$50, although according to IMF estimates, the Sultanate needs prices to be at least \$60 to pay its public sector employees and \$79 to balance the budget. Oman is a small exporter of oil and petroleum products with an average production of 750 million B/D, primarily for the Asian market (China, Japan, South Korea), the United States and a small portion for France, with a total production of 860 million B/D.

If oil prices remain low, the economic and financial situation will deteriorate even more with rising unemployment. Furthermore, the private sector is monopolised by a dozen family-owned conglomerates who prefer not to employ young Omanis (who account for just 12% of the sector's workforce) as they are considered less motivated and more expensive than foreign workers (88% of the workforce), mainly from India or Bangladesh. These workers are seen as more productive and cost-effective, making them difficult to replace.

Indians are mainly given strategic roles in businesses, as financial executives. They have developed their own networks to gain job opportunities for nationals from their own community while dedicating themselves to working hard for their Omani employers. At the same time, they invest back home and lobby Indian business elites to invest and create joint ventures in Oman.

Omani workers stand little chance against them as they lack the same networks, motivation and appeal with Omani businessmen. This reality feeds into the visible tensions between young Omanis and Indian expatriates and puts powerful business families under pressure as their interests push them to protect expat jobs even though reforms under the National Program for Enhancing Economic Diversification (Tanfeedh) are promoted by the government to encourage Omanis to work in the private sector and create their own businesses.

This structural challenge, which is not specific just to Oman, is also combined with the problem of the political status quo, which could settle in for some time with an ailing monarch and frozen executive. If so, it will only make an economic and social situation that has already been tense for the past three years worse.

Dwindling oil prices have had a significant impact on Oman's economy. It recorded a deficit at 20% of the GDP in 2015 and 2016, reaching \$65 billion GDP, compared to \$80 billion in 2014 (comparatively, Qatar's GDP stands at \$200 billion). This combines with the balance of payments deficit due to declining revenue and continuing imports. The public

⁹ Marc Valeri, “J'ai respiré l'air de la liberté”. La légitimation autoritaire au Bahreïn et en Oman à l'épreuve du ‘printemps arabe’”, *Critique internationale*, 61, 2013, p. 107-126.

¹⁰ The Omani population in Oman is estimated at 2 million, 70% of whom live in urban environments. There are 2 million foreigners in Oman, 80% of whom are from the Indian sub-continent

¹¹ Interview with a board member at the Central Bank of Oman in March 2017.

debt remains reasonable, however, at around 25%, but is rising quickly, which could eventually threaten Omani rial trading.

To respond to the economic crisis, the Tanfeedh programme, which is the Sultanate's ninth five-year plan, was launched as a six-week conference held between October and November 2016, to make it a pivotal growth model that stands out from the previous eight plans. It was inspired by Malaysia's national development plan, called "Permondo", implemented by former Malaysian Prime Minister Dr Mahathir Mohammed, who drew inspiration from American Consulting Firm, McKinsey&Company, which developed the 2030 Visions for the UAE, Qatar and Saudi Arabia. However, the Omani government worked hard to ensure that numerous Omanis from the public and private sectors were included in the programme to make them feel fully engaged and more than just recipients of reforms prompted by a foreign model.

The goal is to implement these economic reforms by 2020 in order to diversify the economy and reduce its dependence on oil, which currently accounts for 83% of the country's revenue, as opposed to 99% in 1970. The programme targets five strategic sectors – logistics (infrastructure, shipping hubs), manufacturing, tourism, development of mining and fisheries, which are meant to stimulate employment and attract foreign investment by promoting joint ventures via public-private partnerships. In addition, KPIs will be put in place to measure performance at each stage of the "Tanfeedh" plan and keep civil servants responsible for implementing the reforms accountable. The risks involved in this new management method, involving difficult and risky decisions, stand in the way of the reforms being implemented and could make them ineffective. This category of advisers responsible for leading the "Tanfeedh" reforms are exposed more than ever and worry about their future.

The approach also suffers from the gap between the much-trumpeted promotion of the "Tanfeedh" programme and the problems with its implementation. It was presented to the Sultan as the last resort to save the country from economic stagnation. After overselling the benefits of the plan, the Sultan's advisors cannot now pull back out of fear of upsetting and negatively affecting his health, which explains the current state of inaction. There is now a sense of disparity between the propagandist communication of the reform programme and the lack of concrete measures, hence the public's widespread scepticism. The population is often apprehensive about the government's initiatives in view of the poor results of an economic diversification strategy launched in 1995.

Like other neighbouring countries, the plan included austerity measures, including lowering subsidised prices granted to industrial groups, raising corporate income tax from 12 to 15%, and increasing social security taxes for the private sector (rising from 100 to 250 rials per employee). For the general population, petrol prices and taxes on all administrative formalities were increased along with fines for all road traffic violations. All six monarchies of the Gulf Cooperation Council are also expecting the announcement of a 5% VAT in 2018. As a result, the gap is widening between a positive official line praising the benefits of the "Tanfeedh", and the austerity measures imposed on a reluctant population.

It seems that the United Kingdom, whose historical imprint on the administrative and security apparatus makes it the only outside player able to influence the Palace, has attempted to convince the Sultan to encourage more realistic communication about the "Tanfeedh" project's reforms, which requires that sacrifices be made by Omanis. The only message given by government advisors is to say that the Sultan will not allow the standard of living and social gains of Omanis to change despite the fact that austerity measures have continued to be implemented for a year.

The Vision 2040 plan, whose Main Committee is the same as the "Tanfeedh" programme, is promoted more in order to emphasise the long-term feasibility of structural economic reforms that are difficult to implement in the short term, the hidden hope being an oil price around \$80. Some see it as an opportunity to take the time to implement new regulations that are more transparent and restrictive. Others see it as ill-conceived project designed to buy time to occupy the population and draw their attention away from the stalled "Tanfeedh" programme, which has no chance of coming to fruition by 2020.

Vision 2040 is a structure created by one of the Sultan's cousins, Haitham, Minister of Heritage and Culture, and one of the contenders for succession. It is also a way to defer responsibility for economic and structural issues to be dealt with when Sultan Qaboos is no longer on the throne. Whoever the successor, he will have the heavy disadvantage of working in the wake of the Sultan's extraordinary legacy and having to face a poor economy with an unsustainable social model.

THE SULTANATE'S DIPLOMATIC ROLE AS A MEDIATOR MAKES OMAN A KEY REGIONAL PLAYER

The Sultanate's foreign policy is resolutely based on mediation and non-intervention and is the greatest and widely accepted legacy of Sultan Qaboos' reign. Consequently, the economic and social problems affecting Oman that will be key challenges for the country's future ruler, could be counterbalanced by its role of upholding the balance of power in a region greatly troubled by tensions between Saudi Arabia and Iran¹².

No regional or even global players (United States, United Kingdom, China) would have an interest in seeing the economic collapse of Oman due to its diplomatic policy as a mediator and its strategic geographic position¹³. Located on the crossroads of the Silk Road heading to China¹⁴, Oman also became the United States' top ally when the Sultanate became the first monarchy in the Gulf to authorise Washington to use military facilities on its soil through an agreement signed on 21 April 1980¹⁵. To show its recognition, Washington signed a free trade agreement with Muscat that has been place since 2009. This came more as a show of political support for Oman's regional actions than increasing American economic interests, which remain limited. The Sultanate has also maintained a close relationship with its historic British ally, the UK being the only foreign country to exercise direct political influence on the Palace.

1980-81 was also a pivotal time for Oman when it affirmed the foundations of its regional policy by rejecting the proposal of Saudi Arabia and Kuwait to engage the joint military force of the GCC, the Peninsula Shield Force, in Kuwait, in support of Saddam Hussein's troops when he declared war on Iran¹⁶. Oman refused, knowing that such action would be seen as a declaration of war on Iran. Since that time, Muscat has continuously defended the idea that to preserve the GCC, all necessary steps must be taken to drive its economic development and protect the regional entity by avoiding war in the region at all costs. This consistent stance has become the trademark of Omani foreign policy, which has always preferred to keep relations intact with Iran and Yemen, even at the risk of angering its immediate neighbours of the GCC. The 1980s were dominated by discord with Saudi Arabia and Kuwait, even though Qatar and the UAE tended more to follow Omani positions. However today, the Kuwaitis and Qataris agree more with the non-interventionist approach defended by Oman. This is in opposition to the Saudi and UAE interventionism in Yemen supported by Bahrain and escalated by an extremely hostile line of discourse against Iran.

Differences in perceived threats and diplomatic approaches to regional crises to defuse conflict can be a source of complementarity, but also division, especially when political ideas significantly diverge. Even though Iran is generally seen by all member states (including Oman) as a hegemon, the threat is perceived differently by each monarchy. The perception of the regional Iranian rival and/or the actions that Riyadh wishes to impose to curb the Iranian threat are not unanimously supported and divide the GCC into two separate blocks.

On the one side, Saudi Arabia and the UAE, with Abu Dhabi, and Bahrain, favour a hard line stance against Iran's growing interventionism in the Middle East, in Iraq, Syria, Lebanon, Yemen and even Bahrain and Kuwait since the beginning of the decade. On the other, is a more open approach, following a diplomatic agenda based on mediation defended by Oman and Kuwait, who oppose the military interventionism encouraged by Riyadh and Abu Dhabi. As for Qatar and Emir Tamim, who succeeded his father, Emir Hamad on 25 June 2013, it has adopted a less divisive regional diplomacy that is more in tune with its GCC neighbours, by developing closer ties with Riyadh.

On the Iranian question, even if Doha fears its powerful Persian neighbour above anything else, Qatar has adopted a pragmatic approach, joining the camp favouring appeasement between the two sides of the Gulf. The GCC's dual profile concerning regional policy nevertheless seems to be more a source of complementarity than division¹⁷.

The recent crisis isolating Qatar since 5 June 2017¹⁸ is the worst in the GCC's history. It is the consequence of the diplomatic crisis that broke out between March and November 2014, when Riyadh, Abu Dhabi and Bahrain all pulled

12 Fatih Dazi-Héni, *L'Arabie saoudite en 100 questions*, Tallandier, 2017 (see section on the regional dimension, questions 75 and 76).

13 Pierre Razoux, Oman : future pièce maîtresse de la stratégie américaine dans le Golfe et l'océan indien, IRSEM Research Paper No. 15, January 2015.

14 Lingxia, the Muslim province in Western China announced that it would invest \$10 billion in the Bulk Liquid Berths Terminal at the Port of Duqm for a project with a total investment of \$40 billion over 20 years.

15 Kenneth Katzman, "Oman : Reform, Security, and US Policy", Congressional Research Service, 26 April 2016.

16 Interview with a former Omani high official who worked within the GCC from the 1980s to the early 2000s. At that time, the Peninsula Shield Force was stationed on the Hafar Al-Batin military base in Saudi Arabia, with just a thousand men.

17 Fatih Dazi-Héni, "Picking a quarrel with Qatar?", Agence globale, translated from "La drôle de guerre dans le Golfe", *Le Monde diplomatique*, July 2017.

18 Fatih Dazi-Héni, "La diabolisation du Qatar sonne-t-elle le glas du Conseil de Coopération du Golfe ?", *The conversation*, 8 June 2017.

out their ambassadors from Doha in a sign of protest against Qatar's hostile stance towards the regime of Egyptian President El-Sissi, at the origin of violent repressions against the Muslim Brotherhood movement. The current crisis (not to mention severed diplomatic ties, and the air, sea and land blockade imposed against Doha) has reached such heightened intensity because Emirati and Saudi leaders feel that Qatar has not adhered to the warning issued in 2014, hence the unprecedented confrontation to bring Doha back into line. The Emirate of Kuwait, supported by the Sultanate of Oman, are working hard to mediate within the GCC to de-escalate the situation. However, the crisis has hit the very core of solidarity and the key inter-dynastic strength of this regional pact. Unlike previous crises, this one will leave its mark and weaken this regional body in the long term, especially with Sultan Qaboos being less present on the regional stage.

The Sultanate defends a highly legitimist stance within the GCC despite the outburst by the Minister Responsible for Foreign Affairs, Yusuf bin Alawi bin, who, during the Manama Dialogue (Regional Security Summit for Gulf countries) in December 2013, threatened to pull out of the GCC if the plan to transform this regional cooperation into a union was approved¹⁹. This manoeuvre by Oman was made in an attempt to pull the rug out from under Riyadh. It sought to prevent the official announcement of the union at the 34th summit of GCC leaders held in Kuwait right after the Regional Security Summit in Manama. Oman's position was tacitly approved by the majority of member countries who saw the union plan as an attempt by Saudi Arabia to impose its regional agenda on everyone.

Despite disagreements pitting Muscat against Saudi and Emirati interventionism, Muscat is viewed within the GCC as a key player for maintaining the balance of power and stability in the region, even in the eyes of some Saudi diplomats. This interest is reflected in the extensive investments from neighbouring monarchies like Kuwait, Qatar and the UAE, led by Dubai, which injects \$600 million of the \$6 billion invested annually in the Sultanate. Saudi Arabia is also an important trade partner, while Iran, although often presented as a strong and essential partner for Oman, invests nothing. Their relationship is mainly politically strong because of its symbolic force and the fact that the Sultanate stands in the way of direct confrontation between the two sides of the Gulf.

OMAN: SUPPORTING ARMS AND SECURITY GUARANTEES LIKE ITS CCG NEIGHBOURS

Despite its role as a mediator and at maintaining stability, the Sultanate has beefed up its military and security forces, which are at the core of its State presence, like the UAE (particularly Abu Dhabi), and Saudi Arabia.

Oman even has the world's highest military spending per capita, at around 17% of its GDP in 2015, compared to 10% for Saudi Arabia (which is actually ranked third, far behind the United States and China, but ahead of Russia, with \$87 billion)²⁰. Oman's defence budget is the second highest of the GCC countries, after Saudi Arabia and ahead of the UAE. However, in 2017, the military spending budget was reduced. Like its neighbours, the United States is Oman's lead supplier and has become a protective power with troops stationed on the military air bases of Muscat, Thumrait, Masirah Island and Musannah (which have agreements renewed every ten years).

The United Kingdom is its second "military equipment" supplier, but has been increasing its returned military presence throughout the Gulf region since the beginning of the decade. The UK is also the Sultanate's leading foreign investor with around 50% of all foreign direct investment²¹. The post-Brexit phase, set to begin in April 2019, will also open the door to a free trade agreement between London and Muscat.

This is part of a goal to increase business relations and accelerate the Omani economic diversification process promoted by the "Tanfeeth" programme. London also signed a memorandum of agreement with Muscat in early April 2016 to build a permanent naval base near the port of Duqm, for \$110 million (after having signed an identical agreement with Bahrain 2 years earlier). The Port of Duqm therefore does not represent purely economic interests – it is more of strategic and military importance for the United Kingdom. In the same logic, the United States is investing in

19 At the 9th session of the Manama Dialogue focused on security issues in the Gulf (7 and 8 December 2013), Yusuf bin Alawi strongly opposed transforming the Gulf Cooperation Council into a union: See IISS article.

20 "Military Expenditures in the World", SIPRI, 2016.

21 "Oman Needs To Push for Free Trade Pact with UK in Post Brexit Era", *Times of Oman*, 1 May 2017.

the infrastructure of this airport hub so that military vessels from the US 5th fleet, stationed in Manama (Bahrain), can use it as a port of call.

France is Oman's third leading arms supplier and maintains a consistent relationship of military cooperation, which has recently been strengthened in the fight against terrorism. It has a bilateral relationship with the country that dates back to 1660, even before France established ties with Iran in around 1715. This historic relationship also includes an important cultural dimension with the Omani French Museum, the only institution in Oman dedicated to showcasing its ties with a foreign country. However, besides the military and security facet, business ties are mainly confined to the energy sector (Total, Engie, Veolia, Suez) and remain modest (around €450 million per year), even more so since 2016 with the economic decline in Oman.

CONCLUSION

In conclusion, the uncertainties facing the Sultanate of Oman with regard to the succession to Sultan Qaboos need to be balanced. In the immediate future, the strained economic situation caused by dropping oil prices since September 2014 will complicate the job of the successor if prices continue to fall (around or below \$50). The future ruler will not be able to reign with absolute power like the current Sultan, who holds almost sacred status for having brought the country out of its feudal state. The successor will need to work more with a new co-opted business elite in order to effectively diversify the Sultanate's economy. In the medium term, he will have to create a new social contract, which is currently based on absolute obedience to the monarch and a tribal-security-based model. This system developed by Sultan Qaboos is not likely to outlast him very long. His successor could gradually overcome this challenge by reigning more collegially around a younger elite.

However, the regional diplomacy based on mediation instilled by Sultan Qaboos in the late 1970s is the greatest legacy of his reign and should be perpetuated even more in a region affected by tensions. The Sultanate will be able to draw on this continuity and count on the backing of regional and global powers who all have an interest in economically and politically supporting Oman. Its role as a regional mediator and its strategic position at the crossroads of the Indian and African subcontinent motivate external players to preserve Oman's position in the balance of power now and in the post-Qaboos era.

The current crisis around Qatar shows that despite the public absence of Sultan Qaboos, Oman's diplomatic mediation continues. It has stood in support of the actions of the Emir of Kuwait, the most senior member of the GCC, who, due to his relationship of trust with King Salman of Saudi Arabia, initiated arbitration with Qatar.

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ANNEXES

Figures on the Sultanate of Oman (2015-2016)

General

Area: 309,500 km² with 2,092 km of coastline and 1,561 km of land borders shared with the UAE, Saudi Arabia and Yemen.

Population: 4 million, including 2 million nationals and 2 million expatriates (the majority of which are Indian).

The national population is made up of a mosaic of Zanzibari, Baloch and local Arab communities. Official numbers state that 70% to 75% of Omanis are of Ibadhi faith, but American CIA sources estimate just over 50%. 5% are Shia and the rest Sunni.

70% of the national population is centred in urban areas and 30% live in rural areas. For comparison, the urban rate in Saudi Arabia is 87%.

Standard of living: Oman has a total workforce of 1,730,000 and the official unemployment rate is 15% of the national population. The vast majority are employed in the public sector and only 12% work in the private sector, where 88% of jobs are held by foreign workers.

The minimum wage established in 2012 is 325 Omani rials (i.e. just under €800).

Average income stands at around 800 rials, i.e. €1,902 (according to a professor at Qaboos University).

Economics

National GDP: \$65 billion (2016) compared to \$80 billion before 2014.
GDP per capita: \$15,672 (2016), compared to \$20,297 in 2014.

Oil: Production: 860 million B/D; Exports: 750 billion B/D; Reserves: 5.5 billion barrels, price per barrel required to achieve a balanced budget: \$79 compared to an average of \$40 to \$45 since October 2014. Oil accounts for 83% of the State's revenue.

Natural gas: production: 875 billion cubic feet; Exports: 407 billion cubic feet; Reserves: 30 trillion cubic feet.

Tourism: only accounts for 2% of the GDP.

Oman's primary trade partners: United Kingdom, China, UAE, South Korea, Japan, India, the United States, Saudi Arabia, Qatar and Kuwait.

Sources

www.cia.gov, The World Factbook (2016), www.imf.org (2015), www.sipri.org, (2016), www.oca-oman.org, (Omani Economic Association) (2016) and information corroborated by several high officials and professors from Sultan Qaboos University in March 2017.

Map of OMAN



Source: University of Texas - Austin

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