This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at http://www.bti-project.org.


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Executive Summary

In 2011 and 2012, the sultanate experienced its most widespread popular protests since the end of the Dhofar Rebellion in the 1970s. Key demands revolved around job opportunities and measures to curb corruption among top officials and combat increasing inequality. At a political level, there were no calls for the overthrow of the regime, rather for political and constitutional reforms to guarantee public freedoms and the division of powers. In order to quell these actions, marked by two fatalities in the northern town of Sohar in early 2011, the sultan removed long-serving ministers perceived as corrupt and increased the prerogatives of the elected Majlis al-Shura (Consultative Council). However, this fell far short of expectations that the chamber would be transformed into a legislative body. At a broader level, the Omani Spring has not led to any substantial reform, and the regime’s traditional supporters (the economic elite and the security apparatus) have not demonstrated sympathy with protesters’ demands. Civil rights and freedoms suffered significant setbacks during the period between 2011 and January 2013. Significant investments in the security sector (police, intelligence), which aim to strengthen political control and pre-empt future unrest, have been a priority since 2011. Repression remains the preferred strategy for silencing dissent: hundreds of protesters, including students, journalists, lawyers, intellectuals and human rights activists, have been arrested (a number of whom were subjected to physical and psychological maltreatment tantamount to torture) and sentenced to jail terms. The decision-making process remains firmly closed to dispute and the sultan enjoys absolute power in governance.

Clientelism, tribal or ethnic affiliations, and money offered by candidates were the key determinants of voters’ choices in the 2011 Majlis al-Shura elections and in the 2012 municipal elections. Candidates were allowed to put up posters and advertisements and to hold public meetings, but political parties and platforms remain outlawed. Candidates, therefore, stand for election in their own name only. A number of Majlis al-Shura members elected in 2011, including former activists who took part in the protests, have shown their commitment to empowering the
chamber and increasing its position and prerogatives in the general balance of powers, but this trend remains embryonic, given the strong opposition of the executive branch.

High oil prices have continued to feed growth (3-5% in 2011 – 2012) and the government reported a substantial budget surplus in 2011 and 2012 which has been used in a record expenditure plan to forestall discontent among nationals. The government increased the minimum salary, created a monthly allowance for individuals registered as job seekers, as well as thousands of public sector jobs. Oman’s eighth five-year plan (2011 – 2015) presented before the Arab Spring concentrates on economic diversification, encouraging foreign investment and promoting the role of the private sector as the key components of the move toward a post-oil economy. It also aims to achieve real GDP growth of 3% annually and keep inflation under control following a sharp rise during the pre-crisis oil-boom period. Job creation for Omani citizens (the “Omanization process”) remains the most significant challenge. Unofficial estimates show a persistent 15-20% rate of unemployment among nationals, and more than 25% among 18- to 29-year-olds. In January 2013, the ruler announced new measures to boost small- to medium-sized enterprises (SMEs) and Omanization processes with the aim of restricting the expatriate workforce to no more than 33% of the population.

History and Characteristics of Transformation

On 23 July 1970, Oman’s present ruler, Sultan Qaboos, overthrew his father Said bin Taimur with British assistance, marking a turning point in Oman’s modern history. Soon after taking power, he abolished many of his father’s harsh restrictions on various personal freedoms, which had prompted thousands of Omanis to either rebel or leave the country. He managed to end the Dhofar war in the late 1970s which shook the country in several waves since 1962. He also offered amnesty to opponents of the previous regime, many of whom took this opportunity to return to Oman. In general, Sultan Qaboos promised his people economic development and a shift away from his father’s policies.

Sultan Qaboos faced many deeply entrenched problems. He confronted an insurgency by expanding and re-equipping the armed forces and the state’s security apparatus, and by carefully integrating Oman into the international system. In order to mitigate the country’s endemic poverty and illiteracy, the sultan embarked on political and economic reforms and launched major development programs. He also sought international support for his economic policies by promising an extensive modernization program based on oil revenues. Sultan Qaboos has built his regime’s domestic legitimacy on a policy of nation building and the assimilation of all of Oman to the oil rentier state framework. The sultan has cultivated since then his own image as the incarnation of the country’s post-1970 “renaissance.”

Oman is a hereditary monarchy headed by Sultan Qaboos, who rules by royal decree. Since his accession to power, Sultan Qaboos has endeavored to provide political representation for the
country’s diverse tribal, regional, and ethnic interests by creating a balance of these groups in his Council of Ministers, which is directly appointed by the sultan and functions as the sultan’s cabinet. The monarch is both chief of state and head of government, as well as the minister of defense, finance and foreign affairs, the commander-in-chief of the armed forces and the chairman of the central bank. In 1981, the sultan created the State Consultative Council (SCC), an appointed body that had a purely informal role.

On 6 November 1996, Sultan Qaboos issued a royal decree promulgating the basic law, which is considered to be Oman’s constitution and formally guarantees basic civil rights for nationals. Moreover, it establishes a bicameral legislature, the Council of Oman, consisting of an upper chamber, the State Council (Majlis al-Dawla), the 84 members of which are appointed by the sultan, and a lower chamber, the Consultative Council (Majlis al-Shura), which replaced the SCC in 1991. The Majlis al-Shura, elected by universal suffrage since 2003 for four year-terms, is a member of the Arab Inter-Parliamentary Union (AIPU). The Council of Oman, which has only limited legislative powers, can question service ministers and submit legislative proposals to the Council of Ministers. The Council of Oman can also submit amendments to laws prepared by the Council of Ministers. The sultan can dissolve the Majlis al-Shura. The basic law may formalize the principles of the succession process, but its complexity, combined with the absence of a designated heir to the sultan (who has no descendants) raises many questions regarding succession and Oman’s stability.

Oman is a middle-income economy by Middle Eastern standards. As with other Gulf nations, oil is the mainstay of the economy, providing a large proportion of GDP and state revenue. Compared to its neighbors, however, Oman is only a modest producer with quickly disappearing oil reserves, a fact which poses a major challenge to the state’s ability to meet its developmental needs. As such, the government has prioritized economic diversification by promoting agriculture, tourism, the gas sector and non-oil industries. Oman actively encourages the private sector to play a role in the country’s development. Popular mobilizations since 2011 have revealed the level of political and social frustration of a country where 70% of the population is below 30 years of age.
The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Sultan of Oman possesses total monopoly on the use of force. The security forces have complete control over the state’s entire territory. There are no areas in which any opposition groups infringe on that control.

In the country’s southern region, national unity remains an issue long after the area’s insurgency in the 1970s. However the inculcation of the idea of an Omani nation as a collective framework of belonging is considered one of Sultan Qaboos’s main political successes since the beginning of his reign in 1970. The basic law ensures that all citizens have the same civil rights. The nation-state is widely accepted as legitimate, and since the events of 2011 there has been explicit criticism of the regime and of some of the ruler’s practices, with critics concerned both for the present of the country and its future after the current ruler. The identification of Omani identity with the figure of Qaboos, represented as the embodiment of Oman (“nahda” = renaissance ideology), is increasingly challenged by his subjects, 70% of whom were born after 1980 and have no memory of 23 July 1970, the day on which Qaboos was made sultan and which is celebrated each year as Nahda day.

Though Islam is the state religion and Shari’ah law forms the basis for legislation, the regime has been very tolerant of all sectarian groups. The religious establishment is under the state’s firm control and can hardly express its voice without the prior consent of the ruling elite. However, certain Ibadi groups have quietly called for traditional religious leadership, and since the mid-2000s Omani society has not been immune to the spread of religious ideologies which justify conservative social practices in the name of Islam. Sunni and Ibadi Islamist networks played a crucial role in channeling discontent in 2011 while the influence of Islamist-oriented ideas in the state apparatus has also been expanding. In an attempt to placate Islamist protesters in May 2011, the sultan approved the establishment of Islamic banks.
In 1970, Sultan Qaboos inherited a territory torn apart by competitive local allegiances. Since his accession to the throne, the ruler has built a civilian state administration that extends throughout the territory. The large size of the state bureaucracy and its lack of technical skills, however, limit the effectiveness of Oman’s administrative system.

2 | Political Participation

Oman is an absolute monarchy ruled by the sultan and his appointed government. However, the sultan has allowed a steady and incremental diversification of the political decision-making authorities through the bicameral Council of Oman, which acts as an advisory body. In 2003, Qaboos granted universal suffrage for the lower chamber (Majlis al-Shura) elections to all male and female adults over the age of 21. The Majlis al-Shura is composed of 84 members elected for a renewable four-year term. Its chairman has been elected by the Council’s members since 2011. Districts (wilayas) whose population exceeds 30,000 inhabitants have two representatives, and smaller wilayas just one.

In October 2011 a sultanic decree announced the establishment of municipal councils in all 11 governorates (muhafadhat), composed of members representing wilayas and elected for a renewable four-year term, in addition to ex-officio members representing ministries. Wilayas with up to 30,000 inhabitants are represented in the local council by two members, while those having more than 30,000 but less than 60,000 have four representatives, and larger wilayas have six representatives. All municipal councils are chaired by the head of the governorate appointed by the sultan. Municipal elections were conducted in December 2012 for the first time.

Candidates for the 2011 Majlis al-Shura elections and 2012 municipal elections competed under their own names, as the regime forbids political parties and platforms. They were allowed to put up posters and banners in streets and public places, advertise on television and in the newspapers and, for the first time, hold public meetings in halls or electoral tents. At least 50 applications for candidacies submitted by individuals who took part in 2011 protests were rejected by the election committee in 2011 and 2012 “for security reasons.” As with the 2003 and 2007 Majlis al-Shura elections, clientelism, tribal or ethnic affiliations and money offered by candidates were also the key determinants of voters’ choices in 2011 and 2012. Tackling general topics (like the role of the religion in society, or the separation of powers) or to present a public campaign together with a candidate from another wilaya. These limits prevented the emergence of political strategies.
These elections do not, in any case, threaten the legitimacy of the ruler and leading political figures. The Majlis al-Shura and the municipal councils are responsible to the sultan and the Council of Ministers.

Since the defeat of the southern rebellions in the 1970s, the sultan’s rule has been effectively unopposed. Although there were two minor attempts (in 1994 and 2005) by Islamist groups to organize opposition, the sultan enjoys an absolute and almost uncontested power to govern. On several occasions during the Omani Spring in 2011 and 2012, intellectuals and human rights activists submitted petitions to the ruler calling for widespread political reforms (a new constitution to create a parliamentary monarchy). In the vast majority of cases, the ruler was not the target of protests. However, the regime’s reluctance to listen to the people’s frustrations and to breach the taboo on key issues (such as the concentration of power in the sultan’s hands), the refusal to appoint a prime minister and the excessive security measures used against protesters have resulted in disillusionment about the regime’s will to respond to democratic demands and to prepare the succession.

Rights of association are generally underdeveloped. The basic law guarantees freedom to form associations with legitimate objectives if their activities are not considered inimical to social order. All proposed organizations and their by-laws must receive the approval of the Ministry of Social Development. As part of the bilateral free trade agreement with the United States (which came into force on 1 January 2009), the government of Oman amended its labor laws. These reforms included a 2006 sultanic decree that granted private sector workers the right to form trade unions. The Ministry of Manpower later outlined provisions for collective bargaining in the private sector and affirmed the right of private sector workers to stage peaceful strikes.

However, in practice, the exercise of rights of association runs into many obstacles. The Omani government does not permit the formation of independent civil society associations, including independent workers’ unions, or pro-democracy or human rights organizations. The government employs the registration and licensing process to obstruct the legitimization of these groups. Political associations are banned.

In 2011 and 2012, numerous striking employees in the private sector (primarily the oil sector) faced physical intimidation and threats of dismissal. Peaceful protests calling for pro-active measures to curb rising unemployment and inequality, to fight corruption and to implement political reforms were quelled by a ruthless crackdown in spring 2011.

Senior officials repeatedly labeled protesters as “delinquents” and “vandals”. Following hundreds of arrests across the country more than 100 individuals from Sohar, Salalah, Sur and Ja’alan were sentenced to jail (on such charges as “blocking traffic” and “illegal gatherings”). The application to register an independent
association to support protesters’ demands was rejected by the Ministry of Social Development. The sultan responded in October 2011 by amending several articles of the Penal Law by royal decree, including Article 137 which states that “anyone participating in a gathering of at least 10 persons, with an intent to affect the public system, can be punished with a jail term of one month to one year.” These amendments criminalized the specific character of these protests, even down to methods (e.g., road blocks) and the protesters’ appearance (e.g., with covered faces).

In May 2012, two human rights activists and a lawyer were arrested and held in incommunicado detention for five days after trying to interview oil workers. Later the prosecutor general charged them with “incitement to protest.” In June, individuals organizing a peaceful sit-in in Muscat calling for the release of the detainees were also arrested. Between July 2012 and January 2013 more than 20 writers, human rights activists and lawyers – a number of whom were subjected to mistreatment tantamount to torture – have been sentenced to jail terms if between six and 18 months on various charges related to “illegal gatherings,” “incitement to cause riot” and “public disorder” for peacefully exercising their rights of assembly.

The period between February 2011 and January 2013 marked a dramatic crackdown on freedom of expression in Oman. The 1996 basic law provides for freedom of opinion and correspondence within limits. Freedom of the press is also guaranteed, provided that it does not lead to public discord or violate the security of the state. Nine daily newspapers, six in Arabic (including one online) and four in English, are currently published. The 1984 press and publication law still authorizes the government to censor all domestic and imported publications and the Ministry of Information can take legal action against any material it regards as politically, culturally, or sexually offensive. Editorials are generally consistent with the government’s views. The government influences the privately owned press through subsidies. In practice, these restrictions favor self-censorship. Criticism of the sultan in any form is prohibited. The government owns two national television stations. In 2004, a royal decree gave Omani citizens the right to establish private radio and television companies. In October 2010, the Public Authority for Radio and Television was established by royal decree (amended in October 2011). The Directorate-General of Radio and the Directorate-General of Television, until then part of the Ministry of Information, were transferred to this authority, which enjoys its own juridical competence and financial independence under the supervision of the Council of Ministers.

The dramatic increase in internet penetration (from 8% of the population in 2006 to more than 68% in 2012, according to the World Bank) allowed the emergence of social, economic and even political debates. Nevertheless, in 2011 and 2012 the firm web control and filtering exerted by the Telecommunication Regulation Authority led to widespread arrests of bloggers and human rights activists who had commented on government decisions and policies. Several journalists and writers were harassed,
tortured or even jailed – in the case of sit-in protester Ahmed Al-Shizawi – for criticizing the government. In September 2011, the editor-in-chief and a reporter of the independent newspaper al-Zaman were sentenced to jail for five months for publishing evidence of corruption in the Ministry of Justice, with the court ordering the newspaper to shutter for one month. In January 2013, another journalist from al-Zaman was sentenced to one year in jail for lèse-majesté. In June 2012, the public prosecutor, citing the amended penal code criminalizing lèse-majesté and “publication of false news, statements or rumors liable to undermine the prestige of the state,” issued a statement threatening to take “all appropriate legal measures” against activists “inciting calls under the pretext of freedom of expression.” He added that “the rise of rumors and incitement to engage in negative behavior eventually harms the nation, its citizens, and the national interests.” A number of social websites, blogs and Facebook accounts were shut down. More than 30 bloggers, students and netizens were sentenced to jail terms on the basis of alleged defamatory Facebook and Twitter comments in 2012 alone. A foreign academic researching the Omani protests was banned from entering the country in 2013.

3 | Rule of Law

Oman has no system of checks and balances, and thus no separation of powers. All power is concentrated in the sultan, who is also chief of staff of the armed forces, Minister of Defense, Minister of Foreign Affairs and chairman of the Central Bank. All legislation since 1970 has been promulgated through royal decrees, including the 1996 Basic Law. The sultan appoints judges, and can grant pardons and commute sentences. His person is inviolable and he expects total subordination to his will.

The executive branch of government tries to exercise its powers in a legitimate fashion. Article 59 of the basic law states that “the sovereignty of the law is the basis of governance in the state. Rights and freedoms are guaranteed by the dignity of the judiciary and the probity and impartiality of the judges.”

One of the protesters’ early demands in 2011 was the long-awaited nomination of a prime minister, but the sultan seems reluctant to divest himself of prerogatives.

Oman’s legal system is based primarily on the Ibadi school of Islam. Though the Basic Law guarantees judicial independence and the State Security Court was dismantled in 2010, the judiciary is nonetheless strongly influenced by the executive branch. The sultan makes all judicial appointments and presides over the Supreme Judicial Council, which, in turn, oversees the judiciary and formulates judicial policy.

In February 2011, the prerogatives of the public prosecutor were expanded by royal decree, with all powers of the Inspector General of Police and Customs mentioned in the public prosecution law to be assigned to the Public Prosecutor office. In 2012, it
played a decisive and pro-active role in the repression of peaceful protests and in stamping out expression of independent opinion.

The sultan has repeatedly made clear that abuse of powers by officials will not be tolerated. Just two examples of several similar cases from the period under review: in September 2012 an independent newspaper revealed the existence of fictitious jobs in the public sector granted to relatives of the regime’s dignitaries; this came after a senior official from the Royal Police had been convicted of corruption and misappropriation of public funds in August 2012. Nevertheless, conflicts of interest among the ruling elite are common. Since 2011 protestors have repeatedly demanded measures against corruption among top political incumbents. The majority of cabinet members and senior office holders and some prominent members of the ruling family are directly involved in businesses that benefit from public contracts.

In a symbolic move to appease the protests, two reshuffles of the cabinet in March 2011 led to the removal of long-serving ministers widely perceived as corrupt. This reshuffle did not lead to investigation or prosecution. The influence of those officials not held accountable for their corrupt practices has remained unaffected behind the scenes. In January 2013, three of Oman’s largest business groups are still controlled by the Minister of Justice and two special advisers to the sultan, either personally or through their close relatives (brothers and children). This political-economic conflict of interests is aggravated by the growing involvement of royal family members in the economy, who have built and consolidated business positions.

Though Oman’s legal code theoretically protects civil liberties and personal freedoms, both are regularly ignored by the regime. Some efforts have been made to prevent forced labor. According to the labor law amended in October 2011, employers are required to pay salaries by electronic transfer to the employee’s local bank account but the U.S. Department of State noted that “the Omani government did not report conducting investigations or imposing fines under this law” during the reporting period. Moreover these amendments did not loosen the restrictions that prevent expatriate workers working for anyone other than their sponsor (the “kefala” system). More generally, nationals enjoy a set of benefits expatriates (in particular blue collar workers) do not, including a minimum wage, a monthly allowance for national job seekers registered at the Ministry for Manpower, and a high level of protection against dismissal.

Women and children face discrimination in many areas. In the patriarchal society of Oman, women are excluded from certain state benefits, such as housing loans, and are refused equal rights under the personal status law. Women also experience restrictions on their self-determination in respect to health and reproductive rights.

The National Human Rights Commission, established in 2008, is not independent from the regime. It is chaired by the former deputy inspector general of Police and
Customs and its members are appointed by royal decree. In June 2012, one of its members requested that she be relieved of her duties because she disagreed with a statement made by the Commission justifying the arrest of intellectuals and bloggers and the restriction of freedom of expression in the name of respect for “the principles of religion and customs of the country”.

Since the beginning of the “Omani Spring” in January 2011, a number of extremely serious violations of civil rights have been reported, amounting to a critical deterioration of the human rights situation. Prisons are not accessible to independent monitors. Members of the independent Omani Group of Human Rights have been harassed, arrested and sentenced to jail. There have been numerous testimonies of torture and other inhumane forms of treatment or punishment (beatings by police, death threats, forced confessions, solitary confinement and incommunicado detention, virginity testing for female detainees, etc.) perpetrated by security forces on protesters and detainees. The detainees were all peacefully exercising their right to freedom of expression and assembly. Although authorities must obtain court orders to hold suspects in pre-trial detention, they do not regularly follow these procedures. The penal code was amended in October 2011 to allow the arrest and detention of individuals without an arrest warrant from public prosecutors.

4 | Stability of Democratic Institutions

Oman’s executive branch is free to manage the country with very limited democratic input. As a response to some of the demands of 2011 popular protests, a royal decree amended the basic law after the October 2011 Majlis al-Shura elections, but fell far short of expectations that it be transformed into a legislative body. The reform merely expanded the consultative powers of the Council of Oman and decided that the chairman of the Majlis al-Shura be elected by members of the chamber (and not, as previously, appointed by the sultan). The Shura Council can only question service ministers and submit legislative proposals to – and amend laws prepared by – the Council of Ministers in economic matters (except those relating to oil and gas) as well as cultural and social issues. It can also review draft development plans and the annual budget, and the Cabinet is required to look into comments made by the Shura Council on any international treaty that has an economic or cultural impact before it is signed.

However the Majlis al-Shura’s powers cannot address important issues such as national security, oil, foreign relations or the structure of the political system. The Majlis al-Shura cannot question ministers from key ministries (e.g., the Ministry of Defense or Foreign Ministry) and the opinions of the two councils are not binding on the government – nor, a fortiori, on the sultan, who can dissolve the Majlis al-Shura.
Another October 2011 amendment to the basic law dealt with the succession process. The Majlis al-Shura chairman, along with supreme court members and non-elected Defense Council members, will “confirm the appointment [to the throne] of the person designated by the former ruler in his letter to the Ruling Family Council” (article 6 of the basic law).

In December 2012 the first municipal elections in the country’s history took place. Previously only Muscat had a (fully appointed) municipal council. According to the new municipal councils law, the eleven councils (one per governorate) have an appointed chairman and deputy chairman along with their elected members. Municipal councils enjoy advisory powers only. They provide opinions and recommendations on the development of systems and municipal services in the governorate (infrastructure, health, environment, local taxes, etc.).

The public has limited access to political information through the media. It does, however, keep the executive under a degree of unofficial scrutiny via the internet. The justice system remains vulnerable to intervention from non-elected institutions, especially in security-related cases or other sensitive areas. The Supreme Judiciary Council is chaired by the sultan.

Until March 2011, when popular pressure led the sultan to grant increased prerogatives to the Council of Oman, the ruler had exhibited no sign of any commitment to transforming the lower chamber into a proper legislative body. Despite the widespread public support for the expansion of the Majlis al-Shura’s role, the sultan’s unwillingness to implement substantial reform to the authoritarian system and its intention to keep all executive and major legislative powers as his personal prerogative in the wake of the Arab Spring have deeply disappointed many Omanis.

A number of Majlis al-Shura members elected in 2011, including former activists who took part in the protests, have shown their commitment to empowering the chamber and increasing its position and prerogatives in the general balance of powers, but this evolution is strongly opposed by a number of non-elected institutions (cabinet, the royal court, the sultan’s palace office, security officials, etc.). A proposal by some Majlis al-Shura for a parliamentary committee in charge of security and foreign affairs, for example, was rejected by the Council of Ministers in June 2012.

5 | Political and Social Integration

Oman prohibits the existence of political parties and politically motivated associations. Despite the ban on parliamentary groups within the Majlis al-Shura, lobbies based on shared interests (like justice, education and health matters) are emerging. Even if the capacity of these informal parliamentary lobbies to influence national policy remains weak, their emergence illustrates just how many Majlis al-
Shura representatives see their differently than their predecessors did. They are determined to press for a growing influence of the elected chamber in state institutions and to act as a counterbalance to the Council of Ministers.

Societal interests are usually articulated and channeled informally through friendships, family and tribal clans, and connections with public figures. These interests are articulated in the political sphere by members of the Majlis al-Shura and Majlis al-Dawla (even if skepticism about the actual power of these institutions is widespread), local sheikhs and tribal representatives, and even by the sultan himself, especially on his annual meet-the-people tour.

Oman’s structure as a rentier welfare state has rarely produced conditions conducive to organized societal demands and pressures. Nevertheless the embryonic civil society, composed of young Omanis with high educational and intellectual capital who make informed criticism of policies, has been developing in recent years thanks to online forums and activism. This situation, which caught the regime by surprise, has emerged since 2011.

There has been no public opinion poll to assess the popularity of the current system. It is widely believed that citizens welcome the idea of greater political participation, as political demands expressed during 2011 protests, online petitions calling to transform the Majlis al-Shura into a real legislative chamber and the healthy participation rate in October 2011 elections have shown. Not surprisingly, the very limited institutional reform implemented in October 2011, in addition to the harsh repression of human rights and pro-democracy activists, meant that high expectations gave way to deep disillusionment.

Omani political culture is dominated by a respect for patriarchal leadership and a general acceptance of the government’s omnipotence, despite societal diversity and fragmentation between rich and poor, urban and rural, old and young, male and female. Demonstrations on economic and social issues which broke out across the country (especially in Sohar, Muscat and Salalah) in 2011 often emphasized their loyalty to the sultan and dissatisfaction with officials. However the repeated smearing of protesters as “delinquents” and “vandals” by senior officials, the manipulation of local identities and tribal issues as a “divide-and-rule” technique, and the army’s attempts to violently control demands have reduced the population’s trust in the polity and undermined the development of independent organizations and political associations.
II. Economic Transformation

6 | Level of Socioeconomic Development

Given the appalling social and economic conditions in the early 1970s, Oman has achieved a considerable level of growth and development in a short period. In its 2011 report, UNDP’s Human Development Index (HDI) ranks Oman 89th. In November 2010, UNDP stated that Oman has had the fastest progress in the HDI between 1970 and 2010, with a quadrupling of gross enrolment and literacy rates and a 27-year increase in life expectancy. The state’s exploitation of oil rent has enabled impossible economic and social development which would otherwise have been impossible. Ironically, only two months after the UNDP’s praise, the country was to experience the most widespread questioning of the system by popular protest since the 1970s.

Over the last 10 to 15 years, the existence of structural poverty particularly but not confined to rural urban regions, has become increasingly clear. The government’s stated policy is to widen the scope of socioeconomic development, especially in border towns and remote areas, in an attempt to safeguard the allegiance of the local populations by awarding them senior public positions and by directing both public and private investments towards them. This is especially the case in Buraimi, the western slopes of Jebel Akhdar, Dhofar province and the exclave of Musandam. However, the economic situation in rural areas is still characterized by a migrant workforce with low skill levels. On a national level, foreign labor, especially in the private sector, drives economic development and makes up for the lack of an Omani skilled labor force.

Despite the Omani government’s official policy of inclusiveness, income disparities among regions and social groups have been increasing from the early 2000s until today. Women – at least in theory – have the same opportunities as men in public and private jobs. In reality, however, women and other groups such as the descendants of servant tribes and slave groups (descendants of slaves brought from Africa who are not considered to be of Arab blood) still face high barriers to participation in formal economic activities.
## Economic indicators

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<th>2009</th>
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<td><strong>Foreign direct investment</strong></td>
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<td><strong>Import growth</strong></td>
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<td>-</td>
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<td><strong>Cash surplus or deficit</strong></td>
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<td>% of GDP</td>
<td>19.9</td>
<td>18.1</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Public expnd. on edu.</strong></td>
<td>% of GDP</td>
<td>4.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Public expnd. on health</strong></td>
<td>% of GDP</td>
<td>2.4</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>R&amp;D expenditure</strong></td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Military expenditure</strong></td>
<td>% of GDP</td>
<td>9.6</td>
<td>8.3</td>
<td>6.1</td>
</tr>
</tbody>
</table>


### 7 | Organization of the Market and Competition

The foundations of a free and competitive market economy are assured. Over time, the government has incrementally introduced laws to ensure a free market, and it has changed and amended earlier rules which seemed to interfere with market-based competition. This was particularly true during the country’s 2000 WTO entry process and the enacting of a free trade agreement with the United States in January 2009. Similarly, Oman’s government has initiated laws to encourage and facilitate foreign investment and to offer incentives for both private and foreign investors. The program to privatize a number of wholly or partly state-owned enterprises, which would offer new investment possibilities, has sped up considerably since 2003. However,
politically strategic segments of the economy remain controlled by business actors who are loyal allies of the regime.

Rules that regulate the employment of expatriate labor (such as the kefala sponsorship system) and policies for the “Omanization” of the private sector workforce are still in force. Since 2011, however, emergency social and economic measures adopted in response to the Arab Spring (such as the creation of tens of thousands of public sector jobs for nationals, the sharp increase in public benefits and salaries in the public and private sectors, etc.) in a sense contradict privatization and deregulation policies implemented over the last decade.

Anti-monopoly legislation is poorly developed. Members of the sultan’s family and its traditional allies, who enjoy the highest decision-making positions in government, managed to create quasi-monopolies before an agency law was passed in November 1996. This law paved the way for more competition in many economic sectors and helped clarify foreign principals’ right to dissolve existing contracts with Omani partner companies at the Ministry of Commerce and Industry upon expiration or cancellation of the commercial agency. However, the law did not alter an Omani commercial agent’s existing contractual rights (including exclusivity) nor the agent’s right to claim compensation from its foreign principal for unjustified cancellation or non-renewal of the relationship. The existing monopolies, therefore, were not really affected by the law.

One of the most common grievances expressed in the 2011 protests related to the intermingling of political and business interests among top political incumbents. However this political-economic elite has been the regime’s most reliable supporter since 1970, and cabinet reshufflings implemented since 2011 have not altered this situation. There are no signs that this elite will give up control of strategic sectors of the economy.

Oman has liberalized and extensively deregulated foreign trade. After accession to the WTO in 2000, the government encouraged foreign trade and investment and introduced industrial regulations and labor laws. The 2003 GCC (Gulf Cooperation Council) customs union agreement was followed by the January 2009 introduction of the bilateral free trade agreement with the United States. In order to lure more foreign investment, the new tax system, which came into force in January 2010, removed the distinction between local and foreign companies by establishing a fixed tax rate on profits of 12% for all companies, whether foreign or local, after an initial tax-free exemption of OMR 30,000 ($75,000 or EUR 57,400) of profits. In February 2013, the Council of Ministers announced a revision of the foreign investment law to address gaps leading to “unnecessary recruitment of expatriates” were nationals could fill the position.
The Omani financial sector, supervised by the Central Bank of Oman (CBO), which was established in 1974, has transformed considerably in recent years. The Muscat Securities Market (MSM) was established in 1989 and was the first Gulf stock market to set up a separate regulatory body, the Capital Market Authority (CMA). In January 1999, the new capital market law came into effect, enabling the CMA to oversee the MSM, where all listed shares are traded.

Though Oman has been less affected than many Middle East countries by the 2008–2009 international financial crisis, the central bank made a massive injection of extra dollar liquidity into the domestic banking system in 2008. In January 2009, the government banded together with pension funds and the domestic financial sector to form a $389 million fund to stabilize the country’s stock market. The Omani government contributes 60% of the fund. After a period of minimal activity in the aftermath of the “Omani Spring,” the MSM saw market capitalization rise in 2012, largely due to strong performances of listed firms and capital increases. Since 2011, payment by electronic transfer of all public allowances (to job seekers and people benefiting from increased social assistance programs) has also helped boost the banking sector.

During the period under review, a decisive new chapter in Omani banking history came in May 2011 with a royal decree approving the establishment of Islamic banks. In December 2012, the CBO issued the Islamic banking regulatory framework (IBRF) setting out the regulations that will govern all Shari’ah-compliant products. These regulations are viewed as considerably tighter than comparable rules in other countries. For example, while conventional lenders will be allowed to conduct Islamic banking operations, the IBRF requires them to open separate branches for the two different products and make clear the sources and the use of their funds. The first Islamic bank (Bank Nizwa) officially launched its operations in January 2013. Another Islamic bank (Al-Izz) will follow this year while a number of conventional banks have already announced they are planning to offer Shari’ah-compliant products soon.

Oman does not yet comply with Basel II banking standards.

8 | Currency and Price Stability

The Omani riyal has been pegged to the U.S. dollar since 1986. In practice, this means that domestic interest rates follow those in the United States. Oman has historically had extremely low inflation. However, inflation started to rise in 2005, partly because of the weakness of the U.S. dollar against the currencies of Oman’s main import suppliers (particularly the European Union and the United Arab Emirates) and because of the boom in foreign investment by GCC nationals in Oman prior to 2009. In January 2009, Oman announced that it would not join the GCC monetary union.
Given the gaps in living standards and wages between Oman and its GCC neighbors, a monetary union would have had dramatic effects on prices and living costs in Oman. Since the beginning of the Arab Spring, the 2010 and 2011 slowdown in economic growth and foreign investment, the result of greater caution on the part of European and Gulf investors, meant that inflation rates were contained under 5%. The creation in 2011 of a new Public Authority for Consumer Protection, independent from the Ministry of Commerce and Industry and charged with monitoring market prices and censuring unlawful increases by private companies, makes the state a key player in the setting and control of prices. The 62% increase in the minimum salary for nationals in the private sector set to come into effect in July 2013 will likely result in inflationary trends in the mid-term.

Despite the Arab Spring, Oman’s macroeconomic performance remained strong during 2011 and 2012. Due to high oil revenues, the effects of the liquefied natural gas (LNG) facility and growth in the non-oil sector, real GDP growth was more than 5% in 2011. Growth should be better than expected in 2012, an estimated 7%, due to a substantial increase in government expenditure since 2011 which aimed at increasing consumer spending. High budgetary surpluses in 2011 and 2012 resulting from higher than expected oil prices were earmarked for debt reduction (public debt is estimated at just 5% of GDP in 2012) as well as significantly increasing public expenditure (a predicted 29% rise in 2013 compared to 2012, already a record year). The government has created approximately 100,000 new public (civil and military) positions over the last two years, increased funding for government departments (30% in 2013) and for defense and security (28% of 2013 total government expenditure).

The residual surplus is invested in the State General Reserve Fund (SGRF), which has been acting for years both as a stabilization fund and as a means of saving excess oil export revenues for future generations.

Oman confirmed in January 2013 that it would receive $1 billion a year over the next 10 years as part of the GCC’s 2011 pledge to help Oman and Bahrain cope with the Arab Spring. According to the Finance Minister, it will be used on infrastructure development projects in particular, such as the intra-GCC railway.

However, Oman’s macroeconomic stability remains hostage to the country’s over-reliance on oil revenues (87% of total state revenues in 2011) and the fluctuation of both oil prices and the U.S. dollar.

9 | Private Property

The basic law states that private property is protected and that nobody shall be prevented from disposing of property within the limits of the law. Nor shall anyone’s
property be expropriated or confiscated, unless in compliance with the law and with proper compensation. In 2006, GCC nationals gained the right to freely own residential and commercial properties anywhere in Oman. If the land is not disposed or developed within four years, the Omani government can repossess it against compensation. For non-GCC citizens, this freedom only applies to designated tourism projects. Expatriate-owned land can be sold or passed on through inheritance, upon presentation of suitable documentation. In May 2012, a decision by the Ministry of Housing gave to GCC nationals and expatriates the right to extend the size of the residential or commercial properties they already own.

In the 2012 International Property Rights Index, Oman slipped by 0.1 points compared to the 2011 edition, but maintained its overall excellent 8.3 grading, putting it among the top five in the world, and a clear number 1 among the Middle Eastern and North African countries.

Oman’s government has a policy of encouraging private sector growth. Since the early 2000s, the government has viewed private companies as the primary engines of economic growth. The government has been a regional leader in the privatization of state-owned enterprises. In October 2011, the Minister of Commerce announced the creation of an SME Loans Guarantee Program to help selected new entrepreneurs secure funding from banks. Risk is shared by the government and local banks participating in the program. In January 2013, a few days after the three-day national symposium on SMEs under the patronage of the Minister of the Diwan, the ruler stressed on his annual tour that SMEs are the “basis for all national economies.” He announced the creation of a new public fund called Al Rafd to help SMEs develop. This fund will combine all existing institutions supporting the creation of private businesses. This includes the SME development fund launched in March 2012 to subsidize finance and training for national small entrepreneurs, and the Sanad program set up in 2001 to provide young Omanis with state-funded training in institutions and companies.

However, a number of oligopolies continue to operate with state investment. Because most members of the governing elite are directly or indirectly involved in business, privatization and economic liberalization policies have mainly benefited those who are already leading business actors.

10 | Welfare Regime

Oman provides its citizens with extensive social services. Human development indices have improved with respect to income, education, health, life expectancy, and education. Government assistance for the poor helps relieve poverty but remains insufficient. According to the Ministry of Social Development, 52,000 people benefited from social assistance programs in 2010. In 2012, the social housing fund
was doubled, bringing the number of beneficiaries to 4,800 per year. Pensions and social insurance have been widened to include both public and private sector employees. Nationals employed in the private sector are guaranteed a minimum monthly wage, which was raised in February 2011 by 43% to OMR 200 (ca. $520 or €390). Foreign workers have no access to welfare schemes. There are no state-sponsored insurance schemes but a monthly allowance of OMR 150 ($390 or €290) for job seekers registered at the Ministry of Manpower was introduced in February 2011 by royal order. However these efforts have so far done little to relieve alarming rates of endemic poverty and youth unemployment among nationals.

In February 2013, the Council of Ministers announced a further 62% rise in the minimum gross salary for nationals working in the private sector to OMR 325 ($850 or €630) with effect from July 2013.

The basic law prohibits discrimination on the basis of “gender, origin, color, language, religion, sect, domicile, or social status.” There are no formal restrictions for either males or females in education, jobs or public services. Nevertheless, managerial opportunities for descendants of servant tribes or slave groups in the civil sector are still rare, while the recruitment of individuals on the basis of common tribal or ethnic background is still practiced on a large scale – especially in this period of structural unemployment among the young. Omani women, who are severely underrepresented in the legal field, still face difficulties gaining justice through the courts. In order to address this, the government passed a law in 2008 stipulating that men’s and women’s legal testimonies should be considered equal. Most men apparently remain opposed to women working in public places.

**11 | Economic Performance**

The Omani economy registered an impressive increase of 5% in its real GDP in 2011, despite the Arab Spring. Data for the first eight months of 2012 indicate robust revenue growth, outpacing major increases in expenditure. Data from the Ministry of National Economy has shown that the Omani economy grew by 16% in nominal terms in the first half of 2012. Oil and natural gas sectors account for just over 40% of the Omani GDP and 87% of government revenues. Considering the price of oil, the year 2012 is estimated to end with a budget surplus reaching OMR 3.5 billion ($9.1 billion or EUR 6.8 billion). Inflation remained modest, at under 5%. The number of officially registered unemployed nationals in November 2012 was 153,300, that is, approximately 16% of all Omanis between 15 and 59 who were not registered as students. This official unemployment figure, amounting to 89% of the number of Omanis working in the private sector at the same period (171,900) and 93% of the number of Omanis employed in the public sector in 2011, reveals an unemployment level in the 18-29 age group of well over 20%. Moreover, these
figures omit what is probably a considerable rate of underemployment, particularly in rural areas, which puts further downward pressure on wages.

### 12 | Sustainability

Oman faces water scarcity and periodic droughts. Irrigation-intensive agriculture in the most fertile region, the Batinah coast, often leads to the saline intrusion via aquifers. Overgrazing and desertification are growing problems in the south. In principle, the sultan has demonstrated a personal commitment to environmental protection, and the country has a sound record of environmental law, enforced by the Ministry of Environment and Climate Affairs. However, waste issues are poorly regulated. Environmental concerns are increasingly losing out in the face of private interests and the development of tourism, real estate and industrial projects. Severe pollution caused by industries in Sohar port helped trigger the 2011-2012 popular protests in the Batinah region.

Oman has placed great importance on primary and secondary education since 1970 and over 30% of government civil spending goes toward education (3.5% of GDP in 2010). By 2011, Oman had over 1,400 schools, 75% of which were government-run, providing education at primary, preparatory and secondary levels. Girls represent 49% of all pupils registered up to secondary school certification. Although the Omani education system appears healthy from a purely quantitative perspective, there are structural qualitative deficits. The standard qualifications for school teachers remain low – and the Omanization process of replacing foreign teachers with local ones has not remedied this structural problem. The Oman 2020 plan emphasized the need for upgrading the level of education by improving basic education and technical and vocational training. In the academic year 2011-2012, the sultanate had only one public university and 27 private institutions of higher education. The government funds and subsidizes all of them. While the establishment of numerous technical institutes over the last decade is a sign of progress, vocational training remains the Achilles heel of Omani education. There is still a significant gap between education and training on the one hand and market needs on the other.

Research institutes are nonexistent and R&D was evaluated at 0.1% of GDP in 2010. The government has started to address this deficiency by creating a scientific research council, the TRC. The TRC, established in 2005 by royal decree, was commissioned to draw a national plan for scientific research in the sultanate. Since 2009, the TRC has been funding small research projects in agriculture, fisheries, urban development, road safety, etc. Moreover the current Five Year Plan targets a national expenditure in R&D (in the public and private sectors) of 1% of GDP for 2011 – 2015, but this objective seems highly unrealistic after the Arab Spring and the resulting spending priorities.
Transformation Management

I. Level of Difficulty

Structural constraints on Omani governance are limited. The royal family does not have a great deal of power over the sultan himself or the government, which includes only a few royal family members. Despite the high ethnic and tribal diversity of the national population, one of Qaboos’ major achievements is strengthening the idea of the Omani nation as a collective framework of belonging. Even if recent economic difficulties meant growing frustrations and demands were expressed through local identities, heterogeneity has not led to open ethnic or religious tensions. Despite the return of many Omanis to the country since the 1970s and the growing expatriate workforce, one of the main constraints for management performance remains the lack of a skilled national labor force that can meet the needs of the new economic sectors that the government wishes to develop in the post-oil era. This is exacerbated by extreme demographic pressure, with 70% of the population under the age of 30.

Oman has a very limited civil society tradition and no tradition of civic engagement in NGOs. The government’s fear of social and public associations galvanizing public opinion and channeling dissenting voices has prompted it to ban any sort of politically oriented civil society organization or association, only issuing licenses to those deemed apolitical. Despite an increasingly vocal civil society which has been highlighting the economic and political flaws in the system for years, this government’s stance on civil society organizations has tightened since 2011, as shown by the arrests of numerous members of the independent, unlicensed Omani Group for Human Rights, and the government’s refusal to register an association aimed at coordinating protesters’ demands.

Although Omani society is split along social, ethnic and regional lines, the regime has been highly successful in imposing the idea of an Omani nation as the collective framework of belonging. The lack of a dominant group or dominant tribe has encouraged this sense of national identity. This, coupled with the state’s power and its insistence on national unity and loyalty to the sultan, has mitigated any potential societal conflict. Ten years of structural unemployment has, however, produced growing frustrations and mutual mistrust, which have contributed to a re-polarization of society and competitive declarations of loyalty to the nation by various subnational groups. This competition has not yet reached a level that could threaten national
unity. However the uneven geographical distribution of the 2011 protests (with Ibadi inland regions almost entirely immune) illustrates how pronounced social divisions are in the sultanate, may pose a threat in the post-Qaboos era.

II. Management Performance

14 | Steering Capability

For most Omani citizens, the country’s model of development is intimately linked to Sultan Qaboos. The sultan has made some cautious reforms in response to calls for greater political participation from the younger generation and the international community. The 2011 removal of cabinet members widely perceived as corrupt, and the measured increase of legislative power for the Council of Oman illustrate this.

However the refusal to appoint a prime minister or an heir, and the ruler’s general unwillingness to lay the foundations for the long-term development of the country, have fuelled the population’s growing anxiety about the perceived lack of long-term vision and the prospect of a future without the paternal figure of Qaboos. This reluctance to set long-term priorities is supported by conservative of figures of the regime who owe their influence to their proximity to the sultan; some were removed from their positions in 2011 but retain their influence behind the scenes.

There is widespread agreement on key elements of the country’s mid-term plan for economic development. First, Oman has to develop and upgrade its human resources to better cope with international competitors. Second, Oman’s private sector must learn to use human and natural resources effectively and sustainably.

In general, dramatic social inequalities, endemic unemployment, and poverty resulting from recent deregulation policies should push Oman to utilize the value of its geostrategic location, promote economic diversification, and, above all, distribute the fruits of development equally among all regions and all citizens. However the dismantlement of the Ministry of National Economy in March 2011, which prepared and monitored the five-year economic plans, illustrates the dilemma in which the Omani leadership finds itself after the “Omani Spring.” Initial actions by the new Supreme Council for Planning, apart from frequent, arbitrary royal directives addressing short-term issues among specific sectors of the population, have yet to demonstrate a coherent development framework or allay considerable uncertainties related to the country’s long-term economic and social priorities.

The regime has initiated some measured reforms, but this has not changed the fact that power remains heavily concentrated in the hands of Sultan Qaboos and his
protégés. Some senior members of the government have remained in office for many years, which has bred political malaise. This stagnation, together with the absence of an active prime minister (the sultan also functions as prime minister), contributes to the government’s inability to set and maintain strategic priorities in a coherent manner. Because the political leadership must fulfill the sultan’s will to remain in the cabinet, the sultan’s interests are paramount.

The government has only had limited success in setting and achieving its development objectives. The Omanization rate in the private sector plummeted from 16% at the end of 2010 to 11.7% in November 2012. Estimates show a persistent 20% unemployment level among nationals – and well above 25% among 18 to 24 year-olds. Moreover, the announcement of short-term social and economic measures designed to forestall public discontent (i.e., the creation of public sector jobs for nationals and major increases in allowances and salaries in public and private sectors) contradict the liberalization policies pursued over the last decade.

Oman’s delicate political situation and limited economic resources make the government very cautious about mistakes and failures. This explains the relatively slow and gradual nature of political development. The leadership used to respond quickly and pro-actively to mistakes, but this has not always proved sufficient. For years civil society has been highlighting economic and political flaws in the system as well as deteriorating living conditions for some parts of the Omani population, accompanied by dramatic inequality and pockets of endemic poverty. However the 2011 protests, strikes and peaceful sit-ins across the country still caught the regime by surprise. After initial demonstrations, a massive in recruitment for security forces (police, army, intelligence) aimed at strengthening political stability. Since then the draconian response to protests in 2012 and the reliance on arbitrary economic gestures as short-term solutions to long-term structural issues are evidence that the leadership has learnt little from past mistakes.

15 | Resource Efficiency

While the government has been relatively successful in making efficient use of its available economic resources, it has mixed results in its management of human resources. Certainly, the government has widened its definition of human resource development since the 1970s and now considers the strengthening of human resources to be the ultimate goal of the national development process. The government has tried to realize its human resource objectives with economic equilibrium and sustainable growth, diversifying income sources, and by developing the private sector. However, success has been limited and many young people remain unemployed. In addition, the Omanization policy of employment, implemented to increase the number of nationals in the private sector, has largely focused on low-skilled or unskilled positions. Civil servants are predominantly appointed on the basis
of kinship or regional identity rather than competence. Though some young, skilled technocrats have been offered decision-making positions in the cabinet since the end of the 1990s, there has been no major change in the overall human resource policy. Moreover, the state apparatus remains highly concentrated in Muscat, hindering the establishment of substantial decentralized administration. The administrative reorganization of the country by royal decree in October 2011 which dismantled the northern Batina and Sharqiya regions (where the largest demonstrations took place) and transformed all former regions into governorates, illustrates the fear of alternative political power centers. As come under the supervision of the Minister of the Interior governors (except those of Muscat and Dhofar, who hold the rank of Minister of State), this re-centralization reform is an attempt to re-assert the central state’s hold on turbulent peripheral regions.

Until 2011, Sultan Qaboos seemed to have stepped back from decision-making, allowing government members to pursue their personal interests without regard for the nation as a whole. Intra-government frictions, conflicting personal and local interests and cleavages, combined with the absence of a prime minister to control the cabinet, have often hindered the implementation of government objectives. The regime’s failure to anticipate the 2011 popular protests and subsequent misapprehension of their political significance illustrate structural deficiencies in government coordination and the irrelevance of long-term policies drawn up at the end of the 1990s. The cabinet was drastically reshuffled as a result of the Arab Spring and revised long-term objectives and priorities are in preparation under the authority of the new Supreme Council for Planning. Coherence in policy formulation and cooperation among all concerned parties are strongest when the sultan expresses particular interest in a given objective, as no meaningful reform can be implemented without the sultan’s approval. Only a handful of individuals have direct access to the ruler, who made clear in 2011 that intends to remain the sole arbiter of Omani priorities.

Oman has no dedicated anti-corruption agencies or organizations. Instead, corruption falls under the aegis of a number of security services such as the Royal Oman Police, the Internal Security Services and the Ministry of Palace Office. In 2010, the sultan issued a new law to combat money-laundering and terrorism which established a “Financial Intelligence Unit” under the supervision of the Assistant Inspector General of Police and Customs. Any person convicted of money laundering can be jailed for between three and 10 years. Bankers who break the law are also increasingly subject to jail sentences. Article 53 of the 1996 basic law makes it illegal for members of the Council of Ministers to “combine their ministerial posts with the chairmanship or membership of the board of any joint stock company.” In the long run, however, this law has not cleansed Oman’s political system of conflicts of interest. A substantial number of cabinet members currently have direct or indirect business interests. Media access to information on public spending (and control of it) is virtually nonexistent –
and dangerous, as the case of al-Zaman newspaper’s investigations into the Ministry of Justice in 2012 showed.

16 | Consensus-Building

The sultan has consolidated a sense of national unity by imposing himself as the bodily incarnation of contemporary Oman and the sole source of power. As a consequence, the stated goal of steady movement toward political participation and a market-based economy long attracted a general consensus among major political and social actors. Yet repeated calls for democratic rights, freedom of expression and against corruption among top political incumbents – led by Islamist groups in the 1990s and in 2005, with broader protests since 2011 – fell on deaf ears, even though the protests stopped short of calling for regime change. A growing number of intellectuals and reform activists, once convinced of the sultan’s commitment to reform, are now deeply disillusioned by the regime’s draconian response. Moreover, the personal business interests of the decision-making establishment has fuelled the widespread perception of a corrupt elite, busily safeguarding its privileges while silencing questions about conflict of interest. The religious establishment and tribal leaders generally support the government’s policy of preservation of the current authoritarian order.

Until 2011, it was generally considered that, although authoritarian, Oman’s political leadership was demonstrating some responsiveness to public demands and a willingness to take corrective action. However draconian measures against peaceful popular protests since 2011 have been clear signs to the population that the regime will resort to open repression to silence dissent and reassert the regime’s power. Cabinet reshuffles in 2011 led to the appointment of two young, educated ministers perceived as supportive of reform. However their actual room to maneuver remains extremely limited and they are unlikely to win out against the anti-reform “old guard” composed of Muscat business actors, the military and intelligence forces. The regime has been largely successful in wielding the carrot and the stick to avoid thorough democratic reforms.

The regime’s strategy has been to co-opt the most powerful societal elites (religious leaders, tribal and ethnic figures, business leaders) into the system. The government has tried to enhance national unity by appointing cabinet members from different regions and ethnic groups. Moreover, many tribal sheikhs, remunerated as employees of the Ministry of Interior, act as intermediaries in minor disputes between individuals and the public administration. This policy had long served to pre-empt religious, class and regional cleavages in the political sphere. However popular protests since 2011 illustrate that these government techniques need to be re-evaluated. Allegations that protesters in Sohar, Salalah and Ja’alan were acting under foreign influence, intended to impugn their patriotic motives, were widely

Consensus on goals

Anti-democratic actors

Cleavage / conflict management
disregarded. A mediation effort organized by the Ministry of Interior and tribal sheikhs was also rejected by the protesters. The divide-and-rule strategy of manipulating local identity and tribal issues to channel claims and demands to prevent the spread of protests met with failure.

The government does not encourage civil society organizations and associations but does grant licenses to those it deems apolitical (i.e. organizations that provide services to women, children, the disabled and the elderly), and in some cases the government even supports them financially. Propositions and demands by independent civil society organizations are ignored, and actors have been blatantly harassed since 2011 – as illustrated by the wave of arrests and jail sentences targeting human rights activists, journalists and intellectuals in summer 2012.

In an effort to assert the stability of his rule, Sultan Qaboos proclaimed a general amnesty toward his father’s former political opponents and offered them seats in the government and top positions in the central administration. Since the 1970s and the end of the Dhofar war, there has been no large-scale injustice in Oman which would require major reconciliation efforts. However, the regime has made no effort to investigate the killing of two protesters in 2011 by security forces in Sohar, nor alleged physical and psychological mistreatment, tantamount to torture.

17 | International Cooperation

Since 1970, Sultan Qaboos’ government has made great efforts to fully integrate the country into the international community. In 1971, Oman joined the League of Arab States and the United Nations. Diplomacy has always been a means of asserting the regime's stability in a troubled region. Fear of external interference prevents Oman from securing more international aid for specific projects.

Nonetheless, the government works closely with international organizations such as the World Bank, the IMF, the United Nations and other Arab regional developmental and financial institutions. The country usually rejects proposals for foreign assistance from neighboring countries (especially Saudi Arabia), considering them potential sources of unwanted political interference. In contrast, however, Oman has close strategic partnerships with the UK and the U.S. Regular renewals of military cooperation and facility access agreements with these two countries have confirmed that “Britain’s oldest friend on the Arabian Peninsula” (in the words of a “Times” correspondent in 1974) remains dependent on both Britain and the United States.

However, confronted by the short-term challenge of the Arab Spring and the perceived threat (shared by all Gulf monarchies) of destabilization of the authoritarian order, the Omani government has overcome its usual reluctance to accept foreign assistance from its powerful neighbors, receiving a $10 billion aid
package from other Gulf Cooperation Council countries over 10 years to support its economy.

Oman acts as a reliable partner in its relations with the international community. Oman’s foreign policy is based on four tenets. Firstly, Oman strives for the development and maintenance of good relations with all its neighbors, the GCC and Iran, Pakistan and India. Secondly, Oman maintains close relations with the United Kingdom, the United States and their Arab allies (especially Egypt and Jordan). Thirdly, Oman exhibits a pragmatic approach to bilateral relations, emphasizing underlying geostrategic realities rather than temporary ideological positions. Finally, Oman works to establish security through cooperation rather than conflict.

Oman works closely with neighboring states and has developed close ties with them. It is a founding and active member of the GCC, which was established in 1981. However, Oman in 2009 confirmed its decision not to join the GCC monetary union. Furthermore, Oman was one of the 14 founding members of the Indian Ocean Rim Association in 1997. Tensions with the UAE are unlikely to substantially damage Oman’s relationship with its neighbors, given their similar responses to domestic pro-democracy protests. Like all other GCC members, Oman fully supported the Bahraini regime in spring 2011 in its repression of opposition forces, and it also gratefully accepted financial help from Saudi Arabia and the GCC in dealing with its own protesters.
Strategic Outlook

Since the start of the millennium, Oman has undergone some degree of economic reform but limited political reform. The regime’s concentration on stabilizing and consolidating its power do not obscure the fact that major steps remain to be taken. Overall reforms are needed in order to restore popular confidence in the government’s coordinated and long-term goals. In 2011, most major towns saw protests by OmaniS demanding higher salaries, better living conditions, a tougher fight against corruption and substantial political reforms. The regime’s mainly repressive response to popular demands plunged many OmaniS into deep bewilderment. Essentially, the sultan appears unwilling to for the future through either the long-awaited nomination of an heir or transfer of powers to a prime minister. While the protests did not initially target the ruler, the regime’s reluctance to broach key issues has fuelled widespread anxiety concerning the perceived lack of a long-term economic and political vision. Direct criticism of the ruler and his practices have become more common by those fearing for the future of the country. Human rights activists and independent thinkers sentenced to jail for their ideas should be released immediately; civil society organizations and associations should be strengthened and encouraged; and the repression of alternative voices should be relaxed.

Oman’s main structural socioeconomic challenge lies in the transition from over-reliance on oil revenues to a diversified economy in which the national workforce is in a position to play a full role in the creation of wealth. In order for this to happen, educational reform needs to feature prominently on the reform agenda. Some 48% of nationals are under 21. Some 50,000 OmaniS leave school and university every year with or without degrees. Oman’s education system is still locked in a system of low expectations and low performance. Curricular focus must be on promotion of personal initiative and critical perspective. A further structural obstacle to long-term reform lies in the conflicts of interest at the highest levels in the country. Despite the 2011 removal in 2011 of some top incumbents perceived as corrupt, a substantial number of cabinet members still have directly or indirect business interests. These decision makers often fail to promote the nation’s greater interest (such as the Omanization policy and the reform agenda) when they act as businessmen. Instead, they advance their own private interests through the influence they wield as statesmen. Rather than encouraging economic mobility that would contribute to a revitalization of the socioeconomic fabric, privatization and economic liberalization policies implemented so far have mainly benefited those who are already leading business actors and consolidated the existing socioeconomic hierarchy. This situation has become unacceptable for the emerging civil society, composed of young educated OmaniS who are questioning the whole authoritarian political and economic structure of Oman under Qaboos. The massive increase in internet penetration within just a few years, and its efficiency in uniting dissenting voices among the urban, educated population, shows how eager young citizens are to participate in economic and political debates at both local and national levels. From this point of view, the official challenges of Omanization and economic diversification go far beyond the issue of employment and call into question the whole political and economic structure which Oman has relied on for the past 44 years.