

## OMAN: THREE AND A HALF DECADES OF CHANGE AND DEVELOPMENT

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**O**n July 23, 1970, supporters of Qabus bin Said Al Said stormed al-Hisn, the sultan's seaside palace in Salalah, and forced his father the sultan to abdicate and accept exile. Two weeks later, the new 30-year-old sultan made his first appearance in the capital Muscat and a new era began. For the next few years, nearly any Omani, when asked what he or she thought of the new ruler, would almost inevitably reply, "Before him, there was nothing. Now, there is everything." Over the next decade or more, the sultanate made enormous strides in developing its potential and raising the standard of living of its people.<sup>1</sup>

Oman is a seeming anomaly in the Arab world. It rarely features in Western media and civil strife has been virtually unknown for several decades. It is neither a member of OPEC nor OAPEC, and its oil income is modest. Oman and Bahrain are the poor cousins of the Gulf Cooperation Council, but Oman proudly keeps an independent direction and maintains a conciliatory stance within GCC ranks. It retains close political and economic ties to

Britain even though it has drawn close to the United States in security matters and was relatively quick in the 1980s to embrace diplomatic relations with China and the Soviet Union despite the protests of London and Washington. Its foreign policy is remarkably even-handed and flexible. Correct relations at a minimum were maintained with Egypt after the Egyptian-Israeli treaty in 1979, with Iran through and after the Iranian revolution, with Iraq through the Kuwait war and the sanctions regime, and even with Israel before and during the Palestinian intifadas.

In terms of political and economic development, generally speaking, Oman has accomplished as much or more than its fellow Gulf monarchies, despite starting from scratch considerably later, having less oil income to utilize, dealing with a larger and more rugged geography, and resolving a bitter civil war along the way. Of course, Oman's progress in the past 30-plus years has not been without problems and missteps, but the balance is squarely on the positive side of the ledger.

The job is still not finished, however; in

some respects, it is only beginning. By 2003, more than 80 percent of all Omanis either were not yet born in 1970 or were too young to remember the hardships of the earlier years. Younger Omanis are hardly interested in the contrast between the pre-1970 and post-1970 situations. Their concerns are focused instead on rising levels of unemployment, dwindling natural resources – most significantly, water – Oman’s future after oil, and what will happen when the heirless Sultan Qabus passes from the scene.

### **THE 1970s: STARTING FROM SCRATCH**

The obstacles facing the new sultan and his advisers in 1970 were enormous. There were few Omanis with any education, as a result of the country’s poverty and the previous sultan’s deliberate policy against formal learning, and most of the educated were working outside the country. The existing government was minimal and ill-suited to development. The country lacked nearly all infrastructure, including a modern port, roads, schools, electricity outside the capital area, and even office space for the government.

Immediately upon the coup, an Interim Council composed largely of expatriates was established in Muscat to oversee the transition. Sultan Said’s two principal Omani officials, both members of his family, retired or left the country. In the following months, a nucleus of capable Omanis took up new positions in the new government, and most existing expatriate advisers were replaced by better qualified ones.

Sayyid Tariq bin Taymur, the new sultan’s uncle, returned from years of exile in Cyprus and Germany to assume the newly created position of prime minister.

Almost predictably, strains appeared between him and Sultan Qabus. They had never met before and they had experienced radically different lives that had shaped widely divergent political philosophies. Qabus was disposed to rule as a benevolent monarch, while Tariq sought to introduce a constitutional monarchy. In addition, they were surrounded by separate and often competing advisers and cronies who stoked suspicions of each other’s intentions and motives. By the end of 1971, Tariq felt compelled to resign; he spent many of his remaining years abroad.

In the meantime, the first uncertain steps were being taken to create an appropriate government almost entirely from scratch. The first ministries were established, with a decidedly uneven record of appointments of ministers and under-secretaries. An early point of friction was over the appropriate role of the ruling Al Said family in governing. Elsewhere in the Gulf, the ruling families hold considerable power and influence vis-à-vis the ruler.

The Al Said, however, were small in number and had been clearly subordinate to Sultan Said bin Taymur and even to his predecessors. Qabus’s word was final on all matters, but he could be lobbied. When Tariq’s replacement as acting prime minister – a highly capable medical doctor but from outside the ruling family and a Shia as well – met with antipathy from the family, his interim rank quickly disappeared, and the sultan assumed the role of prime minister, effectively terminating the office.

Senior members of the ruling family began to take over senior positions in the government. A cousin, Sayyid Thuwayni bin Shihab, assumed his father’s role under the rubric of the sultan’s representative, a rather nondescript title that existed largely

to indicate he was in charge when the sultan was out of the country and was responsible for chairing cabinet meetings during the sultan's absence. Another uncle, Sayyid Fahr bin Taymur, returned from exile to become deputy minister of defense. A cousin, Sayyid Fahd bin Mahmud, also returned from exile to become first minister of state for foreign affairs and then of information. As the hierarchical structure evolved, the rank of deputy prime minister was eventually bestowed on these three, along with a fourth non-family member. Another cousin, Sayyid Faysal bin Ali, associated with the old

imamate movement in years past, took stints as minister of economy, minister of education, and ambassador to the United

States, before appointment as minister of national heritage and culture.

Defense was virtually the only capably organized and run government department on the eve of the coup. Because of the war in Dhufar in the south, Oman's armed forces had already been absorbing the lion's share of sultanate revenues. It was nearly the only major employer in the country. Over the succeeding 30 years, a disproportionate number of ministers and senior advisers were drawn from its ranks. The sultan, because of his Sandhurst background and obvious concern with the Dhufar War, assumed the position of minister of defense, although a newly arrived Briton was left in charge of what was to become the ministry of defense, and

seconded British officers commanded the armed forces, the individual services and regiments. Petroleum Development Oman (PDO) was a private company, owned principally and operated by Royal Dutch Shell. It is not completely nationalized today. It proved to be a valuable source of talent for the new government as well.

While Oman's new-found oil production was a godsend for the fledgling government, income remained limited in the first several years relative to the enormous need, with government revenues (overwhelmingly derived from oil) only slightly more than 50 million Omani riyals in 1970,

1971 and 1972.

It was not until 1973-74 that the oil-price revolution boosted government revenues to 211.6 million riyals in 1974.

This bonanza

permitted the government to bring expenditures (roughly half of which were on development) back into line with revenues in 1974.<sup>2</sup>

A first priority was to create incipient ministries for social services, such as education, health and public works. These were staffed in the early days by Omanis returning from abroad, as well as expatriates, with so-called "Zanzibaris" prominent among their numbers.<sup>3</sup> More "traditional" areas of government fared better, as most of the *walis* (the sultan's representatives in the towns and villages) remained *in situ* under the aegis of the ministry of the interior. The same held true for the *qadis* (judges) under the ministry of awqaf and Islamic affairs.

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ment indisputably were committed to full and rapid economic development, serious questions arose of how to go about it. Sultan Said bin Taymur had initiated the first modest development schemes in the two short years he had been in receipt of oil revenues. These essentially amounted to a couple of schools and office buildings, a few roads, a new seaport and a "Greater Matrah" plan, in addition to the barely functioning health dispensaries and agricultural farms he had been forced to establish as a condition of British subsidies in the 1950s and 1960s.

The new port in Matrah was well under way at the time of the coup, and plans were hurriedly redrawn to accelerate its construction and expand it. It opened a few years later under the name Port Qabus and remains the country's principal seaport. Plans were set in motion to build a new international airport at nearby al-Sib to replace the cramped Bayt al-Falaj airfield behind Matrah. Contracts were soon made to finish the coastal road to Suhar and to build a badly needed road through the Samail Gap to the interior. Demand soon outstripped the "Greater Matrah" plan, and a haphazard complex of offices, shops, warehouses, homes, and apartment buildings completely transformed the small village of Ruwi behind Matrah. Emphasis was also laid on creating suitable housing for the various government offices, which had been scattered about Muscat in old buildings, cramped quarters and commandeered schools.

It was recognized from the beginning that proper economic and development planning was an absolute necessity. Not only were oil revenues limited and demands on them high, but the war in Dhufar was draining nearly half of all state in-

come. Under the Interim Council and the initial Council of Ministers, rudimentary procedures were put in place to assess the highest priorities and to award contracts for pressing needs. A tender board was quickly established to oversee the process, although it was often difficult to judge how much of a role personal and business contacts played in many contracts. Although some British firms benefited from an inside track, companies from Germany, Sweden, Cyprus, Lebanon and the United States were able to establish successful beachheads.

It took a number of years to create a development planning infrastructure and hire competent advisers to supervise it. The process was accompanied by confusion in how tasks were to be divided among government departments: the Ministry of Trade and Development was replaced by the Center for Economic Planning, which was replaced by the Ministry of Development, which in turn was replaced by the Supreme Planning Council.

Sultan Said had held steadfast to his policy of isolation until his abdication. He was content to accept British military and financial assistance when necessary while striving to hold Whitehall's demands for liberalization and development at bay. He had accepted an Indian consul in Muscat but no other diplomatic missions. His only representation abroad was an honorary consul in London, Charles Kendall, who also served as his purchasing agent there. Despite British entreaties, his only concession to relations with Gulf neighbors after his permanent retreat to Salalah in 1958 was a British-prodded meeting with Shaykh Zayid of Abu Dhabi in 1968 – but this produced few practical results. Even

when Oman finally joined the ranks of oil producers, Sultan Said had no interest in joining either OPEC or OAPEC. His sole concession to membership in international bodies was a successful application to WHO. He had faced too much hostility from Arab countries, including Egypt, Syria, Iraq, Saudi Arabia and South Yemen, to consider even a preliminary *démarche*.

The new regime was acutely conscious of the necessity of international recognition and assistance. The smaller Gulf states were only too happy to see Qabus ascend the throne. The first few months after his accession saw a parade of Gulf leaders coming to Qabus to express their friendship. South Yemen, heavily involved in backing the Popular Front for the Liberation of Oman in Dhufar, did its best to blackball Oman from membership in the Arab League. The Arab bloc at the United Nations cautioned Muscat from seeking membership there until the Arab League matter had been settled. King Faysal of Saudi Arabia remained aloof, partly because of longstanding Saudi backing of the "Imamate of Oman" against the sultanate (he even played host to Imam Ghalib), although the "Oman Revolutionary Army" had long since decamped to Iraq. To overcome these prejudices, an Omani "goodwill mission" was dispatched to various Arab capitals to explain the dramatically changed situation in Muscat.

Eventually, a carefully prepared visit was arranged for Sultan Qabus to Riyadh in late 1971. To the relief of everyone, he and Faysal got along well; the sultan even agreed to meet Imam Ghalib face-to-face. The latter's refusal to recognize the sultan and his attendant rudeness was the final straw. King Faysal gave the sultan his blessing, and the kingdom officially recog-

nized the sultanate soon after. This, combined with the success of the goodwill mission, paved the way for Oman's admission to the Arab League and then the United Nations. Membership in various international bodies followed soon after. Britain, in connection with its official withdrawal from east of the Suez, upgraded its consul-general in Muscat to ambassador in 1971. The United States, which had had continuous diplomatic relations with Muscat since 1833, belatedly established an embassy in old Muscat across the street from the British embassy in 1973.

The most serious challenge to the new regime was the war in Dhufar. Hostilities had begun in a small way in 1962 with a single disgruntled tribesman raising a few followers and using small arms acquired in Saudi Arabia to attack irrigation systems and American oil-company vehicles. Within a few years, the rebellion had acquired a Dhufari nationalist character, fueled by money and support from Dhufaris working elsewhere in the Gulf. South Yemeni independence in late 1967 led to additional support from Aden, China and the Soviet Union, as well as a stronghold across the Yemeni border. Within a few months, Marxist leaders had secured control of the front. Sultan Said was forced to spend increasing amounts on expanding his armed forces, accompanied by small-scale British assistance. By early 1970, most of Dhufar lay in the front's hands.

The July 1970 coup d'état, secured with British approval, was soon followed by an increase in British military assistance, including the dispatch of a full squadron of the Special Air Service, disguised under the euphemism British Army Training Team. The sultan's international initiatives resulted in fruitful meetings

with the shah of Iran and King Hussein of Jordan during the 1971 Persepolis celebrations. Jordanian assistance subsequently appeared in the form of the temporary loan of a Special Forces Brigade and the longer-term attachment of combat engineers and staff officers. The shah, eager for a chance to thwart perceived communist expansion and an opportunity to provide his troops with combat experience – encouraged by the United States as part of its “twin pillars” policy of working through surrogates in the Gulf region – readily supplied army brigades, helicopters and air transport, and naval cover. Saudi Arabia and Abu Dhabi also provided minor assistance.

But as the sultan’s armed forces geared up to meet the growing challenge, so did the front’s capabilities. In the end, the sultanate victory appeared to result from a successful “hearts and minds” campaign as much, or more, than military superiority. Most Dhufaris were won over by a combination of the obvious commitment of the new regime to development and a better life, and mistakes by the front’s hardline leadership in its sometimes brutal suppression of Islam and tribalism. Gradually, the front’s fighters defected to the sultanate side and were regrouped in tribal militias to defend their tribal territories against their erstwhile comrades. The front was forced to rely on increasingly desperate guerrilla tactics and the insertion

of South Yemeni regular troops to resist the sultanate’s strategy of cutting their supply lines and areas of operation. By December 1975, a final push allowed the sultan to declare the war finished, although occasional skirmishes occurred for several more years.

The end to the war permitted full-scale development to take place in Dhufar. The heretofore isolated mountains were soon crisscrossed by a road network linking new settlements with schools, dispensaries, mosques and local militia facilities. The allegiance of the *jabbalis* (mountain people) was secured in addition by their personal loyalty to Sultan Qabus, whose mother was also *jabbaliyah*. A concerted effort was made to integrate Dhufar with northern Oman, and a number of Dhufaris were made ministers, some of them former rebels.

While anti-government activities were concentrated in Dhufar, an offshoot of the Popular Front was operating in the north. Its members were derived largely from disaffected “urban” Omanis who had studied and worked abroad, together with some remnants from the old Oman Revolutionary Movement. But the membership was never very large, its appeal was limited, and its real threat was minimal, particularly after sultanate security services caught wind of a Christmas 1972 plot and rounded up most of the instigators. A shoot-out between a truck full of front members and an army checkpoint near al-

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Rustaq in mid-1974 turned out to be the swan song of the movement.

In retrospect, it is rather remarkable that there was not more unrest and disaffection, considering the confusion swirling around a new and inexperienced government and inevitable disappointment over the slow progress in development. Still, the only public expression of dissatisfaction appeared in the 1971 demonstrations against low wages and the influx of foreign labor. These were provoked by several well-intentioned but inappropriate royal decrees aimed at curbing inflation and price-gouging. A rescinding of the decrees, along with timely quick and reasonable action by the nascent police, brought the episode to a quick end.

### **THE 1980s: GROWTH AND DEVELOPMENT**

With many of the essential foundations of the political and economic infrastructure successfully laid during the 1970s, the second decade of the Qabus era saw a more systematic approach to the expansion of government capabilities and development efforts.

The oil-price revolution in the first half of the 1970s and the termination of the Dhufar War in the second resulted in greater financial resources being available for development requirements. Government departments filled out, and more Omanis occupied senior positions, enabling an increasingly competent and satisfactory approach to the provision of social services. The haphazard path to development experienced during the first decade gave way to more rational and better prioritized planning. The first five-year development plan had begun in 1976, with emphasis on infrastructural expansion. A central focus

remained the development of Muscat as the center of government, the largest (and rapidly growing) urban center in the country, and the site of the principal sea and airports. Simultaneously, Dhufar received considerable attention, as the government sought to eliminate any potential grievances that might lead the region's population to renew opposition.

While there was some grumbling about the attention paid to Muscat and the south, and thus the capital's perceived indifference towards the coast and interior, steady advances in the expansion of road building, health care, schools and other services blunted the impatience.

Unfortunately, the oil bubble burst in 1986, leaving the new third five-year plan in tatters. The building of Muscat was nearly complete, with an urban road system in place, the groundwork laid for a quilt of modern suburbs, a shining new row of government ministries along the main road to the airport, the armed forces transferred to a new headquarters and central base, and plans for the country's first university well underway. But the effort to develop the coast and the interior, as envisaged in the new plan, inevitably suffered, and the grumbling grew more sustained.

The 1980s were also notable for Oman's growing confidence in the conduct of its foreign affairs. Its tentative approach to outreach in the 1970s was illustrated by the rather Draconian obstacles placed in the way of visas for every nationality. In the following years, visa requirements were gradually relaxed as the country perceived itself less as a beleaguered hermit kingdom under threat and more as a full-fledged member of the Arab, Islamic and global communities. The sultanate pursued negotiations on mutual

recognition and boundaries with South Yemen, a neighbor with which Oman had come close to outright war only a few years previously. Relations with other neighbors in the Gulf were regularized and cemented by Oman's participation in the foundation of the Gulf Cooperation Council (GCC) in 1981.

Diplomatic relations were established in 1976 with Iraq, a country that had supported and even hosted Omani opposition groups as late as the early 1970s. Oman maintained correct relations with the new Islamic Republic of Iran, and the few remaining Iranian troops departed Dhufar in 1979. The sultanate displayed commendable caution and considerable restraint when, during the latter stages of the Iran-Iraq War, Iranian naval and revolutionary guard vessels attacked Gulf-bound shipping in Omani territorial waters. Displaying its neutrality, Muscat forced Iraqi combat aircraft to turn back from an attempted mission to attack Iran after passing through Omani airspace.

Warm personal relations between Sultan Qabus and President Anwar Sadat of Egypt may have helped convince the sultanate to maintain relations with Cairo following the Egyptian-Israeli peace treaty. Several Omani army officers were inadvertently killed during the subsequent assassination of Sadat.

From the beginning of security debates within the GCC, Oman maintained that Gulf security was dependent on Western protection and made no bones about its dependence on British military personnel to modernize its armed forces. A facilities-access agreement was signed with the United States in 1980, although the sultanate insisted on stiffer terms upon its renewal five years later. At nearly the

same time, Oman surprised the United States and the world by agreeing to diplomatic relations with the Soviet Union. These developments laid the basis for what was to become the essence of Omani foreign policy: moderation, balance between opposing viewpoints, and a rejection of breaking ties to anyone.

### **THE 1990s: MATURATION**

The 1990s can be seen as a period of maturation. After many years of hard and patient work, Oman's development efforts were realizing benefits. Most social services had been extended to the remotest areas. Regional centers such as Nizwa, Suhar and Sur were prospering. The introduction of municipalities turned over increasing responsibility to the towns and villages for their basic functions. In proportional terms, Oman continued to have the largest armed forces in the GCC, although not the best equipped. The sultanate justified its continued high expenditures on the security services by their utility in providing employment, as well as education and training, for many Omanis who would have otherwise been on the open job market, and by the country's unique security needs resulting from its extremely long seacoast and remote inland borders.

Increasing attention was placed on transforming the centralized, government-controlled economy into a vibrant private-sector economy. The Rusayl industrial estate outside of Muscat led the way with a number of small factories focusing on import-substitution niches. Gradually more of these sorts of establishments sprang up along al-Batinah and in the interior. Oil income remained the engine of the economy but the government sought to



diversify by pouring long-term investment into the development of natural gas and built a terminal near Sur for liquefied natural gas (LNG) exports. New ports were developed at Salalah and Suhar to serve container transshipment opportunities and the country's second oil refinery respectively. At the same time, tourism was identified as an income-earning and labor-intensive sector, with a high level of private-sector involvement.

Oman's investment in education also began paying dividends. In 2002-2003, there were 108,000 elementary school students and 125,000 secondary school students.<sup>4</sup> From a handful of PhDs in the mid-1980s, returning doctorate-holders mushroomed in the following decade. Not only did this allow many university faculty positions to be Omanized; the quality of senior-level positions was upgraded throughout the government.

These accomplishments in socio-economic development were accompanied by a series of measures introducing political participation and then constitutional reforms. The State Consultative Council (*al-majlis al-istishari lil-dawlah*) was established in 1981 to provide advice to the government on selected issues. It originally consisted of 43 appointed members, of whom 11 were under-secretaries from the social-service ministries, although the membership was expanded in subsequent years. The council operated under a highly restrictive format at first, its functions hampered by the required rapid turnover of

members. But some liberalization was gradually introduced.<sup>5</sup>

In his 1990 National Day speech, Sultan Qabus announced the formation of a *Majlis al-Shura* (consultative council) to replace the State Consultative Council. The government would not be represented, and members would be selected from each of the sultanate's 59 *wilayahs* (districts). An element of popular input into membership was introduced for the first time: selected citizens in each *wilayah* would elect three candidates from whom the government would appoint one member. In a significant innovation, the social-service ministers appeared before the council to

report on their ministries' activities and answer questions; these appearances were televised live. In 1994, the council was expanded to 80 members. Women in Muscat Governorate were allowed to take

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part in the election process, and the sultan appointed two women members. The third Majlis in 1997 saw the electorate expanded to 51,000, with women across the country permitted to both nominate and stand as candidates. In the end, 10 percent of the electors were women and 27 women were among the 736 candidates: the same two women appointed earlier won election. For the first time, all 83 candidates were approved for membership.

The electorate for the 2000 Majlis was extended to 115,000, with 30 percent said to be women; again two women were elected. In 2003, all citizens over 20 were allowed to vote but only 262,000 registered.

Despite the liberalization of the Majlis al-Shura, it remains far from being a representative legislative body. Its purview remains limited to social and economic matters, and it can only review government policies and not initiate legislation.

In addition, as the sultanate expanded participation in the Majlis al-Shura, it incorporated the body in a larger Council of Oman (*majlis uman*), established in 1997, which also included a new Council of State (*majlis al-dawlah*). The latter consisted initially of 41 members, all appointed by the government and including a number of former ministers and military officers, as well as two women. The new council seemed intended to serve as an upper-house counterpart to the elected Majlis al-Shura, akin to Britain's House of Lords. Like the older council, its function remained restricted to providing advice on social and economic affairs, and many of its members were appointed as a result of their being relieved of positions elsewhere in the government. In 2000, the council was expanded to 48 members, including five women. In conjunction with the 2003 Majlis al-Shura elections, Sultan Qabus expanded membership in the Council of State to 57 and appointed eight women.

In 1996, Sultan Qabus issued a royal decree setting out the Basic Law of the state. This was the first written expression of constitutional law in the country's history. The Basic Law enshrined leadership in the sultan, limited succession to the male descendants of Sayyid Turki bin Said bin Sultan (ruled 1871-1888), provided for the appointment of a prime minister, endorsed the principle of consultation, stipulated a free economy, declared all citizens equal before the law, guaranteed personal freedoms including freedom of

religion and expression, declared the independence of the judiciary, and provided for the Council of Oman and a Defense Council (discussed below).<sup>6</sup>

In a subsequent interview, the sultan disclosed that he had long thought about changing the way in which the country was governed and, as his silver jubilee approached, felt that the time was right.

So I got together four of my most trusted people - all Omanis. I sat with them and told them exactly what I had in mind. I gave them a year to formulate it in a legal document. Then we had a second review, and then a final session. I announced it on my annual "Meet the People" tour while encamped in the desert in the heart of Oman. Then I waited for the reaction, which was very good. Now the Basic Law is being implemented through laws and regulations. I had hoped that this could be done within two years, but that period may have to be extended for an additional year. We'll see. By the year 2000, I want it implemented.<sup>7</sup>

Dissidence appeared to have become a thing of the past in Oman by the beginning of the 1980s. But a wave of arrests in 1994 shook public confidence. Some 300 or 400 people were arrested on charges of subversion and hundreds more questioned. A state security court was convened in November. It sentenced about 135 individuals to prison terms; the few death sentences were commuted by the sultan to life imprisonment. All prisoners were freed as part of the sultan's Silver Jubilee amnesty in November 1995. While the sultan, in his 1994 national day speech, accused those arrested of being Islamic extremists, little evidence was offered for this assertion, and

many in Oman continued to entertain doubts. Still, the fear of Islamist unrest continued to bubble in the sultanate, with a few Shia arrested in 1997 and an alleged al-Qaeda cell broken up in 2002.<sup>8</sup>

### THE 21<sup>ST</sup> CENTURY: AFTER QABUS AND OIL

Unfortunately, Oman's fundamental problems continued to press into the twenty-first century. Foremost among these was population growth, thought to be as high as 4 percent per annum and beyond during the 1980s and 1990s, although the World Bank estimated it at 2.4 percent for 2002.<sup>9</sup> While minor efforts had been taken to stem the growth – most notably in one of the sultan's national day speeches, when he somewhat ambiguously stated how many members should constitute the ideal family – few practical steps were taken. In part, the desire for large families reflected traditional pride in having many children, but it also reflected a common feeling that Oman was a large country with a small population and that it was desirable to produce more Omanis to fill up the vast empty spaces.

A direct consequence of a growing population was the emergence of serious unemployment problems. Unlike the example elsewhere in the Arab world, Oman had been relatively careful not to swell government ranks with disguised unemployment. But as the educational system matured and the pipeline of students from elementary to secondary school swelled to its full size, the country faced the dilemma of what to do with the addition of well over 40,000 secondary-school graduates and drop-outs every year. A major response was a gradual program of Omanization: certain occupations were

declared off-limits to expatriates and shops were required to have Omani employees. The banking sector was one of the first targets. By the late 1990s, it was heavily Omanized and included a high proportion of female Omani employees.

Another serious problem arose from the perennially scarce water resources. Oman's population growth, from less than a million in 1970 to an estimated 2.5 million in 2002, placed continual strain on water supplies, particularly as per capita consumption increased and industry became established. The answer applied elsewhere in the Gulf was desalination; indeed, the great majority of the capital region's water is supplied in that manner. But desalination is not viable for the broad expanse of rural populations, and its high cost can be borne only when there is sufficient oil income to pay for it.

Oil production averaged about 300,000 barrels per day (b/d) from 1970 through the end of the decade but began to climb through the 1980s to 641,000 b/d in 1989. Growth continued through the 1990s, peaking at 904,000 b/d in 1997 and 1999.<sup>10</sup> But by 2000, the government admitted that it could not increase production for "technical reasons." Decreasing output at existing fields was balanced by bringing new – but smaller and more expensive – fields into production. Still, after peaking at 956,000 b/d in 2001, production declined to 897,000 b/d in 2002.<sup>11</sup> By 2004, total oil production in the sultanate had slipped below 800,000 b/d. A fortunate rise in petroleum prices in the decade blunted the impact on oil income.<sup>12</sup>

Still, it had become increasingly obvious that oil income, barely enough to finance growth and development in the best of situations, would not continue

indefinitely to be adequate. As a consequence, Oman turned to natural gas. After investing heavily and borrowing internationally to bring an expensive LNG terminal into operation, the sultanate began LNG exports in 2000. A second production train was brought into operation shortly afterwards, and plans for a third were announced in 2002. By 2003, LNG exports accounted for 15 percent of total oil and gas income and a 50-percent expansion of the Sur plant was planned.

At the same time, Oman began to pin hopes on the tourism industry. Once an extremely difficult country to which to gain entry, the sultanate gradually relaxed its visa rules, initially by issuing group visas to European tourists. Eventually, multiple-entry tourist visas and visas-on-demand at the airport and borders were introduced. A growing number of hotels of all classes have opened in the capital area, and Dhufar has become a popular summer destination for GCC citizens. By 1998, Oman played host to a half-million tourists; the numbers have grown in subsequent years.

Another concern both inside and outside the country is this: what will happen when Sultan Qabus leaves the scene? The rules of succession were laid out in Article 6 of the 1996 Basic Law: "The Ruling Family's Council, within three days of the throne falling vacant, shall determine the successor. If the Ruling Family's Council does not nominate a successor, the Defense Council shall appoint the nominee of the sultan, who will select a successor *vide* a written order." Another royal decree soon after established the Defense Council and defined its membership as the sultan (chairman); the minister of the palace office (who was also head of the Office of the Supreme Commander of the Armed Forces

[i.e. the sultan]); the inspector-general of police and customs; the chief of staff of the sultan's armed forces; the commanders of the air force, the navy, and the army; the commander of the royal guard; and the head of the internal-security apparatus.<sup>13</sup>

In the event of the Ruling Family Council being unable to agree on a successor – which could very well happen – it is mind-boggling to envision the Defense Council acting rather like a presenter at the Academy Awards, opening the envelope and reading out the name of the deceased sultan's choice of successor. For one thing, there is no guarantee that the council will announce the name as written and not simply advance its own candidate. This possibility obviously has occurred to Sultan Qabus as well, who disclosed, "I have already written down two names, in descending order, and put them in sealed envelopes in two different regions."<sup>14</sup>

There is much thought in Oman and among observers outside the country that Qabus bin Said may be the last of the sultans and, indeed, that he has been preparing the country for this event. Certainly, there are few viable candidates for succession within the family, and there is virtually no possibility of anyone outside the family commanding the authority and legitimacy to rule as sultan.<sup>15</sup> It is not inconceivable that Oman may find itself a republic in the near future.

Although formidable challenges await Oman after oil and after Qabus, it cannot be said that the prognosis is dire. Certainly, mistakes have been made and goals have not been fully achieved. The Oman of a decade or two hence might be a less prosperous place, but it would be unfair to underestimate the Omanis' capacity for resilience and adaptability.

<sup>1</sup>Works on post-1970 Oman are very uneven. An early account by an economic adviser to the sultan is John Townsend, *Oman: The Making of a Modern State* (Croom Helm; St. Martin's Press, 1977). A short introduction is Calvin H. Allen, Jr., *Oman: The Modernization of the Sultanate* (Westview Press; Croom Helm, 1987). A recent study is Calvin H. Allen and W. Lynn Rigsbee, II, *Oman Under Qaboos: From Coup to Constitution, 1970-1996* (Frank Cass, 2000). Oman's foreign relations have been explored in Joseph A. Kechichian, *Oman and the World: The Emergence of an Independent Foreign Policy* (Santa Monica, CA: Rand Corporation, 1995). Studies on Omani society include Unni Wikan, *Behind the Veil in Arabia: Women in Oman* (The Johns Hopkins University Press, 1982) Fredrik Barth, *Sohar: Culture and Society in an Omani Town* (The Johns Hopkins University Press, 1983); Christine Eickelman, *Women and Community in Oman* (New York University Press, 1984); Jorg Janzen, *Nomads in the Sultanate of Oman: Tradition and Development in Dhofar* (Westview Press, 1986); Dawn Chatty, *Mobile Pastoralists: Development Planning and Social Change in Oman* (Columbia University Press, 1996); and Corien Hoek, *Shifting Sands: Social-economic Development in al-Sharqiyah Region, Oman* (Nijmegen University Press, 1998). Collected works include B.R. Pridham, ed., *Oman: Economic, Social and Strategic Developments* (Croom Helm, for the University of Exeter Centre for Arab Gulf Studies, 1987); and Marc Lavergne and Brigitte Dumortier, eds., *L'Oman contemporain: État, territoire, identité* (Éditions Karthala, 2002).

<sup>2</sup>Sultanate of Oman, Ministry of Development, National Statistical Department, *Development in Oman, 1970-1974* (Muscat, n.d.), p. 65, citing the Department of Finance as source.

<sup>3</sup>Because of Oman's long connection with the East African littoral, especially but not exclusively the island of Zanzibar, thousands of Omanis had been born in and/or lived in East Africa. Many of them fled Zanzibar after the revolution in 1964, and others returned to Oman only after 1970. They were welcomed because of their education and knowledge of English.

<sup>4</sup>Sultanate of Oman, Ministry of National Economy, *Statistical Yearbook 2003* (Muscat, August 2003), online at <http://www.moneomna.gov.om/mone/index.htm>.

<sup>5</sup>The SCC is discussed in Dale F. Eickelman, "Kings and People: Oman's State Consultative Council," *Middle East Journal*, Vol. 38, No. 1, Winter 1984, pp. 51-84; J.E. Peterson, *The Arab Gulf States: Steps Toward Political Participation* (New York: Praeger, 1988; published with the Center for Strategic and International Studies; Washington Papers, No. 131); Abdullah Juma al-Haj, "The Politics of Participation in the Gulf Cooperation Council States: The Omani Consultative Council," *Middle East Journal*, Vol. 50, No. 4, Autumn 1996, pp. 559-571; and Abdullah Juma Alhaj, "The Political Elite and the Introduction of Political Participation in Oman," *Middle East Policy*, Vol. 7, No. 3, June 2000, pp. 97-110.

<sup>6</sup>The Basic Law was contained in royal decree 101/98, as published in the *Oman Observer*, November 7, 1996.

<sup>7</sup>Interviewed by Judith Miller in "Creating Modern Oman: An Interview with Sultan Qabus," *Foreign Affairs*, Vol. 76, No. 3, May-June 1997, p. 16.

<sup>8</sup>For the former, information acquired in Oman. For the latter, *Arab News* (Jiddah), August 26, 2002.

<sup>9</sup>World Bank, World Development Indicators, August 2003, online at <http://devdata.worldbank.org/external/CPPProfile.asp?CCODE=OMN&PTYPE=CP>.

<sup>10</sup>Sultanate of Oman, Ministry of National Economy, *Statistical Yearbook 1999* (Muscat, August 2000), p. 168.

<sup>11</sup>Sultanate of Oman, Ministry of National Economy, *Statistical Yearbook 2003*.

<sup>12</sup>The over-estimation in early 2004 by Royal Dutch-Shell of worldwide reserves directly concerns Oman, as Shell is both a partner in PDO and holds its management contract. PDO's attempts to extend the producing life of mature oilfields by advanced techniques, particularly horizontal drilling, has been watched closely by other companies that will face similar problems in the future. The disappointing results of horizontal drilling have raised alarm. See the report in *The New York Times*, April 8, 2004.

<sup>13</sup>Royal decree 105/96 of December 28, 1996, as published in the *Oman Observer*, December 29, 1996.

<sup>14</sup>Miller, "Creating Modern Oman," p. 17.

<sup>15</sup>I have discussed succession in Oman in "The Nature of Succession in the Gulf," *Middle East Journal*, Vol. 55, No. 4, Autumn 2001, pp. 580-601.