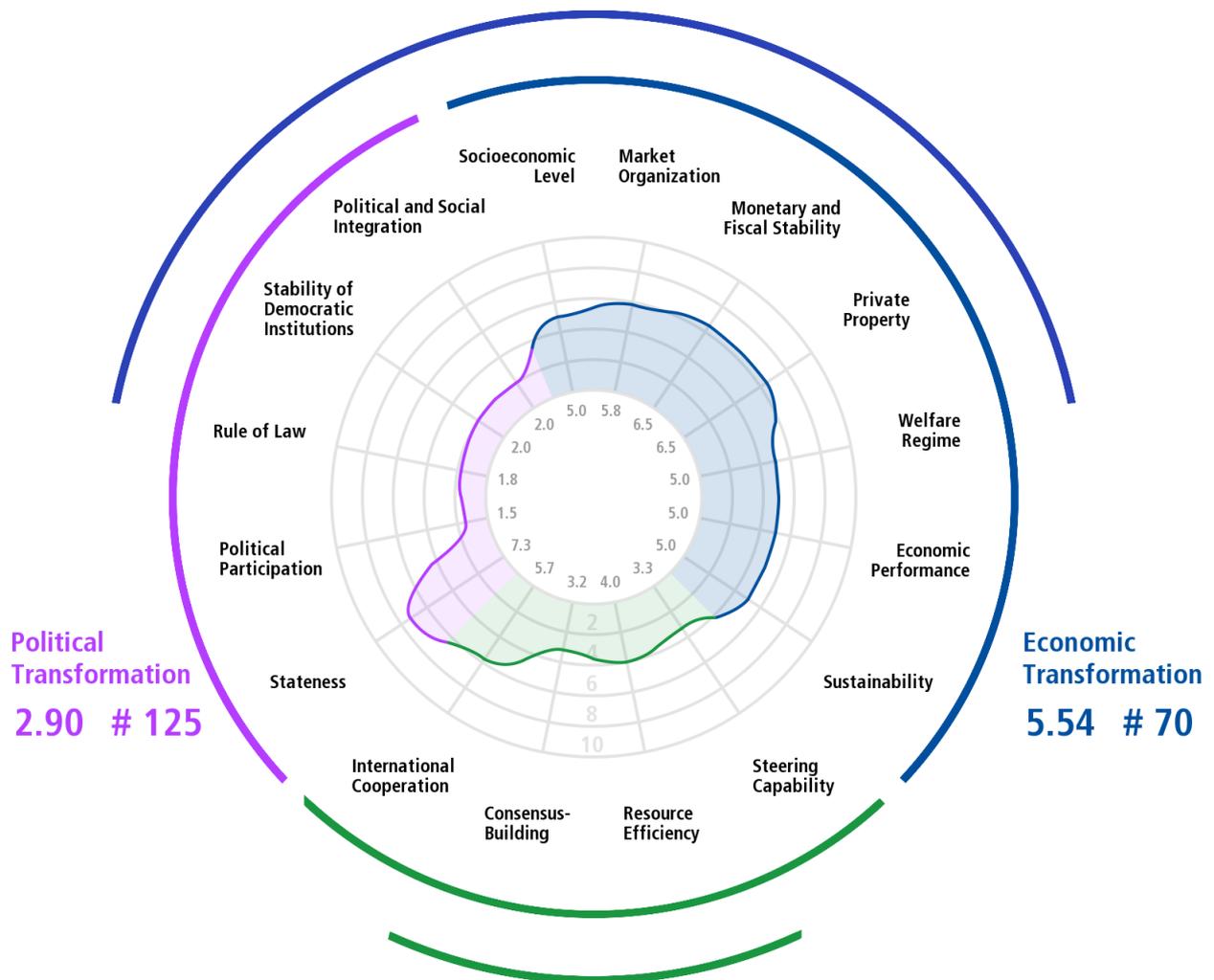


# Oman

## Status Index

**4.22 # 102**

on 1-10 scale out of 137



**Political Transformation**  
**2.90 # 125**

**Economic Transformation**  
**5.54 # 70**

## Governance Index

**3.52 # 113**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Oman. Gütersloh: Bertelsmann Stiftung, 2020.

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**Key Indicators**

Population	M	<b>4.8</b>	HDI	<b>0.834</b>	GDP p.c., PPP \$	<b>41435</b>
Pop. growth <sup>1</sup>	% p.a.	<b>3.4</b>	HDI rank of 189	<b>47</b>	Gini Index	-
Life expectancy	years	<b>77.4</b>	UN Education Index	<b>0.732</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>84.5</b>	Gender inequality <sup>2</sup>	<b>0.304</b>	Aid per capita	\$ -

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

Although ostensibly tranquil during the review period, especially to external observers, Oman has undergone important changes.

The physical condition of Sultan Qaboos, in office since 1970, has become increasingly pertinent. Since 2014, news about his deteriorating health has triggered worries about the country's future stability. Many are well aware of the considerable turmoil that the sudden demise of Sultan Qaboos may induce, particularly as he has refused to designate a successor to the throne or appoint a prime minister. It may be for this reason that reports increasingly stress the apparent improvement of his physical condition since 2016. Critics have become increasingly vocal since the 2011/12 protests that swept the country during the regional Arab Spring. There have been numerous protests in Oman. Most recently, there were protests in December 2018 and January 2019 over unemployment and the perceived failure of the state to provide sufficient jobs to its citizens.

At a broader level, the Omani Spring has not led to 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, which suffered significant setbacks after 2011, deteriorated further still between February 2017 and January 2019. Significant investment in the security sector (i.e., police and intelligence), intended to strengthen political control and pre-empt future unrest, has been a priority. According to the Stockholm International Peace Research Institute (SIPRI), the defense and security sectors represented 12% of Oman's GDP in 2017 – the highest rate in the world. Repression remains the regime's preferred strategy for silencing dissent. The decision-making process remains firmly closed to dispute and the sultan enjoys absolute power in governance. Oman's elected lower chamber, the Majlis al-Shura (Consultative Council), has dramatically scaled back its demands for interrogations of ministers during the period of its current mandate (2015 - 2019).

Low oil prices since mid-2014 and future uncertainty about prices have exerted severe pressure on Oman's economy, despite the recent marginal recovery of oil prices. Real GDP growth turned negative (-0.9%) in 2017 before recovering slightly in 2018 (2%). Since 2015, Oman has run significant budget deficits, amounting to 21% of GDP in 2016 and 12% of GDP in 2017, according to the IMF. In 2019, Oman's government plans to operate a budget deficit of \$7.3 billion (representing 9% of GDP), to be supported with international borrowing.

In 2013, the sultan appointed his cousin, Haitham bin Tariq, chair of a new committee responsible for expanding the country's long-term national strategy, Oman Vision 2040. Six years later, the committee issued a preliminary document in January 2019 outlining 13 national priorities. Job creation for Omani citizens (the "Omanization process") remains the most significant challenge. Unofficial estimates show a persistent 15% to 20% rate of unemployment among Omani nationals, and over 45% among those aged 15 to 24. The foreign labor force remains large and expatriates represented 45% of Oman's population in 2018, according to official statistics.

## History and Characteristics of Transformation

Soon after overthrowing his father on July 23, 1970, Sultan Qaboos expanded the country's armed forces and security apparatus by increasing defense expenditure to 50% of the state budget. This was primarily in order to end the civil war in the southern province of Dhofar, which had been destabilizing the country since 1962. The fighting was brought to an end in the late 1970s, but a simmering level of discontent has remained in Dhofar until the present day.

The sultan invested a portion of the country's oil income (exploited since 1967) into development programs in education, health and agriculture. This was partly to please the country's various tribal, regional and ethnic interests, and neutralize any potential threat to the sultan's rule. Thus, Sultan Qaboos has developed his regime's domestic legitimacy on a policy of nation-building and the assimilation of the entirety of Oman into the oil rentier state framework. The sultan has since that point cultivated the idea that he is the incarnation of the country's post-1970 "renaissance."

Oman is a hereditary and absolute monarchy headed by Sultan Qaboos, who rules by decree. The Council of Ministers, which is directly appointed by the sultan, functions as his 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, chairman of the supreme judicial council and the chairman of the central bank.

On November 6, 1996, Sultan Qaboos promulgated the basic law of the state. It established a bicameral body, the Council of Oman, consisting of an appointed upper chamber - the State Council (Majlis al-Dawla) - with 85 members, and a lower chamber, the Consultative Council (Majlis al-Shura), also with 85 members, which replaced the former purely informal State Consultative Council (SCC) in 1991 and has been elected by universal suffrage since 2003 for

four-year terms. The Council of Oman, which can question service ministers, has limited legislative powers. The sultan can dissolve the State Council (Majlis al-Shura).

The basic law may formalize the principles of the succession process, but its complexity, coupled 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 reserves, a fact that poses a major challenge to the state's ability to meet its developmental needs. As such, the government has tried to diversify the economy by promoting agriculture, tourism, the gas sector and non-oil industries – with limited success.

In 2011 and 2012, the sultanate faced its most widespread popular protests since the end of the Dhofar war, revealing the political and social frustration of a country where 45% of the population is below 20 years of age. In order to quell these actions, the sultan removed long-serving ministers perceived as corrupt and marginally 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. Three council members who had been the most vocal during the previous mandate were banned from participating in the 2015 elections and another was sentenced to three years in jail in 2013 for political reasons, despite supposedly enjoying parliamentary immunity.

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 Omani state 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.

During the review period, Oman made progress on the construction of a fence along the historically porous 300km Yemen-Oman border. The sultanate has been increasingly fearful of Yemen's war spilling over into Dhofar, including weapon smuggling toward the Houthis and infiltration by jihadists affiliated to al-Qaeda in the Arabian Peninsula (AQAP). Work to safeguard this border will continue until at least 2021.

While the official state narrative identifies Omani identity with the figure of Sultan Qaboos, who is represented as the embodiment of Oman ("nahda" = renaissance ideology), his subjects increasingly challenge this conception. 90% of today's Omanis are too young to remember the day when Qaboos was made sultan in 1970, a day which is celebrated each year as Nahda day. Critics of the regime and of some of the ruler's practices have been more vocal since the protests of 2011 to 2012.

The nation-state is widely accepted as legitimate, but in the country's southern region (Dhofar), national unity has remained an issue long after the insurgency of the 1970s. Dhofar-native human rights activist Said Jadad claims that, since 1970, the "people of Dhofar" have "lost their rights," both economically and politically. Sentenced to prison on several occasions since 2011, he was granted political asylum in the UK in 2018. His YouTube channel "Free Dhofar" has attracted a substantial interest at home. Subnational identities of some Dhofari border tribes may be problematic in the future.

The growing economic influence of the United Arab Emirates (UAE) in northern Omani governorates (North Batinah, Buraimi, Musandam), and the fact that many citizens from these governorates are working in Abu Dhabi, al-Ayn and Dubai, has

Question  
Score

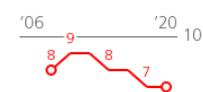
Monopoly on the  
use of force

10



State identity

7



raised concern in Muscat over the implications on the allegiance of these regions in the long term. Of particular sensitivity is the Musandam exclave, which was depicted on a map displayed in the recently opened Louvre Abu Dhabi museum in January 2018 as being part of the UAE. This created a bit of a stir on social media in Oman, as well as in the Omani government. Small-scale clashes in Musandam have led to several waves of arbitrary detentions since 2015. In October 2018, four Musandam activists, calling for reforms in the governorate, were sentenced to life imprisonment for “threatening the unity of the country.”

According to the 2014 nationality law, Omanis can be stripped of their nationality if they “engage in a group, a party or an organization that adopts principles or doctrines that can harm the interests of Oman” or “worked for a foreign country in any way whatsoever [...] and failed to fulfill the Omani government’s order to abandon such a work within a specified time.” A 2015 Carnegie Endowment report concluded that these rather vague provisions “can obviously be used to threaten or quell peaceful dissent.” In February 2016, ten Omanis had their citizenship revoked for holding dual nationality.

Islam is the state religion and Shariah law forms the basis for legislation. The religious establishment is under the state’s firm control. However, certain Ibadi groups have quietly called for traditional religious leadership. Sunni and Ibadi Islamist networks played some role in channeling discontent in 2011, which otherwise reflected mostly socioeconomic and political grievances. The influence of Islamist-oriented ideas in parts of the state apparatus and society has been expanding. In particular, Ibadism has been more intimately associated with Omani identity in official historiography in the past decade. A state-led Ibadi proselytism has been on the rise under the leadership of the ministry of endowment and religious affairs, promoting loyalty to the nation and moral values in schools.

The increased influence of religious dogmas in politics is reflected in the new penal code, promulgated in January 2018, which criminalizes blasphemy and apostasy. A jail sentence of three to ten years (compared to a maximum of three years previously) will be given to anyone who blasphemous God or His prophets “verbally or by means of writing, drawing, gestures or by any other means” or “insult, pervert or desecrate” the Quran, the Islamic religion or any of its rites. Similarly, anyone who “establishes, organizes, administers or finances” an association or body which is aimed at “contesting or harming the foundations on which the Islamic religion is based, or promoting or making propaganda for another religion” can be punished with a jail term of three to seven years.

Since 2016, there have been two activists convicted of “public blasphemy” and of “using information networks in prejudice against religious values.” Both were sentenced to jail terms. One, former diplomat Hassan al-Balushi, died in prison in April 2018.

No interference of religious dogmas

4

'06 '20 10



1

Since 1970, Sultan Qaboos has built a civilian state administration that extends throughout the entire territory. An asphalt road network of more than 37,700 kilometers saw another extension with the opening of the Batinah expressway toward the UAE in December 2018. The development of the Duqm special economic zone in al-Wusta region and the construction and refurbishment of airport infrastructure in Duqm, Salalah, and Sohar are intended to stimulate local development. The new international airport facility in Muscat represents an upgrade in capacity for the country's tourism sector, logistics and air transit. This is especially significant in light of the limitations imposed on other Gulf States from the blockade imposed on Qatar since 2017.

However, these large scale projects cannot obscure the fact that excessive state bureaucracy and a lack of technical skills continue to limit the effectiveness of Oman's administrative system. Popular protests in peripheral regions (Northern Batinah, Sharqiyah, Dhofar) in 2011 to 2012 which directly targeted symbols of the state (local branches of ministries, offices of the governors) illustrate the need for the central state to deliver on its promise of local development. In particular, the uneven development of the territory has led to increasing inequality and resentment in most parts of the country. While 98% of the population is supplied with electricity and gas, 9% still lack sufficient access to improved water sources (2015). While still providing a basic level of universal care, the health system is under strain after budget restrictions imposed since 2014, which explains why many middle-class Omanis prefer traveling to Thailand or India for health care. Whereas wealthy Omanis travel to Europe for health services.

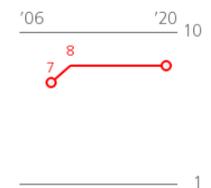
## 2 | Political Participation

Oman is an absolute monarchy ruled by the sultan and his appointed government. The bicameral Council of Oman acts as an advisory body, despite a 2011 amendment to the Oman basic law that gave limited legislative powers to it. Every four years since 2003, Omanis over the age of 21 are called to elect the Council of Oman's lower chamber, the Majlis al-Shura (Consultative Council), composed of 85 members. 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.

The last elections in 2015 saw a voter turnout of 57%, a sharp drop from the 76% in 2011, illustrating the disillusionment of many young Omanis after four years of political standstill in the aftermath of the Arab Spring. Of 596 candidates, 20 were women, of whom one won a seat. Parties are prohibited in Oman and candidates require prior approval by an election committee to run individually; in 2015, 174 candidates were rejected, including three incumbent members who had until then been the most vocal in expressing their own opinion. The 85 members of the State

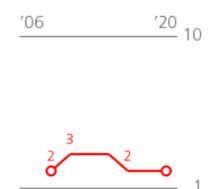
Basic  
administration

8



Free and fair  
elections

2



Council act as an upper chamber and are all appointed by the sultan approximately one week after the Majlis al-Shura elections.

Since 2011, municipal councils in all 11 governorates (muhafadhat) are comprised of elected members from the district (wilayas) level, and of appointed ex-officio members from various ministries. Wilayas with populations up to 30,000 have two representatives. Those with populations between 30,000 and 60,000 have four representatives, and larger wilayas have six. All municipal councils are chaired by the head of the governorate, who is appointed by the sultan. The most recent municipal elections in 2016 saw a turnout of approximately 40%.

As with previous Majlis al-Shura and municipal elections, clientelism, tribal or ethnic affiliations and money offered by candidates were key determinants of voters' choices in 2015 and 2016. The next scheduled elections are in October 2019 (parliamentary) and 2020 (municipal), but they - and their outcomes - are highly unlikely to threaten the absolute power of the ruler and leading political figures.

The Council of Oman and the municipal councils are responsible to the Sultan and his appointed Council of Ministers. The absolute monarchy remains effectively unopposed. The bicameral Council of Oman can question ministers but has limited legislative powers. It may propose laws and has the right to approve or amend draft bills coming from the Council of Ministers, before they are forwarded to the Sultan for promulgation. The Sultan can dissolve the Majlis al-Shura at any time and has been able to rely on the loyalty of the entire security apparatus.

The regime's refusal to appoint a prime minister or/and a crown prince, and the excessive security measures used against protesters illustrate the lack of willingness to distribute even a small degree of power. This is a problem that is becoming increasingly pertinent due to the age of the Sultan (born in 1940) and his reported health problems.

The move toward introducing taxation and cutting subsidies will increase pressure on the regime to maintain absolute dominance over the elected bodies. Omanis are aware of this and may increasingly demand more authority for the democratic elements of the political system. Palpable rumblings of public demand for less unilateral policy-making came when Israeli prime minister, Benjamin Netanyahu, was invited to Muscat in October 2018. Many Omanis voiced their disagreement via social networks, leading to waves of arrests.

While the basic law guarantees freedom to form associations if their activities are not considered inimical to social order, in practice associations' scope for activity is severely restricted, and individuals exercising basic rights to assembly continue to face suppression. All proposed organizations and their by-laws must obtain approval from the ministry of social development. However, the Omani government does not permit the formation of independent civil society associations, including independent

Effective power to govern



Association / assembly rights

2

workers' unions, or pro-democracy or human rights organizations. Political associations are banned.

In March 2016, the government of Oman rejected recommendations made by the United Nations universal periodic review to guarantee the rights to freedom of expression, association and peaceful assembly, as well as the investigation of incidents involving alleged excessive use of force against peaceful demonstrators.

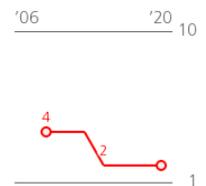
The new penal law promulgated by the sultan in January 2018 confirmed the severe restrictions on freedom of association and assembly. Article 116 states that anyone who “establishes, organizes, administers or finances an association, party, body, organization, [or] center” which is “aimed at combating the political, economic, social or security principles of the state” can be punished with a jail term of three to ten years. Anyone who promotes or participates in any of these groups, even if it is located outside the country, is liable to imprisonment for one to three years. These rather vague provisions can be used to target or quell peaceful civil society groups and human rights defenders critical of the regime. Anyone calling for or participating in a gathering of at least ten persons, which can be construed as causing a breach of security or public order, can be punished with a jail term of three months to one year.

In January 2018 and in January 2019, protests by unemployed Omanis against a lack of job opportunities erupted in several cities, including Muscat and Salalah. Intimidation and arbitrary detentions (including of journalists covering these demonstrations) were used by the authorities to put an end to the protests.

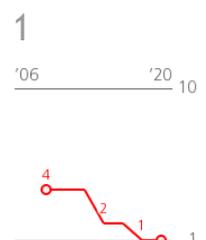
Freedom of the press and opinion is guaranteed by the 1996 basic law, provided that it does not “lead to public discord or harm the security of the state.” Eight daily newspapers, four in Arabic and four in English, are currently published. The ministry of information censors all domestic and imported publications and can take legal action against any material it regards as offensive in political, cultural or sexual respects. 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 allowed the possibility to establish private radio and television companies. The public authority for radio and television, established in 2010, has juridical and financial independence under the supervision of the Council of Ministers.

Internet (76% penetration in 2016, according to the World Bank) is firmly controlled by the telecommunication regulation authority. More than 20 bloggers and netizens were sentenced to jail terms on the basis of alleged defamatory comments on social media during the review period. Among them, former diplomat Hassan al-Balushi passed away in April 2018 while serving a three-year jail sentence on charges related to “insulting the Sultan,” “public blasphemy of God’s holiness” and “using



Freedom of expression



information networks in prejudice against religious values.” Leading Omani writer Abdullah Habib, who had on Facebook called for Sultan Qaboos to reveal the whereabouts of the Omanis killed in the Dhofar war of the 1960s and 1970s, was sentenced to three years in prison in November 2016, on charges of “using internet to prejudice the state public order.” The appeal court upheld the initial sentence in April 2018.

In May 2017, economic researcher Mansour al-Mahrazi was charged with “insulting the Sultan” and “damaging the prestige of the State.” He was sentenced to three years of jail following the publication in Lebanon of his book entitled “Oman in the Square of Corruption.” In February 2018, on the occasion of the Muscat International Book Fair, 20 books by Omani writers were confiscated.

Equally concerning is the forced closure of all independent Omani newspapers and magazines (Muwatin, al-Zaman, al-Balad) in 2015 and 2016. In December 2016, the appeal court sentenced the managing editor of the main independent newspaper, al-Zaman, to one year in prison and its chief editor to six months on charges of, among others, “disturbing public order” and “undermining the prestige of the state.” Oman’s Supreme Court issued in October 2017 a final ruling confirming the permanent closure of al-Zaman newspaper. As a result, there is currently no independent media in Oman. In January 2017, the ministry of information revoked journalist Fatma al-Araimi’s accreditation as a correspondent for Reuters, after the agency published a news report about Oman requesting financial assistance from its GCC neighbors, something the Omani government denied.

Following the promulgation in January 2018 of a new more restrictive penal law, the United Nations special rapporteur on the promotion and protection of the right to freedom of opinion and expression called on the Omani government to “immediately revise [the decree] and ensure its compliance with international human rights standards.” Provisions of articles 116 (on freedom of opinion and expression) and 125 (on prejudicing the independence of the country) are said to “use overly broad terms that lack sufficiently clear definitions,” allowing “authorities unbound discretion to punish public expression of any kind, which could lead to the institutionalization of violations of the fundamental rights to freedom of expression for individuals [...]. The legal framework moreover contributes to creating a chilling effect and self-censorship.”

### 3 | Rule of Law

Oman has no system of checks and balances, and thus no real separation of powers, although the Council of Oman does have limited de jure legislative powers according to the basic law. 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 has the right to grant pardons or commute sentences. His person is inviolable and he expects total subordination to his will.

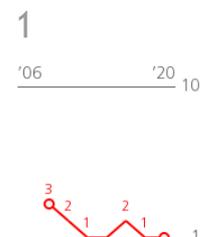
Protesters' demands in 2011 for a prime minister to be nominated went unanswered. A crown prince has still not been designated (as of January 2019), despite the sultan's health issues.

Oman's legal system is based primarily on the Ibadi school of Islam. Though the basic law guarantees judicial independence, 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. While a February 2012 royal decree increased the Supreme Judicial Council's independence from the minister of justice, it reasserted the sultan's primacy and control over all competent authorities, since decisions taken by the council in his absence must be ratified by the ruler. There have been calls from the population and the Majlis al-Shura for the establishment of a constitutional court since 2012, however the sultan has never entertained this as an option.

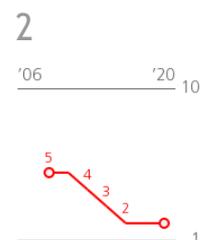
In February 2011, the prerogatives of the public prosecutor, who answers directly to the sultan, were expanded by royal decree. Since 2012, the public prosecutor office has played a decisive and proactive role in the repression of peaceful protests and expression of independent opinion.

Independent newspaper al-Zaman published reports in summer 2016, based on an interview with the vice president of the Supreme Court, accusing the head of the Supreme Court of intervening in judicial proceedings. Al-Zaman was permanently closed by a court order and the vice president of the Supreme Court was arrested, held for a number of days, and has since been suspended from duty. In December 2016, the appeal court sentenced the newspaper's managing editor to one year in prison and the chief editor to six months. In October 2017, the Supreme Court issued a final ruling confirming the permanent closure of al-Zaman newspaper.

Separation of powers



Independent judiciary



The regime tries to demonstrate its willingness to fight endemic corruption within the state apparatus. The state financial and administrative audit institution (SFAAI) is ostensibly tasked with detecting financial and administrative irregularities, ensuring transparency in financial and administrative transactions, and providing recommendations to ensure the avoidance of conflict of interests.

Several government officials and businessmen charged in 2013 and 2014 for various types of office abuse, money-laundering and corruption, received a royal pardon in June 2016. Despite the promising new powers of the SFAAI, no high-profile individuals that protesters demonstrated against in 2011 have been placed under investigation. Corruption is still widespread. In November 2018, audit firm KPMG, which has been under investigation by the UK authorities, was suspended by Oman's capital market authority from auditing entities it regulates for one year after the uncovering of "major financial and accounting irregularities."

The majority of cabinet members, senior office holders and some prominent members of the ruling family are still directly involved in businesses that benefit from public contracts. For instance, as of January 2019, four of Oman's largest business groups were controlled by the minister of justice, the secretary-general of the ministry of foreign affairs and two special advisers to the sultan, either personally or through their close relatives (brothers and children). Furthermore, royal family members are increasingly involved in the economy, including potential successors to Sultan Qaboos, who have developed and consolidated business positions.

At the same time, newspapers and activists publishing informed articles on corruption have suffered harsh repressions and criminal sentences – as illustrated by the forced closure of independent publications al-Zaman newspaper and Muwatin magazine in 2016.

Though Oman's legal code theoretically protects civil liberties and personal freedoms, both are regularly abused by the regime. As Human Rights Watch states, basic rights have been "routinely trampled" since 2011, with security harassment and arbitrary detention of independent voices still occurring on a regular basis. At least 12 human rights activists, journalists and writers have fled Oman since 2014 to seek political asylum abroad – a situation that is unprecedented since the 1980s.

Prisons are inaccessible to independent monitors, and authorities arrest suspects often without the necessary court order. Public prosecutors can arrest individuals without arrest warrant and hold them for up to thirty days "for crimes related to national security or mentioned in the antiterrorism law." Testimonies of prison torture and other inhumane forms of treatment or punishment of detainees (e.g., beatings by police, death threats, forced confessions, incommunicado detention, and virginity testing for female detainees) are numerous. The national human rights commission is not independent from the regime, since its members are appointed by royal decree.

#### Prosecution of office abuse

2

'06 '20 10



#### Civil rights

2

'06 '20 10



Firm control over online communication has led to detentions without charges of bloggers and human rights activists. Among others, four individuals from the Musandam governorate were sentenced to life imprisonment in September and October 2018 on charges of “prejudicing the security and unity of the country and its territories by using information technology.” Amnesty International criticized “proceedings [that] have violated international guarantees of the right to fair trial” and expressed concern that the sentences “may have been motivated in part by discrimination based on the detainees’ tribal origins [...] which would contravene the international convention of the elimination of all forms of racial discrimination, to which Oman is a party.”

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.

Despite some efforts in October 2011 to prevent forced labor, the restrictions that bind expatriate workers to their sponsor (the “kafala” system) have not been loosened. Expatriate blue-collar workers in particular suffer from no legal minimum wage or effective protection against random dismissal. 2018 was punctuated by reports of arbitrary arrests and deportations of blue-collar migrant workers for allegedly breaking labor laws or residing in the country illegally. Oman is the last Gulf monarchy not to provide labor law protections to domestic workers and has yet to ratify the 2011 International Labor Organization convention on domestic workers.

#### 4 | Stability of Democratic Institutions

Democratic input into Oman’s politics is very limited. In response to the 2011 protests, an October 2011 royal decree amended the basic law. The reform expanded the prerogatives of the Council of Oman, giving it the power to propose laws on its own initiative, which would then be referred to the Council of Ministers for consideration. Draft laws prepared by the Council of Ministers are referred to the Council of Oman for approval or amendment before being submitted to the ruler for promulgation. The chairman of the Majlis al-Shura is now elected by members of the chamber (and not, as previously, appointed by the sultan).

However, in practice, the Majlis al-Shura remains a merely consultative institution. It cannot address important issues such as national security, oil, foreign relations, or the structure of the political system. The Majlis al-Shura can only make recommendations concerning draft development plans and the annual budget. It cannot question ministers involved in national sovereignty (foreign affairs, defense, finance, interior affairs, and oil) and the opinions of the two councils are not binding on the government – nor for the sultan, who can dissolve the Majlis al-Shura at any moment and without cause.

Performance of democratic institutions

2

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Another October 2011 amendment to the basic law addressed the succession process. The Majlis al-Shura chairman, along with Supreme Court members and non-elected defense council members, will now “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).

Municipal councils, partly elected since 2012, enjoy advisory powers only on municipal services, such as infrastructure, health provisions, environmental protection and local taxes.

Despite widespread popular support for the expansion of the Majlis al-Shura’s role, the sultan’s unwillingness to implement substantial reform to Oman’s authoritarian system and his intention to maintain all executive and major legislative powers as his personal prerogative have deeply disappointed many Omanis.

A number of Majlis al-Shura members elected in 2011, including former activists who participated in the protests, appeared committed to empowering the chamber and increasing its position and prerogatives in the general balance of powers, but these changes were strongly opposed by a number of non-elected institutions (including the cabinet, the royal court, the sultan’s palace office, and security officials). Despite his parliamentary immunity, the sentencing of deputy Talib al-Ma’amari to three years in prison in 2014 was a clear indication that the establishment of a parliament with genuine legislative powers is not on the regime’s agenda.

## 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 (e.g., like justice, education and health matters) emerged in the late 2000s. Their emergence illustrates how some Majlis al-Shura representatives advocated greater influence of the elected chamber on state institutions and for it to act as a counterbalance to the Council of Ministers. However, following the sentencing of one of the most vocal Majlis al-Shura members to prison in summer 2013, and the politically motivated ban of three incumbent council members from participating in the 2015 Majlis al-Shura elections, the virulent interrogation of ministers by members of the Majlis has dramatically decreased.

Commitment to democratic institutions

2

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Party system

1

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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.

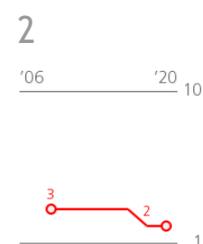
Oman’s structure as a hyper-centralized rentier welfare state has rarely produced conditions conducive to organized societal demands. Since 2012 in particular, the authorities have responded repressively to peaceful demands from social movements, unions and professional organizations. While government employees and domestic workers are not allowed to join a union, private sector workers have been able to do so since 2006. They also have the right to stage peaceful strikes. However, in October 2013, reacting to large-scale “Arab Spring” related strikes, the minister of manpower prohibited strikes at establishments that provide “essential public services,” particularly oil processing facilities and transportation infrastructure sites such as ports and airports. The regime’s promises of job creation in 2017 and 2018 came directly in the wake of rising demands via social media campaigns and public protests, but these particular responses remain isolated. Most societal interests are not represented in the political system. Although the sustained suppression of human rights activists and dissonant voices has undermined the development of an embryonic civil society, there has been an emerging movement of young highly educated Omanis who make informed criticism of policies, particularly via online forums and activism.

There have been no public opinion surveys in Oman that assess the popularity of the current system. It is widely believed that citizens welcome the idea of greater political participation, illustrated by political demands expressed since 2011, online petitions calling to transform the Majlis al-Shura into a real legislative chamber, and the healthy turnout in October 2011 elections. Unsurprisingly, the very limited institutional reform implemented since 2011, in addition to the harsh repression of human rights and pro-democracy activists, means that high expectations for reform have given way to deep disillusionment.

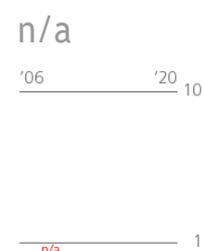
Omani political culture is dominated by a general acceptance of the government’s omnipotence, despite societal diversity and fragmentation between rich and poor, urban and rural, old and young, male and female. In this context, the salience of ethnolinguistic, sectarian and regional affiliations is increasing.

Those demonstrating in the period 2011 to 2012 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 part of a “divide-and-rule” technique reduced the population’s trust in the polity and undermined the development of autonomous cultural, political and social associations. Independent initiatives are disincentivized by the requirement

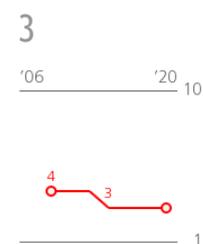
Interest groups



Approval of democracy



Social capital



to obtain approval from the ministry of social development, which unfailingly rejects any application deemed too progressive or innovative.

According to the new penal code issued in January 2018, anyone who seeks to “stir up religious or sectarian unrest or discord, or fosters feelings of resentment, hatred or disunity among the population,” shall be punished with a jail term of three to ten years. These provisions can be used to shut down any sectarian difference or critical intellectual discussion on religion interpretations. In December 2017, the ministry of interior distributed leaflets threatening citizens with prosecution if they organized tribal gatherings and forums. In May 2018, following the organization of several large tribal gatherings in Dhofar, the public prosecution office reiterated its commitment to “take all relevant legal measures” against anyone who helped to organize tribal gatherings, or who promoted such events on social media. Waves of arrests ensued. Gatherings are perceived by the state as potentially exacerbating inter-tribal tensions, but also leading to strengthening some tribal confederations and local groups, and, as such, representing a threat to its authority.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

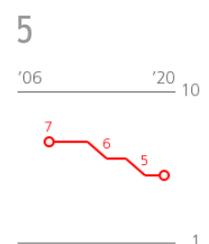
In 2017, Oman was ranked 48 in the HDI. In November 2010, the United Nations Development Program stated that Oman had the fastest progress in the HDI between 1970 and 2010. There was a quadrupling of gross enrollment (reaching 109% in primary, 93.5% in secondary and 28.1% in post-secondary education). Literacy rates for men reached 90.2% and for women, 81.8%. There was also a 27-year increase in life expectancy. The state’s exploitation of oil rent has enabled economic and social development. Ironically, though, only two months after the UNDP’s praise, the country experienced its most widespread questioning of the system since the 1970s.

Over the last 15 years, the existence of structural poverty 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 toward them. However, income disparities among regions and social groups have increased since the early 2000s. This was one of the determinants of the popular protests in Sohar and Salalah from 2011 to 2012.

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 tribes considered of inferior origin or of low social status (including former slave groups, descendants brought from Africa) still face high barriers to participation in formal

Question  
Score

Socioeconomic  
barriers



economic activities. The female labor force represented 12.6% of the total labor force in 2018, according to World Bank data. This is one of the lowest records worldwide and has been in constant decline since the mid-2000s.

The government's response to lower oil prices and a decline in government revenues since 2014, including the reduction of state subsidies (for utilities and food), has put many sectors of the society under increasing financial pressure. The authorities' plans to further reduce state subsidies in 2019 and to introduce regressive taxation which will disproportionately affect the poorer sectors of society (in the form of a VAT) are likely to result in increased inequalities and stoke popular discontent, as illustrated by nationwide protests over unemployment in January 2019.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	68921.5	65941.5	70783.9	<b>79294.9</b>
GDP growth	%	4.7	5.0	-0.9	<b>2.1</b>
Inflation (CPI)	%	0.1	1.1	1.6	<b>0.9</b>
Unemployment	%	3.5	3.3	3.1	<b>3.1</b>
Foreign direct investment	% of GDP	-3.2	3.4	4.1	<b>8.0</b>
Export growth	%	-9.4	6.1	12.9	-
Import growth	%	-3.2	-9.5	10.2	-
Current account balance	\$ M	-10954.0	-12539.4	-10980.6	<b>-4346.7</b>
Public debt	% of GDP	15.5	32.7	46.4	<b>53.4</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	28.1	29.8	25.9	<b>23.4</b>
Public education spending	% of GDP	-	-	6.8	-
Public health spending	% of GDP	3.8	3.8	-	-
R&D expenditure	% of GDP	0.2	0.3	0.2	-
Military expenditure	% of GDP	10.8	12.0	9.6	<b>8.2</b>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

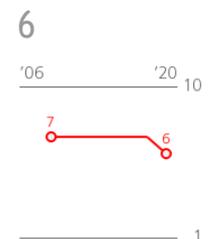
The foundations of a free market-based economy are present. The currency is freely convertible, and the government has incrementally introduced laws to ensure a free market. Oman's government has initiated laws to encourage and facilitate foreign investment and to offer incentives for both private and foreign investors. Establishing a business in Oman is relatively easy, according to the World Bank's 2019 Doing Business report. Oman ranked 37 out of 190 countries in the category of starting a business. It takes four procedures, six days and costs 3.7% of the gross national income per capita to start a business.

In 2016, under intensifying pressure to increase non-oil revenues and balance the budget, the government removed a subsidy on petrol and diesel prices, which led to a doubling of fuel prices in early 2017. The government also raised electricity prices for large commercial, government and industrial users in January 2017 by cutting 100 million rial (\$260 million) worth of subsidies. However, in order to alleviate the social impact of these austerity measures, in December 2017 the government introduced a fuel subsidy scheme to begin in January 2018; a total of 327,000 Omanis (i.e. 24% of the adult population) have registered for the program as of January 2019. In October 2018, the government discussed plans to remove electricity subsidies for some segments of the population, but there has been no decisive action yet.

Rules that regulate the employment of expatriate labor (such as the kafala sponsorship system) and policies for the Omanization of the private sector workforce are still in place. In November 2016, in order to tackle the increasing budget deficit and structural unemployment among national graduates, the government increased the visa fees to be paid by employers for expatriate workers by 50%. In January 2018, the ministry of manpower issued a six-month ban on new work visas for 87 professions in the following sectors: media, engineering, marketing, accounting and finance, IT, insurance, technicians, public relations and human resources. This six-month ban was extended twice (in July 2018 and again in January 2019), but SMEs have been exempted. In November 2018, visas for purchase and sales representatives and workers in the construction, cleaning, and workshop sectors were also banned. This policy led to a decrease in the number of expatriate workers in Oman by 3.6% in 2018.

Politically strategic segments of the economy remain controlled by business owners who are loyal allies of the regime. This remains a source of concern to many Omanis who see these politically connected business owners, who have benefited from cheap yet skilled imported labor, as an impediment to a genuine Omanization process.

Market  
organization



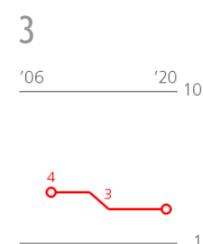
One of the most common public grievances expressed since 2011 relates to the intermingling of political and business interests among top political incumbents. This politico-economic elite, which has managed quasi-monopolies since 1970, has been the regime's most reliable supporter under Qaboos, and cabinet reshuffles implemented since 2011 have not altered this situation. Nor has the increasing involvement of royal family members in business.

Amendments in 2014 to the 1977 commercial agencies law, which governs the relationship between foreign entities and their local agents, removed the prohibition against the sale of a foreign entity's goods or services through an intermediary other than the registered agent. An agent's right to claim compensation from its foreign principal for unjustified cancellation or non-renewal of the relationship has also been removed.

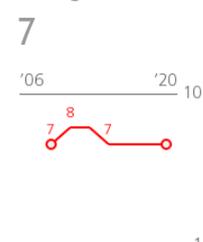
In November 2014, the first Omani "protecting competition and preventing monopoly law" was enacted. It states that the maximum percentage of the market that a person or group may control is 35%. This law does not apply to state-run public utility entities, or public or private research and development entities. An entity must seek permission from the public authority for consumer protection (PACP) for a commercial activity of economic concentration that reaches up to 50% of the market. In addition, a new consumer protection law, which attempts to better regulate the activities of suppliers, advertisers and agents, was issued by royal decree in November 2014. In January 2018, PACP's powers and prerogatives to investigate breaches of the law and impose penalties for its violation were transferred to a new competition regulator, the competition protection and monopoly prevention center. A new commercial arbitration center, affiliated to the chamber of commerce and industry, was established in October 2018. Tasked with helping to resolve disputes through arbitrators appointed by the parties in dispute rather than through courts, it is scheduled to begin operations in 2019. At present, the impact of these new laws and bodies on local market behaviors is unclear.

Oman has liberalized and extensively deregulated foreign trade. After accession to the WTO in 2000, Oman joined the 2003 Gulf cooperation council (GCC) customs union agreement, which came into effect in 2015. This was followed by a bilateral free trade agreement with the United States in 2009. The weighted mean tariff rate was 1.7% in 2017, according to the World Bank, while the most favored nation applied tariff rate averaged 5.6%. The new tax system, which came into effect in January 2010, was substantially amended in February 2017. In order to improve the state's finances, the standard corporate tax rate was increased from 12% to 15% for all companies, whether foreign or local. The initial tax-free exemption of 30,000 Omani rial (\$78,000) was replaced by a 3% tax rate applying to small entities with fewer than 15 employees, a registered capital of less than 50,000 Omani rial (\$130,000) and a gross income of less than 100,000 Omani rial (\$259,000) for any tax year. Tax exemption is restricted to the manufacturing sector, for a non-renewable

### Competition policy



### Liberalization of foreign trade



period of five years, and subject to conditions. A 10% withholding tax came into effect from February 2017, applying to certain types of income, including royalties, dividends on shares and interest, performance of services fees and management fees, that are realized in Oman for any foreign company or person who does not have permanent residence. In November 2018, the Council of Oman endorsed the GCC framework on a unified excise tax applying to tobacco, alcohol and energy drinks (100%) and soft carbonated drinks (50%), which should come into effect in 2019.

GCC nationals are permitted to establish 100%-owned business entities in Oman for most activities. Non-GCC entities are allowed to hold up to 70% of Omani companies, and even 100% in banking, insurance, telecommunications sectors and (after approval by the Council of Ministers) in any sector if “the investment is in the national interest or introduces technical expertise which is not readily available in Oman.”

To encourage more foreign investment, the Omani government has announced the drafting of several new laws, including a public-private partnership law and a new foreign capital investment law to allow for 100% foreign ownership. These laws, initially expected in 2017, were yet to be issued in January 2019. Instead, in November 2018, Oman issued a decree prohibiting GCC nationals from owning property in a number of border regions and sensitive areas, reflecting growing security concerns about Saudi Arabia and the UAE. There is also tension between the Omanization policy and the move to encourage greater levels of FDI into the country – two policies which seem to be in conflict.

The Omani financial sector is supervised by the central bank of Oman (CBO), which was established in 1974. Since a 1999 law, the capital market authority (CMA) oversees the Muscat securities market (MSM), where all listed shares are traded.

Oman’s conventional banking sector remains small (composed of seven establishments) but performs well. The capital adequacy ratio to risk-weighted assets and bad debts to total loans ratio were 16% and 2.8% respectively (June 2018).

Government and public sector enterprises contributed 35% of total deposits in November 2018. Since 2011, payment by electronic transfer of allowances to people in receipt of social assistance programs has helped boost the banking sector. Another structural characteristic of the Omani banking sector lies in its proximity to the political decision-makers. Royal family members and government officials hold board and management positions in all Omani banks (and the sultan remains the chairman of the CBO) and state sovereign and pension funds are among the main shareholders. In spring 2014, the CBO issued a circular advising banks and licensed financial institutions to avoid conflicts of interest when appointing board members and senior management. As of January 2019, this appeared to have had little impact on the deeply entrenched conflict of interest between politics and business in Oman.

Banking system

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In May 2011, a royal decree approved the establishment of Islamic banks. In December 2012, the CBO issued the Islamic banking regulatory framework (IBRF) governing all Shariah-compliant products. These regulations are considerably tighter than comparable rules in other countries. For example, the IBRF requires conventional lenders to open separate branches for conventional and Islamic banking operations and to detail the origin and use of funds. In January 2019, six conventional banks and two Omani Islamic banks (Alizz and Bank Nizwa) offered Shariah-compliant products. Total assets of Islamic banks amounted to 4.3 billion Omani rial (\$11.2 billion) in November 2018, or 13% of total banking assets – four times the percentage they represented in 2014.

Oman does not comply with Basel III banking standards.

## 8 | Monetary and fiscal stability

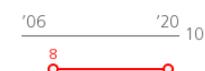
The Omani rial has been pegged to the dollar since 1986. In practice, this means that domestic interest rates follow those in the United States. This commitment was reiterated by the central bank of Oman in October 2017, despite the pressure exerted by low oil prices on state finances.

Oman experienced low inflation until 2005, when the country saw a boom in foreign investment by GCC nationals. This led Oman to abandon its potential participation in the GCC monetary union in January 2009, due to the gaps in living standards and wage levels between Oman and its GCC neighbors. After the Arab Spring, a slowdown in economic growth and foreign investment, which was partly attributable to greater caution from European and Gulf investors, meant that inflation rates were contained under 5%. The creation in 2011 of a new public authority for consumer protection, charged with monitoring market prices and censuring unlawful increases by private companies, means the state is a key player in the setting and control of prices. Despite the subsidy cuts contributing to rising prices, inflation remained under 2% in 2016 and 2017, partly due to low oil prices and the strength of the dollar against the currencies of Oman's main import suppliers (particularly the European Union and the United Arab Emirates).

The government is considering further cuts to subsidies in 2019; the impact of this policy, if implemented, could result in inflationary trends, especially if oil prices rise into the \$70 - \$75 per barrel trading range.

Monetary stability

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Oman's fiscal stability remains hostage to the country's overreliance on oil revenues and the fluctuation of both oil prices and the dollar.

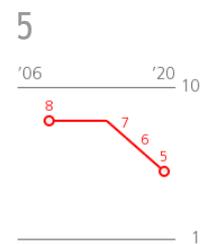
The fall in oil prices since 2014 has had a dramatic impact on Oman's macroeconomic situation. The state deficit reached 21% and 12% of GDP in 2016 and 2017 respectively, while the overall real GDP growth turned negative in 2017 (-0.9%). The surge in oil prices in the first half of 2018 helped boost state revenues (with the state deficit falling to 9% of GDP in 2018, according to Fitch). Oman's economy returned to growth in 2018 (2%, according to an IMF forecast). The oil price that Oman needs in order to balance its budget was revised down from \$108 per barrel in 2015 to \$77 in mid-2018 (IMF).

The fall in global oil prices toward the end of 2018 posed renewed challenge to efforts by the government to narrow the country's fiscal balance. In December 2018, ratings agency Fitch, following S&P, downgraded Oman to "junk" status, highlighting the fact that even a small decrease in prices can exert significant pressure on Oman's fiscal stability.

The central bank's assets and the state general reserve fund (SGRF) - which was until 2013 intended as a vehicle to accumulate excess oil export revenues for future generations - have both been to address fiscal stability. In September 2018, the central bank's foreign assets decreased by 18%, compared to the previous year, representing \$14 billion – its lowest level since 2011. However, the IMF considers that a default by Oman is unlikely in the short term and that the government's assets in the SGRF provide a significant buffer which should be sufficient to enable the Omani rial to continue to be pegged to the dollar.

Oman has grown increasingly reliant on borrowing. In addition to economic deals signed with other GCC countries, as part of the \$10 billion GCC financial aid pledged to help Oman and Bahrain cope with the Arab uprisings, Oman was the first GCC monarchy, in June 2016, to tap the debt market since 2014. Oman raised \$8 billion in international bond sales in 2018 in order to cover the projected state budget deficit, and the government announced that it would cover most of the 2019 deficit (9% of GDP) through local and international borrowing. Fitch expects Oman's debt to reach 58% of GDP by 2020, compared to 48% in 2018, along with gross foreign debt issuance of around \$5 billion per year in 2019 and 2020.

#### Fiscal stability



## 9 | Private Property

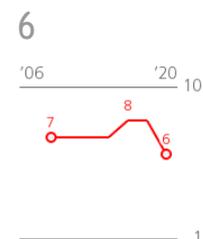
The basic law states that private property is protected and that nobody shall be prevented from disposing of property within the limits of the law. Nor shall anyone's property be expropriated or confiscated, unless in compliance with the law and with proper compensation. According to the World Bank, it takes 16 days and requires two administrative procedures to register property in Oman.

In 2006, GCC nationals gained the right to freely own residential and commercial properties anywhere in the country. For non-GCC citizens, this only applies to designated tourism projects. Expatriate-owned land can be sold, passed on through inheritance and its size be extended. However, in May 2017, the ministry of housing issued a decision stipulating that companies that are not fully owned by Omani nationals are now prohibited from owning land in bordering areas (anywhere in governorates of Dhofar [except in Salalah], Buraimi, Musandam, Dhahirah and Wusta, and in the provinces of Shinas and Liwa), but also in “mountains of strategic importance, islands, sites near palaces and security and military authorities,” and heritage sites. A sultan's decree of November 2018 extended these restrictions on land and real estate ownership to GCC individuals. GCC owners in these areas have until November 2020 to sell up, after which their properties will be confiscated and sold by the judiciary. This move was justified in the government press by the necessity to “safeguard and protect [the country's] national integrity.” It reflects the Omani authorities' concerns about what they view as the growing political and economic influence of other GCC states – in particular Saudi Arabia and the United Arab Emirates – in some strategic regions of Oman.

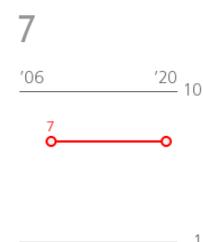
Since the early 2000s, the government has viewed private companies as the primary engines of economic growth. Since 2013, a new public fund called al-Rafd combines all existing institutions that support the creation of private businesses. This includes the SME development fund launched in March 2012 to subsidize finance and training for national small entrepreneurs, and the Sanad program established in 2001 to provide young Omanis with state-funded training in institutions and companies. However, there is a general skepticism among ordinary Omanis toward the al-Rafd program, which is seen as a poor and risky substitute for a government job, which remains the preferred occupational choice.

A new commercial companies law enacted in February 2019 removes the minimum share capital requirement of 20,000 Omani rial (\$52,000) for limited liability companies (LLCs) and provides the possibility to establish an LLC with only one shareholder (LLCs had to have a minimum of two shareholders previously). Moreover, holding companies will no longer be able to take the form of LLCs but must be converted into joint stock companies. The new law also imposes restrictions

Property rights



Private enterprise



on both shareholders and boards of directors. For example, the quorate for board meetings is now two thirds of the board members.

However, a lack of innovation and entrepreneurial skills and the lack of proper auditing mechanisms for SMEs remain as serious structural issues. Draft laws on FDI and public-private partnerships, and revisions to labor laws, all prepared by the national program for enhancing economic diversification as part of Oman's ninth five-year development plan (covering the period 2016-2020), have yet to be issued. This is probably because the surge in oil prices in the first half of 2018 favored maintenance of the status quo and postponement of reform.

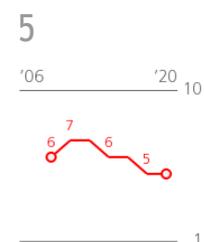
A number of oligopolies continue to operate with state investment. Because most members of the governing elite are directly or indirectly involved in business, privatization and economic liberalization policies have primarily benefited those who are already leading business figures.

## 10 | Welfare Regime

Oman provides its citizens with reasonable social services. Pensions and social insurance cover both public and private sector employees. Social programs are funded using oil revenues but the government announced in 2018 that mandatory health insurance for all private sector employees (both Omanis and foreigners) is to be implemented in a phased manner from 2019.

According to the ministry of social development, only 79,000 people benefited from social assistance programs in 2017. Nationals employed in the private sector are guaranteed a minimum monthly wage, which has not been raised since July 2013 (325 Omani rial, approximately \$844 or €750). Foreign workers have no access to the welfare system and are excluded from the guaranteed minimum monthly wage. A monthly allowance of 150 Omani rial (\$390 or €290) for jobseekers was introduced in 2011, but this was stopped (except in Musandam) in 2014. Rates of endemic poverty – especially outside Muscat – and unemployment among nationals are alarming. According to ILO estimates, overall unemployment stood at 17% in 2017. The situation is far worse among young Omanis; based on modeled ILO estimates, the UNESCO estimated unemployment among 15- to 24-year-olds at 48%. According to a 2016 study by the national center for statistics and information, it takes on average 3.5 years for new Omani graduates to find employment. As a result, a large number of them, especially females, look for jobs and educational opportunities abroad, especially in wealthier GCC countries. In response to the January 2019 popular protests over lack of job opportunities, the government announced its intention to establish a national center for unemployment.

Social safety nets



The basic law prohibits discrimination on the basis of “gender, origin, color, language, religion, sect, domicile, or social status.” However, non-nationals do not enjoy the same benefits as Omanis do, due to rigid sponsorship (kafala) laws and regulations governing immigration and the residence of migrant workers and their relatives. Oman has yet to sign the United Nations’ international convention on the protection of the rights of all migrant workers and members of their families.

There are no formal restrictions on male or female nationals in education, jobs or public services. Indeed, girls and boys have almost equal enrollment rates in primary and secondary education, but girls outnumber boys in post-secondary education (180%) (World Bank data for 2017).

Managerial opportunities for descendants of tribes considered of inferior origin or of low social status (including former 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 high unemployment.

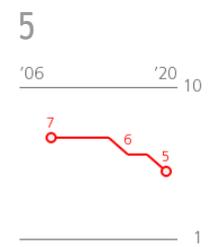
Omani women, who are severely underrepresented in the legal field, still face difficulties obtaining justice through the courts. In order to address this, the government passed a law in 2008 stipulating that men and women’s legal testimonies should be considered equal. However, with a female-to-male ratio of 12.6% in the labor force (World Bank, 2018), and in annual decline since 2006, Oman is among the worst global performers. A government study in 2016 found that while male graduates found employment in less than two years, young females required up to 4.5 years to secure their first job.

## 11 | Economic Performance

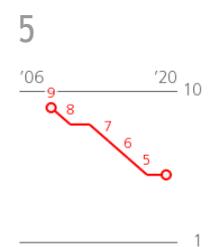
The sharp fall of oil prices since mid-2014 significantly reduced state revenues (total oil and gas revenues halved between 2014 and 2017) and put significant pressure on the Omani economy. After the downturn (-0.9%) experienced in 2017, the Omani economy is expected to return to modest growth of 2% in 2018 in the wake of the rebound of oil prices since mid-2018. Even in times of low oil prices, oil and natural gas sectors still account for 73% of government revenues in 2017.

The state deficit was 21% of GDP and 12% of GDP in 2016 and 2017 respectively, dropping to 9% of GDP in 2018 (Fitch). In 2019 Oman’s planned to again run a budget deficit of \$7.3 billion (9% of GDP), including spending growth of 3% compared to the 2018 budget. The budget was based on an assumed average oil price of \$58 per barrel in 2019. The drop in global oil prices toward the end of 2018 posed a renewed threat to efforts to narrow the country’s fiscal balance and meet this estimated deficit. This explains why, in December 2018, rating agency Fitch, following S&P, downgraded Oman to “junk” status, highlighting the fact that Oman is the most sensitive GCC country to oil prices and that even a small decrease in

### Equal opportunity



### Output strength



prices can have a strong impact on public finances. The 2019 state budget anticipates a revenue of 100 million Omani rial (\$259 million) from the new excise tax on tobacco, alcohol and soft drinks, amounting to 1% of total state revenues. The budget does not make any references to VAT, which confirms the widely held view that its implementation will be delayed beyond the target date of September 2019.

According to SIPRI, the defense and security sectors represented 16% of the country's GDP in 2016 and 12% in 2017 – the world's highest rates – and 29% of total state expenditures in 2017. This is starting to raise eyebrows among many ordinary Omanis, who see it as an unnecessary expense during tough economic times.

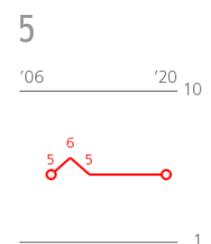
While official figures of Omani jobseekers are not published on a regular basis, the unemployment rate is estimated to be 17%. According to ILO figures, the situation is particularly alarming for nationals aged 15 to 24, with a rate of 48% of unemployment. In scenes reminiscent of the 2011 to 2012 protests, several hundred unemployed Omanis demonstrated against lack of job opportunities in January 2018 and January 2019.

## 12 | Sustainability

Oman faces water scarcity and periodic droughts, with a 9.5% annual growth in consumption. Irrigation-intensive agriculture in the most fertile region (the Batinah coast) frequently leads to saline intrusion via aquifers. Overgrazing and desertification are growing problems in the south. In May 2017, the ministry of environment and climate affairs issued new regulations regarding the granting of environment activity permits and penalties for violators. Despite occasional fines against, and even the closure of, companies that fail to comply with environmental laws, environmental concerns are increasingly losing out to private interests and the development of tourism, real estate and industrial projects. Severe pollution caused by industries in Sohar port has helped trigger popular protests since 2011 in the Batinah region. Improper wastewater treatment, highlighted by state financial and administrative audit institution reports, leads to groundwater contamination and the discharge of untreated wastewater into the Sea of Oman, dramatically affecting the coastal seabed and coral reefs. Oman has signed but is yet to ratify the Paris Climate Agreement.

The first Omani wind farm is under construction in Dhofar and should become operational by the third quarter of 2019. It is expected to supply 7% of the Dhofar governorate's electricity demand. The government announced in December 2018 that the first solar power project (in Ibri) would be launched in 2023. Despite the high potential for renewable energy in Oman, especially wind and solar, the share of renewable energy capacity does not exceed one percent of the total installed power capacity.

Environmental  
policy

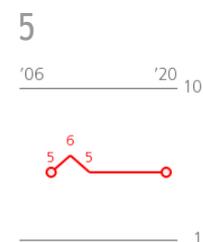


Oman directed 17% of government civil expenditure toward education and higher education in the 2019 budget (7% of GDP). In 2018, Oman had over 1,800 schools, 62% of which were government-run, providing education at primary, preparatory and secondary levels. Girls represent 49% of all pupils registered up to secondary school certification. Although the Omani education system appears healthy from a purely quantitative perspective, there are structural qualitative deficits. The standard qualification of schoolteachers remains low, and the Omanization process of replacing foreign teachers with local ones has not remedied this structural problem. In the academic year 2017/2018, the sultanate had only one public university, Sultan Qaboos University, and 28 private institutions of higher education. The government funds and subsidizes all higher education institutes. Numerous technical institutes have been established over the last decade but the number of graduates from these institutes and from universities of applied sciences abroad are insufficient. This is despite government efforts to significantly raise these figures. Vocational education (UAS level) and practice-oriented vocational training is a particular weakness of Omani education. In addition, there remains high under- and unemployment of young people, in the context of continuous growth of foreign technical labor.

Research institutes are nonexistent and R&D expenditure was calculated to represent 0.2% of GDP in 2018. In order to address this deficiency, a scientific research council, the TRC, established in 2005, was commissioned to draft a national plan for scientific research in the country.

As part of the Oman Vision 2040, “education, learning, scientific research and national capabilities” has been deemed one of 13 national priorities. A national strategy for education 2040 was issued in 2018 and, which identified five strategies: improvement in strategic planning and implementation processes; effective student progress and advancement across the education system and into the labor market; achievement of a quality education system; building of research capacities; and introduction of new mechanisms to fund the education sector. The 2040 Vision’s objective is to position Oman in the top 20 countries by 2030 (and in the top 10 countries by 2040) in UNESCO’s education for all development index. A further objective is to establish three universities by 2030 and four by 2040. While laudable, these declarations of intent must be treated with skepticism, given the record of unfulfilled promises since 1995’s Oman Vision 2020.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

Structural constraints on Omani governance are fairly low. 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, the idea of the Omani nation as a collective framework of belonging is widely shared.

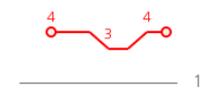
Since the second half of 2014, the volatility of oil prices has been a major concern of the regime and has acted as a serious structural constraint since then. This is exacerbated by extreme demographic pressure, with 64% of the population under the age of 30, and a very high percentage of unemployed youth: 48% of those nationals aged 15 to 24, according to the UNESCO. One of the main obstacles to reform lies in the conflicts of interest between politics and business at the highest levels in the country and the reluctance of elites, despite rhetoric to the contrary, to implement a long-term strategy to substitute the current oil-rent-based state economy with a post-oil economic diversification capable of creating a greater number of jobs.

Oman has a limited civil society tradition, and very limited tradition of civic engagement in NGOs. For the last 40 years, the government has actively worked at erasing the memory of active civic and political engagement in the 1960s and 1970s (e.g., the Dhofar rebellion). It has also attempted to prevent intergenerational political socialization and the transmission of a culture of political collective action. 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 highlighted the economic and political flaws in Oman for years, the government's stance on civil society organizations has continued to tighten since 2011. This is illustrated by the active harassment and repression of peaceful alternative voices and human rights activists, and the priority given to investment in the security sector. There is a large capacity for civic engagement if the government were to loosen its grip over a society which is eager to express itself autonomously of the state.

Structural constraints

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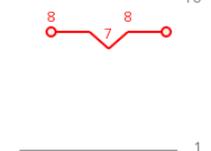
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Civil society traditions

8

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Although Omani society is split along social, ethnic and regional lines, the regime has been successful in imposing the idea of an Omani nation as the collective framework of belonging. The state's power and its insistence on national unity and loyalty to the sultan has long mitigated any potential societal conflict. 15 years of structural unemployment has, however, produced growing frustrations and mutual mistrust, which have contributed to a polarization of society and competitive declarations of loyalty to the nation by various subnational groups, including religious ones. This competition has not yet reached a level that could threaten national unity. However, the uneven distribution of the 2011 protests (with Ibadi inland regions almost entirely immune and the influence of underground Muslim Brotherhood and Salafi networks in channeling discontent) illustrates how pronounced social divisions are in the sultanate. These divisions may pose a threat in the post-Qaboos era.

In 2016, within the context of increased religious polarization, the public prosecutor issued a circular to take serious legal action against anyone found disseminating content online “that incite sectarian and religious strife.” The January 2018 penal code signifies the increasing concern of the authorities toward social and religious divisions in the country. It states that “anyone who seeks to stir up religious or sectarian unrest or discord, or fosters feelings of resentment, hatred or disunity among the population, or incites others to do so, shall be imprisoned for a term of not less than three years and not more than ten years.”

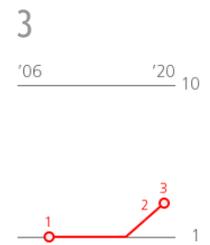
## II. Governance Performance

### 14 | Steering Capability

The sultan has initiated only cosmetic reforms in response to calls for greater political participation from the younger generation and the international community since the Arab uprisings. The limited increase of legislative power for the Council of Oman is a good example of this.

However, the refusal to appoint a prime minister as well as an heir/crown prince, and the ruler's general unwillingness to lay the foundations for the long-term development of the country have fueled 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. Dramatic social inequalities, endemic unemployment, and increasing poverty resulting from recent deregulation policies should push Oman to promote economic diversification, and, above all, distribute the fruits of development equally among all regions and all citizens.

### Conflict intensity



### Question Score

### Prioritization



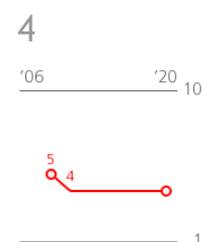
The Oman Vision 2040 committee is chaired by Minister of Heritage and Culture Haitham bin Tariq Al Sa'id. In January 2019, it issued a 24-page preliminary vision document based on the work of three sectoral committees (people and society; economy and development; and governance and institutional performance) composed of representatives from the government, Majlis al-Shura, private sector and civil society. In order for Oman to “join the world’s developed countries,” 13 national priorities were identified, along with related strategic directions, goals and performance indicators. Following a series of forums held around the country, a two-day national conference was organized in Muscat in January 2019 to present and review the document before final publication. The vision is intended to be “a guide and key reference for planning activities in the next two decades.” This long-awaited draft is a welcome step but it is obviously too early to assess whether the final vision represents a coherent and realistic framework that can allay considerable uncertainties related to the country’s long-term economic and social challenges.

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 functions as prime minister, with two deputy prime ministers), contributes to the government’s inability to set and maintain strategic priorities in a coherent manner. The Arab Spring, which could have been harnessed to initiate political reforms, was a missed opportunity. Instead, repressive measures to quell dissonant voices have become more prominent.

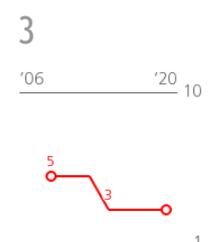
The government has had limited success in setting and achieving its development objectives. Oman Vision 2020 objectives set in 1995 were proven unattainable by the mid-2000s. More recently, the Tanfeedh program (The national program for enhancing economic diversification), presented as the flagship of the ninth five-year development plan (2016-2020), which would introduce laws and regulations to increase private sector involvement in the economy, has for the most part stalled with limited success. Estimates show a persistent 17% unemployment rate among Omani nationals, and 49% among 18- to 24-year-olds. The Omanization rate in the private sector reached 12.7% in January 2019 (the Oman Vision 2020 predicted it would reach 75% by 2020).

Oman’s delicate political situation and limited economic resources make the government extremely cautious about mistakes and failures. 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. The draconian response to protests in 2012 and the reliance on arbitrary economic gestures as short-term solutions to long-term structural issues illustrate that the leadership has learned little from past mistakes. The response to lower oil prices since 2014 has primarily been to reduce state subsidies and government spending; and

#### Implementation



#### Policy learning



privatization of some state-owned enterprises. As was the case with earlier similar policies in the 1990s and 2000s, this resulted in increasing inequality and a concentration of wealth, thus stoking popular frustration. Displays of indulgence by political and military elites could lead to rising resentment as public spending is scaled back, hinted at by protests in 2018 and January 2019.

## 15 | Resource Efficiency

While the government was relatively successful in making efficient use of its available economic resources until the early 2010s, the state budget has suffered dramatically from low oil prices since 2014. The absence of a long-term vision has prevented Oman from anticipating this drop in oil prices and its consequences. As a result, the government has posted very high budget deficits since 2015, and it announced that it would cover the majority of the forecasted deficit in 2019 with international borrowing.

The government has had mixed results in its management of human resources. It has tried to realize its human resource objectives by 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, aimed at increasing the number of Omani nationals in the private sector, has primarily focused on low-skilled or unskilled positions, despite Majlis al-Shura calls for the focus to be on more skilled jobs. Civil servants are often appointed on the basis of kinship or regional identity rather than competence, although this practice is increasingly challenged by the younger educated labor force.

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 transformed all former regions into governorates under the supervision of the minister of the interior (except those of Muscat and Dhofar, whose governors hold the rank of minister of state), illustrates the fear of alternative political power centers and is an attempt by the regime to reassert the central state's hold on turbulent peripheral regions. It remains to be seen whether the inclusion of young, skilled technocrats in the debates and preparation of the new Oman Vision 2040 will have an impact on the content of the final document and on the determination of the country's long-term objectives.

The regime's failure to anticipate the 2011 popular protests and subsequent misapprehension of their political significance illustrates the long-term 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 two new bodies, the supreme council for planning and the Oman Vision 2040 main committee, were instructed to prepare revised long-term objectives and priorities. A long-awaited preliminary vision document was finally issued in January 2019.

Efficient use of assets

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Policy coordination

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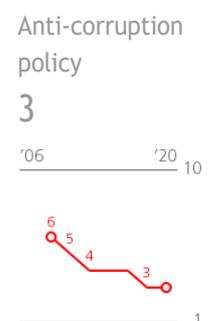
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Intra-government frictions, conflicting personal and local interests and cleavages, combined with the absence of a prime minister to control the cabinet, have frequently hindered the implementation of government objectives. Personal access to the ruler, who indicated without ambiguity after 2011 that he intends to retain all levers of power, is restricted to a handful of people. 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 his approval. The sultan's health issues since mid-2014 have only confirmed the extreme centralization of the political system, the culture of political insecurity among many cabinet members who are afraid to displease the ruler, and the fundamental uncertainty surrounding the decision-making process in his absence. A major test of managing conflicting objectives is the task of balancing the need to attract FDI with the necessity to appease Omanis and advance Omanization targets.

Oman has no dedicated anti-corruption agencies or organizations. Instead, addressing corruption is the responsibility of a number of security services such as the royal Oman police, the internal security services and the ministry of palace office. 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 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.

In an attempt by the regime to show its determination to fight ingrained corruption within state institutions, the prerogatives of the state financial and administrative audit institution (SFAAI) were expanded by sultan's decree in 2011. SFAAI's new mission includes “detecting financial and administrative irregularities,” “ensuring transparency in financial and administrative transactions,” and providing “recommendations on how to avoid conflicts of interest.” However, its findings are not released to the public, and it does not have jurisdiction over the sultan's court or the military. A law regarding the protection of public funds and avoidance of conflicts of interest was promulgated by royal decree in October 2011. It is applicable to the public sector and to private sector companies if the government holds at least 40% of shares in the company. It also applies in situations where a private sector company has dealings with government bodies and officials, and prohibits giving, accepting and mediating bribes. Oman ratified the United Nations convention against corruption in 2014 and the OECD convention on combating bribery of foreign public officials in international business transactions in 2016.

Despite all the hopes that rested with the SFAAI and its ambitious mission, government officials and businessmen investigated over abuse of office, money-laundering and corruption in 2013 and 2014 were not the high profile economic and political figures who attracted protesters' wrath and who have embodied the conflict



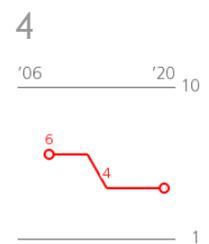
of interest between politics and business since the 1970s. A substantial number of cabinet members, and also potential successors to Sultan Qaboos, have attained and consolidated prominent business assets. Specific whistleblowing legislation does not exist in Oman. Media access to information on public spending (and control of it) is virtually nonexistent – and dangerous, as demonstrated by the case of investigations by *Muwatin* magazine and *al-Zaman* newspaper in 2014 and 2016 (now both shutdown by the state).

## 16 | Consensus-Building

The sultan has sought to consolidate a sense of national unity by presenting himself as the bodily incarnation of contemporary Oman and the sole source of power. Yet repeated calls for democratic rights, freedom of expression and anti-corruption measures against top political incumbents – led by Islamist groups in the 1990s and in 2005, with broader protests since 2011 – have fallen on deaf ears, even though the protests stopped short of calling for regime change. A growing number of intellectuals and reform activists, previously convinced of the sultan’s commitment to reform, are now deeply disillusioned by the regime’s draconian responses. Since 2012, priority has been given to repressive responses, with new investments in the security sector and a crackdown on human rights activists and dissonant voices. The personal business interests of the decision-making establishment, including royals, has fueled 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.

Following the dismantlement of the ministry of national economy in 2011, a new supreme council for planning, which was supposed to take over many of the ministry’s functions and responsibilities, was established by royal decree in May 2012. The sultan issued royal orders in December 2013 to create a committee responsible for developing and drafting a new long-term national strategy entitled *Oman Vision 2040*, intended to replace the previous *Oman Vision 2020* (published in 1995). The *Oman Vision 2040* committee issued a preliminary vision document in January 2019 emphasizing the need “to build a productive and diversified economy, founded on innovation and the integration of roles, on equal opportunities and the leveraging of Oman’s competitive advantages, driven by the private sector toward synergy with the global economy and active contribution to global trade.” In the context of extreme volatility of oil prices and increasing socioeconomic tensions, it remains to be seen what degree of consensus these declarations of intention will be able to command among the broader population.

Consensus on goals



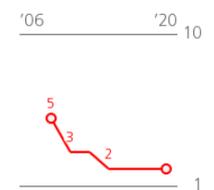
Draconian measures against peaceful popular protests and independent voices since 2011 have clearly signaled to the population that the regime will resort to open repression to silence dissent, reassert its power and avoid thorough democratic reforms. The appointment of a couple of young, educated ministers perceived as supportive of reform in the 2011 cabinet reshuffle did not carry much weight against the anti-reform “old guard” composed of Muscat business figures, the military and intelligence forces. Large segments of young people express significant disillusionment with both the regime’s uncompromising answer to the public’s peaceful calls for reform since 2011 and its lack of action in creating foundations for the governance of a post-Qaboos Oman. The voices and bodies that contributed to debates on reform and democracy were either silenced (all independent newspapers were shut down in 2015 and 2016) or forced into exile. The further restrictive provisions of the new penal code promulgated by sultan’s decree in January 2018 can clearly be used to target civil society groups and independent voices even more harshly. These actions represent a clear message that political reform is definitely not on the regime’s agenda.

The regime’s strategy has been to co-opt the most powerful societal elites (religious leaders, tribal and ethnic figures, business leaders) into its 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 have reached their limit. Allegations that protesters were acting under foreign influence (intended to impugn their patriotic motives) were widely disregarded. The divide-and-rule strategy of manipulating local identity and tribal issues to deflect emerging demands in order to prevent the spread of protests have recently met with failure. Recent economic difficulties mean growing frustrations and demands have been expressed through local – and occasionally religious – identities, which threaten serious tensions in the future.

The government does not encourage civil society organizations and associations. However, it 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 supports them financially. Propositions and demands by independent civil society organizations are ignored, and actors have been blatantly harassed since 2011 – as illustrated by arrests and jail sentences targeting elected members of North Batinah municipality council and consultative council protesting against pollution created by Sohar industries in 2013 and 2014, and arrests and jail sentences (including life imprisonment) targeting human rights activists, writers and intellectuals in 2017 and 2018. Provisions of the revised penal code (issued in January 2018) related to freedom of opinion and expression are significantly more draconian than in the previous text and further threaten civic space.

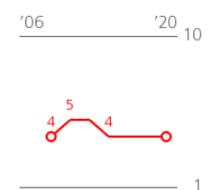
Anti-democratic actors

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Cleavage / conflict management

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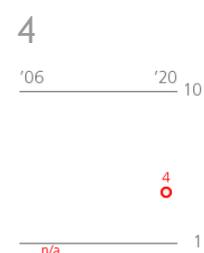
Civil society participation

2



In an effort to shore up 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 have been no large-scale atrocities or acts of mass violence in Oman which might require major reconciliation efforts. However, the regime has made no effort to investigate the killing of protesters in 2011 in Sohar by security forces, nor recurring allegations of excessive use of force, including physical and psychological mistreatment, tantamount to torture on activists, journalists and bloggers since 2011. Recommendations made in April 2015 by Maina Kiai, United Nations special rapporteur on the rights to freedom of peaceful assembly and association have been ignored. Similarly, circumstances that led to the death in jail in April 2018 of former diplomat and human rights defender Hassan al-Balushi, who was serving a three-year sentence on charges, among others, of "insulting the Sultan," have not been investigated. Omani writer Abdullah Habib, who had called for Sultan Qaboos to reveal the whereabouts of the Omanis killed in the Dhofar war, was sentenced to three years in prison in November 2016, on charges of "using internet to prejudice the state public order" (the appeal court suspended two and a half years of the sentence in April 2018). The opposition of the authorities to any discussion about the history of the country is reflected in the penal code promulgated in January 2018. Article 108, which states that "anyone who [...] fosters feelings of resentment, hatred or disunity among the population, or incites others to do so," shall be imprisoned for three to ten years, can clearly be used to target authors who critically discuss and evaluate historical events and official narratives.

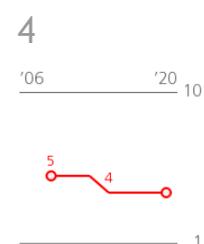
#### Reconciliation



## 17 | International Cooperation

In order to ensure the regime's stability in a troubled region and to help initiate and complete development projects, Oman seeks to establish security through cooperation rather than conflict and strives to maintain good relationships with all its neighbors, the GCC and Iran, Israel, Pakistan and India. This approach is encapsulated in the development of Duqm port, for which Oman has actively sought the participation of countries such as the United Kingdom, Iran, China and India.

#### Effective use of support



Oman maintains close relations and strategic partnerships with the United Kingdom, the United States and their Arab allies (especially Egypt and Jordan). The British intelligence and security agency (GCHQ)'s Middle East base, which extracts communications information from undersea cables, is located in Oman. Regular renewals of military cooperation and facility access agreements with the United Kingdom and the United States have confirmed that "Britain's oldest friend on the Arabian Peninsula" (in the words of a Times correspondent in 1974) remains dependent on both the United Kingdom and the United States. In 2018, a UK Joint Logistics Support Base, giving Britain a permanent maritime presence in Oman, was opened in Duqm. The third UK-Oman joint military exercise, involving 70,000

Omani and 5,500 UK personnel, took place in Oman in October and November 2018 and was meant to lead to the signing of a new joint defense agreement between the two countries in 2019.

These international links, which revolve around the exchange of surveillance technology and extensive security cooperation, and Oman's alleged openness to support facilitate the whitewashing of the country's image in the international arena and, ultimately, the survival of authoritarian rule.

Oman is a reliable partner in its relations with the international community but fear of external interference prevents it from securing more international aid for specific projects. The lack of substantial political reform since 2011, the hyper-centralization of political power and the absence of long-term political plans for a post-Qaboos Oman remain a concern for the international community.

The government works closely with international organizations such as the World Bank, the IMF, the United Nations and other regional Arab developmental and financial institutions. For example, in June 2018, the IMF concluded the article IV consultations in Oman, which permits the surveillance of the country's economic, financial and exchange rate policies. Oman has played an important role in facilitating the back channel communications between the United States and Iran that helped lead to the conclusion of the Iran-P5+1 nuclear agreement in July 2015. The country has also made advanced efforts to bring Yemen's warring parties to the negotiating table. However, the Trump administration holds Oman in lesser regard than its predecessor did due to Oman's refusal to concede to Saudi regional plans. This skepticism toward Oman partly explains why Israeli Prime Minister Benjamin Netanyahu was invited to Muscat for talks with the sultan in November 2018, as a way of reaffirming Oman's unfailing alignment with Washington's regional interests.

The latest United Nations universal periodic review of Oman's human rights record in 2015 revealed serious concerns regarding violations of the rights of peaceful assembly and freedom of expression, the nationality law and the country's lack of ratification of international human rights instruments. Oman accepted some recommendations but rejected others, including abolition of the death penalty and aligning freedoms of expression and assembly with international standards. Oman is one of the few states yet to sign key international human rights treaties, including the international covenants on civil and political rights and on economic, social and cultural rights.

Credibility

7

'06 '20 10



Oman has developed close ties with neighboring states. It joined the League of Arab States in 1971 and is a founding member of the GCC (established in 1981). Furthermore, Oman was one of the 14 founding members of the Indian Ocean Rim Association in 1997. However, in 2009, Oman confirmed its decision not to join the GCC monetary union. In December 2013, Oman declared that it would opt-out from a potential upgrading of the GCC into a union of six countries.

Oman was the only GCC state not to join Saudi Arabia's military campaign against Yemen's Houthis in March 2015. On several occasions since 2015, and lately in September 2018, Muscat hosted meetings between Houthi delegations and the United Nations special envoy to Yemen to advance efforts to resolve the conflict. In December 2018, 50 injured Houthi fighters were evacuated under United Nations supervision for treatment to Muscat. Oman has been largely spared a refugee influx from Yemen, due to the heavily reinforced control of its border and the geographical distance between the battle areas and the border itself.

The country usually rejected proposals for foreign assistance from neighboring countries, considering them potential sources of unwanted political interference. However, confronted by the perceived threat (shared by all Gulf monarchies) of destabilization of the authoritarian order in the wake of the Arab Spring, the Omani government fully supported the Bahraini regime in its repression of opposition forces in 2011. It also accepted a \$10 billion aid package over 10 years from other Gulf Cooperation Council countries in order to deal with its own protesters and support its economy. In parallel, Oman ratified the GCC security pact in January 2014, to foster security-related cooperation and mutual assistance. Elaborated in response to the Bahrain uprisings, this agreement allows national security apparatuses to support each other in times of security disturbances and unrest. In December 2016 Oman joined the Saudi-led Islamic military alliance to fight terrorism.

Like Kuwait, Oman did not join the diplomatic and economic blockade imposed on Qatar by Saudi Arabia, Bahrain, the UAE and Egypt in June 2017. The sultanate has supported Kuwaiti efforts at mediation, which were intended to solve the crisis peacefully. Oman has also been used by Qatar to circumvent the economic blockade. In particular, maritime cargo shipments in and out of Qatar, which had, until the blockade, transited through the UAE, have been rerouted to the Omani ports of Sohar and Salalah since June 2017. Oman-UAE relations have been impacted by the political situation in Eastern Yemen bordering Oman. The UAE's military operations and economic involvement in the region have grown significantly since mid-2017 and Abu Dhabi, Muscat and Riyadh have been competing for influence there by supporting different local actors. In November 2018, Oman issued a decree prohibiting GCC nationals from owning property in a number of areas (including governorates bordering Saudi Arabia and the UAE), reflecting growing tensions and Oman's increasing concern toward its two neighbors.

#### Regional cooperation



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## Strategic Outlook

Since 2000, Oman has undergone limited political and economic reform. The regime's concentrated efforts to stabilize and consolidate its power does not obscure the fact that major reforms are needed in order to restore popular confidence in the government's coordinated and long-term goals. Since 2011, the regime has responded to peaceful protests demanding better living conditions, more jobs, tougher action against corruption and political reform, with largely repressive measures. It has increased its investment in the security sector and has forced the closure of all independent newspapers. Instead of being routinely and constantly harassed and suppressed, civil society organizations and associations should be strengthened and encouraged.

The regime has always perceived political instability in West Asia as a factor threatening the country's internal stability, which explains Oman's cautious approach to regional tensions. Out of consideration for the consequences the Yemen war could have on Oman's own territory, Oman rightfully did not join the military campaign in Yemen in March 2015 but ratified the GCC security pact which strengthens mutual assistance in security matters. Similarly, Oman's view is that threats posed by Iran to the GCC states can be deterred only by de-escalation. This has informed its quest for the preservation of a fragile but vital *modus vivendi* with both Saudi Arabia and Iran. However, this approach has not prevented tensions with the UAE and Saudi Arabia from increasing during the period under review and Oman's increasing concerns toward its two GCC neighbors, symbolized by the sensitivity over the perceived status of the Musandam exclave.

Oman's main structural socioeconomic challenge is to transition from over-reliance on oil revenues to a diversified economy in which the national workforce plays a full role in the creation of wealth. 46% of Omani nationals are under 19. 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. The curriculum must promote personal initiative and critical perspective. Significantly higher numbers of young Omanis should be given access to higher education institutions at home and abroad (with the help of scholarships). Attention should also be paid to achieving greater equity in education between males and females, in order to tap the talent of female graduates.

A further structural obstacle to long-term reform lies in the conflicts of interest at the highest levels in the country. A substantial number of cabinet members, including royals, have many direct 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) due to their business interests, which they advance through the influence they wield as statesmen. This situation has become unacceptable for the young civil society composed of educated Omanis who question the authoritarian political and economic structure of Oman. The exponential increase in internet penetration within just a few years means eager young citizens are able to participate in economic and political debates at

both local and national levels. Direct criticism of the sultan's decisions and practices has become more common by those fearing for the future of the country.

Essentially, the sultan appears unwilling to prepare for a post-Qaboos Oman through either the nomination of an heir or the transfer of some powers to a prime minister. The publication in January 2019 of a preliminary Oman 2040 Vision, highlighting national priorities for the next two decades but without proposing intermediary steps to achieve them and possible scenarios, is a valuable and long-awaited document. However, given the regime's track record over the last 20 years, of delays in implementing reforms and of failures to meet targets, this preliminary vision does little to answer the question of whether the regime is ready to broach long-term challenges, and as a result, there continues to be widespread anxiety concerning post-Qaboos Oman.