

RENTS AND PROTESTS IN THE SULTANATE OF OMAN

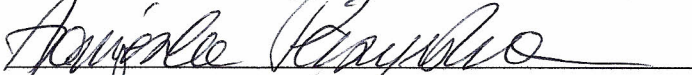
by

Eric B. Johnson  
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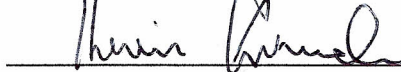
Committee



Chair of Committee



Graduate Program Director



Dean, School for Conflict  
Analysis and Resolution

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Fairfax, VA

Rents and Protests in the Sultanate of Oman

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science at George Mason University

by

Eric B. Johnson  
Bachelor of Arts  
University of Delaware, 2007

Dean: Kevin Avruch  
The School of Conflict Analysis and Resolution

Fall Semester 2014  
George Mason University  
Fairfax, VA



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## LIST OF ABBREVIATIONS

Central Bank of Oman .....	CBO
Gross Domestic Product .....	GDP
Gulf Cooperation Council .....	GCC
Liquefied Natural Gas .....	LNG
Millions of Barrels (of oil) .....	MM/bbl
Ministry of Manpower .....	MoM
Ministry of National Economy .....	MNE
Muscat Securities Market .....	MSM
National Centre for Statistics and Information .....	NCSI
Omani Rial .....	RO
Organization of the Petroleum Exporting Countries .....	OPEC
Rentier State Theory .....	RST
Small and Medium Enterprise .....	SME
Sovereign Wealth Fund .....	SWF
Thousands of Barrels Per Day (of oil) .....	mm/bpd



## **ABSTRACT**

### **RENTS AND PROTESTS IN THE SULTANATE OF OMAN**

Eric B. Johnson, MS

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Thesis Director: Dr. Thomas E. Flores

This thesis uses rentier state theory (RST) as a framework for understanding the origins of the protest movement in the Sultanate of Oman during the so-called Arab Uprisings. The discussion will focus on the evolution of RST, historic and cultural factors related to the Sultanate's modern development, and the unique characteristics of Oman's political economy, especially during the 2003 to 2013 timeframe. It will argue the rentier state model has led to dual dependencies: oil for revenue and expatriates for labor. These dual dependencies have created real economic conditions that differ substantially from the publicly stated goals of the Omani government and have led to the grievances expressed by Omanis during the 2011 protest movement. Using a mixed methods approach and relying on original in-country research conducted by the author from April to June 2014, the research will demonstrate the protest movement occurred not simply because of a region-wide contagion effect, but because of the underlying characteristics defining Oman's political economy.

## **1. INTRODUCTION**

Things move both fast and slow in the Middle East. It has been almost four years since the Arab Uprisings first began on the streets of Tunisia in 2011 and it somehow feels like everything yet nothing has changed. The entire region has experienced a seismic shift fuelled by popular protests that has seemingly redefined the decades-old social contract between ruler and ruled. Yet, as some scholars have noted since protests first began, the Arab Gulf monarchies appear to be operating under a “business-as-usual” paradigm by continuing to directly and indirectly allocate externally derived oil revenues to their populations in an effort to maintain legitimacy and consolidate power. The Sultanate of Oman – a strategically important, yet chronically understudied country – is no exception. The hypothesis here is the grievances expressed by Omanis during the so called Arab Uprisings were created and sustained over decades by the characteristics of the political economy and that these characteristics are best understood using rentier state theory. The purpose is to present an analytical framework that does more than suggest the cause of the protest movement to be a region-wide contagion effect. Oman depends on externally derived oil rents for a majority of government revenue, which it then allocates to society directly and indirectly through various public expenditure programs and incentive structures in exchange for political acquiescence. It is this rentier cycle that defines Oman’s political economy, it is this political economy that led to grievances

among the population, and it is these rentier-based grievances that explain the origins of the protest movement in Oman.

Similarly, the unique characteristics of how the protest movement unfolded in Oman compared to other Arab countries – notably with economic concerns taking precedence over political concerns – suggests protestors suffered from rentier mentality, which led to self-imposed limitations on their demands. As the research will demonstrate, Omani protestors were requesting regime reform, not demanding regime change, and this limitation as well as the relatively non-violent behavior they demonstrated during the protests meant the protest movement was never viewed as a serious threat to regime stability.

The conventional wisdom suggests the protest movement spread throughout the Arab world in a sort of copycat manner because these countries share an Arab identity and so the grievances of one Arab population must be easily transferable to another Arab population. The reality is each country in the region has its own set of political, economic, and social challenges and grouping countries together for the sake of a region-wide explanation of something as complex as the Arab Uprisings ignores country-specific root causes. For this reason, a single-country analysis provides an opportunity to analyze these issues more deeply. Free from trying to account for political, economic, and social differences between nations, it will be possible to provide a better understanding and explanation of the context within which protests in Oman occurred.

Chapter Two will introduce rentier state theory and describe its evolution from the 1970s to its present day relevance as a source of economic grievances. Chapter Three

will provide a historical overview of Oman, including a brief synopsis of the country's early history and focusing on the making of the modern Sultanate under the Al Bu Sa'id dynasty that has ruled over Oman since the mid-18<sup>th</sup> century. It will also highlight tribal and ethnic group dynamics. Chapter Four will discuss defining aspects of Oman's political economy through an analysis of demographic trends, labor market conditions, merchant family empires, as well as government revenue and expenditure. This chapter will then provide a detailed timeline of events for the protests in Oman, including the protestor demands and government responses during the 2011 timeframe. It will argue rentierism and protestor demands were not competing against one another, but rather protestor demands were framed within the context of rentierism because Omanis see a direct link between their own prosperity and the allocation of revenue by the government. Chapter Five will summarize the findings and use the research to present a comprehensive understanding of the main argument.

## **1.1 Research Methods**

This analysis is based on a mixed-methods approach to research, relying on both qualitative and quantitative information to provide the breadth and depth necessary to comprehend the complexity of Oman's political economy. First and foremost the arguments and conclusions presented here derive from ten semi-structured, one-on-one, in-person interviews conducted by the author between April and June 2014 with Omanis in the public and private sectors (see Appendix A). The only constraints governing the selection of interviewees were that they must be Omani citizens presently employed and well positioned to comment on the political and economic characteristics of the country. What determined that an Omani was "well positioned" to make such commentary was at the discretion of the author. In other words, the author sought out the interviewees because of their particular insights as well as their previous and present positions within either the public or private sector. The obvious downside to this approach is that it is not representative of the total population; however it was decided early on a random sampling of Omanis was an inferior method to one in which sought insights from senior-ranking Omanis who could discuss the subject matter with a higher degree of authority.

Engaging with Omanis directly provides invaluable insight into the political and economic factors facing Oman and a sort of "insider's perspective" that would otherwise be unattainable. Omani interviewees agreed to participate in the study under the condition of anonymity given the relative sensitivity of the subject matter. This allowed for a more open and honest dialogue about the challenges (and achievements) of Oman's political economy and the specific dynamics of the Arab Uprisings in Oman – a topic that is discussed openly, yet cautiously, within the Sultanate. In an effort to minimize the

negative impact of pre-conceived notions, the author posed five open-ended questions to Omani interviewees and allowed interviewees to direct the conversation toward issues they saw as important. This allowed for the Omani perspective to be the primary focus, rather than the perspective of the author.

Most of the quantitative information presented here comes from the Central Bank of Oman (CBO), the National Centre for Statistics and Information (NCSI), and the now-defunct Ministry of National Economy (MNE). Of particular use were the CBO Annual Reports for the years 2008, 2009, and 2013 as they provided the necessary information to construct a ten-year comparison of key economic factors for the 2003 to 2013 timeframe (see Section 4.1). This is beneficial because it provides macro-economic data for the years leading up to and immediately following Oman's protest movement. It is admittedly still too early to use this information to suggest a marked change in behavior before and after the Arab Uprisings, but in the near future a similar analysis may shed light onto any significant macro-economic changes (revenue, expenditure, taxation, etc.) as a result of the protests.

## **1.2 Research Limitations**

Despite the benefits of this mixed-methods approach, there are some limitations. First, transparent governance exists in Oman but not to the degree it does in other countries and cultures. One has to be careful about researching the intersection of politics and economics within the Sultanate. This makes it more difficult to conduct research as openly or widely as one prefers to do and so it is important to remember that within the Omani context this topic is still somewhat sensitive in nature. This is

especially important to keep in mind as it relates to the Omani interviewees who were willing to participate in this study under the condition of anonymity.

Second, there is a language barrier that exists. The one-on-one interviews were conducted in English and the literature that was relied on for this study did not include Arabic resources. By conducting the interviews in English only there is a possibility for an increased level of bias (the assumption being that well-educated Omanis are able to communicate in English and poorly-educated Omanis are not and that the perceptions of these two subgroups may vary substantially). It is therefore acknowledged that utilization of Arabic resources, in addition to English resources, would have provided an opportunity to develop a more comprehensive analysis of Oman's political economy.

Finally, access to information was sometimes a challenge. For example, the Oman e-government website – a recent creation and attempt at increased transparency – has many broken links or error pages. An attempt to search the e-government website for a comprehensive list of royal decrees led to a dead end (the published link to gain access to royal decrees has directed the user to an error page since March 2014). Similarly, repeated efforts to gain access to Oman's official unemployment statistics have proven unsuccessful. Interviews in Oman suggest this information is publicly available on the Ministry of Manpower website yet that does not appear to be the case (it is also likely that this is an example of the English-only limitation and that some information is provided by the Omani government in Arabic only).

## **2. RENTIER STATE THEORY: THEN AND NOW**

For scholars analyzing the Middle East region, and the oil-exporting Arab Gulf monarchies in particular, it has become commonplace to view the region through the prism of rentier state theory (RST). In his 2011 summary of RST literature, Matthew Gray breaks down rentier state theory into three phases.<sup>1</sup> These three phases will provide a general framework through which to think about the theory. The first phase (Phase I) consists of classical RST as introduced by Hossein Mahdavy in 1970 and expanded upon by Hazem Beblawi and Giacomo Luciani in 1987 as part of a four-volume series on Arab state formation in the post-colonial era.<sup>2</sup> The second phase (Phase II) updates RST and applies it to the 1990s and 2000s, accounting for country-specific historical developments, international relations, and the influence of major external powers to form a “specialized” version of rentier state theory; it also addresses the issue of state autonomy, politics, and variance between countries to propose a “conditional” form of rentier state theory.<sup>3</sup> The third phase (Phase III) is based on Gray’s concept of “late rentierism” which describes seven features of “late rentier” states.

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<sup>1</sup> Matthew Gray, “A Theory of ‘Late Rentierism’ in the Arab States of the Gulf.” Center for International and Regional Studies, Georgetown University School of Foreign Service in Qatar: 2011.

<sup>2</sup> Ibid, 5-9.

<sup>3</sup> Ibid, 9-18.



Table 1 outlines the characteristics, relevant authors, and countries of focus in each phase of rentier state theory, as Gray sees it.

**Table 1 A Summary of the Three Phases of RST in the Arab Gulf States<sup>4</sup>**

<i>Phase</i>	<i>Characteristics</i>	<i>Relevant authors</i>	<i>Countries &amp; periods covered</i>
First Phase (Classical RST)	<ul style="list-style-type: none"> <li>A systemic explanation of the state and state-society relationship</li> <li>The state earns a large majority of its income from external rents</li> <li>The state is highly allocative, with high social spending and little or no taxation applied to nationals</li> <li>The state is autonomous from society (i.e. free to act and spend rent as it wishes once it has spent sufficient funds on society)</li> <li>The state does little/no economic or development policymaking</li> <li>The state is typically corrupt and wasteful, but this has few political implications because of its autonomy</li> <li>Elite political relations are managed through neopatrimonialism (but a neopatrimonial system need not necessarily be rentier)</li> </ul>	<ul style="list-style-type: none"> <li>Mahdavy (1970)</li> <li>Beblawi (1987; 1990)</li> <li>Luciani (1990)</li> </ul>	<ul style="list-style-type: none"> <li>Iran 1960s-1970s</li> <li>Arab states of the Gulf 1950s-1980s</li> <li>Also applied to Iraq 1960s-1980s and after; and other industrial economies such as Algeria 1960s-1990s, Egypt 1960s-1980s, and Jordan 1970s-1980s</li> </ul>
Second Phase (Specialized RST and Conditional RST)	<p><i>Specialized RST:</i></p> <ul style="list-style-type: none"> <li>In effect, a more nuanced and sophisticated version of RST <ul style="list-style-type: none"> <li>e.g. the state is allocative but applies some taxation; the state is only partly autonomous; the state <i>does</i> have an economic policy; the state's exact role varies within or across the macro-, meso-, and micro- economic levels</li> <li>A reply to the criticism that early RST was overly simplistic</li> <li>Still a systemic explanation of the state-society relationship</li> </ul> </li> </ul> <p><i>Conditional RST:</i></p> <ul style="list-style-type: none"> <li>Argues that RST needed to be employed in conjunction with (an)other approach(es) <ul style="list-style-type: none"> <li>RST was combined with: other political economy theories (e.g. business-government relations); international relations theories; history</li> <li>Also a reply to criticisms of the simplicity of early RST</li> <li>Less a systemic explanation of state-society relations</li> </ul> </li> </ul>	<p><i>Specialized RST</i></p> <ul style="list-style-type: none"> <li>Crystal (1990)</li> <li>Chaudhry (1997)</li> <li>Hertog (2010)</li> <li>Davidson (2008; 2009)</li> </ul> <p><i>Conditional RST</i></p> <ul style="list-style-type: none"> <li>Herb (1999)</li> <li>Al-Rasheed (2010)</li> <li>Jones (2010)</li> <li>Foley (2010)</li> <li>Schwarz (2008)</li> </ul>	<ul style="list-style-type: none"> <li>Various; case studies were usually one or several Arab Gulf states</li> <li>Usually covering a period in the 1980s, 1990s or 2000s; sometimes earlier, e.g. Chaudhry (1997) covers Saudi Arabia and Yemen up to the 1980s</li> <li>Wider studies may include other monarchies, e.g. Jordan or Morocco (Herb 1999) or occasionally others (Chaudhry 1997)</li> </ul>
Third Phase (Late Rentierism)	<ul style="list-style-type: none"> <li>Argues that late rentierism creates a particular type of state that is more responsive, globalized, and strategic in its thinking. <ul style="list-style-type: none"> <li>Late rentierism stems from forces such as state maturity, experience with impacts of the 'oil curse', globalization, the need for a state role in development and/or state capitalist tendencies among the ruling elite, and new social pressures for reform and development</li> <li>It also acts as a reply to criticisms of the simplicity of early RST, and brings together multiple Second Phase RST arguments</li> </ul> </li> </ul> <p>Argues that rentierism is a dynamic of state-society relations, not a structural characteristic of the state, and that earlier RST, especially classic works, are overambitious</p>	<ul style="list-style-type: none"> <li>This work</li> </ul> <p>The concept is implied or implicit in Moore (2004); Hertog (2010); Davidson (2008; 2009); Hvidt (2009; 2011); et al.</p>	<ul style="list-style-type: none"> <li>The Arab states of the Gulf: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, 1990-present</li> </ul>

<sup>4</sup> The entire table entitled, "A Summary of Three Phases of RST in the Arab Gulf States" is a reproduction of the table originally found in Gray (2011), p. 24.

## 2.1 Phase I: Classical Rentier State Theory (1970s and 1980s)

The starting point for rentier state theory was the year 1970, when Hossein Mahdavy introduced the concept of the rentier state in his analysis of economic development in Iran during the 1960s.<sup>5</sup> Rentier states are defined as, “those countries that receive on a regular basis substantial amounts of external rent,” in which external rents are, “rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country.”<sup>6</sup> Examples of external rent generating resources include gas pipelines, railways, seaports, military bases, mines, and financial resources. In other words, when a country is in a position to generate revenue from its natural resources, its geographic location, or financial resources, and importantly, these external rents account for a *significant* portion of the government’s revenue, then that country is considered to be a rentier state. The reason oil revenues are considered external rents, rather than royalty payments, is because the local economy input factors are so minimal that, “one can consider the oil revenues almost as a free gift of nature or as a grant from foreign sources.”<sup>7</sup> In the case of Oman, oil revenues are roughly 920 times higher than the local economy input factors (see Chapter Four).

Mahdavy argued the 1950-56 timeframe represented a “landmark” not only because the oil industry was starting to reach a point of maturation, but also because it bookends the nationalization movements in Iran and Egypt, which at the time were the two most commercially significant countries in the Middle East. In 1950, as Iran began

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<sup>5</sup> Hossein Mahdavy, “The Patterns and Problems of Economic Development in Rentier States: the Case of Iran,” in Cook, M. A. (ed.), *Studies in the Economic History of the Middle East*, London, Oxford University Press, 1970, pp. 428-467.

<sup>6</sup> Ibid, 428.

<sup>7</sup> Ibid.

to nationalize its oil industry and in 1956 when Egypt nationalized the Suez Canal, the idea of replacing foreign corporate profits with domestic government revenue truly took hold and established the state-controlled economies (i.e. rentierism) that would serve as the model for decades. The result of these nationalization movements was growing dependency on the sources of external rents for a significant amount (if not the majority) of government revenue. This is demonstrated by the fact that, “the current payments of the oil companies [to governments of oil-exporting countries] during the first five years after 1956 were over seven times as much as the payments during the entire thirty-six years before 1950.”<sup>8</sup>

So after the discovery of oil in the Middle East and the wholesale development of the industry, countries were abandoning previously negotiated strategic alliances with major foreign companies in exchange for nationalizing their resources as a way of generating increased levels of revenue. The benefit of doing this was it allowed these governments to gain the upper hand in the political economy. Mahdavy questions then, why, despite these vast financial resources, rentier states have not been among the world’s fastest growing economies since lack of capital, typically a primary constraint in other underdeveloped countries, is not a factor in the economic development of rentier states.<sup>9</sup> He offers two explanations. First, the “socio-political structure” remains so underdeveloped that the external rents cannot be used with efficiency and efficacy until it is improved. Second, there is not a one-for-one relationship between expenditure and

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<sup>8</sup> Ibid.

<sup>9</sup> Although Mahdavy focuses specifically on Iran, he suggests this economic underdevelopment is a problem for the other oil-exporting rentier states as well.

growth.<sup>10</sup> In other words, government expenditure may increase demand for certain goods and services based on the nature of that expenditure which may not necessarily translate into macroeconomic growth or, to put it more simply, it may take five units of expenditure to get one unit of growth.

In addition to the underdevelopment of the “socio-political structure” and the unequal relationship between expenditure and growth, Mahdavy posits that rentier states misdirect revenues towards the consumption of imported goods and services so, “the consuming sectors of the oil producing countries may consequently develop more meaningful relations with the productive sectors of the countries they import from than with their own local productive sectors,” or what Mahdavy refers to as an, “imbalance in the input-output matrix.”<sup>11</sup> Because rentier states often overvalue their currency, imports become more affordable than they would be at regular currency exchange rates (Oman’s exchange rate is pegged to the US Dollar so that 1 Omani Rial equals 2.60 USD). Imported goods are also more attractive for reasons related to both quality and prestige. As a result, rentier states encourage consumption behavior that prevents the growth of their domestic productive capability.

Mahdavy suggests a solution to these problems is for rentier states to use external rents to subsidize industries that have positive employment effects, rebalance the “input-output matrix,” and invest in well-planned industrial complexes – essentially a three-part economic development plan for rentier states.<sup>12</sup> Mahdavy optimistically states that

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Mahdavy, 437.

technological and labor force development can be incorporated into the above-mentioned plans. These factors – a lackluster “socio-political structure,” an imbalance in the “input-output matrix,” overvalued currency, inflated wages in non-oil industries, and the unequal relationship between expenditure and growth – create dangers for underdeveloped economies. In non-rentier states these factors may lead to a sense of urgency or even political unrest aimed at changing the *status quo*, whereas in rentier states, this sense of urgency is diminished (or absent) by the fact that the population actually benefits from the *status quo* through low taxation and government subsidies.

### **2.1.1 Rentier States in the Arab World**

Hazem Beblawi and Giacomo Luciani expand on the notion of rentierism by placing greater importance on the economic role of Arab state formation in the post-colonial era.<sup>13</sup> Beblawi focuses on the role of rentier states in the Arab world and Luciani makes a distinction between allocation versus production states. Beblawi sets the stage for his discussion noting there is a fundamental difference between “earned income” and “effortless accrued rent.”<sup>14</sup> It is important to emphasize the differences in modern day cultural perceptions on this matter. In Europe and North America, value is more often placed on wealth gained from the “work-reward causation” model.<sup>15</sup> In many of the rentier states in the Arab world, value is more often placed on wealth gained from the *breakdown* of the “work-reward causation” model – resulting in what Beblawi refers to

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<sup>13</sup> Hazem Beblawi, “The Rentier State in the Arab World,” in *The Rentier State: Nation, State and Integration in the Arab World*, Vol. 2, (Routledge Kegan & Paul, 1987), 49-62

<sup>14</sup> Beblawi, 50.

<sup>15</sup> Ibid, 52.

as “rentier mentality.”<sup>16</sup> In other words, whereas Western culture often holds a negative perception of economic activity that generates “effortless accrued rent,” various countries and cultures in the Middle East often hold a negative perception of a labor-based system of economic activity that requires “earned income” in order to obtain basic goods and services.

Beblawi describes four elements of rentier states. First, a “pure” rentier economy does not exist.<sup>17</sup> Every economy – in both rentier states and non-rentier states – has varying levels of dependence on external rents and no state relies exclusively on external rents as a source of government revenue. Second, the “externality” of rent origin is a crucial component of the rentier economy.<sup>18</sup> The reason externality is important is because reliance on non-tax internal rents for government revenue would suggest a productive capability that can, in theory, eventually replace the government’s dependence on external rents. Third, the rentier *state* is a subset of the rentier *economy* and only a small portion of the total population is engaged in the generation of rent whereas, “the rest of the society is only engaged in the distribution and utilization of this wealth.”<sup>19</sup> Fourth, the government is the primary recipient of external rents. Because the government is the primary recipient and distributor of external rents, it rests at the crossroads between “public service and private favors” in which, “there seems to be no clear conflict of interests between holding public office and running private business at

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<sup>16</sup> Ibid.

<sup>17</sup> Beblawi, 51.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

the same time, and it is not infrequent to use the one to foster the other.”<sup>20</sup> This obviously creates an environment conducive to corruption – although it should be noted that perceptions about what does or does not constitute corruption vary substantially between different countries and cultures.

### **2.1.2 Allocation vs. Production States**

Giacomo Luciani’s primary contribution to the discussion on rentier state theory is the distinction he makes between allocation versus production states, arguing that the origin of state revenue, domestic or foreign, is largely deterministic of state behavior. Luciani defines allocation states as, “all those states whose revenue derives predominately (more than 40 percent) from oil or other foreign sources and whose expenditure is a substantial share of GDP.”<sup>21</sup> By contrast, production states are those states that depend on the domestic economy for state income, “and can grow and perform an allocative function only to the extent that the domestic economy provides the income which is needed to do so.”<sup>22</sup> Luciani does not suggest that a production state is necessarily better than an allocation state (or vice versa), nor does he overemphasize the role of the economy in determining state behavior, saying, “this is one analytical tool that may be added to others to gain a better understanding of Arab realities.”<sup>23</sup> He does suggest, however, that allocation states represent a “logically coherent” system that can be quite stable if the appropriate policies are adopted by the state and that the only case in

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<sup>20</sup> Ibid, 55.

<sup>21</sup> Giacomo Luciani, “Allocation vs. Production States,” in *The Rentier State: Nation, State and Integration in the Arab World*, Vol. 2, (Routledge Kegan & Paul, 1987), 70.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid, 82.

which political opposition is likely to develop in allocation states is in cases where the state fails to maximize the collection of external rents. To put it more succinctly, “loyalty is to the system, not the individuals in power.”<sup>24</sup>

## **2.2 Phase II: “Specialized” and “Conditional” Rentier State Theory (1990s and 2000s)**

“Specialized RST” and “Conditional RST” represent the second phase of RST, which sought to refine and evolve the original concepts proposed during Phase I, not necessarily refute them.<sup>25</sup> “Specialized RST” analyzes rentier state theory from an interdisciplinary perspective whereas “Conditional RST” argues for a context-specific approach to explaining rentierism. Much of the literature in this phase critiques what scholars perceived to be an overemphasis on the economy during Phase I RST, arguing that political considerations are equally if not more important to understanding rentier state behavior. In other words, scholars should take into account more than the amount of external rent and its share of government revenue when discussing the political economies of oil-exporting Arab Gulf monarchies.

“Specialized RST” is composed of three main themes: the importance of historical dynamics, the impact of international relations theories, and the role of major external powers on the internal dynamics of rentier states during the 1990s and 2000s.<sup>26</sup>

“Conditional RST” argued rentier states do not enjoy autonomy from society to the degree it was suggested in Phase I RST.<sup>27</sup> The rentier state-society relationship – which

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<sup>24</sup> Ibid, 74.

<sup>25</sup> Gray, 9.

<sup>26</sup> Gray, 12-14.

<sup>27</sup> Ibid, 14.



relies heavily on the interconnectedness of rent collection, allocation, and utilization – suggests the rentier state has legitimacy, not autonomy. What separates rentier states from non-rentier states in terms of the state-society relationship is that the rentier state is more vulnerable to drastic changes in the amount of external rent it collects and any change in the social contract between the ruler and the ruled.

A more in-depth example of “Conditional RST” is Rolf Schwarz’s 2008 discussion about the political economy of Arab state formation in which he puts forward two primary arguments.<sup>28</sup> First, the conventional wisdom surrounding state-formation, which is heavily anchored in the European experience, is irrelevant to the Arab Middle East. The process of state-formation in the Arab Middle East was not driven by domestic taxation for the purposes of war-making, as it was in Europe, but rather by the utilization of oil resources and revenue for the purposes of gaining legitimacy and imposing authority. The state’s security apparatus was still the first institution to be developed (like Europe) but it was not for the purpose of external war (unlike Europe), rather it was for the purpose of imposing internal authority. Schwarz proposes the rentier state is strong in the security function, weak in the representation function, and either strong or weak in the welfare function depending on the amount of revenue it has at its disposal.<sup>29</sup> Table 2 below provides a graphical representation of Schwarz’s functional analysis.

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<sup>28</sup> Rolf Schwarz, “The political economy of state-formation in the Arab Middle East: Rentier states, economic reform, and democratization.” *Review of International Political Economy*, Vol. 15, No. 4, 2008: 599-621.

<sup>29</sup> Ibid, 607.

Table 2 State-Formation in the Arab Middle East<sup>30</sup>

Functions	Degree of statehood				
	Strong state (Weberian ideal type)	Reformed state (industrialized, post-welfare state)	Rentier state (allocative state)	Weak state (non-Western state)	State failure (functional and institutional)
Security function	X	X	X	X	—
Welfare function	X	—	X	—	—
Representation function (legitimacy)	X	X	—	—	—

While Schwarz correctly points out that the process of state formation was vastly different in the Arab Middle East than it was Europe, his analytical approach has some flaws. The primary flaw is that Schwarz links legitimacy to the representation function, when instead any discussion about rentier states should link legitimacy to the welfare function. The social contract in rentier states clearly demonstrates legitimacy comes not from representation but rather the rent collection-allocation relationship that exists between the state and society. It is therefore the welfare function that takes on greater importance within a rentier state. Implicit in Schwarz's analysis is that the strength of states can be measured through the ability to effectively engage in administrative functions. From Schwarz's perspective this means the ability of states to effectively collect taxes. Yet, it is worth noting that the *allocation of revenue* is also an administrative function, especially in terms of public expenditure. Therefore, the strength of rentier states should instead be measured by the ability to allocate revenue to the population (i.e. the welfare function) in a way that does not incite political instability or violence.

<sup>30</sup> The entire table entitled "State-Formation in the Arab Middle East" is a reproduction of the original found in Schwarz (2008), p. 603.

### **2.3 Phase III: “Late Rentierism” (2011)**

Matthew Gray’s theory on “late rentierism” is meant to be a paradigm through which scholars can better understand and explain the changes that have occurred within the political economies of the Gulf Cooperation Council (GCC) countries during the 1990s and 2000s. Gray identifies globalization, economic and development imperatives, population growth, and employment pressures as the sources of rentier state maturation. The low oil prices of the late-1980s and 1990s changed the global landscape by creating new financial pressures that did not exist for rentier states during the 1970s and early-1980s when oil prices – and thus rents – were substantially higher. Although, “there is more to Gulf politics than rents,” Gray believes that rentier state theory still has “explanatory primacy” when it comes to describing the political dynamics of the region.<sup>31</sup>

First, the “late rentier” state is responsive but undemocratic.<sup>32</sup> “Late rentierism” argues that the state is less autonomous today and questions whether it was really autonomous in the first place. As a result of globalization, population growth, employment pressures, and technological advances (among other things), rentier states now feel a need to be, or at least appear, responsive to society for the sake of their own survival.<sup>33</sup> Second, the “late rentier” state is opening up to globalization, but with some protectionism remaining.<sup>34</sup> Third, the “late rentier” state has an active economic and development policy.<sup>35</sup> The fourth feature is an “energy-driven” vs. “energy-centric”

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<sup>31</sup> Gray, 36.

<sup>32</sup> Ibid, 23.

<sup>33</sup> Ibid.

<sup>34</sup> Gray, 25.

<sup>35</sup> Ibid, 28.

economy.<sup>36</sup> Fifth, the “late rentier” state has an “entrepreneurial state capitalist” structure, which distinguishes the modern rentier state from the nationalistic states of the early 1950s.<sup>37</sup> Sixth, the “late rentier” state is long-term in its thinking.<sup>38</sup> Finally, the “late rentier” state maintains an active and innovative foreign policy.<sup>39</sup>

Rentier state theory has evolved substantially since it was first used as a theoretical concept by Hossein Mahdavy to analyze economic development in Iran during the 1960s. The Middle East has also evolved substantially, going through many periods of economic and political transformation as modern Arab states sought to maximize the benefits and minimize the consequences associated with rentierism. For more than half a century, from the 1950s to 2000s, the rentier state model remained largely intact, despite changing economic, political, and social circumstances. In 2011, the social contract between ruler and ruled that allowed rentierism to flourish for so long was visibly shaken. Rentier states suddenly experienced instability that was not linked to a decrease in oil revenues – as Phase I and Phase II RST scholars predicted would be the cause of instability – but rather by *how* this revenue was or was not allocated to the population.

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<sup>36</sup> Ibid, 30.

<sup>37</sup> Ibid, 32.

<sup>38</sup> Ibid, 34.

<sup>39</sup> Ibid, 35.

### **3. CASE STUDY: THE SULTANATE OF OMAN**

Oman was chosen as the case study for this analysis because it remains an understudied country and because of its unique characteristics. Resting on the southeastern edge of the Arabian Peninsula, Oman's geographic location might lead the casual observer to believe it is vulnerable to violent conflict with religious undertones since its regional neighbors often make headlines for their sectarianism. Yet, because most Omanis (including and especially the ruling Al Sa'id family) are neither Sunni nor Shi'a, and instead practice the lesser-known Ibadhi form of Islam, Oman is able to avoid the pitfalls of zealous sectarian conflict. Oman's economy is both natural-resource rich and natural-resource dependent, yet the availability and production of these resources is both declining and increasingly expensive. Its society is loosely arranged along tribal and ethnic lines, as well as centuries-old alliances, and its culture is one that prefers tradition and tolerance to skyscrapers and indoor ski-slopes. Modern day Oman was created and has been ruled by one man since 1970, His Majesty Sultan Qaboos bin Sa'id Al Sa'id, who has sustained absolute authority and legitimacy for 44 years and counting. With the exception of the first few years of His Majesty's reign, Sultan Qaboos has faced almost no opposition and has instead received widespread admiration and respect at home and abroad, a rare achievement for an absolute monarch.

### **3.1 The Al Bu Sa'id Dynasty and the Making of Modern Oman**

It should be noted at the outset that Oman's history is far too complex to fully describe here. Only since 1970 has the Sultanate of Oman been the unified nation we think of today. For much of its history, present-day Oman was a collection of semi-autonomous regions working either with or against one another based on tribal, religious, and economic interests. Prior to the formation of the modern Sultanate, the Ibadhi Imamate was the pre-eminent political system. For more than 1,000 years, from the election of Imam Ibn Masood in 751 to the death of Imam Muhammad bin Abdullah Al Khalili in 1954, the Ibadhi Imamate played an important role in the historical development of Oman (see Appendix B).<sup>40</sup>

The Al Bu Sa'id dynasty has ruled over Oman since 1744 and can be characterized by two key takeaways. First, the rise of the Al Bu Sa'id dynasty marked the decline of the Ibadhi Imamate because early leaders fostered the development of the coastal Muscat Sultanate, which acted as a competing political structure to the Ibadhi Imamate in the interior. The goal was to abandon the self-imposed isolation favored by Ibadhi tribal and religious elites in exchange for active foreign engagement and an expansionary mercantile focus, taking advantage of more than 1,300 miles of coastline along the Indian Ocean. Second, although never officially a British colony, Al Bu Sa'id and British elites shared common interests that allowed for and even encouraged direct intervention by British forces at various points throughout Oman's history in order to quell internal dissent and solidify the ruling family's grip on society.

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<sup>40</sup> Uzi Rabi. "The Ibadhi Imamate of Muhammad bin 'Abdallah al-Khalili (1920-1954): The Last Chapter of a Lost and Forgotten Legacy." *Middle Eastern Studies*. Vol. 44, No. 2, (2008), 169-188.

On July 23, 1970, a 30-year old Qaboos bin Sa'id Al Sa'id ousted his father Sultan Sa'id bin Taymur (r. 1932 – 1970) in a bloodless palace coup. Educated at Sandhurst,<sup>41</sup> the elite British military academy, Sultan Qaboos – who had never set foot in the capital city of Muscat before becoming sultan – spent the first few years of his reign fighting a Marxist-inspired rebellion in the southern Dhofar region, consolidating power within the ruling Al Sa'id family, recruiting well-educated expatriates and Zanzibaris to serve in a nascent public sector, and crafting a new national identity that sought to unite what had previously been a decentralized and disunited society. High oil prices during the 1970s provided the newly formed Qaboos state with significant financial resources which were allocated to the security apparatus, education and health, and economic development in Dhofar in order to eliminate any residual grievances from the rebellion. Numerous accounts of pre-Qaboos Oman highlight the severity of underdevelopment. For example, a 1999 Los Angeles Times article described pre-Qaboos Oman as, “the hermit kingdom of the Middle East,” highlighting that:

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<sup>41</sup> According to Peterson (1976): Since 1913, three Omani Sultans were British educated. Sultan Taymur bin Faysal (r. 1913 – 1932) attended Mayo College, Sultan Sa'id bin Taymur (1932 – 1970) attended Ajmere, and Sultan Qaboos bin Sa'id (1970 – Present) attended Royal Military Academy Sandhurst.

Three decades ago, Oman's customs harked back to the Middle Ages. The wooden gates to Muscat, the capital, were closed each night to keep out intruders, and anyone walking about in the darkness (there was no electricity) was required by law to carry a lantern or risk being shot as a thief by city guards. The country had only three miles of paved road and 12 telephones.<sup>42</sup>

Historian and Omani affairs expert J.E. Peterson notes that the number of hospitals increased from five in 1970 to 15 in 1973 and the number of schools increased from three in 1969 to 110 in 1974.<sup>43</sup> As of 2013, there are more than 60 hospitals and nearly 900 medical clinics scattered throughout Oman (it is worth noting that a very small percentage of these hospitals are privately-owned, an example of where the government is competing with the private sector in today's economy).<sup>44</sup> Similarly, the number of schools has increased substantially to roughly 1,500 as of 2013.<sup>45</sup> Scholars often attribute the underdevelopment of pre-Qaboos Oman to the self-imposed seclusion and perceived apathy of Qaboos' father Sultan Sa'id bin Taymur. While there is an element of truth to this, it is also important to acknowledge that a long-held tradition of isolationism by the Ibadhi Imamate also prevented Oman from reaching its full potential and so simply

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<sup>42</sup> John Daniszewski, "A Former Hermit Kingdom, Oman Emerges from Shell." *Los Angeles Times*. [Los Angeles]. 17 Dec. 1999.

<sup>43</sup> J.E. Peterson. "The Solitary Sultan and the Construction of the New Oman." In Abbas Kadhim, ed., *Governance in the Middle East and North Africa: A Handbook* (London: Routledge, 2013), p. 321.

<sup>44</sup> Interview in Oman: April 22, 2014.

<sup>45</sup> National Center for Statistics and Information. *July 2014 Monthly Statistical Bulletin*. Web. 12 Oct. 2014.



blaming one individual for a general lack of economic progress ignores the country's long and tumultuous history of competing power structures.

By the 1960s, more than 50,000 Omanis were working in neighboring Arab Gulf countries that had already begun to capitalize on the oil era.<sup>46</sup> Seeing the change that was taking place across the region – and the lack of progress in Oman – provided Omanis with an incentive to yearn for new leadership. Toward this end, with the exception of some Dhofaris, Omanis generally welcomed the rise of Sultan Qaboos who immediately acknowledged the need for economic and political development in Oman and actively sought to enlist the support of native Omanis on this endeavor. Sultan Qaboos, “won considerable initial support simply by affirming that he would allow Omanis to enjoy the benefits of oil wealth in the same manner as the citizens of neighboring oil states.”<sup>47</sup>

While the high oil prices of the 1970s allowed Sultan Qaboos to focus on economic development, the low oil prices of the 1980s and 1990s created societal pressures that forced His Majesty to focus on political development. Two key developments on the political front defined the Omani state during the 1990s. First, in 1991 Sultan Qaboos replaced the State Consultative Council (*Majlis Al Istishari*<sup>48</sup> *Lil Dawla*), which was perceived to be mostly a rubber stamp for the Sultan's policies, with

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<sup>46</sup> Dale F. Eickelman, "Changing Perceptions of State Authority: Morocco, Egypt and Oman" *The Foundations of the Arab State*. 1st ed. Vol. 1. Abingdon: Routledge, 1987. 198.

<sup>47</sup> *Ibid*, 187.

<sup>48</sup> The difference between the words *shura* and *istishara* is subtle but important. The former implies mutual consultation where the latter implies a one-way solicitation of advice (usually from the top-down). Renaming the political body was done to emphasize mutual consultation and de-emphasize the absolute authority maintained by Sultan Qaboos.

a 59-member Consultative Council (*Majlis Al Shura*).<sup>49</sup> The primary differences between the two political bodies were that in the latter government officials could no longer serve simultaneously in the *majlis* and in the cabinet, candidates could nominate others (or themselves) for election, and cabinet ministers were now accountable by the *majlis*.<sup>50</sup> As historian Uzi Rabi notes, “its most important role, however, was to relay the interests of the local communities throughout Oman to the central government and likewise to inform their constituents of the government’s plans.”<sup>51</sup> As the next chapter will demonstrate, this would prove to be a very useful function during the protests that occurred in Oman during 2011, as it was the *Majlis Al Shura* that played the central mediating role between protestors and the government.

The second defining feature of political development during the 1990s was the 1996 Basic Statute of the State, a constitution-like document that described the principles and policies of the government. According to the Basic Statute, Sultan Qaboos is the President of the State, Commander of the Armed Forces, Prime Minister, head of the Defense Council, Financial Affairs and Energy Resources Council, and the Supreme Judicial Council. His Majesty also has the power to appoint and relieve ministers and judges, pass legislation through the issuance of royal decrees, sign treaties, and declare a

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<sup>49</sup> Uzi Rabi, “Majlis al-Shura and Majlis al-Dawla: Weaving Old Practices and New Realities in the Process of State Formation in Oman.” *Middle Eastern Studies*, Vol. 38, No. 4, (2002) 41-50.

<sup>50</sup> *Ibid*, 43.

<sup>51</sup> *Ibid*, 44.

state of emergency.<sup>52</sup> While the entirety of the Basic Statute is clearly important, a number of key articles stand out (see Appendix C).

The Basic Statute of the State is important to the political development of Oman for several reasons. First, it codified a system of governance that had already existed for many years under the leadership of Sultan Qaboos. Second, it guaranteed certain rights (speech, religion, press, assembly, etc.) to Omani citizens. Third, it both delegated the decision-making process away from Sultan Qaboos to entities like the reformed *Majlis Al Shura* and newly created *Majlis Al Dawla*, yet also legitimized the Sultan's ultimate authority. Article 5, which limits the succession process to male descendants of Sayyid Turki bin Sa'id bin Sultan, consolidated power to a specific branch of the ruling Al Sa'id family (estimated to now consist of only 100 male members) and eliminates the possibility of the Zanzibari branch of the Al Sa'id family from ever attaining the throne. Article 11 declares all natural wealth and resources to be the property of the state – which, as Beblawi stated, is a necessary precursor to rentierism in which the government is the primary recipient of external rents. Article 12 names the family, not the individual, as the basic unit of measurement within society, which has implications for levels of corruption in which family connections trump merit-based performance. Article 53 prevents any Omani with the rank of Minister from serving on the board of a public joint-stock company. Interestingly though, this limitation does not apply to lower level public sector employees nor does it necessarily prevent a conflict of interest in a case where a family member (“the basis of society”) may be in a position to regulate the business

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<sup>52</sup> Said Sultan al Hashimi, “The Omani Spring: towards a break of a new dawn.” *Arab Reform Initiative Brief*, No. 52, November 2011, 1-9.

practices of another family member. It is also worth noting that many of Oman's largest companies are privately held and not listed on the Muscat Securities Market (MSM), meaning public sector employees, including Ministers, are still able to use their public positions for private gain with very little oversight – an example that confirms Beblawi's assertions that rentier states rest at the "crossroads between public service and private favors." This has changed a bit in the aftermath of the protests but it remains a serious issue permeating the public sector. In fact, one Omani interviewee strongly believed requiring some of Oman's largest companies (including merchant family empires and government-owned entities that are beginning to privatize) to be publicly-listed on the MSM would benefit the national economy, reduce economic inequality, and provide an opportunity for ordinary Omanis to invest and profit from the economic development of their state.<sup>53</sup> Finally, Article 58 outlines the construction of the *Majlis Al Shura*, consisting of members directly elected by the Omani population, and *Majlis Al Dawla*, consisting of members directly appointed by Sultan Qaboos.

### **3.2 Tribal and Ethnic Group Dynamics**

Tribal affiliations and alliances are important to both the country's history and modern society but appear to be fading as a primary source of identification for four reasons according to a former member of the Majlis Al Shura who was interviewed for this study. First, the creation of a unifying state has directly tied the economic well-being of the Omani population to the stability of the state. Second, with the absence of an elected Ibadhi *imam*, tribal affiliations and alliances no longer hold as much importance

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<sup>53</sup> Interview in Oman: June 5, 2014.

as they did in the past – suggesting Sultan Qaboos’ efforts to create a new national identity that trumps tribal and ethnic affiliations has been somewhat successful. Third, growing urbanization has made relationships decreasingly dependent on kinship. Finally, a large youth population has seemingly abandoned tribal factionalism as the main prism through which they identify themselves.<sup>54</sup> Complex in their own right, tribal affiliations overlap with family, ethnic, religious, geographic, linguistic, and political characteristics forming a complex web of relationships that is both influential and difficult to summarize. At the same time, these identities are not rigid, meaning what may be true of one individual or group may not be true of another. Nevertheless, there are some general takeaways that demonstrate how tribes and ethnics group dynamics contribute to the complexity of Oman’s social fabric.

Oman’s tribal system has historically been comprised of two confederations: Al Ghafiri (also referred to as “Bani Adnan” and “Nizari”) and Al Hinawi (also referred to as “Bani Qahtan” and “Yamani”).<sup>55</sup> Together, these two confederations represent approximately 100 different tribes.<sup>56</sup> Al Ghafiri originated in southern Arabia (present-day Yemen) and Al Hinawi originated in northern Arabia (present-day Saudi Arabia and United Arab Emirates). However, the distinction between the southern Al Ghafiri and the northern Al Hinawi oversimplifies the fluidity of changing alliance structures. Similarly, although it appears Al Ghafiri tribes are predominantly Sunni and Al Hinawi

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<sup>54</sup> Interview in Oman: April 30, 2014.

<sup>55</sup> Rabi (2008), 171 and J.E. Peterson, “Oman: al-Ghafiriyah and al-Hinawiya Tribal Confederations.” *Arabian Peninsula Background Note*, No. APBN-001. Published September 2003. Web. 03 Aug. 2014. <[www.jepeterson.net](http://www.jepeterson.net)>.

<sup>56</sup> Peterson (2003), 3-5.

tribes are predominantly Ibadhi, this is not always the case. Historian J.E. Peterson notes two important political takeaways from the tribal confederation system in Oman. On the national level, these alliances were most important during the election of a new *imam*, since no single tribal leader could secure victory for the candidate of his choice without obtaining at least partial support from the other tribal faction. On the provincial level, Oman's geography kept many tribes in seclusion and focused their attention on local political matters. Since neither alliance structure had a monopoly on the use of force the confederation system provided balanced authority.<sup>57</sup> Omanis continue to use tribal affiliations to identify themselves, but the historically important Ghafiri-Hinawi axis appears to be fading into the background.

In addition to tribal affiliations, there are also a variety of ethnic group identities that help construct Omani society. Most tribes in Oman are Arab in origin, practice either Ibadhi or Sunni Islam (there is also a small Shi'a Muslim community estimated to account for roughly five percent of the total population), and speak Arabic. Place of origin, language, and religious sect primarily define ethnic diversity in the north.<sup>58</sup> The Baluch are the largest non-Arab community and have served in many Gulf country militaries – including Oman where they helped suppress the Dhofar Rebellion. They speak Baluchi, practice Sunni Islam, and account for an estimated 12 percent of Oman's total population.<sup>59</sup> The Zadjalis speak their own language and are believed to originate from Baluchistan or Sind (present-day Pakistan). Hindus in Oman, mostly Banian

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<sup>57</sup> Ibid, 3.

<sup>58</sup> J.E. Peterson, "Oman's Diverse Society: Northern Oman." *Middle East Journal*, 58.1 (2004): 32-51.

<sup>59</sup> Ibid, 35.

merchants originally from Gujarat (present-day India), speak Kutchi at home and have had a presence in Oman since at least the 16<sup>th</sup> century when they assisted the opposition movement against the Portuguese. The Lawatiyya, originally from India and the largest of Oman's three Shi'a groups, have had a presence in Oman since the 1780s and are prominent merchants. Baharinah, Arab Shi'a Muslims, are a small but prominent group disproportionately well represented in the Omani government. Zanzibaris are Omanis of African decent (this term is used to describe any Omani from Africa, not just those from the actual island of Zanzibar). They are well represented in the oil industry, the Ministry of Defense, and the Internal Security Service. Zanzibaris speak Swalihi and many are proficient in English placing them among the first beneficiaries of Oman's "renaissance" under Sultan Qaboos.

In the southern Dhofar region of Oman, language, territory, and culture are the primary sources of ethnic diversity as all Dhofaris are Sunni Muslim and most are Arabs belonging to the same tribal confederation (Al Ghafiri).<sup>60</sup> As with the Ibadhi Imamate, geography played an important role in Dhofar's relative seclusion from the rest of Oman. Until recently, Dhofaris were culturally more closely related to eastern Yemen than northern Oman. One could argue this is still the case. Interestingly, Sultan Qaboos is the only member of the ruling Al Bu Sa'id tribe who has a direct connection to Dhofar – he was born in Salalah and his mother is Dhofari (a member of the Al Ma'shani tribe). Many attribute the integration of Dhofar into the broader Sultanate to this fact and

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<sup>60</sup> J.E. Peterson, "Oman's Diverse Society: Northern Oman." *Middle East Journal*, 58.2 (2004): 254-269.

question whether Dhofaris will remain as loyal to a non-Dhofari sultan as they have to Sultan Qaboos.

With regard to the role of tribes and ethnic groups in present-day Oman, one Omani interviewee noted, “tribes have been tamed in the north; they have not been tamed in the south.”<sup>61</sup> Dhofari Omanis are generally more conservative than Omanis living and working in cosmopolitan Muscat. Whereas the former Ibadhi Imamate represented a competing political structure to the Muscat Sultanate, Dhofari tribal and ethnic group dynamics represent a competing social structure to the narrative of a unified Omani identity created by Sultan Qaboos. More specifically, prior to 1970, tribes struggled against one another for power. Once Sultan Qaboos took over, power was consolidated within the ruling Al Sa’id family, which forced tribes to align themselves with one another economically rather than politically.

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<sup>61</sup> Interview in Oman: April 30, 2014.



#### **4. THE POLITICAL ECONOMY OF OMAN'S PROTEST MOVEMENT**

Oman did not become what it is today without overcoming serious political, economic, and social challenges. Similarly, the country will not achieve its vision for the future unless it finds meaningful solutions to a new set of issues, particularly as they relate to the national economy. Rapid population growth, high youth unemployment, and a majority foreign workforce mean many Omanis are not actively participating in the labor market – and those who are often find themselves placed in menial public sector positions. An underdeveloped private sector cannot compete with the government, which acts as the main engine for economic growth. Declining oil reserves and the decreasing ability to produce and export oil over the long-term threaten national wealth and limit the government's ability to allocate oil revenues, which is the chief function and legitimizing feature of a rentier state. Corruption looms large on the minds of both the “haves” and the “have nots” as merchant family empires seem to prosper at the expense of their fellow Omani citizens. On the political front, Oman is the only Arab Gulf monarchy without an heir apparent which creates skepticism surrounding the succession process and regional instability creates a lingering unease about introducing any large-scale or long-term political reforms which increase the likelihood of political instability. All of these factors are potentially destabilizing and will become increasingly important as Oman approaches a post-Qaboos, post-oil era for the first time in nearly half a century.

#### **4.1 Defining Aspects of Oman's Political Economy**

Just as Oman has for most of its history been defined by dual political structures – the interior Ibadhi Imamate and the coastal Muscat Sultanate – the current political economy is largely defined by dual dependencies: oil for revenue and expatriates for labor. Trends demonstrated over the last decade or so suggest increasing, not decreasing, levels of dependency despite repeated public statements and government policies suggesting otherwise. With regard to oil, Oman has benefitted from increased prices during the last decade just as it did in the early years of the Qaboos era. Yet, income inequality remains a serious issue among the Omani population and suggests while the Omani population as a whole has prospered relative to the pre-Qaboos era, the allocation of revenue has been somewhat mismanaged. With regard to labor, the market is severely distorted and has not adequately adjusted to accommodate the current Omani population – many of whom are young and have lived under the Qaboos state their entire lives.

The analysis here focuses on quantitative information available for the 2003 to 2013 timeframe, or what Matthew Gray would refer to as the period of “late rentierism.” This is an ideal timeframe for analysis because it highlights the demographic and economic patterns taking place in the years leading up to the 2011 protests and in the immediate aftermath. Of particular interest are statistics related to population growth, the labor market, oil production and exportation, government revenue and expenditure, and the role of merchant family empires within the political economy. Each aspect will be closely examined in order to provide a deeper understanding of the factors within Oman's political economy that led to the grievances expressed during the protest movement in Oman.

#### 4.1.1 Population Statistics: Omanis and Expatriates

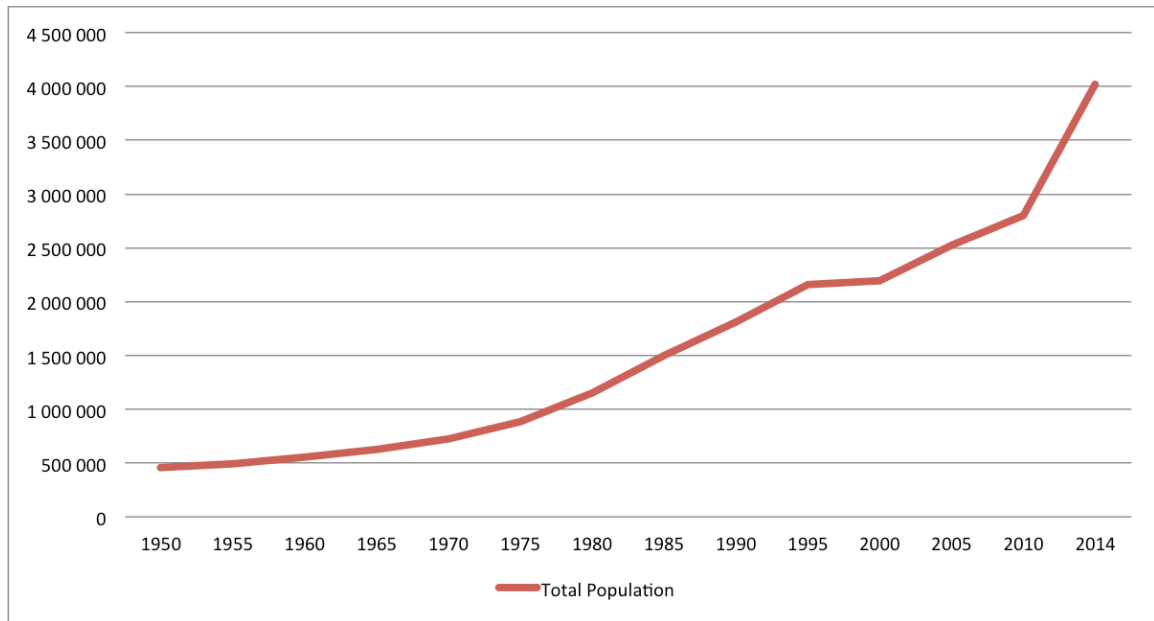
The total population in Oman has increased from fewer than 500,000 (est.) in 1950 to just over four million in 2014 (see Table 3).<sup>62</sup> In 1993, the year Oman's first census was conducted, the total population was two million people, comprised of 73 percent Omanis (1,465,000) and 27 percent expatriates (535,000). As of mid-2014, the total population is closer to four million people, comprised of 56 percent Omanis (2,253,926) and 44 percent expatriates (1,765,703) (see Table 4). The trend over the last 20 years shows rapid population growth, led by an influx of expatriates. Although the total number of Omanis has increased during this timeframe, their percentage of the total population has decreased. Meanwhile, expatriates are increasing in both real numbers and as a percentage of the total population. The primary reason for this rapid expansion of the expatriate population within Oman is the labor market, as the next section will demonstrate in further detail. What is perhaps most shocking to see is that the number of expatriates in Oman has *doubled* since 2010 and *tripled* since 2003, during a time when the goals of the Omani government demonstrate a strong desire to move in the opposite direction. Equally important is the fact that Oman has a very large youth population with more than half the total population under the age of 25 (30.9 percent aged 0-14 and 19.9 percent aged 15-24).<sup>63</sup> With only seven percent of the total population over the age of 55, there is a demographic divide not only between Omanis and expatriates, on the one hand, but also between young and old, on the other hand (see Tables 5 and 6).

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<sup>62</sup> 2010 Oman Census; National Center for Statistics and Information; and United Nations, Department of Economic and Social Affairs.

<sup>63</sup> Central Intelligence Agency. (2014). The World Factbook: Oman. Updated June 22, 2014. Retrieved August 22, 2014.

**Figure 1 Total Population of Oman (1950 – Present)**



**Figure 2 Total Population: Omanis and Expatriates (1993 – 2014)**

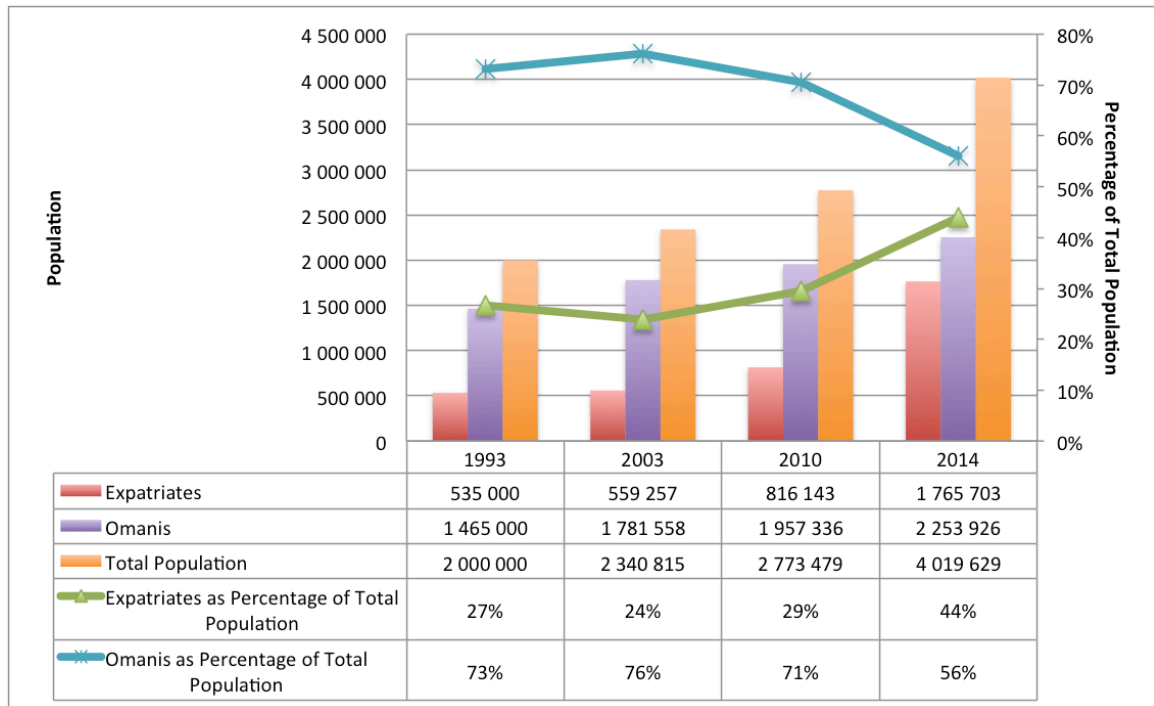


Figure 3 Population Pyramid: Omani Population (2013)<sup>64</sup>

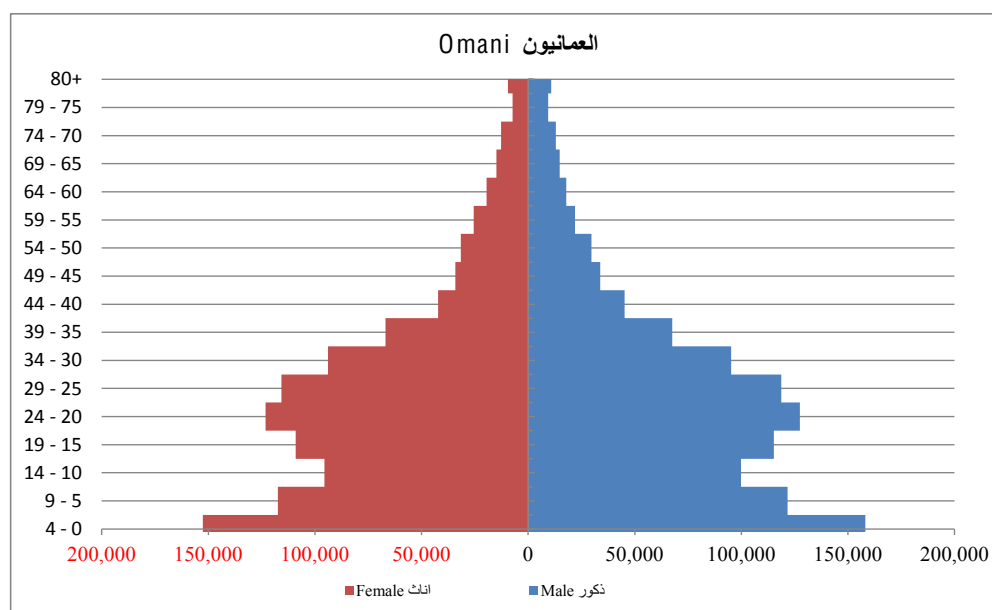
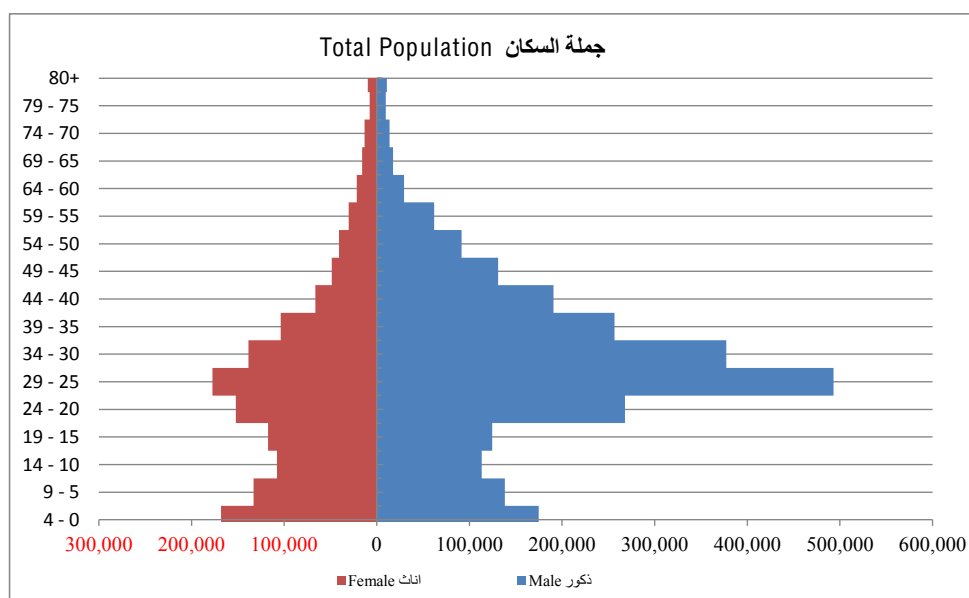


Figure 4 Population Pyramid: Total Population (2013)<sup>65</sup>



<sup>64</sup> National Centre for Statistics and Information. *2014 Statistical Yearbook*. 05 Nov. 2014.

<sup>65</sup> Ibid.

#### **4.1.2 Labor Market: Public and Private Sector Employment**

Although the number of expatriates has increased substantially over the last decade, Omanis still account for the majority of the total population (for now). However, the same cannot be said about the labor market in which expatriates have historically outnumbered Omanis by a wide margin. During the 2003 to 2013 timeframe under examination, Omanis have generally accounted for 20 to 30 percent of the total labor market, whereas expatriates have generally accounted for 70 to 80 percent of the total labor market. More worrisome, Omanis have not accounted for more than 25 percent of the total labor market since 2008, demonstrating the margin between expatriates and Omanis continues to widen.

Where Omanis are indeed well represented is the public sector. From 2003 to 2013, the public sector – which consists of the Civil Service, Diwan of the Royal Court, Royal Court Affairs, and Public Corporations – included, on average, 84 percent Omanis and 16 percent expatriates. Total employment in the public sector increased from 123,045 employees in 2003 to 194,326 employees in 2012 (the latest year for which figures are available), representing 58 percent growth. While this appears to be a positive development many Omani interviewees noted the negative consequences of expanding the public sector, which is already perceived to be slow and inefficient. First, with a vague definition of what officially counts as “unemployed” and available data subject to speculation (current estimates suggest an unemployment rate of 12 to 15 percent), expanding the public sector by hiring additional Omani employees leads to “hidden unemployment,” the idea that unemployment statistics will not account for those Omanis who are employed, even if they are employed unnecessarily. As a result, “the estimates

of those looking for jobs become somewhat distorted and reliable data on unemployment is not readily available in the public domain.”<sup>66</sup> An example provided by an Omani interviewee is that of issuing a license where the process previously required one person but now requires three for the sake of reducing the overall number of unemployed Omanis. Second, new opportunities for corruption and non-merit based hiring practices are created in which “who you know” (*wasta*) is valued more than what you know. Third, with more Omanis employed in the public sector it is more likely that demands for wage increases will have to be met with some sort of response by the government (more so than if expatriates were the ones demanding a wage increase). Therefore, frequent public sector wage increases not only account for larger portions of public expenditure but they also have a negative impact on a private sector, which is often forced by the Omani government to meet or even exceed public sector wage rates in order to encourage much-needed private sector employment by Omanis.<sup>67</sup>

The employment situation in the private sector is exactly reversed, comprised on average, of 84 percent expatriates and 16 percent Omanis during the same 2003 to 2013 timeframe. Total employment in the private sector increased from 481,984 employees in 2003 to 1,709,101 employees in 2013, representing a 254 percent increase. While the actual number of Omanis employed in the private sector has been increasing since 2003, the number as a percentage of the total labor market has actually been decreasing (from 29 percent in 2003 to 20 percent in 2013), meaning Omanis in the private sector are

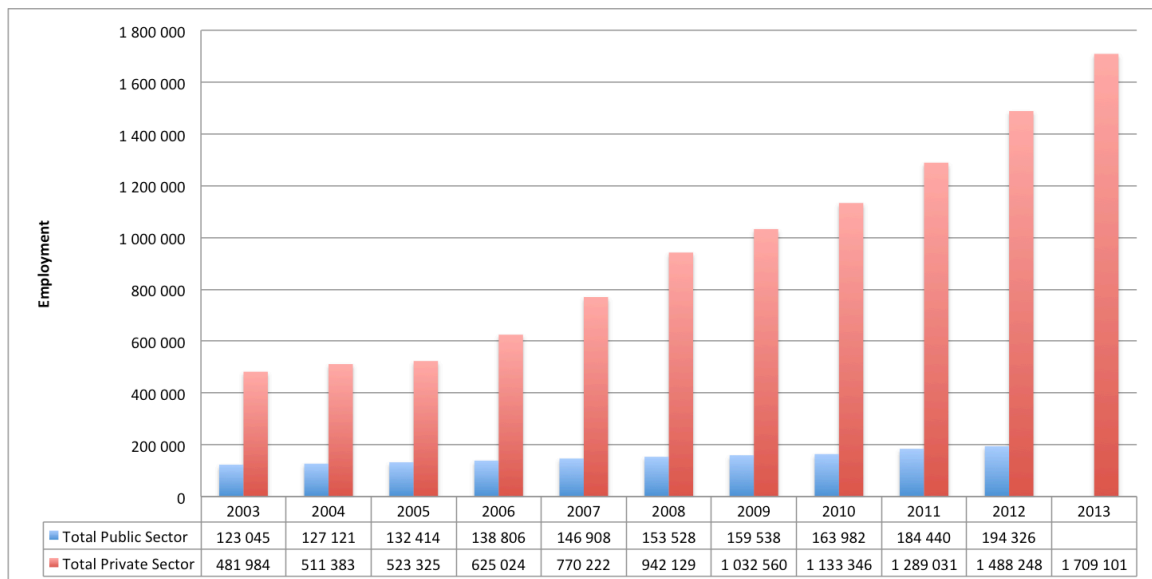
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<sup>66</sup> Khalfan Mohamed Al-Barwani, Fahim Al-Marhubi, Khamis Hamed Al-Yahyaee, Belkacem Laabas, and Sulayman Al-Qudsi. *Oman Country Profile: The Road Ahead for Oman*. Cairo: Economic Research Forum, 2008.

<sup>67</sup> Interviews in Oman: April 10, 2014; May 7, 2014; and June 5, 2014.

outnumbered roughly 8:1 by expatriates as of 2013. The growing number of expatriates employed in the private sector can be largely attributed to (publicly financed) construction, which accounts for an estimated 40 percent of private sector employment.<sup>68</sup> Tables 7 and 8 below demonstrate the disparity between public and private sector employment of Omanis and expatriates from 2003 to 2013. Most glaring is the disparity between publicly stated goals and the real conditions of the labor market.

**Figure 5 Total Public & Private Sector Employment (2003 – 2013)<sup>69</sup>**

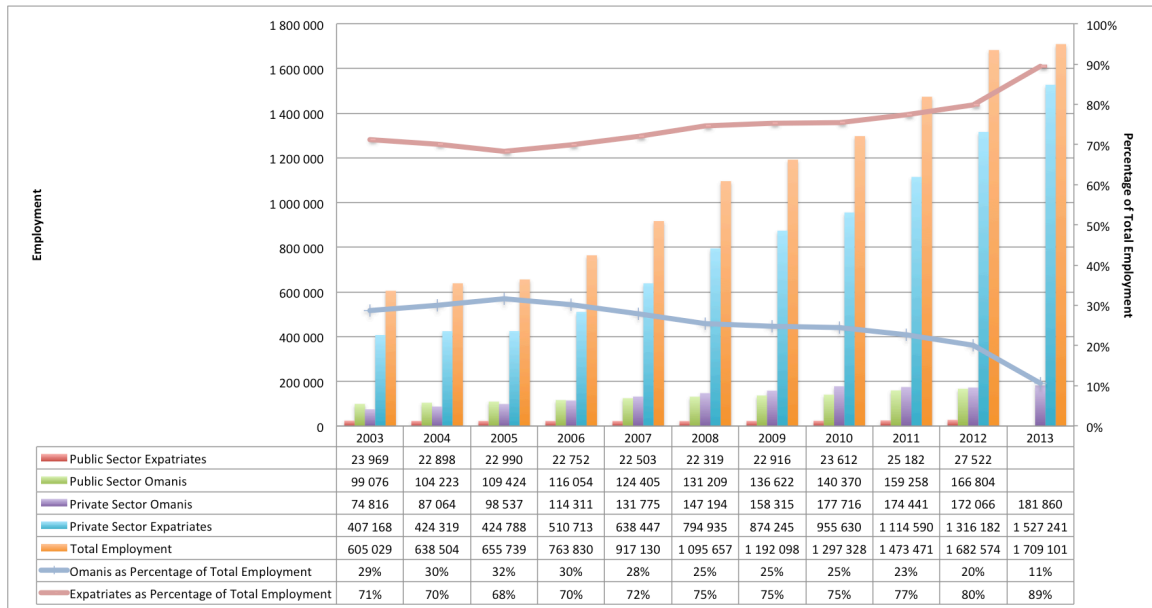


<sup>68</sup> Ibid, 31.

<sup>69</sup> Charts created by author based on Central Bank of Oman Annual Reports for 2013, 2009, and 2007. Public sector employment figures for 2013 were unavailable at the time of writing.



**Figure 6 Public & Private Sector Employment: Omanis & Expatriates (2003 – 2013)<sup>70</sup>**



“Omanization,” the government’s attempt to gradually replace expatriate laborers with Omanis was first introduced in 1988. The initial goal was to increase the proportion of Omanis working in the public and private sectors to 95 and 75 percent respectively, while decreasing the number of expatriates to 15 percent of total labor force. As Table 8 demonstrates, it is highly unlikely this goal will be achieved in the foreseeable future. As of 2013, expatriates account for nearly 90 percent of the total labor force whereas Omanis account for roughly 10 percent – almost the exact opposite of the stated “Omanization” goals.

Although it is admittedly outdated, a 1998 survey of 168 graduating Omani students at Sultan Qaboos University in Muscat suggests Omanis perceived the following

<sup>70</sup> Charts created by author based on Central Bank of Oman Annual Reports for 2013, 2009, and 2007. Public sector employment figures for 2013 were unavailable at the time of writing.

five factors to be the biggest barriers to achieving “Omanization” in the private sector: the lack of an annual leave entitlement that is comparable to the government; longer working hours; lack of an attractive remuneration/compensation package; working on Thursday<sup>71</sup>; lack of end-of-service benefits.<sup>72</sup> From the private sector employer’s perspective, a 2011 survey of 25 ministerial officials and private sector human resource managers suggests public sector attractiveness, skepticism among private sector employers toward Omanis, remuneration, and employability are barriers to achieving “Omanization” in the private sector.<sup>73</sup> What these two surveys confirm is the public sector remains more attractive to Omanis than the private sector. Similarly, expatriate labor remains more attractive to the private sector than Omani labor. The government response has been to encourage “Omanization” in the private sector by mandating minimum wage rates that are competitive with public sector compensation packages. While the intent is to stimulate private sector job growth for Omanis, the effect is a lack of enthusiasm among private sector employers toward Omani workers. As a result, the relationship between nationals and expatriates is not always pleasant nor are the benefits of a rentier economy equally enjoyed. Nationals are engaged in the distribution and utilization of external rents whereas expatriates receive little to no benefits of rent distribution, other than the ability to work in low-paying jobs that often require long

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<sup>71</sup> Until late 2013, the work week in Oman was Saturday through Wednesday, with Thursday and Friday reserved as the weekend. A royal decree was issued that changed the work week to Sunday through Thursday, with Friday and Saturday reserved as the weekend.

<sup>72</sup> Salma M. Al-Lamki, "Barriers to Omanization in the Private Sector: The Perceptions of Omani Graduates." *The International Journal of Human Resource Management* 9.2 (1998): 377-400.

<sup>73</sup> Stephen Swailes, L.G. Al Said, and Saleh Al Fahdi. "Localisation Policy in Oman: A Psychological Contracting Interpretation." *International Journal of Public Sector Management* 25.5 (2012): 357-72.

hours of manual labor or domestic servitude. Political rights do not extend to foreign workers and, though their standard of living is often better in the rentier economy to which they migrated compared to their native land, they are often vulnerable to exploitation. As Beblawi puts it, “expatriates are thus part of the labor force but not of the society.”<sup>74</sup> At the same time, nationals can develop a sense of resentment toward foreigners if they feel their national or individual identity is being compromised. Similarly, nationals sometimes see large numbers of foreign workers (both low-wage workers from South Asia and high-wage workers from Europe and North America) and associate their presence with rising unemployment problems, especially within the private sector.

#### **4.1.3 Merchant Family Empires**

Dominating the private sector in Oman are merchant family empires that collectively create an oligarchic political economy. Large conglomerates run by families and tribes have a significant amount of influence and have established themselves as an elite group within Omani society. While there is no single template for what defines a merchant family, these family-run commercial empires often gain strategic control over goods and services that are both necessary to economic development (like construction equipment and labor) and convenient to modern society (like automobiles and banks). Four key themes define the role and function of merchant families in Oman. First, these families have formed strategic alliances with the ruling family and with Sultan Qaboos in particular. The Zawawi family is perhaps the richest in the country and has had a

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<sup>74</sup> Beblawi, 59.

strategic relationship with the ruling Al Sa'id family for more than a century. The family's commercial empire OMZEST Group is an umbrella organization for more than 75 companies. It derives 43 percent of its revenue from manufacturing and has more than 4,000 employees. The company is deeply involved in manufacturing at the newly-developed Sohar Industrial Port and is the majority stakeholder of Oman International Bank, the Sultanate's third-largest financial institution.<sup>75</sup> Muqbal Al Zawawi was an unofficial advisor to Sultan Faysal (r. 1888 – 1913) and Qais Zawawi served as Foreign Minister (1973- 1982) and Deputy Prime Minister (1982 – 1995) until he was killed in a car accident involving Sultan Qaboos. Qais' brother Omar Zawawi is the Special Advisor for External Affairs to Sultan Qaboos and is believed to play a significant role in all major economic and foreign policy decisions. Second, many of these families gained their commercial strength prior to the rise of Sultan Qaboos and the oil-era and were well positioned to capitalize on the modernization of the national economy. For example, W.J. Towell was founded in 1866 and is run by the Sultan family (note: there is no relation to the position of Sultan), a Lawatiyya Shi'a family that helped Sultan Qaboos with some of the very first infrastructure projects in the early 1970s. Third, the succession process within these merchant families is as influential to the economy as the succession process within the government is to the state. In 2002, the Bahwan family split their commercial empire (which at the time was the second most profitable conglomerate in Oman) into two separate entities: Suhail Bahwan Group and Saud Bahwan Group. Suhail Bahwan Group has more than 10,000 employees, is the exclusive provider of BMW, Nissan, and

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<sup>75</sup> Interview in Oman: June 5, 2014.

Renault automobiles, heavily invests in industrial projects based in the port-city of Sohar, and has helped construct some of Oman's largest infrastructure development projects.<sup>76</sup> Saud Bahwan Group, on the other hand, has nearly 9,000 employees, is the exclusive provider of Toyota, Ford, and MAN commercial trucks.<sup>77</sup> The split between Suhail and Saud, two brothers, likely had a negative impact on their commercial interests and as one Omani interviewee noted, "suggests the Bahwan commercial empire is cracking at the seams."<sup>78</sup> Fourth, many prominent members of merchant families are also incorporated into the government and at times have even served as ministers with important portfolios, allowing them to craft public policy for private gain. Appendix D provides examples of prominent merchant family members who have also served in high-ranking positions within the Omani government.

The connection between merchant family empires and rentierism is this: large-scale public expenditure projects need suppliers of goods (capital) and services (labor). It is rarely small and medium-sized enterprises (SMEs) that are in a position to supply expensive goods and services for capital-intensive projects. Therefore, the merchant families that have the resources or relationships to become the sole suppliers of a given good or service are often the primary beneficiaries of government-driven expenditure projects. An Omani interviewee who works as a public sector economist noted the government has made a very public effort to bolster the amount of government contracts awarded to small and medium enterprises (SMEs) in an effort to diversify the economy

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<sup>76</sup> Interview in Oman: April 10, 2014.

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

and better allocate externally-derived rents, with a goal of 10 percent of total contracts awarded to SMEs.<sup>79</sup> Similarly, the 2013 CBO Annual Report notes that the Central Bank of Oman has advised banks to allocate five percent of their total credit to SMEs by the end of 2014.<sup>80</sup> The problem, says the Omani interviewee, is that many of these SMEs are actually subsidiaries to larger merchant family conglomerates and so the policy may be having the opposite effect by allocating government revenue away from SMEs and toward merchant family empires at the expense of private sector diversification and SME development.<sup>81</sup>

#### **4.1.3 Government Revenue and Expenditure**

Of course, the amount of public expenditure is determined by the amount of government revenue. Total government revenue has increased from 3.3 billion Omani Rials (7.8 billion USD) in 2003 to 13.9 billion Omani Rials (36.1 billion USD) in 2013. The increase in government revenue during this timeframe can largely be attributed to increased oil production and exportation combined with higher oil prices. Annual oil production in Oman increased from 299 MM/bbl in 2003 to 344 MM/bbl in 2013.<sup>82</sup> In terms of daily production, this equates to an increase from roughly 879 mm/bpd in 2003 to 942 mm/bpd in 2013. During that same timeframe, Oman's annual average oil price *quadrupled* from 10.72 Omani Rials/bbl (27.84 USD/bbl) to 40.63 Omani Rials/bbl (105.51 USD/bbl) (see Table 9).<sup>83</sup>

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<sup>79</sup> Interview in Oman: April 19, 2014.

<sup>80</sup> Central Bank of Oman. *Annual Report 2013*. Muscat: June 2014, 22.

<sup>81</sup> Interviews in Oman: April 19, 2014; April 22, 2014; and April 25, 2014.

<sup>82</sup> MM/bbl = millions of barrels (of oil); mm/bpd = thousands of barrels (of oil) per day.

<sup>83</sup> *Ibid*, 42.

Oil revenues have accounted for more than 60 percent of total government revenue in each of the last 10 years.<sup>84</sup> In 2013 alone, oil and gas accounted for 86 percent of government revenue, 66 percent of total exports, and 39 percent of gross domestic product (GDP) in Oman.<sup>85</sup> Yet, the stated goal of the economic diversification promoted by the Omani government is to decrease oil revenue as a percentage of GDP to nine percent by the year 2020, providing another example (like labor) where there is a glaring disparity between publicly stated goals and real economic conditions. According to the Central Bank of Oman, “on average, over 80 percent of crude oil production was exported in the last five years.”<sup>86</sup> Nearly all of Oman’s oil and gas exports (94 percent) go to countries in Asia, including China (59 percent), Japan (10 percent), Taiwan (9 percent), Thailand (5 percent), India (4 percent), Singapore (4 percent), and South Korea (2 percent).<sup>87</sup>

Gas revenue as a percentage of total government revenue has nearly quadrupled since 2003 (from 3 percent in 2003 to 11 percent in 2013), while tax revenue<sup>88</sup> has stayed more or less constant at 7 percent of total revenue (see Table 10). There is no personal income tax in Oman and a 12 percent corporate tax only takes effect after the first 11,550 RO (30,000 USD) in profit.<sup>89</sup> However, as part of Oman’s drive to attract foreign

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<sup>84</sup> Central Bank of Oman, 55.

<sup>85</sup> Central Bank of Oman. *Annual Report 2013*. Muscat: June 2014, 7.

<sup>86</sup> Central Bank of Oman, 21.

<sup>87</sup> Ibid, 45.

<sup>88</sup> The exact line item in the Central Bank of Oman’s Annual Report is “Taxes and Fees Revenues” which consists of 1) Income Tax on Companies and Establishments; 2) Company Participation in Technical/Training Projects; 3) Fees on Licenses and Others; 4) License Fees on Communications Services; and 5) Customs Duties.

<sup>89</sup> Interview in Oman: April 10, 2014.

investment and stimulate private sector growth, businesses can apply for a five-year tax-free waiver, renewable once for another five-year tax-free period. Interviews in Oman suggest companies repeatedly apply for and are often granted this waiver beyond the 10-year tax-free eligibility period and that of the roughly 200,000 registered companies operating in Oman, fewer than 700 companies (less than one percent) actually pay corporate income taxes to the government.

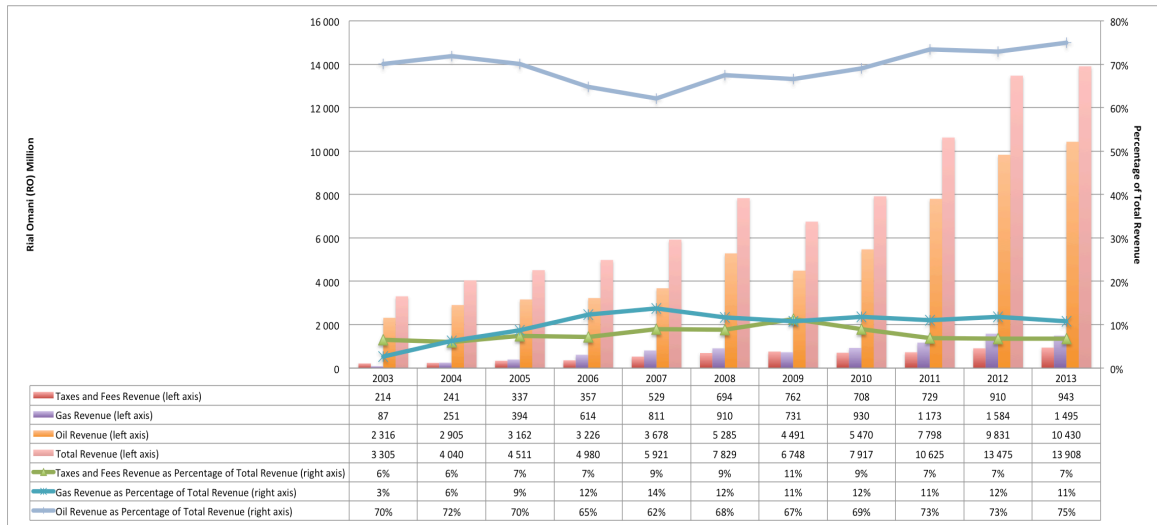
**Figure 7 Oman Annual Oil Production/Exportation & Average Price Per Barrel (2003 – 2013)<sup>90</sup>**



<sup>90</sup> Created by author based on Central Bank of Oman Annual Reports for 2013, 2009, and 2007.



**Figure 8 Government Revenue (2003 – 2013)<sup>91</sup>**



**Figure 9 Government Expenditure (2003 – 2013)<sup>92</sup>**



<sup>91</sup> and <sup>92</sup> Chart created by author based on Central Bank of Oman Annual Reports for 2013, 2009, and 2007.

The way in which Oman allocates revenue generated by oil and gas industry rents is through public expenditure. Government expenditure is broken down into three categories (see Table 11). Current Expenditure includes things like defense and national security and financing the civil ministries. Investment Expenditure includes mostly developmental expenditure, including expenditure related to the production of oil and gas. Participation and Other Expenses includes things like subsidies for housing, electricity, and other basic goods as well as subsidies for the oil industry.<sup>93</sup> Interestingly, public sector wages and allowances account for the single largest expenditure line item (18 to 25 percent of total expenditure during 2003 to 2013) in the Omani government budget.

This means nearly one-quarter of total public expenditure is dedicated to compensating Omanis for both employment and unemployment. By allocating a significant portion of revenue to public sector salaries and allowances, the Omani government can decrease the likelihood of dissent by compensating the portion of the population that cannot or will not benefit from the merchant family oligarchy. Additionally, since 2011, nearly 10 percent of public expenditure has gone toward subsidizing housing, electricity, and petroleum. These price controls are another example of how the effects of a rentier economy are hidden behind the affordability of basic goods and services. This is especially important for those Omanis that are not participating in the labor market.

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<sup>93</sup> Central Bank of Oman, 55 and 61.

Finally, large-scale publicly-financed construction projects (which fall under the Investment Expenditure category) provide highly-profitable commercial opportunities for those companies well positioned to provide the goods and services needed for such projects, mainly merchant family empires. By allocating revenue to construction, the Omani government is able to maintain support from a subset of the population that would otherwise pose a serious threat to regime stability. It is through this strategic allocation of resources – salaries and subsidies for the average Omani and large-scale construction projects for the merchant families – that the Omani government is able to use the rentier state model for legitimacy and political stability. The problem, however, is that over the years there seems to have been an increasingly lopsided allocation of government revenue that favored the elite Omani over the average Omani. While this helps explain the origin of the protest movement in Oman, it also helps explain the limited demands made by Omanis who were still benefitting (albeit less so) from the rentier system.

#### **4.2 Dynamics of the Omani Protest Movement**

Table 12 provides a detailed timeline of events during Oman's 2011 protest movement. It describes protestor demands and government responses, providing a unique look at the overall lifespan of the protest movement as well as key insights into the relationship between the ruler and the ruled. It cannot be claimed that every single protest-related event that occurred in Oman is captured here. In the same vein, to take just one example, teacher protests in front of the Ministry of Education in August 2010 demonstrate the existence of pre-Arab Uprisings labor-related grievances. Similarly, a July 2010 petition signed by 50 Omanis and addressed to Sultan Qaboos requested the

formation of a committee to review and ultimately replace the Basic Statute of the State with a formal constitution – an extremely bold request within the Omani political context. While it is outside the scope of this study to list each event in which Omanis expressed their grievances prior to 2011 and the region-wide Arab Uprisings, the takeaway is that the underlying causes are more directly related to the characteristics of Oman’s political economy than a region-wide contagion effect.

In other words, it is important to acknowledge that protests have occurred in Oman *independently* of the larger Arab Uprisings and therefore while the region-wide movement may have facilitated protests in Oman during 2011 by providing momentum, it cannot be claimed that this region-wide movement was the *source* of such protests. It is for this reason that rentier state theory provides the most useful framework for understanding and explaining the origins of the 2011 protest movement in Oman and why so much attention has been given here to the characteristics of Oman’s political economy. Without first understanding how these factors have shaped the national economy over the past decade especially, and last four decades generally, it is not possible to have an informed discussion about the origins of the protests in Oman.

The first signs of a protest movement began relatively early, on January 17<sup>th</sup> and February 1<sup>st</sup>. The first was a protest outside the Ministry of Housing and the second was a labor strike led by teachers - neither of which can be directly linked to the Arab Uprisings. It was not until one week later, on February 8<sup>th</sup>, that Oman’s version of the Arab Uprisings (officially dubbed “the Green March”) took place in the capital city of Muscat. A second “Green March” organized ten days later, on February 18<sup>th</sup>, took place

in front of several ministries and involved an estimated 350 Omanis who specifically demanded more transparency in the distribution of oil and gas revenues. Five days later, protestors made it clear they were *not* protesting against Sultan Qaboos (and at many points during the protest movement expressed their sincere support for his continued rule, including a public apology to His Majesty for damage done during one of the more rowdy protest events). Paradoxically, although the Omani government's unequal allocation of revenue within the rentier state model has created many, if not all, of the economic grievances expressed by Omanis during the protest movement, the demands made during this timeframe made it clear Omanis sought to maximize the benefit they received from this system, rather than change the system entirely. They wanted a bigger slice of the pie, not a new pie.

On February 23<sup>rd</sup>, Omani protestors essentially created a self-imposed limitation for their demands. By delivering a petition addressed to Sultan Qaboos stating grievances were directed at corrupt ministers and merchants and not His Majesty, the protestors could never be perceived as a serious threat to regime stability and essentially signaled their willingness to be placated if the Omani government, as the primary recipient of external rents, would simply recalibrate the welfare function of the rentier state and allocate increased levels of revenue to ordinary Omanis. Instead of directing their frustration toward Sultan Qaboos, protestors directed their anger toward specific ministers, especially Ahmed bin Abdul Nabi Macki, the Minister of National Economy, for his perceived corruption and mismanagement of the economy. The perception among

ordinary Omanis, “was that corrupt merchants and senior ministers had clearly pulled the wool over the sultan’s eyes and were taking advantage of him for their personal aims.”<sup>94</sup>

It is true that as time went on more politically-oriented demands were voiced (such as strengthening the decision-making authority of the *Majlis Al Shura*), but it is clear from each of the protest events that occurred during the 2011 timeframe, the chief concerns of Omani protestors had to do with the welfare function of the state. In short, Omani protestors limited their ability to seek meaningful reforms to Oman’s political economy. This is the real world manifestation of what Beblawi called “rentier mentality.” Omanis demanded the government change the way it distributes revenue (i.e. externally-derived rents) and allocate more public expenditure funds towards wages, allowances, and subsidies (which, as demonstrated earlier, already account for a significant portion of public expenditure). While these may be fair demands given the inequality that existed between ordinary Omanis and elite merchant families, it also demonstrated a desire to perpetuate the rentier state model.

The Omani government’s immediate response to protestors was to (rather easily) do exactly what the protestors demanded, proving the classical rentier state theory (Phase I) assertion that rentier states enjoy higher levels of autonomy is indeed false, as Matthew Gray’s first feature of “late rentierism” (the state is responsive, but undemocratic) confirms. Almost immediately, Sultan Qaboos increased stipends to university students from 65 USD/month to 234 USD/month and increased unemployment benefits to 390 USD/month. Additionally, His Majesty promised to create 50,000 new civil service jobs

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<sup>94</sup> James Worrall, “Oman: The ‘Forgotten’ Corner of the Arab Spring,” *Middle East Policy Council*, Vol. XIX, No. 3, 2012, 1-16.

and to continue using oil revenue to subsidize basic goods. As one Omani interviewee noted, the reality of the labor market has forced the promise of 50,000 new civil service sector jobs to change slightly. The revised promise is 35,000 public sector jobs and 15,000 private sector jobs, which as of late-2014, have yet to be fully realized.<sup>95</sup> What the Omani government realized during the protest movement (and has known for most of the past four decades), is “if you don’t own your citizens’ loyalty, perhaps you can rent it for awhile.”<sup>96</sup>

Contrary to Luciani’s assertion that loyalty is to the system and not the individuals in power, Omanis proved the reverse is true in their case – loyalty is to Sultan Qaboos *and* the system. On a related note, Schwarz’s argument that the strength of the state is measured through their ability to effectively operate their administrative functions can be seen here. While Schwarz defined the administrative function as the ability to collect taxes, in rentier states (and in the case of Oman), the administrative function should be defined by the state’s ability to allocate revenue. By doing just that during the 2011 protest movement, the strength of the Omani state was on full display.

By mid-March, with enthusiasm for sustained civil disobedience seemingly waning because of the Omani government’s ability to satisfy many of the protestors demands, the *modus operandi* for expressing discontent shifted away from street protests toward organized labor strikes, only to be followed in late-March and throughout much of April with some of the largest street protests on record during the protest movement in Oman. Omani workers at Oman Air, Oman International Bank, Oman Investment and

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<sup>95</sup> Interview in Oman: June 5, 2014.

<sup>96</sup> *The Economist*, “Arab Economies: Throwing Money at the Street,” March 10, 2011.

Finance Company, Rusayl Industrial Estate, and the government-owned Intercontinental Hotel all engaged in labor strikes.

In May, the Omani Army and Police attempted to clear any and all remaining protestors from their camps in Salalah and Sohar. In June and July, the police made a series of high-profile arrests and convictions, including 55 people in Jalan Bani Bu Ali, a small village in the eastern A'Sharqiya governorate, and 21 in Ibri, halfway between the old capital of Nizwa in the interior and the border with the United Arab Emirates.<sup>97</sup> By late-July, "activists announced their intention to suspend their action during Ramadan," the holy month in Islam scheduled to begin on August 1<sup>st</sup> of that year, during which Muslims fast from sunrise to sunset.<sup>98</sup> After Ramadan, there was a noticeable decrease in the level of support for a continued protest movement and the Arab Spring in Oman appeared to be largely contained, with elections for the *Majlis Al Shura* scheduled for October 15<sup>th</sup> of that year.

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<sup>97</sup> Worrall, 10.

<sup>98</sup> Marc Valeri, "The Qaboos-State under Test of the 'Omani Spring': Are the regime's answers up to expectations?" *CERI, CNRS at SciencesPo*, September 2011.



**Table 3 Protests in Oman: Timeline of Events<sup>99</sup>**

<b>Date</b>	<b>Event</b>
January 17, 2011	Approximately 200 protestors demonstrate in Muscat outside the Ministry of Housing to demand higher wages, lower prices for basic goods, and an end to corruption.
February 1, 2011	Teachers use text-messaging to organize strikes at schools across the country (Muscat, Seeb, Al Batinah, Sohar, Saham, and Suwaiq) to protest against a mandatory increase in pension fund contributions and to demand higher allowances for water, electricity, and housing as well as the introduction of performance-based pay and more frequent promotions.
February 8, 2011	The first <i>Green March</i> , the Omani-named version of the Arab Spring protests, takes place in Muscat.
February 18, 2011	The second <i>Green March</i> is organized online and takes place in front of several ministries in Muscat. An estimated 350 people gather in Muscat to demand an end to corruption and more transparency in the distribution of oil and gas revenue.

<sup>99</sup> This timeline of events was pieced together based on information provided from the following sources: (1) James Worrall, "Oman: The 'Forgotten' Corner of the Arab Spring," *Middle East Policy Council*, Vol. XIX, No. 3, 2012; (2) Said Sultan al Hashimi, "The Omani Spring: towards a break of a new dawn," *Arab Reform Initiative Brief*, No. 52, November 2011; (3) Talal Abdullah, "Oman: Sultan Qaboos Restructures Cabinet Ministers," *Gulf Arab Network*, March 7, 2011, <http://www.english.globalarabnetwork.com/2011030710133/Oman-Politics/oman-sultan-qaboos-restructures-council-of-ministers.html>; (4) Sunil K. Vaidya, "Oman protestors apologize to ruler," *Gulf News*, March 1, 2011; (5) Sunil K. Vaidya, "Workers Go on Strike at Oman Industrial Estate," *Gulf News*, March 17, 2011, <http://gulfnews.com/news/gulf/oman/message-of-green-march-protesters-delivered-to-sultan-qaboos-1.766655>; (6) "Oman Shuffles Cabinet Amid Protests," *Al Jazeera English*, February 26, 2011, <http://www.aljazeera.com/news/middleeast/2011/02/201122620711831600.html>; (7) "Workers at Oman Oil Refineries Stage Demonstrations," *Reuters*, March 20, 2011, <http://www.reuters.com/article/2011/03/20/oman-oilfields-strike-idAFLDE72J02R20110320>; and (8) "Omanis Make Economic Gains, Press for Democracy 2011," Global Nonviolent Action Database, April 13, 2011, <http://nvdatabase.swarthmore.edu/content/omanis-make-economic-gains-press-democracy-2011-0>.

February 23, 2011	Protestors deliver a petition to the Diwan of the Royal Court for the sultan's attention. In the petition, protestors make it clear they are not protesting against the rule of Sultan Qaboos but rather are expressing long-held grievances toward corrupt ministers and merchants.
February 25, 2011	Protests begin in Salalah where a group of young protestors held a sit-in at the governor's office and issued a "call-to-good" to Sultan Qaboos.
February 26, 2011	Protests erupt in northern port-city of Sohar in which protestors demand better employment opportunities. The 500-person crowd sets up camp in "Globe Roundabout" and blockades the <i>Lu Lu Hypermarket</i> .
February 27, 2011	<p>Protestors in Sohar begin looting and eventually set fire to <i>Lu Lu Hypermarket</i>, the governor's office, a police station, and a number of cars. Police respond by firing rubber bullets and tear gas, leading to the death of at least one Omani citizen. There are reports of police firing live rounds into the air in an effort to disburse protestors.</p> <p>The Shura Council holds an emergency meeting and establishes a committee to study the demands made by the protestors.</p>
February 28, 2011	Sultan Qaboos issues a royal decree that provides university students with higher stipends (from 65 USD/month to 234 USD/month), replaces six cabinet ministers, and increases unemployment benefits to 390 USD/month.

March 1, 2011	<p>The Omani Army moves into Sohar and clears protestors who were blockading the port and" Globe Roundabout."</p> <p>Protestors in Sohar release statement apologizing to Sultan Qaboos for the violence and sabotage committed on public and private property, but reiterate their demands.</p> <p>Sultan Qaboos shifts prosecutorial powers from the Royal Oman Police to the newly-autonomous Public Prosecution Department and announces the creation of the Public Authority for Consumer Protection.</p>
March 2, 2011	<p>After the show of force from the Omani Army and police, only 50 people show up in Sohar for a scheduled third <i>Green March</i>.</p>
March 4, 2011	<p>Demonstrations of loyalty to the Sultan take place with nearly 2,000 men gathering at a mosque in Muscat. Official reports suggest 10,000 protestors remain in Salalah and 5,000 protestors remain in Sur.</p>
March 5, 2011	<p>Omani oil workers in Haima, a key oil area, demand more investment in the region.</p>
March 6, 2011	<p>Approximately 200 Oman Air workers go on strike and demand higher wages. Similar employee-organized strikes and walk-outs occur during next two weeks at Oman International Bank, Oman Investment and Finance Company, and the Intercontinental Hotel (government-owned).</p>
March 7, 2011	<p>Sultan Qaboos issues numerous royal decrees to replace 16 of 29 cabinet ministers, create a state audit agency, and abolish the Ministry of National Economy (MNE).</p>
March 13, 2011	<p>Sultan Qaboos announces the Majlis al-Shura will be granted legislative and regulatory powers.</p>

March 14, 2011	Sultan Qaboos fires Inspector General for Police and Customs (i.e. Police Chief) Lieutenant General Malik bin Suleiman Al Maamary.
March 15, 2011	Approximately 400 Omanis at Petroleum Development Oman strike and demand higher wages. On the same day, Sultan Qaboos issues royal decrees to increase wages, welfare payments, and pension benefits as well as reshuffle the cabinet.
March 16, 2011	The grand mufti of Oman, Sheikh Ahmed bin Hamad al-Khalili denounces the violent protests in Sohar but praises the peaceful actions of protestors in Salalah.
March 17, 2011	Nearly 1,000 Omanis go on strike at Rusayl Industrial Estate demanding better working conditions and forcing all 150 of its units to stop their work. The effect was a complete halt in the transport of goods in and out of the estate.
March 20, 2011	Approximately 200 Omanis go on strike at refineries in Muscat and Sohar, demanding higher wages, better pensions, more training, regular promotions, and more Omanis in management positions.
March 21, 2011	An estimated 7,000 people protest in front of the Public Prosecutor's Office and demand an investigation into the finances of ministers, advisors, and officials.
March 28, 2011	The Omani Army clears approximately 20 remaining protestors from Global Roundabout in Sohar.
March 29, 2011	Reports circulate that the Public Prosecutor's Office has ordered the arrest of suspects from the Sohar protests.

April 1, 2011	After Friday Prayers, public protests erupt again in response to earlier arrests. Protestors throw stones at the police who respond with force, killing one and injuring six others.
April 22, 2011	Approximately 3,000 Omanis gather in Salalah to protest against corruption.
April 30, 2011	Protests against corruption continue in Salalah, with numbers peaking at approximately 10,000.
May 14, 2011	The Omani Army, using helicopters and armored personnel carriers, is ordered to disperse the protestors in Salalah.
May 22, 2011	With the exception of a few key leaders, almost all those detained are released.
August 1, 2011	Beginning of Ramadan.
August – October 2011	Small and scattered protests continue in Salalah and Sohar which seem to eventually fizzle out.
October 15, 2011	1,133 candidates compete for 84 seats during the Majlis al-Shura elections.

Generally speaking, Omani protestors focused on achieving economic justice after years of inequality generated by the misallocation of rents favoring merchant family empires at the expense of ordinary Omanis. Demands for higher wages, higher allowances for water, electricity, and housing, lower prices for basic goods, an end to corruption at the ministerial level, and more transparency in the distribution of oil and gas revenue were among the chief grievances expressed by protestors. As mentioned earlier, it is undeniable Sultan Qaboos has transformed Oman from “the hermit kingdom of the Middle East” into a modernizing country. It is these relative successes that created an atmosphere in which Omani protestors imposed limitations on themselves by carefully articulating their demands and directing their frustration and aggression elsewhere (toward ministers and merchants). More specifically, given that the majority of Omanis in the labor market are employed in the public sector, it was actually in their interest to see a continuation of the rentier state, and simply make demands that fit within that system because to throw out the rentier state model completely would be synonymous with endangering their livelihood. Demands for higher wages and allowances as well as lower prices for basic goods without a willingness to introduce a personal income tax or fill readily-available private sector jobs that demand a higher level of effort than public sector positions, for example, demonstrate Omani protestors wanted more than they were willing to give.

In his 2012 account of Oman as the “forgotten corner” of the Arab Spring, James Worrall pointed out that, “while neither entirely unprecedented nor unforeseeable...the events in Oman were more serious than the impression given in the foreign media and

they exposed continuing divisions within Omani society that need to be addressed while conditions remain benign” (suggesting the next sultan may not be as wise or friendly as Sultan Qaboos has been during his reign).<sup>100</sup> Worrall also suggested that the breadth of the demands, “made by the protesters betrayed both a sense of entitlement and the feeling that the government really could solve every problem.”<sup>101</sup> As several Omani interviewees noted, this is especially true among younger Omanis who have only experienced Oman under Qaboos and expect that all of their troubles will be resolved by the state.<sup>102</sup> What remains clear is the political economy of Oman has created serious challenges at the national level, yet at the individual level is often perceived to be both the problem and the solution.

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<sup>100</sup> Worrall, 12.

<sup>101</sup> Ibid, 8.

<sup>102</sup> Interviews in Oman: April 22, 2014; May 12, 2014; June 5, 2014; and June 8, 2014.

## **5. CONCLUSION**

The primary purpose of this analysis was to examine the origins of the 2011 protest movement in Oman, a strategically important country that remains chronically understudied by Middle East scholars. The analysis consisted of qualitative and quantitative information and relied on original in-country research conducted by the author between April and June 2014, which centered on information gathered during ten interviews with well-positioned Omanis in both the public and private sectors. In order to explain the origins of the protest movement, it was necessary to understand the grievances expressed by protestors; in order to explain the grievances it was necessary to understand the country-specific characteristics of the political economy; and in order to explain the political economy, it was necessary to understand the core concepts of rentier state theory. For this reason, rentier state theory has “explanatory primacy” because it is insufficient to simply suggest protests occurred in Oman because they were occurring elsewhere in the Arab world at a similar time. That approach ignores country-specific historical and cultural dynamics and incorrectly equates causes with symptoms. Instead, relying on academic literature that is specific to post-colonial state formation in the Middle East, the topic of discussion centered on a widely recognized theory that has evolved substantially over the last four decades and continues to be relevant even in the aftermath of the Arab Uprisings.



To rely on external rents as a primary source of government revenue and to then allocate that revenue throughout the population in ways that inevitably determine “haves” and “have nots” is to construct and operate a state that is very different from those found in Europe or North America, which, as Schwarz mentioned, developed according to a war-making paradigm and drew their legitimacy from the representation function. Instead, legitimacy in rentier states derives from the welfare function, which consists of the interconnectivity between rent collection, allocation, and utilization. This relationship decreases the sense of urgency for change and incentivizes maintenance of the *status quo*. The strength of the state can be measured through its administrative function. In the case of rentier states, it is not domestic taxation that is the primary administrative function, but rather the direct and indirect allocation of revenue throughout the population in a way that decreases the likelihood of dissent. From the government’s perspective, this is the way to consolidate power and maintain legitimacy. From the population’s perspective, this is the way to increase their opportunities to “accrue unearned income” and break away from the “work-reward causation” scheme that predominates in non-rentier states.

Between the 2003 and 2013 time frame, almost 90 percent of Oman’s oil was exported, during which time oil prices quadrupled and led to a 12-fold increase in government revenue. This externally-derived oil revenue as a percentage of total revenue far exceeded Luciani’s “more than 40 percent” threshold for rentier states, accounting for more than 60 percent and as much as 75 percent of total revenue during the last decade. The government sought to allocate this revenue to the population directly through wages,

stipends, and allowances (25 percent of total public expenditure) and indirectly through subsidies (10 percent of total public expenditure). Large-scale public expenditure on the construction of industrial projects (40 percent of private sector employment) heavily favored merchant family empires that positioned themselves as the sole providers of the necessary goods and services for such projects. Similarly, despite efforts like “Omanization” and an emphasis on decreasing the number of expatriates as a percentage of both the labor force and total population, these industrial projects attracted a large amount of foreign laborers who were preferred by the private sector because of their low-wages and willingness to work longer hours than Omanis. As a result, Oman developed an addiction to foreign labor, and the Omani population, to a degree, allowed this to happen given the strong welfare system of the rentier state in which they could “accrue unearned income” rather easily without entering the labor market. This is one version of the breakdown in the “work-reward causation” in which many Omanis have chosen to benefit from the rentier system rather than fill readily available jobs in the private sector, which have increasingly been filled by expatriates during the last ten years.

Because, on average, Omanis consist of only 10 percent of the labor force it is true that only a small portion of the population is engaged in the generation of rent, whereas the majority is involved in the utilization of it. This labor market distortion in particular has facilitated the onset of rentier mentality in which the Omani population, generally speaking, perceives their prosperity to be directly tied to the state rather than their active involvement in the labor force. More specifically, Omanis see their *level* of prosperity directly tied to the government’s ability to allocate revenue in a more equitable

manner. The unequal allocation of oil revenue by the Omani government created grievances among the population.

Over the past four decades, the allocation of revenue has favored merchant family empires that were able to capitalize on their strategic positions within the national economy and, in many cases beyond industrial project construction, became the exclusive provider and representative for certain goods and services within the Sultanate (as evidenced with the automobile industry). When Sultan Qaboos took over in 1970 a mutually beneficial relationship was formed between the ruling family and these merchant families. The ruling family needed the commercial weight of the merchant families to build a state from scratch – and if some families were not yet approaching “empire” status, Sultan Qaboos could lend a hand to make sure they would (as he did with the Bahwan family) so long as they pledged their loyalty to their new leader and the relatively small Al Sa’id family. In this way, what happened early on between the ruling family and merchant families only developed later with the rest of the Omani population. First, the success of merchant family empires became directly tied to the success of the nascent Sultanate (and vice versa). Only then was a similar, although less lucrative, social contract constructed between Sultan Qaboos and the rest of the Omani population in which loyalty was gained through the collection, allocation, and utilization of external oil rents.

It is also clear that protestor demands were focused primarily, although not exclusively, on factors related to their role within this rentier system. Demands for higher wages and allowances, lower prices for basic goods, and more transparency in the

distribution of oil revenue trumped demands for greater political liberalization and representation. That the protest movement started in the street and ended in the workplace demonstrates the importance of the labor market in Oman. Yet, paradoxically, Omanis demonstrated through their letter to Sultan Qaboos that despite Luciani's assertion, "loyalty is to the system, not the individuals in power," in Oman loyalty is to the system *and* the individual in power because Omanis see their ability to benefit from the rentier system tied to the stability of the Qaboos era. As Worrall noted and Omani interviewees confirmed, younger Omanis who have had no experience with pre-Qaboos Oman appeared to exhibit a sense of entitlement, as evidenced by their demands, that is less common in the older generation of Omanis who are keenly aware of Oman's days as "the hermit kingdom of the Middle East" and are therefore grateful for the progress that has been made during the last four decades (yet, with an astute awareness of the challenges that lie ahead in a post-Qaboos, post-oil era).

The dual dependencies of Oman's political economy – oil for revenue and expatriates for labor – demonstrate, as Mahdavy and Beblawi originally suggested, that no state can be rentier forever. If the economic trends of the last ten years continue, the political economy will create grievances that perhaps cannot be appeased with higher wages and the promise of 50,000 new civil service jobs. At the same time, if Omanis seek meaningful change they will need to move beyond the rentier state and overcome rentier mentality – something that was not achieved despite the largest protests that have occurred at any point during the reign of Sultan Qaboos.

## APPENDIX A: INTERVIEW MATRIX

	Date	Position
Interview 1	9-Apr-14	Private Sector CEO
Interview 2	10-Apr-14	Public Sector Economist 1
Interview 3	22-Apr-14	Private Sector Lawyer
Interview 4	25-Apr-14	University Professor 1
Interview 5	30-Apr-14	Former Member, Majlis Al Shura
Interview 6	7-May-14	Member, Supreme Council for Planning
Interview 7	12-May-14	Private Sector Education Specialist
Interview 8	28-May-14	University Student
Interview 9	5-Jun-14	Public Sector Economist 2
Interview 10	8-Jun-14	University Professor 2

## APPENDIX B: LEADERS OF OMAN: IMAMS AND SULTANS

Imam	Date	Sultan	Date
Imam Ibn Masood	751 AD	No Sultan	
Ya'rubia Dynasty (multiple Imams)	1624 - 1744		
Imam Ahmad bin Sa'id Al Bu Sa'id	1744 - 1783		
Imam Sa'id bin Ahmad	1784 - 1821	Sultan Hamad bin Ahmad	1784 - 1792
		Sultan Sultan bin Ahmad	1792 - 1804
		Sultan Sa'id bin Sultan	1804 - 1856
No Imam		Sultan Thuwaini bin Sa'id	1856 - 1866
		Sultan Salim bin Thuwaini	1866 - 1868
Imam Azzan bin Qais	1868 - 1871	No Sultan	
No Imam		Sultan Turki bin Sa'id	1871 - 1888
		Sultan Faysal bin Turki	1888 - 1913
Imam Salim bin Rashid Al Kharusi	1913 - 1920	Sultan Taymur bin Faysal	1913 - 1932
Imam Muhammad bin Abdullah Al Khalili	1920 - 1954	Sultan Sa'id bin Taymur	1932 - 1970
Imam Ghalib bin Ali	1954 - 1959		
No Imam		Sultan Qaboos bin Sa'id Al Sa'id	1970 - Present

## APPENDIX C: BASIC STATUTE OF THE STATE: KEY ARTICLES

Article	Description
Article 1	The Sultanate of Oman is an Arab, Islamic, Independent State with full sovereignty and Muscat is its Capital.
Article 2	The religion of the State is Islam and Islamic Sharia is the basis for legislation.
Article 3	The official language of the State is Arabic.
Article 5	The system of governance is Sultani, hereditary rule in the male descendants of Sayyid Turki bin Sa'id bin Sultan, provided that whomever is to be chosen from amongst them as successor shall be a Muslim, mature, rational and the legitimate son of Omani Muslim parents.
Article 6	The Royal Family Council shall, within three days of the throne falling vacant, determine the successor to the throne. If the Royal Family Council does not agree on a choice of a Sultan for the Country, the Defense Council together with the Chairman of the Majlis Al Dawla, Chairman of the Majlis Al Shura, and the Chairman of the Supreme Court along with two of his most senior deputies, shall instate the person designated by His Majesty the Sultan in his letter to the Royal Family Council.
Article 11, § 3	All natural wealth and resources thereof are the property of the State, which shall preserve and utilize them in the best manner taking into consideration the requirements of the security of the State and the interests of the national economy. No concession or investment of any public resource of the Country shall be granted except by virtue of a law, for a limited period of time, and in a manner that preserves national interests.
Article 12, § 3	The family is the basis of the society and the Law regulates the means for protecting it, preserving its legitimate entity, strengthening its ties and values, safeguarding its members and providing suitable conditions to develop their potential and capabilities.
Article 28	The freedom to practice religious rites according to recognized customs is protected, provided it does not violate public order or contradict morals.
Article 29	The freedom of opinion and the expression thereof through speech, writing and other means of expression is guaranteed within the limits of the Law.
Article 31	The freedom of the press, printing, and publishing is guaranteed according to the terms and conditions prescribed by the Law. Anything that leads to discord, affects the security of the State, or prejudices human dignity or rights, is prohibited.
Article 32	The Citizens have the right to assemble within the limits of the Law.
Article 39	Paying taxes and public dues is a duty according to the Law.
Article 53	Members of the Council of Ministers shall not combine their ministerial office with chairmanship of or membership to a board of directors of any public joint-stock company. The Government units which they are in charge of or supervise shall not deal with any company or establishment in which they have a direct or indirect interest. They shall always, by their conduct, pursue the interests of the Country and work in furtherance of the public benefit. They shall not exploit their positions in any manner whatsoever, whether for their own benefit or for the benefit of those with whom they have a special relation. (Note: applies to the rank of Minister only)
Article 58	Majlis Al Dawla shall consist of a chairman and members whose number, inclusive of the Chairman, shall not exceed the total number of members of Majlis Al Shura, and whom shall be appointed by virtue of a Royal Decree.
Article 58 § 8	Majlis Al Shura shall consist of elected members representing all Wilayat of the Sultanate. The number of the members of Majlis Al Shura shall be determined so that each Wilayat shall be represented by one member if that Wilayat has a population not exceeding thirty thousand on the commencement date of candidature, or two members of the Wilayat population exceeds that limit on the same date.
Article 58 § 19	His Majesty the Sultan, in circumstances His Majesty determines, may dissolve Majlis Al Shura and call for new elections within four months from the date of dissolution.
Article 58 § 35	Draft laws prepared by the Government shall be referred to Majlis Oman [Shura + Dawla] for approval or amendment, and then shall be directly submitted to His Majesty the Sultan to be promulgated. In case of any amendments by Majlis Oman on the draft law, His Majesty the Sultan may refer it back to the Majlis for reconsideration of the amendments and then resubmission to His Majesty the Sultan.
Article 58 § 39	His Majesty the Sultan may promulgate Royal Decrees that have the force of law between the sessions of Majlis Oman and while Majlis Al Shura is dissolved and the sessions of Majlis Al Dawla are suspended.

## APPENDIX D: MERCHANT FAMILY EMPIRES

Merchant Family	Business Interests	Government Role
Al Sa'id	TAWOOS GROUP: National Trading Company, Sohar Power Company, Oman Chlorine, Muscat Hills Golf & Country Club	1) Qaboos bin Sa'id – Sultan (1970-present) 2) Haitham bin Tariq – Minister of Heritage and Culture
Bahwan	SUHAIL BAHWAN GROUP: BMW, Nissan, Renault, Sohar and Salalah industrial projects, National Bank of Oman, numerous construction projects including hotels, shopping complexes, LNG facilities, power stations, etc.  SAUD BAHWAN GROUP: Saud = Toyota, Ford, MAN commercial trucks, Hertz Rent-a-Car	N/A
Darwish	MOHSIN HAIDAR DARWISH: Jaguar, Land Rover, Volvo, Alsig (industrial gas)	N/A
Khimji	KHIMJI RAMDAS/AJIT KHIMJI: Textiles, furniture, household goods	N/A
Ma'shani	MUSCAT OVERSEAS GROUP: Nawras, Bank Muscat, Bank Dhofar, Dhofar Insurance, Salalah Medical Supplies Manufacturing Company, Salalah Port Services Company, Oman Oil Company, Dhofar Power	1) Sheikh Mustahail bin Ahman al Ma'shani - Minister of Social Affairs and Labor and State Advisor 2) Salim bin Mustail - Advisor, Diwan of the Royal Court
Shanfari	SHANFARI GROUP: Jeep (split w/ Zubair in 2005), Harley Davidson, Ferrari, Lamborghini, Maserati, Saab	1) Saeed Al Shanfari – Minister of Oil and Gas (1974-1977)



Sultan	W.J. TOWELL: Oman Oil Company, Sohar Industrial Port Corporation, Sohar Power Company, property development in wealthy Muscat neighborhoods	1) Maqbool bin Ali Sultan - Chairman Omani Chamber of Commerce (1987-1991); Minister of Commerce and Industry (1991-2011) and Chairman, Oman Oil Company; Chairman, Sohar Industrial Port Corporation 2) Jamil Al Sultan - Chairman Omani Chamber of Commerce (1991-2011)
Zawawi	OMZEST GROUP: Sohar Industrial Port, Oman International Bank	1) (Late) Qais Zawawi - Foreign Minister (1973-1982); Deputy Prime Minister (1982-1995 d.) 2) Omar Zawawi - Special Advisor for External Affairs (major economic and foreign policy role) 3) Muqbal Al Zawawi - Unofficial advisor to Sultan Faysal (1888-1913)
Zubair	ZUBAIR CORPORATION: Volkswagen, Chrysler, Jeep, Mitsubishi, Peugeot, Yamaha, Shangri La Bar Al Jissah hotel complex, Sohar Power Company	1) Mohammed Zubair - First Chairman of Omani Chamber of Commerce (1972-1974); Minister of Commerce (1974-1982) and Advisor to His Majesty for Economic Planning Affairs (1982-Present) 2) Zubair Al Hutti - Dhofar Governor (1930s); 3) Khalid Al Zubair - Member of the Board, Omani Chamber of Commerce 4) Juma bin Ali Al Zubair - Minister of Manpower until 2008
Khalili	AL TAHER GROUP: Caterpillar construction equipment, Shell Oil, Coca Cola	1) Saud Al Khalili - Member of Qaboos Cabinet 1970 2) Salim bin Halal Al Khalili - Minister of Agriculture until 2011; former Chairman of Omani Chamber of Commerce 3) Abd Al Malik bin Abdallah - Executive Chairman of Royal Court Pension Fund, Chairman Bank Muscat, Minister of Tourism (2011-2012), current Minister of Justice <sup>103</sup>

<sup>103</sup> The information presented in this chart was compiled by the author from several news articles, quotes, and academic resources and confirmed through in-person interviews with Omanis between April and June 2014.

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## **BIOGRAPHY**

From 2013 to 2014, Eric Johnson was a Boren Fellow in the Sultanate of Oman. Boren Fellowships are funded by the National Security Education Program (NSEP), a U.S. government initiative focusing on geographic areas, languages, and fields of study deemed critical to U.S. national security.

From 2012 to 2013, Eric was the Operations Lead on the Ministry of Defense Advisors (MoDA) Training Program, the first U.S. Department of Defense civilian advisors training program since the Vietnam War. He helped implement and improve a series of complex training programs for approximately 100 senior-ranking U.S. Department of Defense civilians deploying to advisory posts within Afghanistan's Ministries of Defense and Interior.

From 2008 to 2012, Eric worked at the Institute of International Education (IIE), one of the world's largest educational non-profit organizations. During his tenure at IIE, Eric managed numerous publicly- and privately-sponsored international programs for students, teachers, business leaders, and government officials from around the world.

Eric has professional overseas experience in Europe and the Middle East and has worked on successful political campaigns at the state and national level. He holds a B.A. in International Relations from the University of Delaware and a M.S. in Conflict Analysis and Resolution at George Mason University.