



The Institute for National Security Studies  
Strategic, Innovative, Policy-Oriented Research

*INSS Insight* No. 924, May 4, 2017

## **Oman after Qaboos: Challenges Facing the Sultanate**

**Yoel Guzansky**

Other than a few localized incidents of violence, Oman navigated the regional upheavals of recent years while maintaining stability. However, the sultanate is now facing several challenges liable to upset this state of affairs, led by the economic crisis, which has reignited public unrest, as well as a possible crisis of succession that may erupt with the death of Sultan Qaboos bin Said al-Said, who has no officially designated heir. Similar challenges are shared by several Arab monarchies in the Gulf, but geopolitical conditions and unique characteristics in Oman render these challenges acute.

### **The Economic Crisis**

A major threat to Oman's stability is the economic crisis caused by the drop in government revenues from the sale of oil. With 80 percent of its income coming from oil, the government is now hard pressed to balance the need to pass economic reforms with the need to meet the terms of the unwritten social contract with its populace, which promises welfare in exchange for a preservation of the existing political order. Indeed, in February 2017, many Omanis took to the street for the first time since February 2011. This time, the trigger was a sharp increase in fuel costs, since in January 2015 the government started gradually reducing fuel subsidies (while raising the price of electricity and water). As a result, the cost of gas at Omani pumps rose by 75 percent to about \$0.50 per liter. A further cut in subsidies is also under consideration, though this is seen as a last resort given the concern about the possible outbreak of large scale social unrest. While Omani citizens are frustrated with the economic situation and want to play a more active role in the affairs of state, they also want to avoid the bloodshed and chaos that have befallen several Arab states since the spring of 2011.

Oman's oil and foreign currency reserves are smaller than those of other members of the Gulf Cooperation Council. For the government to be able to balance its budget, the cost of a barrel of oil must hit \$80. Because of the economic situation, Oman – not an OPEC member – is now asking for advances on the oil it sells. In addition, in January 2018, the sultanate will, like other GCC members, start collecting value added tax from its citizens. At the current level of oil prices, it is likely that Oman's modest foreign currency reserves will quickly dwindle if the government does not in tandem privatize assets, borrow money from abroad, and receive additional assistance from its rich neighbors to face the budgetary shortfall. More Gulf aid is not

a given because of the financial pressure experienced by the other GCC members and because of Oman's ties to Iran. In fact, Oman can better extricate itself from the current crisis and reduce its dependence on oil by realizing Iranian investments on its soil, first and foremost the laying of a gas pipeline between the two states. Oman is also hoping that Iran Khodro, the large Iranian car manufacturer, will build a manufacturing plant in the state.

### **The Question of Succession**

The 76-year old Qaboos, the longest ruling Arab leader, seized the throne from his father in July 1970, with help from Great Britain and Jordan. For many Omani inhabitants, Qaboos is Oman and Oman is Qaboos. His popularity is not accidental: Qaboos ended the backwardness and international isolation that had characterized the sultanate. But unlike other Gulf monarchs, Qaboos, who was married for only a short period, has neither children nor brothers. It is widely thought that Qaboos suffers from colon cancer and that his long absences from the country in recent years have been due to medical reasons. He rarely appears in public, and in recent photographs he looks exceptionally frail. Hence the concern that it will be difficult to maintain the sultanate's political stability when his absolute rule – Qaboos holds all the key government portfolios – draws to a close.

In March 2017, Qaboos appointed his 63-year old cousin Assad Ibn Tariq, a former military man who has been the sultan's proxy since 2002, as a deputy prime minister, in practice positioning him as a potential successor alongside another deputy prime minister, 67-year old Fahd Ibn Mahmud. The latter's chances of succeeding Qaboos are slim, given that the mother of his children is not Omani. Moreover, there is a sense that Oman's rules of succession were lifted directly from *One Thousand and One Nights*: Section 6 of the Omani constitution, introduced by Qaboos in 1996, states that within three days of the moment the position of sultan is vacated, "the family council" will determine the successor. If the council members fail to arrive at a consensus, a letter (in two copies) that the sultan deposited in two different locations in the sultanate must be opened. The letter will reveal Qaboos's heir. Therefore, a crisis of succession is a possibility that must be considered as there may be struggles among different family branches or between the family and the military. Moreover, it is not inconceivable that different tribes and governorates, including Dhofar, will again opt to rebel.

### **A Delicate Balancing Act**

Qaboos used the sultanate's revenues, coming from the sale of an average of one million barrels of oil a day, to benefit a development project of tremendous scope. He also implemented a neutral foreign policy, reflecting the sultanate's strategic location and relative weakness. This policy was related to Oman's unique ethnic composition, especially the moderation attributed to most of its population, who are neither Shiite nor Sunni but belong to the Ibadi strain of Islam. This may be why Oman is the only Arab state that has no fighters among Islamic State ranks. As part of its policy of neutrality, and in contrast to its neighbors, Oman has also maintained very

close relations with Iran, because Iran helped Qaboos establish his rule and suppress a revolt that broke out in Dhofar. Therefore, it is not surprising that Oman has not joined the fighting in Yemen alongside the other GCC members, and some even view Oman as an “Iranian proxy.” This image has been reinforced by reports over the last two years that Oman has allowed Iran to smuggle arms across its territory to the Houthis in Yemen. Oman only joined the pan-Islamic alliance to fight terrorism, created by Saudi Arabia and in practice aimed against Iran, in December 2016, a year after its inception. By taking this essentially symbolic step, Oman hopes to reduce criticism and pressure from Riyadh and earn bonus points in negotiations for economic aid from the GCC.

Oman also exploits its relations with Iran as leverage against Saudi Arabia to curb the latter’s political and religious influence. Oman and Iran, sharing the Straits of Hormuz, the most important naval passage in the world, have strengthened political and economic relations since Hassan Rouhani was elected Iran’s president. Furthermore, Qaboos’s proximity to Iran helped achieve the nuclear agreement with Iran: already back in 2009, Qaboos, without informing Oman’s GCC partners, offered the United States its good services in negotiating the nuclear issue, which later turned into the secret talks that ended with the JCPOA. Oman’s attitude to Israel also differs from that of its Gulf neighbors and has, on more than one occasion, been the cause of tensions. In 1994, the sultanate, which had never fully boycotted Israel, hosted the regional working group on water (a byproduct of the Madrid Conference), and in 1996 agreed to host an Israeli commercial delegation in Oman. Beyond cooperation in areas such as desalination and irrigation, it has been reported that Oman has received Israeli military aid. During the second intifada, Oman closed the Israeli mission, but the two states continue to maintain discreet relations.

Visitors to Oman cannot help but be awed by the sultanate’s uniqueness, a critical component in maintaining its stability. But the economic crisis and possible succession crisis are liable to test this stability in the not so distant future. For nearly half a century, Sultan Qaboos used his ability to mediate and balance hostile neighbors as the key to his foreign policy. His successor can be expected to maintain this delicate hedging strategy, motivated purely by the will to survive in a hostile neighborhood. But along with ramifications for the sultanate’s domestic arena, instability in Oman might hurt its ability to continue to play a central role in mediating and reducing regional tensions.