



MIDDLE EAST INSIGHTS

The Role of Oman's Diasporic Business Networks in Circumventing the Qatar Blockade

By **NISHA MATHEW & MONISHANKAR PRASAD**

ABSTRACT

We conclude the 'Cities and Networks' Series with a co-authored piece by Nisha Mathew and Monishankar Prasad on the significance of Oman's diasporic community in weathering the Qatar blockade. The authors argue that mercantile networks of diasporic communities have helped Oman respond to the diplomatic challenges thrown in its path by the blockading parties of Saudi Arabia and the UAE.

A SHY AND MATURE STATE IN THE GCC

Of all the six Gulf Cooperation Council (GCC) states, the Sultanate of Oman has remained by far the least visible in the international domain. Despite shared economic and political features, including an oil-based economy and monarchic rule, Oman has shied away from the infrastructural, political, and financial excesses of its neighbours like Saudi Arabia, Qatar and the UAE. Neither can it lay claim to breathtaking marvels found within a city like Dubai nor be criticised for blatant human rights violations, as in the case of Saudi Arabia or even Qatar. On the foreign policy front, too, it has stayed rather quiet, committing to the agenda of no state in particular while showing remarkable empathy with those that have been ravaged by humanitarian and other kinds of crises, whether in the region or beyond. Oman's mature approach to problems both at home and internationally has earned it a certain moral and cultural distinction, a trust and respectability enabling it to play the part of an informal mediator in several high profile diplomatic interlocutions.¹ Can Oman transform this

¹ Oman's Foreign Minister Yusuf bin Alawi played the interlocutor's part in the 2015 talks between Syria's Bashar al-Assad and US Secretary of State John Kerry. Oman was also instrumental in helping the Obama administration lay the groundwork for the negotiations that led to the signing of the JCPOA in 2015. For details see, Sigurd Neubauer, "Oman enters the frontlines of diplomacy," *Gulf International Forum*, March 30, 2018, <https://gulff.com/oman-enters-the-front-lines-of-diplomacy/>.

distinction and trust that it commands in the international arena into significant economic and political capital at home, especially as oil revenues dwindle and unemployment rates rise?

Reflecting on this question in this article, we insist that Oman cannot afford to do otherwise. If, on the one hand the sultanate has to address the pressing social and economic demands made by a rapidly growing young citizenry at home, on the other, there is the regional security threat posed by a gradually destabilising GCC itself. The Qatar blockade, the rising Saudi and Emirati antagonism against Iran, and the war in Syria and Yemen are all political developments that do not bode well for the future of the GCC. Survival amidst chaos on fronts ranging from the military and political to the social and cultural demands new strategies from its member nations. For Oman, which takes a non-partisan approach to many of these issues plaguing the GCC, the current moment unfolds new economic, political and urban possibilities. How prepared is Oman to respond to this moment, to take the plunge and tap the opportunities that lie hidden in the murky political waters of the GCC?

SHIFTING GEARS WITH THE QATAR CRISIS

The sanctions against Qatar imposed by Saudi Arabia, the UAE and its allies in June 2017 and continuing since have re-centred Oman and brought it to the forefront of regional politics as well as economics in the Gulf. The Emiratis' closing of Dubai's Jebel Ali port to Qatar has given Oman's pristine coastline of a thousand plus kilometres a new lease of life, and activated its network of commercial ports from Muscat and Sohar in the north to Salalah in the south as maritime gateways to a logistically isolated Qatar. Similarly, Oman has provided Qatar with access to its airport in Sohar, which is now positioned to be a second Hamad International airport catering to expatriates across the border in the UAE wanting to travel to Doha for business needs or in transit to Europe, the United States, etc. In fact, Sohar is now a major transit point on Qatar Airways' routes, and holds the potential to become a significant tourist destination in its own right.²

As trade volumes between the two nations continue to rise considerably, Qatar finds Oman a reliable partner and its ports like Sohar a feasible site to invest in so that it can develop an alternative non-oil resources supply chain in preparation for the 2022 Football World Cup tournament. Over the past year, it has spent a whopping 5.5 billion Qatari riyals to develop Oman's sea and airport assets as well as numerous ventures in Oman's petrochemical sector.³ Besides offering transshipment facilities to Qatar, Oman which is self-reliant in fruit and vegetables, has been able to

² Saleh Al Shaibany, "Qatar Airways transfers Dubai flights to Oman's Sohar airport," *The National*, July 18, 2017, <https://www.thenational.ae/world/gcc/qatar-airways-transfers-dubai-flights-to-oman-s-sohar-airport-1.610088>.

³ "GOIC inaugurates the Qatari-Omani joint entrepreneurs' meeting in Doha," *MuscatDaily.Com*, April 12, 2018, <https://www.muscatdaily.com/Archive/Business/GOIC-inaugurates-the-Qatari-Omani-joint-entrepreneurs-meeting-in-Doha-58d6>.

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export agricultural produce to Qatar and serve as an integral member of the alternative supply chain that the latter has built over the past year that includes Iran and Turkey.

There is, however, a flip side to this growing trade and the state-to-state political ties that foster it. The opposite camp, with Saudi Arabia and the UAE in the vanguard, has been watching all of these developments with renewed interest, making it difficult for Oman to maintain its political position as a neutral player. The Emiratis and the Saudis have both been quick to hold Oman down and force it to live up to its image of political non-partisanship by pouring money into projects in which Qatar has stakes. For instance, Saudi Arabia has invested US\$210 million in Duqm, Oman's flagship port,⁴ while Abu Dhabi has flushed into several projects in Sohar and Salalah an amount no less than US\$235 million.⁵ The blockading parties believe this carrot and stick policy of wielding investments to bring Oman in line might turn developments in the foreseeable future to their advantage vis-a-vis Qatar.

AN INEVITABLE TURN TOWARDS MERCANTILE NETWORKS

Can Oman resist the pressure building up from such exercises and surmount the challenges thrown in its path by the country's two wealthy neighbours? We contend it can, but only by resorting to a different tactic altogether — a tactic proven to work and perfected by Dubai, a tactic that involves the state piggybacking off mercantile networks of diasporic communities. An important aspect we must not overlook is that no investment package stops at the formal transfer of a stipulated amount of money to the receiving state. Nor is it simply a number of state-owned companies or private investors pledging sums that add up to the amount made much of in press reports and television debates. Given the way things work in Oman and, to some extent, other parts of the GCC, these many millions of dollars transferred (or likely to be transferred) are allocated to infrastructure, construction, manufacturing, contracting and logistical firms owned by private players and expatriate communities with high stakes in the economy.

We have Indian-owned enterprises in Oman such as Khimji Ramdas, Al Turki Enterprises and Al Tasnim, who are supplying construction material and expertise to Qatar ahead of the Doha 2022 World Cup. Similarly, the logistics and warehouse infrastructure in the Sohar Free Zone, which Qatar has helped develop with a view to bypassing the blockade, will be operated by two Indian family-owned conglomerates, the Bahwan Group and Oman Trading Establishment. All these business families share the same ethnic profile. They are *Banias*, a Hindu merchant caste from Kutch

⁴ "Oman signs \$210 million financing for key industrial project," *Reuters*, January 5, 2018, <https://www.reuters.com/article/us-oman-saudi-loans/oman-signs-210-million-saudi-financing-for-key-industrial-project-idUSKBN1EU1CL>.

⁵ "Oman's largest Arab foreign investor revealed," *Times of Oman*, August 27, 2017, <https://timesofoman.com/article/115974>.

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in the Gujarat region of India with a historical presence in Oman going back to the 18th century when they came in as pearl traders. Yet another prominent group of Indian traders that will play a major role in the country's new ventures are the *Lavatiyas* of Shi'a lineage or the Khojas, as they are otherwise known, from Sind.⁶ *Lavatiya* families hold sizeable shares in the National Bank of Oman and several petroleum companies, besides owning import businesses such as the W. J. Towell Group, which has subsidiaries across the Gulf. There also are diasporic Arabs of Iranian origin called *Ajamis* — *Ajami* literally means foreigner in Arabic and is often considered a derogatory term — who command significant business empires such as Mohsin Haider Darwish.

The most interesting feature of these wealthy and influential diasporic communities is that they operate through powerful commercial networks which have legs in multiple states across the Persian Gulf. Many of these networks extend as far as India, Iran, East Africa and, to a small extent, the Atlantic world. They enjoy close ties with different regimes in each of these regions, while occupying powerful positions in the state bureaucracy in the sultanate itself.

Ethnic and religious networks as preferred modes of long-distance trading evolved some time in the Middle Ages in the Indian Ocean world. They ensured both easier access to the source of supply of commodities and ethnic monopolies on their trade. They also helped the community avert political risks in any one state by spreading their risks across multiple ones. As manufacturing and trade expanded in colonial times, these networks were instrumental in helping different mercantile groups survive competition and in safeguarding the flows of commercial and political information to their advantage. States and empires in the Indian Ocean world have used these networks to consolidate power and gain leverage over each other at almost every phase in history.

If states worked closely with mercantile networks to the mutual advantage of the two all through history, why should they not in the 21st century? Even as it routinely conducts state-to-state diplomacy in trade and investment matters, Oman must draw in the Indians and Iranians who have a presence, visible or hidden, in all of the GCC, and whose networks continue to extend as far as India, Iran and East Africa. The Indians seem to be a category none of the GCC states have reservations about, or wish to avoid at any cost. Firstly, the Indians have been instrumental in the economic success of every country in the GCC, including in creating brands of their cities and products and exporting them abroad. There can be no better example for this than Dubai, where Indian merchants channelled their historical privileges as pearl traders into financial capital and political clout. Secondly, they enjoy the plenteous financial and political blessings of the Indian state, especially under the current Narendra Modi government, with which most of the Gulf states have a military alliance. These blessings have culminated in an even more aggressive expansion of the already extensive networks the Indians commanded, going beyond the reach of any of the states

⁶ Both of these groups have Omani citizenship and occupy influential positions in government. This is more or less an anomaly when compared to other GCC states where people of Indian origin cannot naturalise as citizens.

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they operate from, individually. Oman and Qatar witnessed first hand the potential of these networks when they were able to quickly supplant Jebel Ali with Salalah as transshipment port and vital artery feeding Qatar's imports from Bandar Abbas and Chabahar in Iran, Mundra in India, and Mombasa, Djibouti and Zanzibar in East Africa. Barring Indians who have their base in Dubai or Bahrain from trading in Oman or Qatar would be striking a deadly blow to all the players in the GCC, especially since many of these states themselves rely on the Indians for activities such as port operations in different parts of the world.⁷

Iranians as partners in trade and investment, however, are a taboo in the GCC, except for the Omanis and the Qataris. In adapting to the vagaries of history and politics in the Persian Gulf, particularly during the turmoils of the 20th century, the Iranians devised a cultural strategy that offers them a certain amount of immunity from the blanket ban imposed on them. Unlike the Indians, who wear their ethnic and religious identity on their sleeves, the Iranians are able to camouflage themselves culturally, thanks to their assimilation into Arab society in the 19th and 20th centuries. Oscillating between their Persian and Arab selves, depending on which identity serves their interests best at a particular moment in history, the *Ajamis* have been able to secure their business interests across the region. In displaying their allegiance to the Emiratis and the Bahrainis, they may not trade directly with the Iranians, meaning they might not send or buy goods from Bandar Abbas or Chabahar.⁸ However, they continue to liaise with their fellow *Ajamis* in Oman, who are not subjected to the same restrictions. In fact, Iran's recent cancellation of visa requirements for Omanis and the latter's reciprocation by offering visas on arrival to Iranians may be construed as a move to facilitate these liaisons between the different networks.⁹ Sohar, Salalah or even Duqm could perhaps be Iran's next Dubai, helping it connect with the parts of the world that matter and evade banking sanctions altogether, as Dubai did for a while.

CONCLUSION

Oman's ranking in the ease of doing business or global competitiveness index has improved the past year, with reports from the World Economic Forum highlighting its lack of terrorist activity and

⁷ Dubai Ports World, for instance, has a 100% equity stake in the Gujarati port of Mundra, which is owned and operated by Adani, a businessman well entrenched in the Kutchi networks of the Gulf and Asia-Pacific and with intimate relations to the Indian state.

⁸ If found banking with their business partners or export firms in Iran, the assets of these families in the UAE or Bahrain could be seized. They could be accused or even found guilty of funnelling money to agents working for the Iranian establishment, which would serious consequences for the community. For details, see Robert Anderson, "UAE Orders Companies to freeze accounts, assets of nine Iranian entities," July 3, 2018, <http://gulfbusiness.com/uae-orders-companies-freeze-accounts-assets-nine-iranians/>.

⁹ "Omanis can now travel visa-free to Iran," Times of Oman, October 4, 2018, <https://timesofoman.com/article/200852>.

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organised crime as well as the reliability of its public services as the major attractions.¹⁰ The country must showcase these aspects and highlight its exceptionalism at a time of brewing crisis in the GCC and the larger Middle East to bring in a greater number of investors as well as diversify its foreign investor profile. The more states and business networks integrate with each other in infrastructural and other projects within Oman's territory, the more difficult the Saudis and Emiratis will find it to intimidate the sultanate or use it as a battleground to settle scores with Iran and Qatar. The benign and non-competitive nature of the Omani state which allows room for all players alike is a strategic asset in achieving this.

About the authors

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¹⁰ "15 place jump in competitiveness rankings to boost investment in Oman," *Times of Oman*, October 20, 2018, <https://timesofoman.com/article/290845/Oman/Investors-will-be-increasingly-attracted-to-Oman-following-its-latest-ranking-in-the-World-Competiti>.