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Oman: Reform, Security, and U.S. Policy

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July 7, 2014

Congressional Research Service

7-5700

www.crs.gov

RS21534

Summary

Prior to the wave of Middle East unrest that began in 2011, the United States repeatedly praised the leader of the Sultanate of Oman, Sultan Qaboos bin Sa'id Al Said, for gradually opening the political process without evident public pressure to do so. The liberalization allowed Omanis a measure of representation but did not significantly limit Qaboos' role as paramount decision-maker. The reforms – as well as the country's economic performance - apparently did not satisfy some Omanis because protests took place in several Omani cities for much of 2011. The domestic popularity of Qaboos, some additional economic and political reform measures, and repression of protest actions caused the unrest to subside by early 2012. High turnout in the October 15, 2011, elections for the lower house of Oman's legislative body suggested that unrest—and the accelerated reforms launched in response—had produced a new public sense of activism. The first-ever local elections in Oman on December 22, 2012, furthered the sense of political empowerment among the electorate.

Perhaps because of Oman's long-time alliance with the United States, the Obama Administration did not substantially criticize Oman's use of some repression and arrests to stanch the protests. In 1980, Oman became the first Persian Gulf state to sign a formal agreement with the United States allowing U.S. military use of its military facilities, despite sensitivities in Oman about a U.S. military presence there. It hosted U.S. forces during every U.S. military operation in and around the Gulf since 1980 and has become a significant buyer of U.S. military equipment, moving away from its prior reliance on British military advice and equipment. Oman is also a partner in U.S. efforts to counter the movement of terrorists and pirates in the Persian Gulf and Arabian Sea. It has consistently supported U.S. efforts to achieve a Middle East peace by publicly endorsing peace treaties reached and by occasionally meeting with Israeli leaders in or outside Oman. It was partly in appreciation for this alliance that the United States entered into a free trade agreement (FTA) with Oman, which is also intended to help Oman diversify its economy to compensate for its relatively small reserves of crude oil.

Unlike most of the other Persian Gulf monarchies, Oman asserts that confronting Iran is not the optimal strategy to address the potential threat from Iran. Sultan Qaboos has consistently maintained ties to Iran's leaders and discussed large energy sector ventures with Iran, despite the widespread international criticism of Iran's nuclear program and foreign policy. Successive U.S. Administrations have generally refrained from criticizing the Iran-Oman relationship, perhaps in part because Oman has been useful as an intermediary between the United States and Iran. An August 2013 visit to Iran by Qaboos, which followed months and possibly years of quiet U.S.-Iran diplomacy brokered by Oman, may have paved the way for the November 24, 2013, interim nuclear agreement between Iran and the international community. Oman has since helped the Administration assuage Gulf state concerns about that agreement – even at the expense of causing distance in Oman's relationship with Gulf state leader Saudi Arabia. Earlier, Oman played the role of broker between Iran and the United States in the September 2011 release of two U.S. hikers from Iran after two years in jail there, and it reportedly is involved in efforts to obtain the release of other U.S. citizens imprisoned in Iran or in territory under Iran's control. For further information on regional dynamics that affect Oman, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

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Introduction

Oman is located along the Arabian Sea, on the southern approaches to the Strait of Hormuz, across from Iran. Except for a brief period of Persian rule, Omanis have remained independent since expelling the Portuguese in 1650. The Al Said monarchy began in 1744, extending Omani influence into Zanzibar and other parts of East Africa until 1861. A long-term rebellion led by the imam of Oman, leader of the Ibadhi sect (neither Sunni nor Shiite and widely considered “moderate conservative”) ended in 1959; Oman’s population is 75% Ibadhi. Sultan Qaboos bin Sa’id Al Said, born in November 1940, is the eighth in the line of the monarchy; he became sultan in July 1970 when, with British support, he forced his father to abdicate.

The United States signed a Treaty of Amity and Commerce with Oman in 1833, one of the first of its kind with an Arab state. This treaty was replaced by the Treaty of Amity, Economic Relations, and Consular Rights signed at Salalah on December 20, 1958. Oman sent an official envoy to the United States in 1840. A U.S. consulate was maintained in Muscat during 1880-1915, a U.S. embassy was opened in 1972, and the first resident U.S. Ambassador arrived in July 1974. Oman opened its embassy in Washington in 1973. Sultan Qaboos was accorded a formal state visit in April 1983 by President Reagan. He had previously had a U.S. state visit in 1974. President Clinton visited briefly in March 2000.

Table I. Some Key Facts on Oman

Population	3.22 million, which includes about 1 million non-citizens
Religions	Ibadhi Muslim (neither Sunni nor Shiite, 75%. Other religions: 25% (includes Sunni Muslim, Shiite Muslim, Hindu)
GDP (purchasing power parity, PPP)	\$95 billion (2013)
GDP per capita (PPP)	\$30,000 (2013)
GDP Real Growth Rate	5% (2013)
Unemployment Rate	15%
Inflation Rate	1.5% (2013)
Oil Production	863,000 barrels per day
Oil Reserves	5 billion-5.5 billion barrels
Oil Exports	750,000 barrels per day (bpd)
Natural Gas Production	875 billion cubic feet/yr
Natural Gas Reserves	30 trillion cubic feet
Natural Gas Exports	407 billion cubic feet/yr
Foreign Exchange and Gold Reserves	\$17.7 billion (end of 2013)
Energy Structure	Petroleum Development Oman (PDO) controls most oil and natural gas resources. PDO is a partnership between the Omani government (60%), Royal Dutch Shell (34%), Total (4%), and Partx (2%). Oman Oil Company is the investment arm of the Ministry of Petroleum.

Sources: CIA, *The World Factbook*; Energy Information Administration Country Analysis Brief. 2013.

Figure I. Map of Oman



Source: CRS.

Democratization, Human Rights, and Unrest

Oman remains a monarchy in which decision-making still is largely concentrated with Sultan Qaboos, even though he has been considered by experts as highly popular. His government reflects the diverse backgrounds of the Omani population, many of whom have longstanding family connections to parts of East Africa (Zanzibar) and the India. Along with political reform issues, the question of succession had long been central to observers of Oman. Qaboos' brief marriage in the 1970s produced no children, and the Sultan, who was born in November 1940, has no heir apparent. According to Omani officials, succession would be decided by a "Ruling Family Council" of his relatively small Al Said family (about 50 male members). According to these officials, the family might base its succession decision on a sealed Qaboos letter to be opened upon his death; there are no confirmed accounts of whom Qaboos has recommended. Reported front-runners as successor are Minister of Heritage and Culture Sayyid Haythim bin Tariq Al Said, although some assess him as indecisive, or his older brother, Asad bin Tariq Al

Said, a businessman who holds the title of “Representative of the Sultan.” Some say that another logical choice is deputy Prime Minister for Cabinet Affairs Fahd bin Mahmud Al Said. The latter is referred to by many Omanis as Prime Minister,¹ although Qaboos himself holds this position, as well as the positions of Foreign Minister, Defense Minister, Finance Minister, and Central Bank Governor.

Some are reportedly pressing Qaboos to name a Prime Minister. Some suggest the secretary general of the Foreign Ministry, Sayyid Badr bin Hamad Albusaidi, as a possibility for such a post; he is said to be efficient and effective.² Another figure considered effective is economic adviser to the Sultan Salim bin Nasir al-Isma'ili, a businessman and philanthropist who reportedly was entrusted with brokering some of the U.S.-Iran exchanges discussed later in this report.³

Despite the three-decade-long opening of the political process discussed below, some Omanis—particularly younger, well-educated professionals—say they consider the pace of liberalization too slow. Many older Omanis, on the other hand, tend to compare the existing degree of “political space” favorably with that during the reign of the Sultan’s father—an era in which Omanis needed the Sultan’s approval even to wear spectacles, for example. Among those who have been critical of the pace of political liberalization, some Omanis assert that several top positions have been filled in recent years by former security officials, replacing academics or other professionals. Evidence that many were dissatisfied with the pace of change was demonstrated in 2011-2012 in the form of protest in several Omani cities at a time of the so-called “Arab Spring” unrest sweeping other Middle East countries.

Representative Institutions and Election History

Many Omanis, U.S. officials, and international observers had repeatedly praised Sultan Qaboos for establishing consultative institutions and an election process long before there was any evident public pressure to do so, even though the process was gradual. Under a 1996 “Basic Law,” Qaboos created a bicameral “legislature” called the Oman Council—consisting of the pre-existing Consultative Council (*Majlis As Shura*), and an appointed State Council (*Majlis Ad Dawla*). The Consultative Council had been established in November 1991, replacing a 10-year-old all-appointed advisory council, with an initial size of 59 seats. The Consultative Council was initially chosen through a selection process in which the government had substantially influence over the body’s composition, but this process was gradually altered to a full popular election. The size of the body was expanded, in stages, to its current size of 84 elected members. The Sultan appoints the Consultative Council president from among the membership, and the Consultative Council chooses two vice presidents.

The State Council, which had 53 members at inception, has been expanded to 83 members, but it remains all-appointed. By law, the appointed State Council cannot have a membership that exceeds the number of elected members of the Consultative Council. The State Council appointees are former high-ranking government officials (such as ambassadors), military

¹ Author conversations with Omani officials in Washington, DC, June 2013.

² Author conversation with Omani Foreign Ministry consultant and unofficial envoy. May 5, 2011. This official has a name nearly identical to that of the Minister of State for Defense, but they are two different officials.

³ Oman Stands in U.S.’s Corner on Iran Deal. *Wall Street Journal*, December 29, 2013.

officials, tribal leaders, and other notables. The government apparently sees the State Council as a check and balance on the elected Consultative Council.

The Oman Council's overall scope of authority has long been constrained. It has not been a genuine legislature because it was not given power to draft legislation, lacked binding power to overturn the Sultan's decrees or government regulations, and was generally confined to discussing economic and social issues. Prior to the outbreak of unrest in Oman in 2011, some Omanis were saying in interviews that the Oman Council's influence over policy had not increased over time—and many experts assessed that Oman had begun to substantially lag several other Gulf states on political liberalization.

The 2011 unrest in Oman prompted the government to expand the Oman Council's powers. On October 19, 2011, in implementation of a March 13, 2011, decree, the Sultan formally granted the Oman Council new powers: the ability to approve, reject, and amending legislation, and to question ministers who head agencies that provide direct citizen services. However, the expanded powers appear to fall short of what many observers would consider those of a legislature.

As in the other Gulf states, formal political parties are not allowed. Unlike Bahrain or Kuwait, there are not well-defined "political societies" (de-facto parties) in Oman that compete within or outside the electoral process.

Early Electoral History: 1994-2007

Beyond expanding the size of the two chambers, Qaboos has gradually empowered Omanis to determine the membership of the Consultative Council. In the 1994 and 1997 selection cycles for the council, "notables" in each of Oman's districts chose up to three nominees, with Qaboos making a final selection for the council. The first direct elections to it were held in September 2000 (then a three-year term), but the electorate was limited (25% of all citizens over 21 years old). In November 2002, Qaboos extended voting rights to all citizens, male and female, over 21 years of age, applicable for the October 4, 2003, process. About 195,000 Omanis voted in that election (74% turnout), but the vote produced a council similar to that elected in 2000, including the election of the same two women as in the previous election (out of 15 women candidates).

In the October 27, 2007, election (after changing to a four-year term), Qaboos allowed public campaigning. Turnout among 388,000 registered voters was 63%, including enthusiastic participation by women, but none of the 21 female candidates (out of 631 candidates) won.

2011 Unrest: Dissatisfaction but Not Hunger for a New Regime

Despite the gradual expansion of the electoral process, evidence appeared in 2011 that many Omanis were dissatisfied with the pace of political change and the country's economic performance. About two weeks after Egyptian protests toppled President Hosni Mubarak in February 2011, protests broke out in the northern industrial town of Sohar, Oman. On February 27, 2011, several hundred demonstrators gathered there demanding better pay and more job opportunities; one was killed when security forces fired rubber bullets. Protests expanded in Sohar over the next few days, and spread to the capital, Muscat. Although most protesters asserted that their protests were motivated primarily by economic factors, some said they wanted the powers of the Majles expanded to approximate those of a Western legislature. Few, if any,

called for Qaboos to step down. Protests continued in Sohar and in Muscat throughout March 2011, including establishment of an encampment in Sohar's main square.

The government calmed some of the unrest through a series of measures, including clearing protesters from Sohar. Not relying solely on repressive measures, the government enacted some reforms: on March 7, 2011, Qaboos shuffled the cabinet by appointing several members of the elected Consultative Council as ministers and naming an additional female minister (Madiha bint Ahmad bin Nasser as education minister). Qaboos also sent representatives to meet with protesters, ordered that 50,000 new public sector jobs be created immediately, raised the minimum wage by about one-third (to about \$520 per month), and ordered that about \$400 be given to unemployed job seekers. He also decreed that the office of public prosecutor will have independence from government control, that there will be new consumer protections, and, as noted above, expanded the powers of the Oman Council. These moves followed an earlier mandated increase in private sector minimum wages of 43% at the beginning of February.

Despite the modest reforms and the security measures, tensions remained high. One demonstrator was killed in a demonstration in Sohar on April 1, 2011. On April 7, 2011, a small group of protesters outside the Oman Council headquarters in Muscat called for an investigation of the security forces for protester deaths. Activists using social media called for protests in Sohar on April 8, 2011, but a heavy security presence prevented fresh protests. During April and May 2011, protests were held after each Friday's prayers in the city of Salalah - the capital of the Dhofar region that rebelled against the Omani central government until the mid-1970s.

In January 2012, the government announced plans to boost its expenditures by about 26% to provide for jobs, social security, and unemployment benefits—an apparent further budgetary effort to head off any resurgence of unrest. In July 2012, there was a wave of oil sector strikes and further demonstrations in Sohar by recent graduates protesting a lack of job opportunities. Some protesters expressed anger at what they said was a waste of resources in Sultan Qaboos' sending of 100 horses to the Diamond Jubilee celebration of Britain's Queen Elizabeth. Protests were few and small thereafter.

During 2012, at least 50 activists, including journalists and bloggers, were given prison sentences for “defaming the Sultan,” “illegal gathering,” or violating the country's cyber laws. Twenty-four of them went on a hunger strike in February 2013 to draw attention to their incarceration and in the hopes of persuading Oman's Supreme Court to hear appeals of their cases. In an effort to achieve reconciliation, on March 21, 2013, the Sultan pardoned 35 of these activists and they were released from prison. International human rights groups praised the pardon, which contrasts sharply with continued arrests and prosecutions of social media activists and others in the other Gulf monarchy states. Fourteen remaining in jail for the Sohar protests went on a hunger strike in March 2013, but most of them were pardoned on July 23, 2013. That pardon also reinstated many Omanis who had been dismissed from public and private sector jobs for participating in unrest, as well as a few members of an alleged ring spying on Oman for the UAE. Also in March 2013, the government announced a limitation on the number of foreign workers and a sharp rise in the minimum wage for Omani workers.

2011 and 2012 Elections Held Amid Unrest

The October 2011 Consultative Council elections went forward despite the unrest. The enhancement of the Oman Council's powers raised the stakes for candidates and voters in the Consultative Council elections and State Council appointments, because the next Oman Council

would presumably have increased influence on policy. The election date was set as October 15, 2011. Attracted by the enhanced powers of the Oman Council, a total of 1,330 candidates announced their candidacies—a 70% increase from the number of candidates in the 2007 vote. A record 77 women filed candidacies, compared to the 21 that filed in the 2007 vote. The government did not permit outside election monitoring.

Of the 520,000 Omanis who registered to vote, about 300,000 voted—the turnout of about 60% (about the same as in the 2007 election) appeared to refute those who felt that the citizenry would shun the political process following the months of unrest. Hopes among many Omanis that at least several women would win were dashed—only one was elected, a candidate from Seeb (suburb of the capital, Muscat). Some reformists were heartened by the election victory of two political activists—Salim bin Abdullah Al Oufi, and Talib Al Maamari. There was a vibrant contest for the speakership of the Consultative Council, and the position was won by Khalid al-Mawali, a relatively young entrepreneur. In the State Council appointments that followed the Consultative Council elections, the sultan appointed 15 women, bringing the total female participation in the Oman Council to 16 out of 154 total seats—just over 10%.

December 2012 Local Elections

In its efforts to reduce unrest the government also began a separate electoral process for provincial councils. The councils are empowered to make recommendations to the government on development projects, but not to make final funding decisions. Previously, only one such council had been established, for the capital region, and it was all appointed. On November 15, 2012, the government announced that it would hold the first-ever elections for councils in all 11 provinces—to take place on December 22, 2012. The total number of seats up for election was 192. More than 1,600 candidates registered to run, including 48 women. About 546,000 citizens voted. Four women were elected.

U.S. Responses

The U.S. reaction to the unrest in Oman has been muted, possibly because Oman is a key ally of the United States and perhaps because the unrest appeared minor relative to the rest of the region. On June 1, 2011, after the unrest had begun, and after some government force had suppressed protests, then U.S. Ambassador Richard Schmierer told an Omani paper: “The entire region, including Oman, has witnessed enormous change in an extremely brief period of time. Sultan Qaboos was quick to recognize and respond to the needs of Omanis. The way in which he responded to the concerns of the Omani people is a testament to his wise leadership.”⁴ At her confirmation hearings on July 18, 2012, Ambassador-Designate to Oman Greta Holz (subsequently confirmed) said “If confirmed, I will encourage Oman, our friend and partner, to continue to respond to the hopes and aspirations of its people.”

⁴ <http://oman.usembassy.gov/pr-06012011.html>

Broader Human Rights Issues⁵

The government's practices on numerous other issues affect popular sentiment in Oman. The State Department human rights report for 2013 did not repeat the assertions of the reports prior to 2011 that "the government generally respect[s] the human rights of its citizens." The 2013 report repeated the assertions of the previous report that the principal human rights problems were the inability of citizens to peacefully change their government; limits on freedom of speech and assembly; restrictions on citizens and civil society from associating with foreign governments; and discrimination against women, including that based on cultural norms. The 2013 report repeated the assertion of the prior year's report that security personnel and other officials were generally held accountable for their actions. In November 2008, Oman established an appointed National Human Rights Commission as an "autonomous body" attached to the State Council.

U.S. funds from the Middle East Partnership Initiative and the Near East Regional Democracy account (both State Department accounts) have been used to fund civil society and political process strengthening, judicial reform, election management, media independence, and women's empowerment. In 2011, Oman established a scholarship program through which at least 500 Omanis have enrolled in higher education in the United States. Some MEPI funds are also used in conjunction with the U.S. Commerce Department to improve Oman's legislative and regulatory frameworks for business activity.

Freedom of Expression/Media

The State Department human rights report for 2013 stated that the law provides for limited freedom of speech and press, but the government generally does not respect these rights. Press criticism of the government is tolerated, but criticism of the Sultan (and by extension, government officials in general) is not. Private ownership of radio and television stations is not prohibited, but there are very few privately owned stations, with the exception of Majan TV, and three radio stations: HiFM, HalaFM, and Wisal. However, availability of satellite dishes has made foreign broadcasts accessible to the public. There are some legal and practical restrictions to Internet usage, and only about 15% of the population has subscriptions to Internet service. Many Internet sites are blocked, primarily for offering sexual content, but many Omanis are able to bypass restrictions by accessing their Internet over smart cell phones. Some bloggers and other activists who use social media were prosecuted as part of the government's effort to reduce public unrest.

Labor Rights

Omani workers have the right to form unions and to strike. However, only one federation of trade unions is allowed, and the calling of a strike requires an absolute majority of workers in an enterprise. The labor laws permit collective bargaining and prohibit employers from firing or penalizing workers for union activity. Labor rights are regulated by the Ministry of Manpower.

⁵ Much of this section is from the State Department's country report on human rights practices for 2013 (released February 27, 2014), <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2013&dliid=220371#wrapper>; the *International Religious Freedom Report* for 2012 (May 20, 2013), <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?year=2012&dliid=208398#wrapper>; and the *Trafficking in Persons Report for 2013* (June 19, 2013), <http://www.state.gov/documents/organization/210740.pdf>.

Religious Freedom

The 1996 Basic Law affirmed Islam as the state religion, but provides for freedom to practice religious rites as long as doing so does not disrupt public order. Recent State Department religious freedom reports note no “significant change” in the government’s respect for religious freedom and no “reports of societal abuses or discrimination based on religious affiliation, belief, or practice.” Non-Muslims are free to worship at temples and churches built on land donated by the Sultan, but there are some limitations on non-Muslims’ proselytizing and on religious gatherings in other than government-approved houses of worship.

All religious organizations must be registered with the Ministry of Endowments and Religious Affairs (MERA). Among non-Muslim sponsors recognized by MERA are the Protestant Church of Oman; the Catholic Diocese of Oman; the al Amana Center (interdenominational Christian); the Hindu Mahajan Temple; and the Anwar al-Ghubairia Trading Co. Muscat (for the Sikh community). The government agrees in principle to allow Buddhists to hold meetings if they can find a corporate sponsor. Members of all religions and sects are free to maintain links with coreligionists abroad and travel outside Oman for religious purposes. Private media have occasionally published anti-Semitic editorial cartoons.

Advancement of Women

Throughout his tenure, Sultan Qaboos has spoken regularly on the equality of women and their importance in national development, and they now constitute over 30% of the workforce. The first woman of ministerial rank in Oman was appointed in March 2003, and since 2004, there have been several women of that rank in each cabinet. There are two female ministers in the 29-member cabinet (minister of education, and minister of higher education). In April 2004, Qaboos placed 5 women among the 29 appointees to the public prosecutor’s office. Oman’s ambassadors to the United States and to the United Nations are women.

There are 15 women in the 2012-2016 State Council, appointed following the 2011 election, up from 14 in the previous council and nine in the 2003-2007 council. One woman was elected to Consultative Council in the 2011 election, following a four-year period (2007-2011) in which no females served in the elected body. Two women were chosen in the election cycles prior to 2007.

At the citizen level, allegations of spousal abuse and domestic violence are fairly common, with women finding protection primarily through their families. Omani women also continue to face social discrimination often as a result of the interpretation of Islamic law. On April 9, 2013, one member of the Shura Council tabled a motion to amend the country’s laws in order to give nationality to children born to Omani women who are married to a non-national man. Currently, Omani nationality can be passed on only by a male Omani parent.

Trafficking in Persons

In October 2008, President Bush directed (Presidential Determination 2009-5) that Oman be moved from “Tier 3” on trafficking in persons (worst level, assessed in the June 4, 2008, State Department Trafficking in Persons report on that issue), to “Tier 2/Watch List.” That determination was made on the basis of Omani pledges to increase efforts to counter trafficking in persons. Oman’s rating was raised to Tier 2 in the 2009 Trafficking in Persons report, and has remained there since, including in the report for 2013 released on June 19, 2013. The Tier 2

ranking is based on an assessment that Oman is making significant efforts to comply with minimum standards for the elimination of trafficking and on its prosecutions for those trafficking in persons. Still, Oman is considered a destination and transit country for men and women primarily from South and East Asia, in conditions indicative of forced labor.

Defense and Security Ties

Sultan Qaboos, who is Sandhurst-educated and is respected by his fellow Gulf rulers as a defense strategist, has long seen the United States as the key security guarantor of the region. He also has consistently advocated expanded defense cooperation among the state of the Gulf Cooperation Council (GCC: Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain, and Oman). Oman was the first GCC state to formalize defense relations with the United States after the Persian Gulf region was shaken by Iran's 1979 Islamic revolution. Oman signed an agreement to allow U.S. forces access to Omani military facilities on April 21, 1980. Three days later, the United States used Oman's Masirah Island air base to launch the failed attempt to rescue the U.S. embassy hostages in Iran. Oman served as an intermediary between the United States and Iran for the return of Iranians captured in clashes with U.S. naval forces in the Gulf during that war.

Under the U.S.-Oman facilities access agreement, which was renewed in 1985, 1990, 2000, and 2010,⁶ the United States reportedly can use—with advance notice and for specified purposes—Oman's military airfields in Muscat (the capital), Thumrait, and Masirah Island. Some U.S. Air Force equipment, including lethal munitions, has been stored at these bases.⁷ During the renewal negotiations in 2000, the United States acceded to Oman's request that the United States fund a \$120 million upgrade of a fourth air base (Khasab) at Musnanah (50 miles from Muscat).⁸ The Defense Authorization Act for FY2011 (P.L. 111-383, signed January 7, 2011) authorized \$69 million in additional military construction funding for the Musnanah facility.

Oman's facilities contributed to U.S. major combat operations in Afghanistan (Operation Enduring Freedom, OEF) and, to a lesser extent, Iraq (Operation Iraqi Freedom, OIF), even though Omani leaders said that invading Iraq could “incite revenge” against the United States in the Arab world. According to the Defense Department, during OEF there were about 4,300 U.S. personnel in Oman, mostly Air Force, and U.S. B-1 bombers, indicating that the Omani facilities were used extensively for strikes during OEF. The U.S. military presence in Oman fell to 3,750 during OIF because facilities in Gulf states closer to were used more extensively. Since 2004, Omani facilities reportedly have not been used for air support operations in either Afghanistan or Iraq, and the numbers of U.S. military personnel in Oman have fallen to about 200, mostly Air Force.⁹ Unlike Bahrain or UAE, Oman did not join training or combat missions in Afghanistan.

Even though the U.S. military presence in Oman is relatively small, some Omani officials seek to reduce U.S. military visibility in Oman further. These officials might assess that the U.S. military presence angers Islamists in Oman and throughout the GCC, and officials of Iran. Some Omani

⁶ Author conversation with State Department officer responsible for Oman. January 6, 2011.

⁷ Hajjar, Sami. *U.S. Military Presence in the Gulf: Challenges and Prospects*. U.S. Army War College, Strategic Studies Institute, p. 27. The State and Defense Departments have not released public information recently on the duration of the 2010 renewal of the agreements or modifications to the agreements, if any.

⁸ Finnegan, Philip. “Oman Seeks U.S. Base Upgrades.” *Defense News*, April 12, 1999.

⁹ Contingency Tracking System Deployment File, provided to CRS by the Department of Defense.

officials reportedly have discussed with their U.S. counterparts the possibility of relocating all U.S. military personnel to Masirah Island, which is one of the locations covered under the Access Agreement but which is offshore and sparsely inhabited. On the other hand, Masirah's runway is shorter than that of Thumrait, the main location used by the U.S. Air Force, and some U.S. military officials consider Masirah therefore less suitable. To date, there has not been any announced major relocation of U.S. personnel.

U.S. Arms Sales and other Security Assistance to Oman¹⁰

Oman's approximately 45,000-person armed force is the third largest of the Gulf Cooperation Council states (GCC, including Saudi Arabia, Kuwait, UAE, Oman, Bahrain, and Qatar) and is widely considered one of the best trained. However, it is not the best equipped. Using U.S. assistance and national funds, Oman is trying to expand and modernize its arsenal primarily with purchases from the United States. Because of his historic ties to the British military, Qaboos early on relied on seconded British officers to command Omani military services. British officers are now mostly advisory, but much of Oman's older arsenal still is British-made.

U.S. Defense Articles and Services Transfers to Oman

Oman uses U.S.-provided Foreign Military Financing (FMF), other U.S. accounts, and national funds to modernize its forces. These sales are among the large recent arms sales to the GCC states intended in part to contain Iran. In dollar value, most of the U.S. sales to the GCC countries are to the wealthier GCC states such as Saudi Arabia, UAE, and Qatar.

- *F-16s*: In October 2001, Oman purchased (with its own funds) 12 U.S.-made F-16 C/D aircraft from new production. Along with associated weapons (Harpoon and AIM missiles), a podded reconnaissance system, and training, the sale was valued at about \$825 million; deliveries were completed in 2006. Oman made the purchase in part to keep pace with its Gulf neighbors, including UAE and Bahrain, that had bought F-16s. The Defense Security Cooperation Agency (DSCA) notified Congress on August 4, 2010, of a potential sale to Oman of up to 18 additional F-16s and associated equipment and support. The sale could be worth up to \$3.5 billion to the main manufacturer, Lockheed Martin.¹¹ Oman signed a contract with Lockheed Martin for 12 of the aircraft in December 2011, with a contract for an additional six still possible. The 12 are to be delivered through 2014. On December 11, 2012, DSCA notified a sale of weapons systems for the F-16, including 27 AMRAAMs, 162 GBU laser-guided bombs, and other weaponry and equipment, with a total estimated value of about \$117 million.
- *Countermeasures for Head of State Aircraft*. In November 2010, DSCA notified Congress of a possible sale of up to \$76 million worth of countermeasures equipment and training to protect the C-130J that Oman bought under a June 2009 commercial contract. The prime manufacturer of the equipment is Northrop Grumman. Another possible sale of \$100 million worth of countermeasures

¹⁰ Section 564 of Title V, Part C of the Foreign Relations Authorization Act for FY1994 and FY1995 (P.L. 103-236) banned U.S. arms transfers to countries that maintain the Arab boycott of Israel during those fiscal years. As applied to the GCC states, this provision was waived on the grounds that doing so was in the national interest.

¹¹ Andrea Shalal-Esa. "Lockheed Hopes to Finalize F-16 Sales to Iraq, Oman." Reuters, May 16, 2011.

- equipment—in this case for Oman’s aircraft that fly Sultan Qaboos—was notified on May 15, 2013.
- *Surface-to-Air and Air-to-Air Missiles.* On October 19, 2011, DSCA notified Congress of a potential sale to Oman of AVENGER fire units, Stinger missiles, and Advanced Medium Range Air to Air Missiles (AMRAAMs)—all of which are to help Oman develop a layered air defense system. The total value of the potential sale, including associated equipment and training, is about \$1.25 billion. On June 13, 2012, DSCA notified a sale of various types of AIM “Sidewinder” air-to-air missiles to modernize Oman’s F-16 fleet and enhance its interoperability with U.S. forces.
 - *Missile Defense.* On May 21, 2013, Secretary of State John Kerry visited Oman reportedly in part to help finalize a sale to Oman of the THAAD (Theater High Altitude Area Defense system), the most sophisticated missile defense system the United States exports. The deal for the system, made by Raytheon, was announced on May 27, 2013, with an estimated value of \$2.1 billion, but subject to further negotiations between Oman and Raytheon. DSCA has not, to date, made a notification to Congress about the potential sale. The THAAD has been sold to the UAE and will reportedly also be bought by Qatar and Saudi Arabia. Oman’s buy indicates Oman is cooperating with U.S. efforts to construct a Gulf-wide missile defense network.
 - *Tanks as Excess Defense Articles.* Oman is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. It received 30 U.S.-made M-60A3 tanks in September 1996 on a “no rent” lease basis (later receiving title outright). In 2004, it turned down a U.S. offer of EDA U.S.-made M1A1 tanks, but Oman is believed to still need new armor to supplement the 38 British-made Challenger 2 tanks and 80 British-made Piranha armored personnel carriers Oman bought in the mid-1990s.
 - *Border/Maritime Security and Anti-Terrorism Equipment and Training.* FMF has been used to help Oman purchase several other types of equipment that help Oman secure its borders, operate alongside U.S. forces, and combat terrorism. FMF has helped Oman buy U.S.-made coastal patrol boats (“Mark V”) for anti-narcotics, anti-smuggling, and anti-piracy missions, as well as aircraft munitions, night-vision goggles, upgrades to coastal surveillance systems, communications equipment, and de-mining equipment. The minor EDA grants since 2000 have gone primarily to help Oman monitor its borders and waters and to improve interoperability with U.S. forces. In FY2011, DOD funds (“Section 1206” funds) were to be used to help Oman’s military develop its counterterrorism capability through deployment of biometric data collection devices. However, Oman decided not to take delivery of the system and the devices were redirected to Bahrain.¹² In addition, Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) funds are used to help Oman develop controls and train and equip personnel to prevent proliferation and combat terrorism.

¹² Information from DOD in response to questions from the House of Representatives on the use of 1206 funding. September 4, 2013.

Regarding purchases from other countries, in the past three years, Oman has continued to buy some British equipment, including Typhoon fighter aircraft and patrol boats. It has also bought some Chinese-made armored personnel carriers and other gear.

IMET Program

The International Military Education and Training program (IMET) program is used to promote U.S. standards of human rights and civilian control of military and security forces, as well as to fund English language instruction, and promote inter-operability with U.S. forces. A small portion (\$48,000) of the FY2012 funds were used to give a human rights seminar to unit commanders and key staff of Oman's military.

Table 2. Recent U.S. Aid to Oman

(In millions of dollars)

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
IMET	1.11	1.43	1.45	1.525	1.622	1.638	1.935	2.0	1.9
FMF	13.49	4.712	7.0	8.85	13.0	8.0	7.6	8.0	4.0
NADR	1.28	1.593	0.95	1.655	1.5	1.5	1.475	1.5	1.5
I206					0.948				

Notes: IMET is International Military Education and Training; FMF is Foreign Military Financing; NADR is Nonproliferation, Anti-Terrorism, De-Mining and Related Programs, and includes ATA (Anti-Terrorism Assistance); EXBS (Export Control and Related Border Security); and TIP (Terrorism Interdiction Program). Numbers for FY2011 reflect final allocations by State Department FY2013 and FY2014 figures refer to requested funds.

Cooperation Against Terrorist Organizations

Since September 11, 2001, Oman has cooperated with U.S. legal, intelligence, and financial efforts against terrorism. No Omani nationals were part of the September 11, 2001, attacks and no Omanis have been publicly identified as senior members of the Al Qaeda organization. There are no Omani nationals held in the U.S. prison in Guantanamo Bay.

According to the State Department report on global terrorism for 2013, released April 30, 2014, Oman was actively involved in preventing terrorists from conducting attacks and using the country for safe haven or transport.¹³ According to the report, at the request of Bahrain, Oman arrested three members of the alleged terrorist group "Army of the Imam," in February 2014. The State Department report for 2012 credited Oman for reporting its press that several suspected terrorist of the Al Qaeda-affiliate Al Qaeda in the Arabian Peninsula (AQAP) had illegally entered Oman from Yemen, where the group is based. The State Department terrorism report for 2009 credited Oman with convicting and sentencing to life in prison an Omani businessman, Ali Abdul Aziz al-Hooti, for helping to plan terrorist attacks in Oman and for helping to fund a Pakistan-based terrorist group, Lashkar-e-Tayyiba.

¹³ <http://www.state.gov/j/ct/rls/crt/2013/224823.htm>

Oman is a member of the Middle East and North Africa Financial Action Task Force. Recent State Department terrorism reports credit Oman with transparency regarding its anti-money laundering and counterterrorist financing enforcement efforts and with steady improvement in its legal system related to those efforts. The reports note that the government exercises caution and oversight in its commercial banking sector to prevent terrorists from using Oman's financial system. The reports add that Oman does not permit the use of *hawalas*, or traditional money exchanges in the financial services sector and Oman has on some occasions shuttered *hawala* operations entirely. However,

Other steps include Oman's enactment of a January 2007 law establishing a National Committee for Combating Terrorism, a December 2006 agreement with Saudi Arabia to control cross-border transit, and the establishment of a financial intelligence unit of the Directorate of Financial Crimes of the Royal Omani Police. In September 2008, it strengthened its anti-money laundering program by requiring non-banking establishments to verify the identity of their clients and document financial transactions. A 2010 Royal Decree is Oman's main legislation on anti-money laundering and combatting terrorism financing.

On November 22, 2005, Oman joined the U.S. "Container Security Initiative," agreeing to pre-screening of U.S.-bound cargo from its port of Salalah for illicit trafficking of nuclear and other materials, and for terrorists. Oman cooperates with State Department programs (Export Control and Related Border Security, EXBS) on developing and implementing comprehensive strategic export controls. And, as noted above, FMF, NADR funds, EDA, and Section 1206 funding help Oman establish effective export controls, sustain its counter-terrorism training capabilities, and control movements of illegal immigrants across its borders.

Foreign Policy/Regional Issues

Sultan Qaboos has sometimes pursued a relatively independent foreign policy even though, as a member of the Gulf Cooperation Council (GCC), Oman's key regional relationships are with the other GCC states. Oman has differed with several other GCC, including de-facto GCC leader Saudi Arabia, particularly on the issue of how to address the perceived threat from Iran. Omani leaders assert that dialogue and engagement, and not open confrontation, is the appropriate policy for minimizing the perceived threat from Iran.

These differences erupted at a GCC leadership meeting on May 14, 2012, in which Saudi Arabia advanced a plan for political unity among the GCC states—a proposal intended to show solidarity with the government of Bahrain against a Shiite-led uprising there as well as resolve toward Iran. However, the plan was not adopted due to concerns among the other GCC leaders about surrendering some of their sovereignty. Observers say that Oman was among the most vociferous opponents of the Saudi plan.¹⁴ Saudi Arabia again raised the proposal in advance of the December 10-11, 2013, GCC summit in Kuwait—intended this time to signal GCC solidarity in the face of a potential U.S.-Iran rapprochement. At an international security conference in Bahrain on December 7, 2013, ("Manama Dialogue," sponsored by the International Institute for Strategic Studies, IISS), Oman forcefully objected to the plan, to the point of threatening to withdraw from the GCC entirely if the plan were adopted. The proposal was not adopted according to the final communique of the December 10-11, 2013, GCC summit. Oman backed the communique's

¹⁴ Comments to the author by a visiting GCC official. May 2012.

provision to form a joint GCC military command, subject to further study. In 2007, Oman was virtually alone within the GCC in balking at a plan to form a monetary union.

The Iran issue might also have caused friction between Oman and the United Arab Emirates. In January 2011, Oman arrested several UAE citizens that it said were spying on Oman. That came a few months after the UAE arrested about 25 Omanis on similar accusations. However, lingering border issues could also account for the purported spying: Oman and the United Arab Emirates (UAE) finalized their borders only in 2008, nearly a decade after a tentative border settlement in 1999.

Along with the other GCC states, Oman fully backs the Al Khalifa regime in Bahrain in its confrontation with mostly Shiite protests that have been taking place since early 2011. Oman supported the GCC consensus to send forces from the GCC joint “Peninsula Shield” unit into Bahrain on March 14, 2011, to provide backing to the regime’s beleaguered security forces, although Oman did not deploy any forces itself. The GCC countries also decided, in March 2011, to set up a \$20 billion fund to help both Bahrain and Oman cope with popular unrest, to be used to create jobs and take other steps to ease protester anger.

Policies on Other Regional Uprisings

Libya. Oman did not play as active a role in supporting the Libya uprising as its fellow GCC states Qatar and UAE. Oman did not supply weapons or advice to rebel forces or fly any strike missions against Qadhafi forces, but it recognized the opposition Transitional National Council as the government of Libya after Tripoli fell on August 21, 2011. In March 2013, Oman granted asylum to the widow of slain, ousted Libyan leader Muammar Qadhafi and their daughter, Aisha, and sons Mohammad and Hannibal¹⁵ who reportedly had entered Oman in October 2012. Aisha and Hannibal are wanted by Interpol pursuant to a request from the Libyan government, but Libya has not asked for their extradition. Omani officials said they were granted asylum on the grounds that they not engage in any political activities.

Syria. As part of the Arab League, Oman backed the League’s plan to try to broker a resolution of the unrest in Syria, including the December 2011 deployment of Arab League monitors to separate combatants. In November 2011, Oman voted to suspend Syria’s membership in the Arab League and, in concert with the other GCC states, subsequently closed its embassy in Damascus. Unlike Saudi Arabia, Qatar, and UAE, Oman is not providing funds or arms to rebel groups in Syria. The GCC has recognized the reorganized Syrian opposition political umbrella formed in early November 2012 as the sole representative of the Syrian people.

Egypt. The GCC is divided on post-Mubarak Egypt. Qatar supported the elected presidency of Muslim Brotherhood leader Mohammad Morsi, but Saudi Arabia and the UAE oppose the Brotherhood and supported the Egyptian military ouster of Morsi in July 2013. The divisions contributed to a decision by Saudi Arabia, UAE, and Bahrain to close their embassies in Qatar in March 2014. Suggesting a position close to that of Qatar, Omani media (“Times of Oman”) has been critical of the Egyptian military for its crackdown against Morsi supporters.¹⁶

¹⁵ “Muammar Gaddafi’s Family Granted Asylum in Oman.” Reuters, March 25, 2013.

¹⁶ Times of Oman website in English. August 18, 2013.

Iran

Of the Gulf states, Oman is perceived as politically closest to and the least critical of Iran. Omani leaders assert that engagement better mitigates the potential threat from Iran than does belligerence towards the Islamic republic. There are residual positive sentiments among the Omani leadership for the Shah of Iran's provision of troops to help Oman end the leftist revolt in Oman's Dhofar Province during 1964-1975. Oman has no sizable Shiite community with which Iran could meddle in Oman, so there are few concerns about potential direct Iranian interference in Oman. Others attribute Oman's position on Iran to its larger concerns that Saudi Arabia has sought to spread its Wahhabi form of Islam into Oman, and Oman sees Iran as a potential counterweight to Saudi Arabia. In an action criticized in the United States and the GCC, Sultan Qaboos visited Tehran in August 2009, despite protests in Iran over alleged governmental fraud in declaring the reelection of President Mahmoud Ahmadinejad in the June 2009 election.

Sultan Qaboos has long maintained that Oman's alliance with the United States and its friendship with Iran are not mutually exclusive. Successive Administrations have refrained from criticizing the Omani position, and have used the Oman-Iran relationship not only to resolve some U.S.-Iran disputes but also to develop informal ties to Iranian officials. Oman was an intermediary through which the United States returned Iranian prisoners captured during U.S.-Iran skirmishes in the Persian Gulf in 1987-1988. A U.S. State Department spokesman publicly confirmed that Oman had played a brokering role in the September 2010 release from Iran of U.S. hiker Sara Shourd, reportedly including paying her \$500,000 bail to Iranian authorities. Oman similarly helped broker the release one year later of her two hiking companions Josh Fattal and Shane Bauer. It was subsequently reported that a State Department official on Iran affairs had coordinated with Oman and with Switzerland (which represents U.S. interests in Iran) to achieve their release.¹⁷ In April 2013, Omani mediation resulted in the release to Iran of an Iranian scientist, Mojtaba Atarodi, imprisoned in the United States in 2011 for attempting to procure nuclear equipment for Iran. During his May 2013 visit to Oman, Secretary Kerry reportedly discussed with Qaboos possible Omani help in obtaining the release from Iran of ex-Marine Amir Hekmati, a dual citizen jailed in Iran in August 2011, and retired FBI agent Robert Levinson, who went missing in Iran in 2006 and is believed held by groups under the at least partial control of Iran.

Oman's role as an intermediary between the United States and Iran has been highlighted in the context of the November 24, 2013, interim nuclear deal ("Joint Plan of Action") between Iran and the "P5+1" countries (United States, Britain, France, Russia, China, and Germany). Press reports indicate that Qaboos had tried to broker U.S.-Iran rapprochement for several years, and that Deputy Secretary of State William Burns and other U.S. officials had begun meeting with Iranian officials in early 2013 to explore the possibility of a nuclear deal. These meetings took place well before the moderate Hassan Rouhani was elected Iran's president in June 2013. These talks reportedly accelerated after Rouhani took office in August 2013 and, coupled with Sultan Qaboos's August 25-27, 2013, visit to Iran, helped pave the way for U.S.-Iran diplomatic overtures in September 2013¹⁸ and the JPA.

¹⁷ Dennis Hevesi. "Philo Dibble, Diplomat and Iran Expert, Dies At 60." *New York Times*, October 13, 2011.

¹⁸ Paul Richter. "Oman Sultan's Visit Reportedly a Mediation Bid Between Iran and U.S." *Los Angeles Times*, August 30, 2013; Shashank Bengali. "U.S.-Iran Thaw Began with Months of Secret Meetings." *Los Angeles Times*, November 24, 2013.

Oman saw the JPA as an affirmation of its longstanding advocacy of engagement with Iran. Oman, as did the other GCC states aside from Bahrain and Saudi Arabia, welcomed a visit by Iranian foreign policy officials in the aftermath of the JPA. In mid-March 2014, Rouhani visited Oman – the only Gulf state he has visited since taking office. Oman reportedly has played a key role in muting GCC and other Arab public opposition to the U.S. diplomacy with Iran.¹⁹

Some experts and GCC officials argue that Oman-Iran relations, particularly their security cooperation, are undermining GCC defense solidarity. On August 4, 2010, Oman signed a security pact with Iran, which reportedly commits the two to hold joint military exercises.²⁰ The United States did not criticize Oman's entry into this pact with Iran, possibly believing that the agreement would not result in much significant new cooperation between the two. The 2010 pact followed an earlier pact, signed in August 2009, that focused on cooperating against smuggling across the Gulf of Oman, which separates the two countries. The Oman-Iran pacts were ratified by Iran's *Majles* (parliament) on December 20, 2010. The two countries have held a few joint exercises under the 2010 pact, including an April 7, 2014, joint search and rescue naval exercise. None of the security ties with Iran have interfered with Oman's continuing cooperation with U.S. efforts to promote joint GCC defense cooperation and interoperability with U.S. forces.

Economically, the two conduct formal trade, supplemented by the informal trading relations that have long characterized the Gulf region. Oman's government is said to turn a blind eye to the smuggling of a wide variety of goods to Iran from Oman's Musandam Peninsula territory. The trade is illegal in Iran because the smugglers avoid paying taxes in Iran, but Oman's local government collects taxes on the goods shipped.²¹

Iran and Oman have jointly developed the Hengham oilfield in the Persian Gulf, and the field came on stream officially on July 11, 2013, producing 22,000 barrels of oil per day, a rate expected to rise to 30,000 barrels per day. The investment is estimated at \$450 million, although the exact share of the costs between Iran and Oman is not known. The field also produces natural gas, and it is expected to total 80 million cubic feet per day when fully producing. The two countries have also discussed potential investments to further develop Iranian offshore natural gas fields that adjoin Oman's West Bukha oil and gas field in the Strait of Hormuz. The Omani field began producing oil and gas in February 2009. During the Rouhani visit to Oman in March 2014, the two countries signed a deal to build a \$1 billion pipeline to bring Iranian natural gas to Oman beginning as early as 2017. The gas would flow from Iran's Hormuzegan Province to Sohar in Oman, and then likely be re-exported to neighboring countries.²² It would supplement Oman's energy projects with other GCC and neighboring states that are discussed below. The Iran-Oman energy projects appear to constitute violations of the Iran Sanctions Act (ISA), but the United States has not sanctioned them or otherwise accused Oman of any violations or noncooperation with international sanctions against Iran. Ambassador Holz, at her confirmation hearings on July 18, 2012, said that Oman is "compliant and supportive of the international sanctions on Iran." (See CRS Report RS20871, *Iran Sanctions*, for a discussion of ISA and its provisions.)

¹⁹ "Oman Stands in U.S.'s Corner on Iran Deal." op.cit.

²⁰ Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

²¹ Ibid.

²² Dana El Baltaji. "Oman Fights Saudi Bid for Gulf Hegemony with Iran Pipeline Plan." Bloomberg News, April 21, 2014.

At times, Oman's attempts to steer a middle ground between Iran and the United States have caused problems for Oman. For example, in April 1980, within days of signing the agreement allowing the United States military to use several Omani air bases, the United States used these facilities—reportedly without prior notification to Oman—to launch the abortive mission to rescue the U.S. Embassy hostages seized by Iran in November 1979.²³ Oman complained to the United States about the lack of prior notification of the mission.

Iraq

On Iraq, Omani officials say that the Omani government and population are dismayed at the Shiite Islamist domination of post-Saddam Iraq. Oman opened an embassy in post-Saddam Iraq but then closed it for several years following a shooting outside it in November 2005. The embassy reopened in 2007 but Oman's Ambassador to Iraq, appointed in March 2012, is resident in Jordan, where he serves concurrently as Oman's Ambassador. The shooting wounded four, including an embassy employee. Oman provided about \$3 million to Iraq's post-Saddam reconstruction, a relatively small amount compared to some of the other Gulf states.

Afghanistan

As noted above, Oman has not sent forces or trainers to Afghanistan, although its facilities have been used by U.S. forces to support operations there. Still, Oman has been engaged on the issue. On February 24, 2011, Oman hosted then Chairman of the Joint Chiefs of Staff Admiral Michael Mullen for meetings with Omani senior defense leaders and discussions there on Afghanistan and Pakistan with Mullen's chief Pakistani counterpart, Chief of Army Staff General Ashfaq Kayani.²⁴

Arab-Israeli Issues

On the Arab-Israeli dispute, in a stand considered highly supportive of U.S. policy, Oman was the one of the few Arab countries not to break relations with Egypt after the signing of the Egyptian-Israeli peace treaty in 1979. All the GCC states participated in the multilateral peace talks established by the 1991 U.S.-sponsored Madrid peace process, but only Oman, Bahrain, and Qatar hosted working group sessions of the multilaterals. Oman hosted an April 1994 session of the working group on water and, as a result of those talks, a Middle East Desalination Research Center was established in Oman. Participants in the Desalination Center include Israel, the Palestinian Authority, the United States, Japan, Jordan, the Netherlands, South Korea, and Qatar.

In September 1994, Oman and the other GCC states renounced the secondary and tertiary Arab boycott of Israel. In December 1994, it became the first Gulf state to officially host a visit by an Israeli prime minister (Yitzhak Rabin), and it hosted then Prime Minister Shimon Peres in April 1996. In October 1995, Oman exchanged trade offices with Israel, essentially renouncing the primary boycott of Israel. However, there was no move to establish diplomatic relations. The trade offices closed following the September 2000 Palestinian uprising.

Oman has expressed an openness to renewing trade ties with Israel if there is progress on Israeli-Palestinian issues. In an April 2008 meeting in Qatar, Omani Foreign Affairs Minister Yusuf bin

²³ CRS conversations with U.S. Embassy officials in Oman. 1995-2003.

²⁴ "Mullen, Mattis Meet With Omani Counterparts." American Forces Press Service. February 24, 2011.

Alawi bin Abdullah informed his then Israeli counterpart, Tzipi Livni, that the Israeli trade office in Oman would remain closed until agreement was reached on a Palestinian state. Still, the meeting represented a degree of diplomatic outreach by Oman to Israel. Several Israeli officials reportedly visited Oman in November 2009 to attend the annual conference of the Desalination Center, and the Israeli delegation held talks with Omani officials on the margins of the conference.²⁵ Oman reiterated its offer to resume trade contacts with Israel if Israel agrees to at least a temporary halt in Israeli settlement construction in the West Bank. Israel has not consistently maintained such a suspension and Israel and Oman have not reopened trade offices. Oman supports the Palestinian Authority (PA) drive for full U.N. recognition and the Omani official press refers to the PA-run territories as the “State of Palestine.”

Yemen

Oman’s relations with neighboring Yemen have historically been troubled, giving Oman a significant stake in political stabilization there. The former People’s Democratic Republic of Yemen (PDRY), considered Marxist and pro-Soviet, supported Oman’s Dhofar rebellion in the 1960s and early 1970s. Oman-PDRY relations were normalized in 1983, but the two engaged in occasional border clashes later in that decade. Relations improved after 1990, when PDRY merged with North Yemen to form the Republic of Yemen. In May 2009, Oman signaled support for Yemen’s integrity and the government of President Ali Abdullah Saleh by withdrawing the Omani citizenship of southern Yemeni politician Ali Salim Al Bidh, an advocate of separatism in south Yemen.

Oman closely watched the 2011 uprising in Yemen out of concern that violence might increase and destabilize the southern Arabian peninsula. Oman built some refugee camps near its border with Yemen to accommodate refugees fleeing violence there. As part of the GCC, Oman backed the GCC efforts to negotiate a peaceful transition from the rule of Ali Abdullah Saleh, who returned to Yemen in late September 2011 following recuperation in Saudi Arabia from an attack in June 2011. Saleh agreed in December 2011 to give up power and he departed Yemen in January 2012 in line with the GCC plan. However, stability has not fully returned, and Al Qaeda-linked groups have reportedly taken advantage of the turmoil to increase their influence in parts of Yemen. According to the State Department FY2013 foreign aid budget justification, this has caused Oman to redeploy assets to better secure its border with Yemen, in the process thinning out Oman’s capabilities elsewhere. In July 2013, Oman arrested nine Omanis for an alleged role in smuggling arms through Oman and reportedly bound for Yemen.

Economic and Trade Issues²⁶

Despite Omani efforts to diversify its economy, oil exports generate about 60% of government revenues. Oman has a relatively small 5.5 billion barrels (maximum estimate) of proven oil reserves, enough for about 15 years, and some energy development firms say that production at some Omani fields is declining.²⁷ Recognizing its future budgetary limitations, the government is

²⁵ Ravid, Barak. “Top Israeli Diplomat Holds Secret Talks in Oman.” Haaretz, November 25, 2009. <http://www.haaretz.com/hasen/pages/1130242.html>.

²⁶ For more information on Oman’s economy and U.S.-Oman trade, see CRS Report RL33328, *U.S.-Oman Free Trade Agreement*, by Mary Jane Bolle.

²⁷ Gerth, Jeff and Stephen Labaton. “Oman’s Oil Yield Long in Decline, Shell Data Show.” *New York Times*, April 8, (continued...)

attempting to address a perception in the public that encourages public sector employment. In a November 12, 2012, speech to open the fall session of the Oman Council, Sultan Qaboos said “The state, with all its civil, security, and military institutions, cannot continue to be the main source of employment.... The citizens have to understand that the private sector is the real source of employment in the long run.” In February 2014, it is took further steps to address citizen unemployment by requiring that more than 100,000 jobs now performed by expatriates be transferred to Omani nationals, with the intention of the proportion of expatriate private sector employment from 39% to 33%. Oman is also trying to position itself as a trading hub, asserting that ships that offload in its Salalah port pay lower insurance rates than those that have to transit the Persian Gulf to offload in Dubai or Bahrain.²⁸

The United States is Oman’s fourth-largest trading partner, and there was over \$2.5 billion in bilateral trade in 2013, down about \$500 million from 2012. In 2013, the United States exported \$1.57 billion in goods to Oman, and imported \$1.022 billion in goods from Oman. Of U.S. exports to Oman, the largest product categories are automobiles, aircraft (including military) and related parts, drilling and other oilfield equipment, and other machinery. Of the imports, about 60% consist of crude oil and oil by-products such as plastics.

Oman is not a member of the Organization of the Petroleum Exporting Countries (OPEC) and is therefore not bound by an oil export quota set by that organization. Recognizing that its crude oil fields are aging, Oman is trying to privatize its economy, diversify its sources of revenue, and develop its liquid natural gas (LNG) sector, for which Oman has identified large markets in Asia and elsewhere. Oman is part of the “Dolphin project,” under which Qatar is exporting natural gas to UAE and Oman through undersea pipelines; it began operations in 2007. The natural gas supplies to Oman from Dolphin free up other Omani natural gas supplies for sale to its customers. Gas ventures with Iran that are active or under discussion were addressed above. In December 2013, Oman signed a \$16 billion agreement for energy major BP to develop Oman’s own natural gas reserves.

Oman was admitted to the WTO in September 2000. The U.S.-Oman Free Trade Agreement was signed on January 19, 2006, and ratified by Congress (P.L. 109-283, signed September 26, 2006). According to the U.S. embassy in Muscat, the FTA has led to increased partnerships between Omani and U.S. companies. General Cables and Dura-Line Middle East are two successful examples of joint ventures between American and Omani firms. These two ventures are not focused on hydrocarbons, suggesting the U.S.-Oman trade relationship is not focused only on oil.

Economic Aid

The United States phased out development assistance to Oman in 1996. At the height of that development assistance program in the 1980s, the United States was giving Oman about \$15 million per year in Economic Support Funds (ESF) in loans and grants, mostly for conservation and management of Omani fisheries and water resources.

(...continued)

2004.

²⁸ Author conversation with Omani officials. September 2013.

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