



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

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## Summary

The Sultanate of Oman is a long-time U.S. ally in the Persian Gulf. It has allowed U.S. access to its military facilities for virtually every U.S. military operation in and around the Gulf since 1980, despite the sensitivities in Oman and throughout the Middle East about a U.S. military presence there. Oman also has fully and consistently supported U.S. efforts to achieve a Middle East peace by publicly endorsing the peace treaties that have been achieved between Israel and some of its Arab neighbors, and by occasionally hosting Israeli political leaders or meeting with them outside Oman. It was partly in appreciation for this alliance that the United States entered into a free trade agreement (FTA) with Oman. The FTA was considered pivotal to helping Oman diversify its economy to compensate for its relatively small reserves of crude oil.

Perhaps because of the extensive benefits the alliance with Oman provides to U.S. Persian Gulf policy, successive U.S. Administrations have tended not to criticize Oman's relatively close relations with Iran. Oman has a tradition of cooperation with Iran dating back to the Shah of Iran's regime and Oman has always been less alarmed by the perceived threat from Iran than have the other Gulf states. Oman's leaders view possible U.S. military action against Iran's nuclear facilities as potentially more destabilizing to the region than is Iran's nuclear program or Iran's foreign policy that supports Shiite and some other hardline Islamist movements. Still, there is a long-standing assumption among U.S. policymakers that, in the event of U.S.-Iran confrontation, Oman would at least tacitly back the United States.

Another major U.S. priority in the Gulf region has been the promotion of human rights and democracy and the empowerment of civil society. The United States has praised Sultan Qaboos bin Sa'id Al Said for opening up the political process in Oman, beginning this initiative in the early 1980s, long before the issue was highlighted by the United States. The political liberalization has given citizens the opportunity to express their views on issues but has not significantly limited Qaboos' role as major decision maker. Some Omani human rights activists and civil society leaders, along with many younger Omanis, who have always been unsatisfied with the implicit and explicit limits to political rights in Oman, believe the democratization process has stagnated over the past five years.

For further information on regional dynamics that affect Oman, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

## Contents

Introduction .....	1
Democratization and Human Rights .....	3
Election History .....	4
Broader Human Rights Issues .....	4
Religious Freedom .....	5
Advancement of Women .....	5
Trafficking in Persons .....	6
Defense and Security Ties .....	6
Oman’s Capabilities and U.S. Security Assistance .....	7
Cooperation Against Islamic Militancy .....	8
Cooperation on Regional Stability .....	9
Iran .....	9
Iraq .....	10
Arab-Israeli Issues .....	11
Yemen .....	12
Economic and Trade Issues .....	12

## Figures

Figure 1. Map of Oman .....	3
-----------------------------	---

## Tables

Table 1. Some Key Facts on Oman .....	2
Table 2. Recent U.S. Aid to Oman .....	8

## Contacts

Author Contact Information .....	13
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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 or 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.

He is considered popular in Oman, but his brief marriage in the 1970s produced no children and therefore no clear successor. Succession would be decided by a “Ruling Family Council” of his relatively small Al Said family (about 50 male members) or, if they fail to reach an agreement, by a succession letter written by Qaboos prior to his death. The United States signed a treaty of friendship 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	2.97 million, which includes 577,000 expatriates (July 2010 estimate)
Religions	Ibadhi Muslim, 75%; other, 25% (Sunni Muslim, Shiite Muslim, Hindu)
GDP (purchasing power parity, PPP)	\$69.5 billion (2009)
GDP per capita (PPP)	\$23,900 (2009)
GDP Growth Rate	2.7% (2009)
Unemployment Rate	15%
Inflation Rate	3.5% (2009), down from 12.5% in 2008
Exports	\$27.65 billion (2008). Main export markets (in decreasing order of dollar value): China, South Korea, UAE, Japan, Thailand
Imports	\$18.5 billion (2009). Main import sources (in decreasing order of dollar value): UAE, Japan, United States, China, India, South Korea, Germany
Oil Production	1.3 million barrels per day (2009)
Oil Reserves	5 – 5.5 billion barrels
Oil Exports	1.1 million barrels per day (bpd) (2009)
Natural Gas Production	24 billion cubic meters/year
Natural Gas Reserves	849.5 billion cubic meters
Natural Gas Exports	10.89 billion cubic meters/yr
Foreign Exchange and Gold Reserves	\$12.2 billion (as of the end of 2009)

**Sources:** CIA, *The World Factbook*, June 28, 2010; Oman National budget press statement provided by Embassy of Oman in Washington, DC, January 2010.

Figure I. Map of Oman



Source: CRS.

## Democratization and Human Rights<sup>1</sup>

Oman remains a monarchy in which decision-making still is largely concentrated with Sultan Qaboos. Some Omanis, particularly younger, well-educated professionals, consider the pace of liberalization too slow, but many older Omanis compare the current degree of “political space” favorably with that during the reign of the Sultan’s father. Under the Sultan’s father, Omanis needed the Sultan’s approval to wear spectacles, for example. Some Omanis, even some within the government and official establishment, note that some top positions are now filled by former

<sup>1</sup> Information in this section is from several State Department reports: The Human Rights report for 2009 (March 11, 2010); the International Religious Freedom Report for 2010 (November 17, 2010); and the Trafficking in Persons Report for 2010 (June 14, 2010). See also: Carpenter, J. Scott and Simon Henderson. *Democracy in Slow Motion: Oman Goes to the Polls*. Washington Institute for Near East Policy, PolicyWatch 1298. October 26, 2007.

security officials, replacing academics or other professionals. Others saw progress in the holding in April 2009 of a two-day workshop in Muscat to discuss freedom of speech.<sup>2</sup>

## **Election History**

The electoral process in Oman has advanced incrementally, but, even so the process applies to a legislative body with limited powers. Sultan Qaboos has constrained the authority of the elected 84-seat Consultative Council (Majlis As Shura) to mostly economic and social issues. It does not draft legislation, lacks binding legislative powers, and some Omanis say the Council's influence over policy has diminished over time—to the point where many experts now say Oman lags the other Gulf states on political liberalization. In a 1996 “Basic Law,” Qaboos made the legislature bicameral by appointing a State Council to serve, in part, as a check and balance on the elected Consultative Council. Together, the two bodies constitute the Oman Council. As in the other Gulf states, formal political parties are not allowed. Unlike Bahrain or Kuwait, there are no clear currents or factions within either of the two chambers that make up the Oman Council.

The slow pace of political liberalization concerns some observers because Qaboos was one of the first Gulf monarchs to embark on political liberalization. He did so in the 1980s, under no evident public pressure to do so, in the belief that Omanis would ultimately demand political reform. In November 1991, he appointed a 59-seat Consultative Council (expanded to its current size of 84 seats in 1993), replacing a 10-year-old advisory council. In a move toward a popular selection process, in 1994 and 1997 “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 the Consultative Council 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 and the October 4, 2003, Consultative Council elections—in which 195,000 Omanis voted (74% turnout)—resulted in 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, for the first time, 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. Qaboos appoints the Consultative Council president (he appointed a new president in September 2007, replacing a 16-year incumbent), although the Consultative Council chooses two vice presidents.

The State Council, still entirely appointed, now has 70 seats, up from the original 53 seats. The State Council appointed following the 2007 election has 14 women, up from nine previously. The next elections and State Council appointments are to take place in October 2011.

## **Broader Human Rights Issues**

On related human rights issues, the State Department human rights report for 2009 says that “the government generally respect[s] the human rights of its citizens.” Press criticism of the government is tolerated, but criticism of the Sultan is not. Private ownership of radio and

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<sup>2</sup> Slackman, Michael. “With Murmurs of Change, Sultan Tightens His Grip.” *New York Times*, May 15, 2009.

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 or practical restrictions to Internet usage, and only about 8-13% 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.

On labor issues, the State Department notes improving workers' rights, in conjunction with the U.S.-Oman FTA, and the labor laws permit collective bargaining and prohibits employers from firing or penalizing workers for union activity. U.S. funds from the Middle East Partnership Initiative have been used to fund civil society and political process strengthening, judicial reform, election management, media independence, and women's empowerment.

### **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. The State Department's religious freedom report for 2010 noted "no change in the status of respect for religious freedom by the government during the reporting period." 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 agreed in principle to allow Buddhists to hold meetings if they could find a corporate sponsor, but the community was unable to do so by late 2010. 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**

Sultan Qaboos has given major speeches on the equality of women and their importance in national development, and they now constitute about 30% of the work force. Since 2004, there have been four women of ministerial rank, of which three are in the cabinet. The three are ministers of: higher education, of tourism, and of social development. The first woman ever of ministerial rank in Oman was appointed in March 2003; she heads the national authority for industrial craftsmanship. In April 2004, Qaboos made five women among the 29 appointees to the public prosecutors office. The ambassador to the United States is a female. However, 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.



## Trafficking in Persons

On November 17, 2008, Oman set up its first human rights commission as an “autonomous body” attached to the State Council (upper body of the legislature). The move came one month after—and was viewed as a response to—a determination by President Bush (P.D. 2009-5) that Oman be moved from “Tier 3” on trafficking in persons (worst level, assessed in the June 4, 2008, State Department report on that issue), to “Tier 2/Watch List.” In the latest such report, issued June 14, 2010, Oman’s “grade” remained at Tier 2—the level it was assigned in the 2009 report. This ranking is based on an assessment that Oman is making significant efforts to comply with minimum standards for the elimination of trafficking and 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 Gulf states. Oman was the first Gulf state to formalize defense relations with the United States after the Persian Gulf region was shaken by Iran’s 1979 Islamic revolution, which was at first feared would spread throughout the Middle East and lead to the downfall of monarchy states there. 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. During the September 1980 – August 1988 Iran-Iraq war, the United States built up naval forces in the Gulf to prevent Iranian attacks on international shipping. Oman played the role of quiet 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 access agreement, which was renewed in 1985, 1990, 2000, and 2010, 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, and some U.S. Air Force equipment, including lethal munitions, are stored at these bases.<sup>3</sup> 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).<sup>4</sup>

In conjunction with negotiations to renew the agreements, which were to expire at the end of 2010, the U.S. military sought to respond to an Omani request to move some U.S. equipment to expanded facilities at Musnanah, from the international airport at Seeb, to accommodate commercial development at Seeb. Conferees on the National Defense Authorization Act for FY2010 (P.L. 111-84) did not incorporate into that law a DOD request for \$116 million to carry out that move, on the grounds that U.S. Central Command has not formulated a master plan—or obtained an Omani contribution—for the needed further construction at Musnanah. However, the DOD authorization act for FY2011 (H.R. 6523) did authorize \$69 million in military construction funding for the Musnanah facility. Although the authorization act was presented to the president

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<sup>3</sup> Hajjar, Sami. *U.S. Military Presence in the Gulf: Challenges and Prospects*. U.S. Army War College, Strategic Studies Institute. P. 27.

<sup>4</sup> Finnegan, Philip. “Oman Seeks U.S. Base Upgrades.” *Defense News*, April 12, 1999.

for signature on December 29, 2010, the issue did not jeopardize the November 2010, renewal of the access agreements,<sup>5</sup> which occurred prior to the passage of that legislation. Following the renewal, on December 5, 2010, Secretary of Defense Gates visited Oman and met with Qaboos and Minister of State for Defense Badr bin Saud bin Harib al-Busaidi (distant relative of Qaboos) to discuss regional issues, reportedly including Iran and the U.S.-led mission in Afghanistan. Gates also visited the aircraft carrier U.S.S. Abraham Lincoln operating in the Arabian Sea off the coast of Oman.<sup>6</sup>

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. presence fell slightly to 3,750 during OIF; other facilities closer to Iraq, such as in Kuwait, were used more extensively for OIF. There are approximately 35 U.S. military personnel in Oman, below the pre-September 11, 2001, figure of 200 U.S. personnel. Since 2004, Omani facilities reportedly have not been used for air support operations in either Afghanistan or Iraq.

## **Oman's Capabilities and U.S. Security Assistance<sup>7</sup>**

Oman's 43,000 person armed force is the third largest of the Gulf Cooperation Council states (GCC, including Saudi Arabia, Kuwait, UAE, Oman, Bahrain, and Qatar). Its force is widely considered one of the best trained but not the best equipped. However, Oman is trying to expand and modernize its arsenal 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, and much of its arsenal still is British-made. British officers are now mostly advisory.

In an effort to modernize its Air Force, in October 2001, after years of consideration, 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. In July 2006, according to the Defense Security Cooperation Agency (DSCA), Oman bought the JAVELIN anti-tank system, at a cost of about \$48 million.

Some major U.S. sales to Oman have been expected as part of an estimated \$20 billion sales package to the Gulf states under the U.S. "Gulf Security Dialogue" intended to contain Iran, although most of the sales notified thus far are to the much wealthier Saudi Arabia and UAE. As part of that effort, 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,

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<sup>5</sup> Author conversation with State Department officer responsible for Oman. January 6, 2011.

<sup>6</sup> Gates Meets With Leaders in Oman, Plans Carrier Visit. American Forces Press Service, December 5, 2010.

<sup>7</sup> 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.

Lockheed Martin. Earlier, in June 2009, Lockheed Martin said it had received a contract from Oman to buy the C-130J “Super Hercules” military transport aircraft. The terms were not disclosed. 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 is buying from Lockheed. The prime manufacturer of the countermeasures equipment is Northrop Grumman.

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.

U.S. Foreign Military Financing (FMF)—recent amounts of which are shown below—has been used to help Oman buy U.S.-made coastal patrol boats for anti-narcotics and anti-smuggling missions, as well as aircraft munitions, night-vision goggles, upgrades to coastal surveillance systems, communications equipment, and de-mining equipment. The proposed increase in FMF for Oman for FY2010 (although still at low levels compared to many other recipients of U.S. security aid) reflects additional planned sales to Oman of such gear. 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. (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.)

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). There have been minor EDA grants since 2000, particularly gear to help Oman monitor its borders and waters and to improve inter-operability with U.S. forces. In 2004, it turned down a U.S. offer of EDA U.S.-made M1A1 tanks. Some Omani officers say they 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.

**Table 2. Recent U.S. Aid to Oman**

(In millions of dollars)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010 (est.)	FY2011 (request)
IMET	0.75	0.83	1.14	1.14	1.11	1.43	1.45	1.525	1.65
FMF	80.0	24.85	19.84	13.86	13.49	4.712	7.0	11.85	13.0
NADR		.40	0.554	0.4	1.28	1.593	0.95	1.655	1.5

**Note:** 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).

## Cooperation Against Islamic Militancy

Since September 11, 2001, Oman has cooperated with U.S. legal, intelligence, and financial efforts against terrorism. According to the State Department report on global terrorism for 2009,

released August 5, 2010, Oman “continued to be proactive in implementing counterterrorism strategies and cooperating with neighboring countries to prevent terrorists from entering or moving freely throughout the Arabian Peninsula.” This language was nearly identical to that used in the same report the prior year. The latest State Department report credits 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. Other relatively recent 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 identify of their clients and document financial transactions. In December 2004, the government arrested 31 Ibadhi Muslims (Omani citizens) on suspicion of conspiring to establish a religious state, but Qaboos pardoned them in June 2005.

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. **Table 2** includes U.S. aid to Oman (Non-Proliferation, Anti-Terrorism and Related Programs funds, NADR) to help it establish effective export controls, to sustain its counter-terrorism training capabilities, and to help control movements of illegal immigrants across its borders.

## **Cooperation on Regional Stability**

Sultan Qaboos has often pursued foreign policies outside an Arab or Gulf consensus. Some of its stances, such as that toward Iran, have appeared at odds with U.S. policy. Other of its positions, such as on the Arab-Israeli dispute, have been highly supportive of U.S. policy, sometimes to the extent of alienating other Arab leaders.

### **Iran**

Of the Gulf states, Oman is perceived as politically closest to and the least critical of Iran. Qaboos sees no inconsistency between Oman’s alliance with the United States and its friendship with Iran. This relationship has proved useful to the United States in the past; 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. Oman reprised this intermediary role on September 14, 2010, when Iran released U.S. citizen Sara Shourd, a hiker who was arrested with two friends in July 2009 for crossing from Iraq onto Iranian territory. U.S. State Department spokesman publicly confirmed that Oman had played a brokering role in her release, possibly including paying her \$500,000 bail to Iranian authorities, and she flew to Oman after her release. Omani diplomats have since reportedly been negotiating with Iran for the release of the other two hikers, Josh Fattal and Shane Bauer, the latter of which had become Sara Shourd’s fiancé during their incarceration.

At other times, Oman’s attempts to steer a middle ground between Iran and the United States has caused problems for Oman. In April 1980 when, 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.<sup>8</sup>

Some accounts say that Oman is in the process of drawing closer to Iran than it has previously. Sultan Qaboos last visited Tehran in August 2009, his first visit there since the 1979 Islamic revolution. He went forward with the visit even though the June 2009 reelection of President Mahmoud Ahmadinejad was widely challenged in Iran as fraudulent by large numbers of demonstrators in Tehran and in other cities. To this extent, the Qaboos visit was viewed as a sign that Oman was endorsing—or at least deciding to set aside the issue of—Ahmadinejad’s reelection.

Oman, as have the other GCC states, has long publicly opposed any U.S. attack on Iran’s nuclear facilities. Not only has Oman rebuffed efforts by the other Gulf states to persuade Oman to distance itself from Iran politically,<sup>9</sup> but, on August 4, 2010, it reportedly signed a security pact with Iran.<sup>10</sup> The pact reportedly commits the two to hold joint military exercises at some point. The United States did not criticize Oman’s entry into this pact with Iran, possibly believing that the agreement will not result in much significant new cooperation between the two. The 2010 pact follows 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.

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.<sup>11</sup> Iran and Oman are in discussions about potential investments to 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.

The question many observers ask is why is Oman not as wary of Iran as are the other GCC states. Oman has no sizable Shiite community with which Iran could meddle in Oman, so the fear of Iranian interference is less pronounced. There are also residual positive sentiments pre-dating Iran’s Islamic revolution. Oman still appreciates the military help the Shah of Iran provided in helping end a leftist revolt in Oman’s Dhofar Province during 1964-1975. 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 rival to and potential counterweight to Saudi Arabia.

## **Iraq**

On Iraq, and generally in line with other GCC states, Omani officials say that the Omani government and population are dismayed at the Shiite Islamist domination of post-Saddam Iraq

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<sup>8</sup> CRS conversations with U.S. Embassy officials in Oman. 1995-2003.

<sup>9</sup> Slackman, Michael. “Oman Navigates Risky Strait Between Iran and Arab Nations.” *New York Times*, May 16, 2009.

<sup>10</sup> Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

<sup>11</sup> *Ibid.*

and its pro-Iranian tilt. Yet, despite moves by most of the other GCC states to normalize relations with Iraq, Oman has not appointed an ambassador in Baghdad. (Saudi Arabia also has not done so.) This possibly could be attributed to security concerns; a shooting outside Oman's embassy in Baghdad in November 2005 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.

### **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 Alawi bin Abdullah informed then Israeli Foreign Minister Tzipi Livni that the Israeli trade office in Oman would remain closed until agreement was reached on a Palestinian state, although the meeting itself represented a level of diplomatic outreach by Oman to Israel. There was little follow-up thereafter and Oman, like many other Arab states, considers Israeli Prime Minister Benjamin Netanyahu, who took office in February 2009, opposed to a settlement that would be acceptable to the Palestinians. However, Oman reiterated its offer to resume trade contacts with Israel if Israel agree to at least a temporary halt in Israeli settlement construction in the West Bank. Israel did suspend such activity but the suspension was lifted in September 2010; Israel and Oman have not resumed trade office exchanges. Still, suggesting Oman does not forswear all contact with 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.<sup>12</sup>

Although not a major broker among Palestinian factions, Oman attended a January 2009 meeting in Qatar called to support Hamas, then at war with Israel in the Gaza strip, which Hamas controls. Oman's attendance, to certain extent, defied a boycott of the meeting by Saudi Arabia and Egypt, which considered the meeting a political boost to Iran, which is among Hamas' staunchest regional supporters. Oman's attendance could be explained by Oman's friendly relations with Iran, discussed above.

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<sup>12</sup> Ravid, Barak. "Top Israeli Diplomat Holds Secret Talks in Oman." *Haaretz*, November 25, 2009. <http://www.haaretz.com/hasen/spages/1130242.html>

## Yemen

Oman's relations with neighboring Yemen have traditionally been troubled, but there are signs of stability over the past decade. 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 there were occasional border clashes between the two later in that decade. Relations improved after 1990, when PDRY merged with North Yemen to form the combined modern day Republic of Yemen. In September 2008, the two countries began discussions to form a regional center to combat piracy. 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, who is believed to be stoking separatist sentiment in south Yemen.

## Economic and Trade Issues<sup>13</sup>

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.<sup>14</sup> In 2009, Oman exported about 400 million barrels of oil (about 4% of internationally traded oil), of which about 15 million barrels were imported by the United States.

The United States is Oman's fourth largest trading partner, and there was about \$2 billion in bilateral trade in 2009, slightly less than the \$2.2 billion in trade for 2008. Of the approximately \$1.125 billion in U.S. exports to Oman in 2009, about 20% consisted of aircraft and related parts, and another 10% consisted of drilling and oilfield equipment. Of the approximately \$907 million worth of goods imported into the United States from Oman in 2009, \$765 million consisted of crude oil—nearly 85%.

Oman is not a member of the Organization of the Petroleum Exporting Countries (OPEC). 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. Gas ventures with Iran that are under discussion were addressed above, in the "Iran" section. Oman has about 850 billion cubic meters of proven gas reserves, and in November 2008 it signed a 20-year agreement with Occidental Petroleum to develop existing gas fields and explore for new ones. Oman is part of the "Dolphin project," under which Qatar is exporting natural gas to UAE (by replacing Omani gas supplies, at 135 million cubic feet per day, to the UAE). 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). Oman has balked at a Gulf state plan to form a monetary union by the end of 2010.

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<sup>13</sup> 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.

<sup>14</sup> Gerth, Jeff and Stephen Labaton. "Oman's Oil Yield Long in Decline, Shell Data Show." *New York Times*, April 8, 2004.

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