



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

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## Summary

Prior to the wave of Middle East unrest that began in 2011, the United States had consistently praised the Sultan of Oman, Qaboos bin Sa'id Al Said, for gradually opening the political process without evident public pressure to do so. The liberalization has, to date, allowed Omanis a measure of representation but has not significantly limited Qaboos' role as paramount decision-maker. The modest reforms apparently did not satisfy some Omani civil society leaders, youths, and others, because protests broke out 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—were producing a new public sense of activism, although with public recognition that reform will continue to be gradual. The first-ever municipal elections in Oman on December 22, 2012 furthered the sense of political empowerment among the electorate.

Perhaps because of Oman's long-time commitment to an alliance with the United States, the Obama Administration did not alter policy toward Oman even though some of the 2011-2012 protests were suppressed and activists were arrested. Oman was the first Persian Gulf state to formally allow the U.S. military to use its military facilities, despite the sensitivities in Oman about a visible 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.

The one significant difference between the United States and Oman on regional issues is Iran. Unlike most of the other Persian Gulf monarchies, Oman does not perceive a major potential threat from Iran. Sultan Qaboos has consistently maintained ties to Iran's leaders, despite the widespread international criticism of Iran's nuclear program and foreign policy. However, successive U.S. Administrations have generally refrained from criticizing the Iran-Oman relationship, perhaps in part because Oman has sometimes been useful as an intermediary between the United States and Iran. An August 2013 visit to Iran by Qaboos may have paved the way for diplomatic overtures between Iran and the United States in the run-up to the U.N. General Assembly meetings in late September. 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 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.

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	3.15 million, which includes 577,000 non-citizens
Religions	Ibadhi Muslim (neither Sunni nor Shiite, 75%. Other religions: 25% (includes Sunni Muslim, Shiite Muslim, Hindu)
GDP (purchasing power parity, PPP)	\$90.6 billion (2012)
GDP per capita (PPP)	\$28,500 (2012)
GDP Real Growth Rate	5% (2012)
Unemployment Rate	15%
Inflation Rate	3.5% (2012)
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	\$15.9 billion (end of 2012)
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<sup>1</sup>

Oman remains a monarchy in which decision-making still is largely concentrated with Sultan Qaboos, even though he has a reputation for benevolence and has been considered highly popular. 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

<sup>1</sup> Much of this and the subsequent section is from the State Department's country report on human rights practices for 2012 (released April 19, 2013), <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2012&dliid=204370#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>.

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 recommending a successor 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,<sup>2</sup> although Qaboos himself holds this position, as well as the positions of Foreign Minister and Defense Minister. Some are reportedly pressing Qaboos to name a Prime Minister, and 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.<sup>3</sup>

Despite the three-decade-long opening of the political process discussed below, in recent years some Omanis, particularly younger, well-educated professionals, have come to consider the pace of liberalization too slow. Many older Omanis, on the other hand, tend to compare the current 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, including some within the government, note that many top positions have been filled in recent years by former security officials, replacing academics or other professionals. However, evidence that the pace of change has been perceived as slow was demonstrated in 2011-12 in the form of protest in several cities, following unrest sweeping other parts of the region.

## Representative Institutions and Election History

Prior to the 2011 unrest, many Omanis and international observers had praised Sultan Qaboos for creating legislative institutions and an election process long before there was any evident public pressure to do so, even though the process advanced incrementally. Under a 1996 “Basic Law,” Qaboos created a bicameral “legislative” body called the Oman Council—consisting of an elected Consultative Council (*Majlis As Shura*), and an appointed State Council (*Majlis Ad Dawla*). The Consultative Council was first established in November 1991, replacing a 10-year-old advisory council, and had an initial size of 59 seats. It has been gradually expanded and now has 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 appointed members, as of 2013. 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 officials, tribal leaders, and other notables.

The Oman Council’s scope of authority has long been constrained. When it was created, 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 economic and social issues. Within the Oman Council, the State Council serves as a further check and balance on actions by the

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<sup>2</sup> Author conversations with Omani officials in Washington, DC, June 2013.

<sup>3</sup> 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.

Consultative Council, although some believe it acted to limit impulsive excess of the elected body. 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. 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 enfranchised Omanis to select the membership of the elected 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, 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 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 are dissatisfied with the pace of political change and the government'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 said their demonstrations were motivated by a lack of available good jobs, 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, even after the deaths of some protesters. Some protesters displayed posters with his picture. Protests continued in Sohar and in Muscat throughout March 2011, including establishment of an encampment in Sohar's main square.

### ***Reforms Intended to Address Dissent***

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. An additional woman (Madiha bint Ahmad bin Nasser) was named to the cabinet (education minister). On March 13, 2011, Qaboos issued a decree stating intent to grant the Oman Council legislative and regulatory powers, with exact powers to be determined by a government-appointed committee. 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 below, 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 that death and two previous 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, some large, were held after each Friday's prayers in the city of Salalah. Salalah is the capital of the Dhofar region, which was in rebellion against the Omani central government until the mid-1970s. Taking additional steps to address economic concerns, in August 2011, the government increased spending by 9% in 2012 to finance construction projects and more jobs for nationals. A freeze on prices of certain goods, imposed August 18, 2011, could also have been intended to dampen further unrest.

### **October 2011: Election As the Unrest Abates**

The unrest affected the October 2011 Consultative Council elections. The enhancement of the Oman Council's powers, discussed above, 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, an academic. The government hailed the turnout as evidence of its popularity and an endorsement of its handling of the 2011 protest movement. 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%.

On October 19, 2011, in implementation of the March 2011 decree, the Sultan formally granted the Oman Council new powers, including approving, rejecting, and amending legislation, and the ability 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.



## **Aftermath of the Unrest**

Still, some activism continued, triggering government reaction. 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 have been relatively few and small since.

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.

## ***December 2012 Municipal Elections***

In its efforts to reduce unrest the government also began a separate electoral process for municipal councils. The councils make recommendations to the government on development projects, but do not make final funding decisions. Previously, only one municipal council was 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 municipal 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. 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. No U.S. statements were issued about Oman's responses to the unrest. 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.”<sup>4</sup> At her confirmation hearings on July 18,

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

2012, after the unrest had mostly ended, 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.”

## **Broader Human Rights Issues**

The government’s practices on numerous other issues affect popular sentiment in Oman. The State Department human rights report for 2012 did not repeat the assertions of the reports prior to 2011 that “the government generally respect[s] the human rights of its citizens.” The 2012 report repeated the assertions of the 2011 report that the principal human rights problems were the inability of citizens to change their government, limits on freedom of speech and assembly, and discrimination against women, including that based on cultural norms. The 2012 report stated 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 new 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 2012 human rights report stated that the law provides for limited freedom of speech and press, but the government generally does not respect these rights in practice. 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 or 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. As noted above, some bloggers and other activists who use social media have been prosecuted as part of the government’s strategy of reducing 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.

## **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 2012 noted no "significant" change of the "trend" in the government's respect for religious freedom and no "reports of societal abuses or discrimination based on religious affiliation, belief, or practice" during 2012. 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. There are two female ministers in the 29-member cabinet (minister of education, and minister of higher education). In April 2004, Qaboos placed five 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 were 14 women in the 2007-2011 State Council, appointed following the 2007 election, up from nine in the 2003-2007 council. Qaboos named 15 women to the State Council that was appointed after the October 2011 Consultative Council election. One woman was elected to Consultative Council in that vote, following a four year period (2007-2011) in which no females served in the elected body. Two women had been 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 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 it 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 Persian Gulf during that war.

Under the U.S.-Oman facilities 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. Some U.S. Air Force equipment, including lethal munitions, has been stored at these bases.<sup>5</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>6</sup>

In conjunction with the 2010 renewal, 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 DOD 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 had not formulated a master plan—or obtained an Omani contribution—for the needed further construction at Musnanah. One complication could be the fact that about 200 British military personnel were moving to Musnanah from Seeb,<sup>7</sup> and it was unclear whether the facility can accommodate both U.S. and British personnel. However, some of the issues were apparently resolved because the Defense Authorization Act for FY2011 (P.L. 111-383, signed January 7, 2011) authorized \$69 million in military construction funding for the Musnanah facility. Perhaps sensing that the Obama Administration was attempting to accommodate the request, the access agreements were renewed in November 2010.<sup>8</sup>

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<sup>5</sup> 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.

<sup>6</sup> Finnegan, Philip. "Oman Seeks U.S. Base Upgrades." *Defense News*, April 12, 1999.

<sup>7</sup> Author conversation with Muscat Daily reporter about Musnanah. April 28, 2011.

<sup>8</sup> Author conversation with State Department officer responsible for Oman. January 6, 2011.

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, there have been small numbers of U.S. military personnel in Oman—less than 200, mostly Air Force.<sup>9</sup> Omani facilities reportedly have not been used for air support operations in either Afghanistan or Iraq since 2004. Unlike Bahrain or UAE, Oman has not contributed personnel to training or military missions in Afghanistan.

Even though the U.S. military presence in Oman is relatively small, some Omani officials want to reduce its visibility further. These officials might assess that the U.S. military presence angers Islamist Omanis, Iran, and members of terrorist groups that operate in the Gulf. Some Omani officials reportedly have discussed with their U.S. counterparts the possibility of relocating U.S. 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 relocation of U.S. personnel to Masirah.

## U.S. Arms Sales and other Security Assistance to Oman<sup>10</sup>

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. Much of its arsenal still is British-made, although it is increasingly purchasing U.S. and not British systems.

## 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. 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 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

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

<sup>10</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.

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.<sup>11</sup> 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 twelve 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.

- 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.
- 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 Martin under a June 2009 commercial contract. The prime manufacturer of the equipment is Northrop Grumman. Another possible sale of countermeasures 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

<sup>11</sup> Andrea Shalal-Esa. “Lockheed Hopes to Finalize F-16 Sales to Iraq, Oman.” Reuters, May 16, 2011.

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 inter-operability 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.<sup>12</sup> 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.

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)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
IMET	0.75	0.83	1.14	1.14	1.11	1.43	1.45	1.525	1.622	1.638	2.05	2.0
FMF	80.0	24.85	19.84	13.86	13.49	4.712	7.0	8.85	13.0	8.0	8.0	8.0
NADR		0.40	0.554	0.4	1.28	1.593	0.95	1.655	1.5	1.5	1.0	1.0
1206									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 Dept. FY2013 and FY2014 figures refer to requested funds.

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

## Cooperation Against Islamic Militancy

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, 2011 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 2012, released May 30, 2013, Oman was actively involved in preventing terrorists from conducting attacks and using the country for safe haven or transport.<sup>13</sup> According to the report, the government reported in 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.

The report for 2012 credited Oman, a member of the Middle East and North Africa Financial Action Task Force, 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 report noted that the government exercises caution and oversight in its commercial banking sector to prevent terrorists from using Oman's financial system. The report adds 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.

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 identity of their clients and document financial transactions.

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.

## Cooperation on Regional Issues

Sultan Qaboos has sometimes pursued foreign policies outside an Arab or Gulf consensus, although Oman is an integral part of the Gulf Cooperation Council (GCC). Some of Oman's stances, such as its consistent engagement with Iran, have appeared at odds with both GCC and U.S. policy. Other of its positions, such as on the Arab-Israeli dispute, have supported U.S. policy even when doing so has alienated other Arab leaders. Oman has generally been a skeptic of some

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<sup>13</sup> <http://www.state.gov/j/ct/rls/crt/2012/209982.htm>



GCC plans for greater economic and political coordination; it balked at a Gulf state plan to form a monetary union and, as discussed below, opposes a Saudi plan for GCC political unity.

## Iran

Of the Gulf states, Oman is perceived as politically closest to and the least critical of Iran. 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 the fear of Iranian interference in Oman is less pronounced than it is in other GCC states. 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.

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 to resolve some U.S.-Iran disputes. 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 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.<sup>14</sup> 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. Press reports indicate that Qaboos' August 25-27, 2013 visit to Iran, during which he met Iran's Supreme Leader and newly elected moderate Iranian president Hassan Rouhani, was intended in part to pave the way for the positive U.S. and Iranian diplomatic overtures on U.S.-Iran relations and Iran's nuclear program that took place in September 2013.<sup>15</sup> The visit reportedly also discussed efforts to expand trade between Oman, Iran, Afghanistan, and several Central Asian states.

Some accounts say that Oman remains close even as the United States and its partners have greatly increased sanctions against Iran over its nuclear program. Sultan Qaboos visited Tehran in August 2009, 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 had set aside the issue of the election dispute. The speaker of Oman's Consultative Council, Khalid al-Mawali, visited Iran on April 13, 2013 to expand cooperation with Iran's *Majles* (elected parliament).

On August 4, 2010, Oman signed a security pact with Iran, which reportedly commits the two to hold joint military exercises.<sup>16</sup> The United States did not criticize Oman's entry into this pact with

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<sup>14</sup> Dennis Hevesi. "Philo Dibble, Diplomat and Iran Expert, Dies At 60." *New York Times*, October 13, 2011.

<sup>15</sup> Paul Richter. "Oman Sultan's Visit Reportedly a Mediation Bid Between Iran and U.S." *Los Angeles Times*, August 30, 2013.

<sup>16</sup> Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

Iran, possibly believing that the agreement will 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 one joint exercise under the pact, according to U.S. Ambassador to Oman Holz. Oman has long publicly opposed any U.S. attack on Iran's nuclear facilities, and Minister of State for Foreign Affairs Yusuf Alawi has said that a nuclear-armed Iran might not be destabilizing – a position strongly at odds with the other GCC states and the United States.<sup>17</sup> At the same time, Oman continues to cooperate with U.S. efforts to contain Iran in the Gulf; for example Oman and all the other GCC states participated in 30-nation U.S.-led mine clearing exercises in the Gulf.

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>18</sup>

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. Such joint projects could eventually include an undersea gas pipeline linking Oman and India, supplied with gas by Iran. Any of these 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).

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.<sup>19</sup> Oman complained to the United States about the lack of prior notification of the mission.

## 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>17</sup> Daniel Wagner and Giorgio Cafiero. "Oman Has Its Cake and Eats it Too." INEGMA, July 29, 2013.

<sup>18</sup> Ibid.

<sup>19</sup> CRS conversations with U.S. Embassy officials in Oman. 1995-2003.

and its pro-Iranian tilt. 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 is non-resident. The Ambassador, appointed in March 2012, serves concurrently as Oman's Ambassador to Jordan and is resident there. 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.<sup>20</sup>

## **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 represented 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 opposed to a settlement that would be acceptable to the Palestinians. Nevertheless, 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>21</sup> 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

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<sup>20</sup> "Mullen, Mattis Meet With Omani Counterparts." American Forces Press Service. February 24, 2011.

<sup>21</sup> Ravid, Barak. "Top Israeli Diplomat Holds Secret Talks in Oman." Haaretz, November 25, 2009. <http://www.haaretz.com/hasen/spages/1130242.html>.

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.

## **Other GCC and Regional Issues: Bahrain, Libya, Syria, and Egypt**

Oman, as do the other GCC states, fully backs the Al Khalifa regime in Bahrain in its confrontation with mostly Shiite opposition protests. 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 Omani did not deploy any forces in that operation. GCC forces withdrew in June 2011. The GCC countries also decided, in March 2011, to set up a \$20 billion fund to help the two members, Bahrain and Oman, that were facing popular unrest, to be used to create jobs and take other steps to ease protester anger.

In order to ensure that Shiite factions do not take power in Bahrain, at a GCC leadership meeting on May 14, 2012, Saudi Arabia advanced a plan for political unity among the GCC states. A unity agreement would presumably give Saudi Arabia greater justification to intervene again in Bahrain on the Bahrain royal family’s behalf. 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.<sup>22</sup>

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<sup>22</sup> Comments to the author by a visiting GCC official. May 2012.

Oman did not appear to have played as active a role in supporting the Libya uprising as its fellow GCC states Qatar and UAE. According to a wide range of accounts, Oman did not supply weapons or advice to rebel forces. Oman recognized the opposition Transitional National Council as the legitimate government of Libya only after Tripoli fell to the rebellion on August 21, 2011. In late March 2013, Oman granted asylum to the widow of slain, ousted Libyan leader Muammar Qadhafi and his daughter, Aisha, and sons Mohammad and Hannibal.<sup>23</sup> They 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.

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 failed 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, Oman 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, and it has considered expelling Hezbollah sympathizers from the GCC states because of Hezbollah's fighting on the side government side of the Syria conflict.

Some GCC states have taken opposite sides in the political struggles of 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. Oman's leaders have taken no public position on the internal situation in Egypt, but official Omani media ("Times of Oman") has been critical of the Egyptian military for its crackdown against Morsi supporters.<sup>24</sup>

### **Border Disputes with UAE**

Border disputes and political differences between Oman and the United Arab Emirates (UAE) have sometimes flared. The two countries finalized their borders only in 2008, nearly a decade after a tentative border settlement in 1999. 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. Some observers believe the two may indeed be spying on each other because of their differing views on Iran; the UAE is more suspicious of Iran than is Oman.

## **Economic and Trade Issues<sup>25</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

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<sup>23</sup> "Muammar Gaddafi's Family Granted Asylum in Oman." Reuters, March 25, 2013.

<sup>24</sup> Times of Oman website in English. August 18, 2013.

<sup>25</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.

some Omani fields is declining.<sup>26</sup> Recognizing its future budgetary limitations, the government is 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.” 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.<sup>27</sup>

The United States is Oman’s fourth-largest trading partner, and there was over \$3 billion in bilateral trade in 2012, nearly double the \$1.87 billion in 2010 but down about \$500 million from 2011. In 2012, the United States exported \$1.747 billion in goods to Oman, and imported \$1.354 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% of the 2012 total consisted of fertilizers/pesticides and crude oil.

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. In November 2008, Oman 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 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.

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. Notably, these two new ventures are not focused on hydrocarbons, which serves to show that the U.S.-Omani trade relationship is varied and 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.

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<sup>26</sup> Gerth, Jeff and Stephen Labaton. “Oman’s Oil Yield Long in Decline, Shell Data Show.” *New York Times*, April 8, 2004.

<sup>27</sup> Author conversation with Omani officials. September 2013.

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