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

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## Summary

The Sultanate of Oman has been a strategic ally of the United States since 1980 when it became the first Persian Gulf state to sign a formal agreement with the United States allowing U.S. use of its military facilities. 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 a partner in U.S. efforts to counter the movement of terrorists and pirates in the Persian Gulf and Arabian Sea, and it has consistently supported U.S. Middle East peacemaking efforts by publicly endorsing peace agreements reached and by occasionally hosting Israeli leadership visits. 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. Oman's ties to the United States are unlikely to loosen if its ailing leader, Sultan Qaboos bin Sa'id Al Said, leaves the scene in the near term.

Unlike most of the other Persian Gulf monarchies, Oman asserts that openly confronting Iran is not the optimal strategy to address the potential threat from that country. Sultan Qaboos has consistently maintained ties to Iran's leaders and has discussed large energy sector ventures such as a natural gas pipeline that would link Oman and Iran. Successive U.S. Administrations have generally refrained from criticizing the Iran-Oman relationship, perhaps in part because Oman has been useful as an intermediary between the United States and Iran. An August 2013 visit to Iran by Qaboos, which followed months and possibly years of quiet U.S.-Iran diplomacy brokered by Oman, helped pave the way for the November 24, 2013, interim nuclear agreement between Iran and the international community. Earlier, Oman played the role of broker between Iran and the United States in the September 2011 release of two U.S. hikers from Iran after two years in jail there, and it reportedly is involved in efforts to obtain the release of other U.S. citizens imprisoned in Iran or in territory under Iran's control.

Oman's ties to Iran are an example of the Sultanate's largely independent foreign policy that sometimes differs with that of Gulf Cooperation Council (GCC) leader Saudi Arabia. Oman opposes a Saudi effort to promote greater political unity among the six GCC states—Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain, and Oman. Oman also differs with the other Gulf states in refraining from any intervention in the Syria civil war. Oman has publicly joined the U.S.-led coalition against the Islamic State organization but Oman is apparently not participating militarily in those efforts.

Prior to the wave of Middle East unrest that began in 2011, the United States repeatedly praised Sultan Qaboos for gradually opening the political process without evident public pressure to do so. The liberalization allowed Omanis a measure of representation, but did not significantly limit Qaboos' role as paramount decision maker. The modest reforms—as well as the country's economic performance—apparently did not satisfy some Omanis because unprecedented protests took place in several Omani cities for much of 2011. The apparent domestic popularity of Qaboos, coupled with additional economic and political reforms as well as repression of protest actions, caused the unrest to subside by early 2012.

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## Introduction

Oman is located along the Arabian Sea, on the southern approaches to the Strait of Hormuz, across from Iran. Except for a brief period of Persian rule, Omanis have remained independent since expelling the Portuguese in 1650. The Al Said monarchy began in 1744, extending Omani influence into Zanzibar and other parts of East Africa until 1861. A long-term rebellion led by the imam of Oman, leader of the Ibadhi sect (neither Sunni nor Shiite and widely considered “moderate conservative”) ended in 1959. Oman’s population is 75% Ibadhi—a moderate form of Islam that is closer in philosophy to Sunni Islam than to Shiism. 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, Sultan Said bin Taymur Al Said, 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 in March 2000.

**Table I. Some Key Facts on Oman**

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

**Sources:** CIA, *The World Factbook*, information posted as of March 2015.

Figure I. Map of Oman



Source: CRS.

## Democratization, Human Rights, and Unrest

Oman remains a monarchy in which decision making still is largely concentrated with Sultan Qaboos, even though he has repeatedly demonstrated immense popularity among Omanis. Qaboos himself holds the formal position of Prime Minister, as well as the positions of Foreign Minister, Defense Minister, Finance Minister, and Central Bank Governor. His government, and Omani society, reflects the diverse backgrounds of the Omani population, many of whom have long-standing family connections to parts of East Africa that Oman once controlled, and to the Indian subcontinent.

Along with political reform issues, the question of succession has long been central to observers of Oman. Qaboos' brief marriage in the 1970s produced no children, and the sultan, who was born in November 1940, has no heir apparent. According to Omani officials, succession would be decided by a "Ruling Family Council" of his relatively small Al Said family (about 50 male

members). If the family council cannot reach agreement within three days, it is to base its succession decision on a sealed Qaboos letter to be opened upon his death; there are no confirmed accounts of whom Qaboos has recommended. The succession issue has come to the fore since mid-2014 when he left Oman to undergo medical treatment in Germany, reportedly for colon cancer.<sup>1</sup> He appeared gaunt and weak in a video message to the Omani people, broadcast from Germany, on the occasion of Oman's national day in November 2014. Secretary of State John Kerry met with Qaboos in Germany in January 2015.

Should Qaboos leave the scene, reported front-runners are three brothers who are cousins of the sultan. They are: Minister of Heritage and Culture Sayyid Haythim bin Tariq Al Said, who some assess him as indecisive; Asad bin Tariq Al Said, a former military officer who now holds the title of "Representative of the Sultan;" and Shihab bin Tariq Al Said, a former high-ranking military officer. Some say that another potential choice is deputy Prime Minister for Cabinet Affairs Fahd bin Mahmud Al Said,<sup>2</sup> who is referred to by many Omanis officials as "Prime Minister," even though Qaboos has long resisted advice from senior advisers to formally establish that post. Fahd bin Mahmoud represented Oman at the December 2014 summit of leaders of the GCC (Saudi Arabia, Kuwait, UAE, Bahrain, Oman, and Qatar). The heads of state of the GCC countries generally make best efforts to attend that signature annual meeting.

Those who advocate establishing a post of Prime Minister have been strengthened by Qaboos' long absence from Oman and uncertain prognosis. Even before his absence, those who argued for a prime ministership asserted that such a figure is needed to organize the functions of the government and render the head of state better able to focus on larger strategic decisions. Those who opposed the suggestion generally argued that Qaboos already delegates extensively; for example Minister of State for Foreign Affairs Yusuf bin Alawi bin Abdullah performs virtually all the functions of Foreign Minister and has broad authority in that sphere. As possible candidates for a post of Prime Minister, some suggest, in addition to Fahd bin Mahmud, the secretary general of the Foreign Ministry, Sayyid Badr bin Hamad Albusaidi. He is said to be efficient and effective,<sup>3</sup> and he has recently raised his profile in speeches publicly articulating Omani foreign policy. Another figure considered effective is economic adviser to the Sultan Salim bin Nasir al-Isma'ili, a businessman and philanthropist who reportedly was entrusted with brokering some of the U.S.-Iran exchanges discussed later in this report.<sup>4</sup>

Despite the three-decade-long opening of the political process discussed below, some Omanis—particularly younger, well-educated professionals—say they consider the pace of liberalization too slow. Many older Omanis, on the other hand, tend to compare the existing degree of "political space" favorably with that during the reign of the sultan's father—an era in which Omanis needed the sultan's approval even to wear spectacles or to import cement, for example. Some experts argue that Sultan Said bin Taymur kept Oman isolated in an effort to insulate it from leftist extremism that gained strength in the region during the 1960s. Evidence that many were dissatisfied with the pace of change was demonstrated in 2011-2012 in the form of protest in

<sup>1</sup> Simon Henderson. "Oman's Rulers Failing Health Could Affect U.S. Iran Policy." *Washington Institute for Near East Policy*, November 7, 2014.

<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. Sayyid Badr's name is nearly identical to that of the Minister of State for Defense, but they are two different persons.

<sup>4</sup> Oman Stands in U.S.'s Corner on Iran Deal. *Wall Street Journal*, December 29, 2013.

several Omani cities at a time of the so-called “Arab Spring” unrest sweeping other Middle East countries.

## Representative Institutions and Election History

Many Omanis, U.S. officials, and international observers repeatedly praised Sultan Qaboos for establishing consultative institutions and an election process long before there was any evident public pressure to do so, even though the process was gradual. Under a 1996 “Basic Law,” Qaboos created a bicameral “legislature” called the Oman Council. The Oman Council consists of the Consultative Council (*Majlis As Shura*), which was established in November 1991, and an appointed State Council (*Majlis Ad Dawla*), formed after the promulgation of the Basic Law. The Consultative Council replaced a 10-year-old all-appointed advisory council. However, even after implementation of a March 2011 Sultan’s decree expanding its powers to question some ministers and review government-drafted legislation, the Oman Council’s overall scope of authority still does not approach that of a Western-style legislature. It does not have the power to draft legislation or to overturn the Sultan’s decrees or government regulations, and it generally confines its actions to discussing economic and social issues. Many Omanis have said in interviews that the lack of substantial expansion of the Oman Council’s powers had caused Oman to lag several other Gulf states on political liberalization. This perception might have contributed to the 2011 unrest in Oman. 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.

*Oman Council’s Elected Component: The Consultative Council.* The Consultative Council was initially chosen through a selection process in which the government had substantially influence over the body’s composition, but this process was gradually altered to a full popular election. When it was formed in 1991, the body had 59 seats, and was expanded in stages to its current size of 84 elected members. The sultan appoints the Consultative Council president from among the membership, and the Consultative Council chooses two vice presidents. The electorate for the Consultative Council has gradually expanded. 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 were held in September 2000 (then a three-year term), but the electorate was limited (25% of all citizens over 21 years old). In November 2002, Qaboos extended voting rights to all citizens, male and female, over 21 years of age, applicable for the October 4, 2003, election. About 195,000 Omanis voted in that election (74% turnout), but the vote produced a council similar to that elected in 2000, including the election of the same two women as in the previous election (out of 15 women candidates). In the October 27, 2007, election (after changing to a four-year term), Qaboos allowed public campaigning. Turnout among 388,000 registered voters was 63%, including enthusiastic participation by women, but none of the 21 female candidates (out of 631 candidates) won.

*Appointed State Council.* The State Council, which had 53 members at inception, has been expanded to 83 members, but it remains an all-appointed body. 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 government apparently sees the State Council as a check and balance on the elected Consultative Council.

## **2011 Unrest: Dissatisfaction but Not Hunger for a New Regime**

Evidence mounted in 2010 and particularly in 2011 that many Omanis were dissatisfied with the pace of political change and the country's economic performance. In July 2010, 50 prominent Omanis petitioned Sultan Qaboos for a "contractual constitution"—one that would guarantee basic rights and provide for a fully elected legislature. In February 2011, after protests in Egypt toppled President Hosni Mubarak, protests broke out in the northern industrial town of Sohar, Oman. On February 27, 2011, several hundred demonstrators there demanded better pay and more job opportunities; one was killed when security forces fired rubber bullets. Protests expanded in Sohar over the next few days, and spread to the capital, Muscat. Although most protesters asserted that their protests were motivated primarily by economic factors, some echoed the calls of the July 2010 petition for a fully-elected legislature. Few demonstrators called for Qaboos to step down and many demonstrators reportedly carried posters lauding the Sultan.

The government calmed some of the unrest through a series of measures, including clearing protesters from Sohar. Not relying solely on repressive measures, on March 7, 2011, Qaboos appointed several members of the Consultative Council as ministers and named an additional female minister (Madiha bint Ahmad bin Nasser as education minister). He also 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 gave \$400 to unemployed job seekers. Sultan Qaboos decreed that the office of public prosecutor will have independence from government control, that there will be new consumer protections, and, as noted above, expanded the powers of the Oman Council. These moves followed an earlier mandated increase in private sector minimum wages.

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, protesters outside the Oman Council headquarters called for an investigation of protester deaths. Activists using social media called for protests in Sohar on April 8, 2011, but a heavy security presence prevented them. During April and May 2011, protests were held after each Friday's prayers in the city of Salalah—the capital of the Dhofar region that rebelled against the government in the 1970s.

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

Even though protests largely ended by mid-2012, during that year, at least 50 journalists, bloggers, and other activists were jailed 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. On March 21, 2013, the sultan pardoned 35 of them, and action praised by international human rights groups and held up as a contrast with continued incarcerations of social media critics in the other GCC states. Fourteen who remained in jail went on a hunger strike in March 2013 and were pardoned on July 23, 2013. The pardon also reinstated many Omanis who had been dismissed from public and private sector jobs for participating in unrest. 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.



Some experts forecast that unrest might re-ignite if Qaboos leaves the scene in the near term and no successor is selected immediately. However, other experts assert that there is no tradition of violent or prolonged succession struggles in Oman—or even in the other GCC states more broadly—and that Oman is likely to remain stable throughout a leadership transition.

The U.S. reaction to the unrest in Oman was muted, possibly because Oman is a key ally of the United States and perhaps because the unrest appeared minor relative to the rest of the region. On June 1, 2011, after the unrest had begun, and after some government force had suppressed protests, then U.S. Ambassador Richard Schmierer told an Omani paper: “The entire region, including Oman, has witnessed enormous change in an extremely brief period of time. Sultan Qaboos was quick to recognize and respond to the needs of Omanis. The way in which he responded to the concerns of the Omani people is a testament to his wise leadership.”<sup>5</sup> At her confirmation hearings on July 18, 2012, Ambassador-Designate to Oman Greta Holz (subsequently confirmed) said “If confirmed, I will encourage Oman, our friend and partner, to continue to respond to the hopes and aspirations of its people.”

### **2011 and 2012 Elections Held Amid Unrest**

The October 2011 Consultative Council elections went forward despite the unrest. The enhancement of the Oman Council’s powers raised the stakes for candidates and voters in the Consultative Council elections and State Council appointments, because the next Oman Council would presumably have increased influence on policy. The election date was set as October 15, 2011. Attracted by the enhanced powers of the Oman Council, a total of 1,330 candidates announced their candidacies—a 70% increase from the number of candidates in the 2007 vote. A record 77 women filed candidacies, compared to the 21 that filed in the 2007 vote. The government did not permit outside election monitoring.

Of the 520,000 Omanis who registered to vote, about 300,000 voted—the turnout of about 60% (about the same as in the 2007 election) appeared to refute those who felt that the citizenry would shun the political process following the months of unrest. Hopes among many Omanis that at least several women would win were dashed—only one was elected, a candidate from Seeb (suburb of the capital, Muscat). Some reformists were heartened by the election victory of two political activists—Salim bin Abdullah Al Oufi, and Talib Al Maamari. There was a vibrant contest for the speakership of the Consultative Council, and Khalid al-Mawali, a relatively young entrepreneur, was selected. 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%.

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

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<sup>5</sup> <http://oman.usembassy.gov/pr-06012011.html>

## Broader Human Rights Issues<sup>6</sup>

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

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

## Freedom of Expression/Media

The State Department's 2013 human rights report stated that Omani law provides for limited freedom of speech and press, but that the government generally does not respect these rights. Press criticism of the government is tolerated, but criticism of the sultan (and by extension, government officials) is not. Private ownership of radio and television stations is not prohibited, but there are few privately owned stations, including Majan TV, and three radio stations: HiFM, HalaFM, and Wisal. Availability of satellite dishes has made foreign broadcasts accessible to the public. There are some legal and practical restrictions to Internet usage, and only about 15% of the population has subscriptions to Internet service. Many Internet sites are blocked, primarily for offering sexual content, but many Omanis are able to bypass restrictions by accessing their Internet over cell phones.

Some bloggers and other activists who use social media have been prosecuted as part of the government's effort to reduce public unrest. In September 2014, Omani police detained and threatened to prosecute blogger and editor of *Muwatin Magazine* Mohammad al-Fazari if he continued to criticize government policies. He was previously arrested in 2012 and was one of those activists who was pardoned.

In December 2014, the upper house of the Oman Council (Majlis As Shura) voted to impose a blanket ban on the sale of alcohol. However, opposition from the tourism industry in Oman appears to have forestalled further movement to enact that recommendation.

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<sup>6</sup> Much of this section is from the State Department's country report on human rights practices for 2013 (released February 27, 2014), <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2013&dliid=220371#wrapper>; the *International Religious Freedom Report* for 2012 (May 20, 2013), <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?year=2012&dliid=208398#wrapper>; and the *Trafficking in Persons Report for 2014* (June 2014), <http://www.state.gov/documents/organization/226848.pdf>

## **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. Recent State Department religious freedom reports note no “significant change” in the government’s respect for religious freedom and no “reports of societal abuses or discrimination based on religious affiliation, belief, or practice.” Non-Muslims are free to worship at temples and churches built on land donated by the Sultan, but there are some limitations on non-Muslims’ proselytizing and on religious gatherings in other than government-approved houses of worship.

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

## **Advancement of Women**

Sultan Qaboos has spoken regularly on the equality of women and their importance in national development, and they now constitute over 30% of the workforce. The first woman of ministerial rank in Oman was appointed in March 2003, and since 2004, there have been several women of that rank in each cabinet. There are two female ministers in the 29-member cabinet. 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 are 15 women in the 2012-2016 State Council, up from 14 in the previous council and 9 in the 2003-2007 council. One woman was elected to Consultative Council in the 2011 election, following a four-year period (2007-2011) in which no females served in the elected body. Two women were chosen in the election cycles prior to 2007.

Below the elite level, however, Omani women continue to face social discrimination, often as a result of the interpretation of Islamic law. Allegations of spousal abuse and domestic violence are fairly common, with women finding protection primarily through their families. 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 2014, released in June 2014. The Tier 2 ranking is based on an assessment that Oman is making significant efforts to comply with minimum standards for the elimination of trafficking and on its prosecutions for those trafficking in persons. Still, Oman is considered a destination and transit country for men and women primarily from South and East Asia, in conditions indicative of forced labor.

## Defense and Security Ties

Sultan Qaboos, who is Sandhurst-educated and is respected by his fellow Gulf rulers as a defense strategist, has long seen the United States as the key security guarantor of the region. He also has consistently advocated expanded defense cooperation among the state of the Gulf Cooperation Council (GCC: Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Bahrain, and Oman). Oman was the first GCC state to formalize defense relations with the United States after the Persian Gulf region was shaken by Iran's 1979 Islamic revolution. Oman signed an agreement to allow U.S. forces access to Omani military facilities on April 21, 1980. Three days later, the United States used Oman's Masirah Island air base to launch the failed attempt to rescue the U.S. embassy hostages in Iran—although Omani officials assert they were not informed of that operation in advance. Oman served as an intermediary between the United States and Iran for the return of Iranians captured in clashes with U.S. naval forces in the Gulf during the 1980-1988 Iran-Iraq war.

Under the U.S.-Oman facilities access agreement, which was renewed in 1985, 1990, 2000, and 2010,<sup>7</sup> 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>8</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>9</sup> The Defense Authorization Act for FY2011 (P.L. 111-383, signed January 7, 2011) authorized \$69 million in additional military construction funding for the Musnanah facility.

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

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<sup>7</sup> Author conversation with State Department officer responsible for Oman. January 6, 2011.

<sup>8</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>9</sup> Finnegan, Philip. “Oman Seeks U.S. Base Upgrades.” *Defense News*, April 12, 1999.

Iraq, and the numbers of U.S. military personnel in Oman have fallen to a few hundred, mostly Air Force.<sup>10</sup> Unlike Bahrain or UAE, Oman did not send military or police forces to Afghanistan.

## U.S. Arms Sales and other Security Assistance to Oman<sup>11</sup>

Oman's approximately 45,000-person armed force is the third largest of the GCC states and widely considered one of the best trained. However, in large part because of Oman's limited funds, it is one of the least well equipped of the GCC countries. 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 and Oman bought British weaponry. Over the past two decades, British officers have become mostly advisory and Oman has shifted its arsenal of major combat systems mostly to U.S.-made 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. These sales are among the large recent arms sales to the GCC states intended in part to contain Iran. In dollar value, most of the U.S. sales to the GCC countries are to the wealthier GCC states such as Saudi Arabia, UAE, and Qatar. For FY2016, FMF will be used to help promote the professionalization of Oman's armed forces and build its ability to address emerging threats to the coalition combatting the Islamic State organization.<sup>12</sup>

- *F-16s*: In October 2001, Oman purchased (with its own funds) 12 U.S.-made F-16 C/D aircraft. 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 the other GCC states that bought U.S.-made combat aircraft. 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, with a value of up to \$3.5 billion.<sup>13</sup> Oman signed a contract with Lockheed Martin for 12 of the aircraft in December 2011, with a contract for an additional 6 still possible. The first of the aircraft was delivered in July 2014 and the deliveries are to be completed by December 2016. Oman has also bought associated weapons systems, including Advanced Medium-Range Air-to-Air Missiles (AMRAAMs), 162 GBU laser-guided bombs, AIM "Sidewinder" air-to-air missiles, and other weaponry and equipment.
- *Countermeasures for Head of State Aircraft*. In November 2010, DSCA notified Congress of a possible sale of up to \$76 million worth of countermeasures equipment and training to protect the C-130J that Oman bought under a June 2009 commercial contract. The prime manufacturer of the equipment is Northrop

<sup>10</sup> Contingency Tracking System Deployment File, provided to CRS by the Department of Defense.

<sup>11</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.

<sup>12</sup> State Department Congressional Budget Justification for FY2016.

<sup>13</sup> Andrea Shalal-Esa. "Lockheed Hopes to Finalize F-16 Sales to Iraq, Oman." Reuters, May 16, 2011.

- Grumman. Another sale of \$100 million worth of countermeasures equipment—in this case for 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 and Stinger air defense systems, asserted as helping Oman develop a layered air defense system.
  - *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 potential buy of the system indicates Oman is cooperating with U.S. efforts to construct a Gulf-wide missile defense network.
  - *Tanks as Excess Defense Articles.* Oman is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. It received 30 U.S.-made M-60A3 tanks in September 1996 on a “no rent” lease basis (later receiving title outright). In 2004, it turned down a U.S. offer of EDA U.S.-made M1A1 tanks, but Oman is believed to still need new armor to supplement the 38 British-made Challenger 2 tanks and 80 British-made Piranha armored personnel carriers Oman bought in the mid-1990s.
  - *Border/Maritime Security and Anti-Terrorism Equipment and Training.* FMF has been used to help Oman purchase several other types of equipment that help Oman secure its borders, operate alongside U.S. forces, and combat terrorism. FMF has helped Oman buy U.S.-made coastal patrol boats (“Mark V”) for anti-narcotics, anti-smuggling, and anti-piracy missions, as well as aircraft munitions, night-vision goggles, upgrades to coastal surveillance systems, communications equipment, and de-mining equipment. The minor EDA grants since 2000 have gone primarily to help Oman monitor its borders and waters and to improve interoperability with U.S. forces. In FY2011, DOD funds (“Section 1206” funds) were to be used to help Oman’s military develop its counterterrorism capability through deployment of biometric data collection devices. However, Oman decided not to take delivery of the system and the devices were redirected to Bahrain.<sup>14</sup>

Regarding purchases from other countries, Oman has continued to buy some British equipment, such as patrol boats. Oman’s air force possesses 12 Eurofighter “Typhoon” fighter aircraft as well. Oman has also bought some Chinese-made armored carriers and other gear.

<sup>14</sup> Information from DOD in response to questions from the House of Representatives on the use of 1206 funding. September 4, 2013.

## 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.

**Table 2. Recent U.S. Aid to Oman**  
(In millions of dollars)

|      | FY07  | FY08  | FY09 | FY10  | FY11  | FY12  | FY13  | FY14 | FY15 | FY16 |
|------|-------|-------|------|-------|-------|-------|-------|------|------|------|
| IMET | 1.11  | 1.43  | 1.45 | 1.525 | 1.622 | 1.638 | 1.935 | 2.0  | 1.9  | 2.0  |
| FMF  | 13.49 | 4.712 | 7.0  | 8.85  | 13.0  | 8.0   | 7.6   | 8.0  | 4.0  | 2.0  |
| NADR | 1.28  | 1.593 | 0.95 | 1.655 | 1.5   | 1.5   | 1.475 | 1.5  | 1.5  | 1.5  |
| I206 |       |       |      |       | 0.948 |       |       |      |      |      |

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

## Cooperation Against Terrorism/"NADR" Funding

Since September 11, 2001, Oman has cooperated with U.S. legal, intelligence, and financial efforts against terrorist groups including Al Qaeda, Al Qaeda in the Arabian Peninsula (AQAP, headquartered in neighboring Yemen), and more recently the Islamic State organization. No Omani nationals were part of the September 11, 2001, attacks and no Omanis have been publicly identified as senior members of the Al Qaeda organization. According to the State Department report on global terrorism for 2013, released April 30, 2014, Oman is actively involved in preventing members of these and other terrorist groups from conducting attacks and using the country for safe haven or transport.<sup>15</sup> According to the report, at the request of Bahrain, Oman arrested three members of the alleged terrorist group "Army of the Imam," in February 2014.

The United States provides funding – Nonproliferation, Antiterrorism, Demining, and Related (NADR) to help Oman counter terrorist and related activity. NADR funding falls into two categories: Export Control and Related Border Security (EXBS) funds and Anti-Terrorism (ATA) fund. For FY2016, \$1.0 million of the \$1.5 million NADR request is for EXBS to provide law enforcement training to Omani border security officers to detect illicit trafficking of WMD or advanced conventional weapons technology. 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.

<sup>15</sup> <http://www.state.gov/j/ct/rls/crt/2013/224823.htm>

The other NADR category, ATA funds (\$0.5 million of the FY2016 request), will be used in FY2016 to help Oman build capacity for border security. The border threats emanate primarily from AQAP in neighboring Yemen, and from the Islamic State in nearby Iraq and Syria.

There are no Omani nationals held in the U.S. prison for suspected terrorists in Guantanamo Bay, Cuba. In January 2015, Oman accepted the transfer of three non-Omani nationals from Guantanamo Bay as part of an effort to support U.S. efforts to close the facility.

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENA-FATF). Recent State Department terrorism reports credit Oman with transparency regarding its anti-money laundering and counterterrorist financing enforcement efforts and with steady improvement in its legal system related to those efforts. The reports note that the government exercises caution and oversight in its commercial banking sector to prevent terrorists from using Oman's financial system. The reports add that Oman does not permit the use of *hawalas*, or traditional money exchanges in the financial services sector and Oman has on some occasions shuttered *hawala* operations entirely. In September 2008, it strengthened its anti-money laundering program by requiring non-banking establishments to verify the identity of their clients and document financial transactions. A 2010 Royal Decree is Oman's main legislation on anti-money laundering and combatting terrorism financing.

## Foreign Policy/Regional Issues

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

Oman's differences with other GCC states have erupted periodically, but particularly at a GCC leadership meeting on May 14, 2012, in which Saudi Arabia advanced a plan for political unity among the GCC states as a signal of GCC solidarity against Iran. However, the plan was not adopted due to concerns among the other GCC leaders about surrendering some of their sovereignty. Observers say that Oman was among the most vociferous opponents of the Saudi plan.<sup>16</sup> Saudi Arabia again raised the proposal in advance of the December 10-11, 2013, GCC summit in Kuwait—intended this time to signal GCC solidarity in the face of a potential U.S.-Iran rapprochement. At an international security conference in Bahrain on December 7, 2013, (“Manama Dialogue,” sponsored by the International Institute for Strategic Studies, IISS), Oman forcefully objected to the plan, to the point of threatening to withdraw from the GCC entirely if the plan were adopted. The proposal was not adopted according to the final communique of the December 10-11, 2013, GCC summit. Oman backed the communique's provision to form a joint GCC military command, subject to further study. In 2007, Oman was virtually alone within the GCC in balking at a plan to form a monetary union. Lingering border disputes also have plagued Oman-UAE relations; the two finalized their borders in 2008, nearly a decade after a tentative border settlement in 1999.

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<sup>16</sup> Comments to the author by a visiting GCC official. May 2012.



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

### **Cooperation Against the Islamic State Organization/Syria and Iraq**

At a meeting in Jeddah on September 11, 2014, Oman and the other GCC countries formally joined the U.S.-led coalition to defeat the Islamic State organization. Unlike fellow GCC states Saudi Arabia, UAE, and Bahrain, Oman has not joined in U.S.-led airstrikes against Islamic State positions in Syria. It is likely that Oman has offered the use of its air bases for the coalition, but Oman’s bases are further from the areas of operations than are similar facilities in the other GCC countries and Oman is likely not used much, if at all, for strikes in Iraq or Syria. Oman’s relative lack of direct action against the Islamic State has generally reflected its reluctance to intervene directly in the civil war in Syria. Unlike Saudi Arabia, Qatar, and UAE, Oman has not been providing any funds or arms to anti-Assad rebel groups in Syria. In November 2011, Oman voted to suspend Syria’s membership in the Arab League and, in concert with the other GCC states, subsequently closed its embassy in Damascus.

No GCC state is participating in air strikes against the Islamic State fighters in Iraq, nor is any GCC state directly assisting the Iraqi government or military there. All the GCC states expressed dismay that Shiite factions achieved preponderant authority in post-Saddam Iraq. With the exception of Kuwait, the GCC countries have been hesitant to support the Baghdad government. Like virtually all the GCC states with the exception of Saudi Arabia, Oman opened an embassy in post-Saddam Iraq but then closed it for several years following a shooting outside it in November 2005. The shooting wounded four, including an embassy employee. The embassy reopened in 2007 but Oman’s Ambassador to Iraq, appointed in March 2012, is resident in Jordan, where he serves concurrently as Oman’s Ambassador. Oman provided about \$3 million to Iraq’s post-Saddam reconstruction, a relatively small amount reflecting Oman’s limited available resources.

### **Policies on Other Regional Uprisings**

*Libya.* Oman did not play as active a role in supporting the Libya uprising as its fellow GCC states Qatar and UAE. Oman did not supply weapons or advice to rebel forces or fly any strike missions against Qadhafi forces, but it recognized the opposition Transitional National Council as the government of Libya after Tripoli fell on August 21, 2011. In March 2013, Oman granted asylum to the widow of slain, ousted Libyan leader Muammar Qadhafi and their daughter, Aisha, and sons Mohammad and Hannibal<sup>17</sup> who reportedly had entered Oman in October 2012. Aisha and Hannibal are wanted by Interpol pursuant to a request from the Libyan government, but Libya has not asked for their extradition. Omani officials said they were granted asylum on the grounds that they not engage in any political activities.

<sup>17</sup> “Muammar Gaddafi’s Family Granted Asylum in Oman.” Reuters, March 25, 2013.

*Egypt.* The GCC is divided on post-Mubarak Egypt. Qatar supported the elected presidency of Muslim Brotherhood leader Mohammad Morsi, but Saudi Arabia and the UAE oppose the Brotherhood and supported the Egyptian military ouster of Morsi in July 2013. The divisions contributed to a decision by Saudi Arabia, UAE, and Bahrain to close their embassies in Qatar in March 2014. Suggesting a position close to that of Qatar, Omani media (“Times of Oman”) has been critical of the Egyptian military for its crackdown against Morsi supporters.<sup>18</sup>

## Iran

Oman has closer ties to Iran than does any other GCC state. Omani leaders assert that engagement with Iran better mitigates the potential threat from that country than does belligerence towards it. 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 Muslim community with which Iran could meddle in Oman. Others attribute Oman’s position on Iran to its larger concerns that Saudi Arabia has sought to spread its Wahhabi form of Islam into Oman, and Oman sees Iran as a potential counterweight to Saudi Arabia. In an action criticized in the United States and the GCC, Sultan Qaboos visited Tehran in August 2009, despite protests in Iran over alleged governmental fraud in declaring the reelection of President Mahmoud Ahmadinejad in the June 2009 election.

Sultan Qaboos has long maintained that Oman’s alliance with the United States and its friendship with Iran are not mutually exclusive. Successive Administrations have refrained from criticizing the Omani position, and have used the Oman-Iran relationship not only to resolve some U.S.-Iran disputes but also to develop informal ties to Iranian officials. Oman was an intermediary through which the United States returned Iranian prisoners captured during U.S.-Iran skirmishes in the Persian Gulf in 1987-1988. A U.S. State Department spokesman publicly confirmed that Oman had played a brokering role in the September 2010 release from Iran of U.S. hiker Sara Shourd, reportedly including paying her \$500,000 bail to Iranian authorities. Oman similarly helped broker the release one year later of her two hiking companions Josh Fattal and Shane Bauer. It was subsequently reported that a State Department official on Iran affairs had coordinated with Oman and with Switzerland (which represents U.S. interests in Iran) to achieve their release.<sup>19</sup> In April 2013, Omani mediation resulted in the release to Iran of an Iranian scientist, Mojtaba Atarodi, imprisoned in the United States in 2011 for attempting to procure nuclear equipment for Iran. During his May 2013 visit to Oman, Secretary Kerry reportedly discussed with Qaboos possible Omani help in obtaining the release from Iran of ex-Marine Amir Hekmati, a dual citizen jailed in Iran in August 2011, and retired FBI agent Robert Levinson, who disappeared after visiting Iran’s Kish Island in 2006 and is believed held by groups under Iranian control.

Oman’s role as an intermediary between the United States and Iran has been highlighted in the context of the November 24, 2013, interim nuclear deal (“Joint Plan of Action”) between Iran and the “P5+1” countries (United States, Britain, France, Russia, China, and Germany). Press reports indicate that Qaboos had tried to broker U.S.-Iran rapprochement for several years, and that then Deputy Secretary of State William Burns and other U.S. officials had begun meeting with Iranian officials in early 2013 to explore the possibility of a nuclear deal. These meetings took place well before the moderate Hassan Rouhani was elected Iran’s president in June 2013. These talks

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

<sup>19</sup> Dennis Hevesi. “Philo Dibble, Diplomat and Iran Expert, Dies At 60.” *New York Times*, October 13, 2011.

reportedly accelerated after Rouhani took office in August 2013 and, coupled with Sultan Qaboos's August 25-27, 2013, visit to Iran, helped pave the way for U.S.-Iran diplomatic overtures in September 2013<sup>20</sup> and the JPA.

Oman saw the JPA as an affirmation of its long-standing advocacy of engagement with Iran. Oman, as did the other GCC states aside from Bahrain and Saudi Arabia, welcomed a visit by Iranian foreign policy officials in the aftermath of the JPA. In mid-March 2014, Rouhani visited Oman—the only Gulf state he has visited since taking office. Oman reportedly has played a key role in muting GCC and other Arab public opposition to the U.S. diplomacy with Iran.<sup>21</sup>

Oman's pivotal role as an intermediary continues in November 2014, in the runup to the November 24, 2014, deadline for Iran to reach a comprehensive nuclear deal with the P5+1. During November 9-10, Secretary of State Kerry met with Iranian Foreign Minister Mohammad Javad Zarif in Muscat to try to resolve remaining issues. On November 11, the entire P5+1 will meet with Iranian negotiators in Muscat to continue the negotiating process. However, the Muscat meetings did not close remaining gaps and Iran and the P5+1 agreed to extend the deadline to reach a comprehensive accord until June 30, 2015. Secretary Kerry's meeting with the ailing Qaboos in Germany in January 2015 reportedly represented a gesture of appreciation for Oman's role in facilitating talks with Iran.<sup>22</sup>

Some experts and GCC officials argue that Oman-Iran relations, particularly their security cooperation, are undermining GCC defense solidarity. On August 4, 2010, Oman signed a security pact with Iran, which reportedly commits the two to hold joint military exercises.<sup>23</sup> That agreement followed a 2009 Iran-Oman agreement to cooperate against smuggling across the Gulf of Oman, which separates the two countries. The two countries have held a few joint exercises under the 2010 pact, including an April 7, 2014, joint search and rescue naval exercise. None of the security ties with Iran have interfered with Oman's continuing cooperation with U.S. efforts to promote joint GCC defense cooperation and interoperability with U.S. forces.

Economically, the two conduct formal trade, supplemented by the informal trading relations that have long characterized the Gulf region. Oman's government is said to turn a blind eye to the smuggling of a wide variety of goods to Iran from Oman's Musandam Peninsula territory. The trade is illegal in Iran because the smugglers avoid paying taxes in Iran, but Oman's local government collects taxes on the goods shipped.<sup>24</sup>

*Oman-Iran Energy Ventures.* 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. That rate is 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

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<sup>20</sup> Paul Richter. "Oman Sultan's Visit Reportedly a Mediation Bid Between Iran and U.S." *Los Angeles Times*, August 30, 2013; Shashank Bengali. "U.S.-Iran Thaw Began with Months of Secret Meetings." *Los Angeles Times*, November 24, 2013.

<sup>21</sup> "Oman Stands in U.S.'s Corner on Iran Deal." op.cit.

<sup>22</sup> Carol Morello. "Kerry Meets with Oman's Ailing Sultan at His Estate in Germany." *Washington Post*, January 11, 2015.

<sup>23</sup> Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

<sup>24</sup> Ibid.

field also produces natural gas, and it is expected to total 80 million cubic feet per day when fully producing.

The two countries have also discussed potential investments to further develop Iranian offshore natural gas fields that adjoin Oman's West Bukha oil and gas field in the Strait of Hormuz. The Omani field began producing oil and gas in February 2009. During the Rouhani visit to Oman in March 2014, the two countries signed a deal to build a \$1 billion pipeline to bring Iranian natural gas to Oman beginning as early as 2017. The gas would flow from Iran's Hormuzegan Province to Sohar in Oman, and then likely be re-exported to neighboring countries<sup>25</sup> and would supplement Oman's energy projects with other GCC and neighboring states. The Iran-Oman energy projects appear to constitute violations of the Iran Sanctions Act (ISA), but the United States has not sanctioned them or otherwise accused Oman of any violations or noncooperation with international sanctions against Iran. Ambassador Holz, at her confirmation hearings on July 18, 2012, said that Oman is "compliant and supportive of the international sanctions on Iran." (See CRS Report RS20871, *Iran Sanctions*, for a discussion of ISA and its provisions.)

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>26</sup> Oman complained to the United States about the lack of prior notification of the mission.

## 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>27</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.

<sup>25</sup> Dana El Baltaji. "Oman Fights Saudi Bid for Gulf Hegemony with Iran Pipeline Plan." Bloomberg News, April 21, 2014.

<sup>26</sup> CRS conversations with U.S. Embassy officials in Oman. 1995-2003.

<sup>27</sup> "Mullen, Mattis Meet With Omani Counterparts." American Forces Press Service. February 24, 2011.

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, de-facto Foreign Minister Yusuf bin Alawi bin Abdullah informed his then Israeli counterpart, Tzipi Livni, that the Israeli trade office in Oman would remain closed until agreement was reached on a Palestinian state. Still, the meeting represented a degree of diplomatic outreach by Oman to Israel. Several Israeli officials reportedly visited Oman in November 2009 to attend the annual conference of the Desalination Center, and the Israeli delegation held talks with Omani officials on the margins of the conference.<sup>28</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 consistently maintained such a suspension and Israel and Oman have not reopened trade offices. Oman supports the Palestinian Authority (PA) drive for full U.N. recognition and the Omani official press refers to the PA-run territories as the “State of Palestine.”

## Yemen

Oman’s relations with neighboring Yemen have historically been troubled, and Oman’s apparent fears of spillover of Yemen’s instability have increased since 2014 as central authority has largely collapsed. AQAP is under reduced pressure and the pro-Iranian “Houthi” Shiite rebels took over Yemen’s capital, Sanaa, in January 2015. In response to the instability since 2011, Oman has built some refugee camps near its border with Yemen to accommodate refugees fleeing violence there, and it has built a 180 mile fence along their border. Oman has redeployed some security assets to the border with Yemen. In July 2013, Oman arrested nine Omanis for an alleged role in smuggling arms reportedly bound for Yemen. A GCC initiative, which Oman joined, had helped organize a peaceful transition from the rule of Ali Abdullah Saleh in 2011-2012, but that effort has now largely failed as Saleh’s successor, Abdu Rabu Mansur Al Hadi, has been driven out of Sanaa. Hadi is attempting to reconstitute a government in the port city of Aden.

The instability in Yemen builds on earlier schisms in Oman-Yemen relations. The former People’s Democratic Republic of Yemen (PDRY), considered Marxist and pro-Soviet, supported Oman’s Dhofar rebellion. 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 then President Ali Abdullah Saleh by withdrawing the Omani citizenship of southern Yemeni politician Ali Salim Al Bidh, an advocate of separatism in south Yemen.

<sup>28</sup> Ravid, Barak. “Top Israeli Diplomat Holds Secret Talks in Oman.” Haaretz, November 25, 2009. <http://www.haaretz.com/hasen/spages/1130242.html>.

## Economic and Trade Issues<sup>29</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 at current production rates—although analysts say production at some Omani fields is declining.<sup>30</sup> In part because it is a relatively small producer, 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. 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 (or from Iran, if those proposed projects come to fruition) free up other Omani natural gas supplies for sale to its customers. In December 2013, Oman signed a \$16 billion agreement for energy major BP to develop Oman’s own natural gas reserves.

Recognizing its 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.” In February 2014, it took further steps to address citizen unemployment by requiring that more than 100,000 jobs now performed by expatriates be transferred to Omani nationals, with the intention of the proportion of expatriate private sector employment from 39% to 33%.

Oman is also trying to position itself as a trading hub, asserting that ships that offload in its Salalah port pay lower insurance rates than those that have to transit the Persian Gulf to offload in Dubai or Bahrain.<sup>31</sup> The government reportedly is also trying to raise \$60 billion to build a large transit hub at Duqm (see map)—including a refinery, a container port, a dry dock, and other facilities for transportation of petrochemicals. The planned transit hub would link to the other GCC states by rail and enable them to access the Indian Ocean directly, bypassing the Persian Gulf.<sup>32</sup>

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

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<sup>29</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>30</sup> Gerth, Jeff and Stephen Labaton. “Oman’s Oil Yield Long in Decline, Shell Data Show.” *New York Times*, April 8, 2004.

<sup>31</sup> Author conversation with Omani officials. September 2013.

<sup>32</sup> Hugh Eakin. “In the Heart of Mysterious Oman.” *New York Review of Books*, August 14, 2014.

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

### **Economic Aid**

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

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