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

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Since the British withdrawal from the Persian Gulf in the early 1970s, successive U.S. presidential Administrations have considered Oman important to the promotion of regional stability and peace in the Middle East. Over the past two decades, Oman has played the role of discreet mediator, having served as an intermediary in seeking to resolve conflict in Yemen and nuclear negotiations with Iran. Oman's strategic location at the entrance to the Strait of Hormuz, one of the world's most important maritime chokepoints, and along the Arabian Sea approaches to East Africa and the Red Sea provide it with some regional and global influence.

SUMMARY

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Since the February 2026 start of the U.S.-Iran conflict and the ensuing contest for control over the Strait of Hormuz, Oman's long-standing tradition of serving as a quiet diplomatic interlocutor has been challenged. Iran and the United States have sought Oman's support for their contrasting proposals over future control of the strait. Oman's attempts to balance competing demands from Washington and Tehran have, at times, drawn criticism from Iranian and U.S. officials.

In the early months of the conflict, Iran struck several Omani ports and coastal facilities. Since then, Iran has not targeted the Sultanate directly but has continued to strike commercial tankers in Oman's territorial waters. Oman has provided navigational guidance and search and rescue aid to tankers transiting the strait.

As the U.S.-Iran conflict continues and as fighting between neighboring Saudi Arabia and the Yemen-based Houthis has intensified, Oman has found itself diplomatically wedged between warring parties in a region beset by war. Oman's geographic position has helped insulate its economy from some of the effects of disruptions to shipping through the Strait of Hormuz. For 2026, the International Monetary Fund projects that Oman will be the only Gulf state with positive economic growth, with gross domestic product forecast to grow by over 4%.

In January 2020, Oman's long-time leader, Sultan Qaboos bin Sa'id Al Said, passed away and was succeeded by his cousin Haythim bin Tariq Al Said (born 1955). Sultan Haythim leads a stable, high-income nation, though Oman faces challenges in maintaining its decades-long social contract, in which oil has brought prosperity to its citizens in exchange for their apparent acceptance of the Sultan's absolute rule. Like the other Gulf Cooperation Council (GCC) states—Saudi Arabia, Qatar, the United Arab Emirates (UAE), Bahrain, and Kuwait—Oman derives most of its state income from hydrocarbon production and export; however, Oman's hydrocarbon-focused economy is smaller than those of most of the others. To curb government spending, attract foreign investment, and diversify the economy, Sultan Haythim has launched "Vision 2040," a strategic plan similar to those of other GCC states.

Oman and the United States maintain strong defense ties, whereby Oman permits the U.S. military to use its military facilities. However, when compared with other Gulf Arab states, such as Saudi Arabia, the UAE, and Kuwait, U.S.-Omani defense relations are smaller in scale. The United States has provided minimal foreign assistance to Oman, mainly for border security. From 1946 to 2025, the United States provided Oman with $1.6 billion in total economic and military assistance.

The U.S.-Oman Free Trade Agreement was signed on January 19, 2006, and ratified by Congress (P.L. 109-283, signed by the President September 26, 2006). Today, the United States is one of Oman's largest trading partners and foreign investors. In 2025, the total volume of bilateral trade was $3.3 billion. In July 2026, the Trump Administration imposed a 12.5% tariff on most U.S. imports from Oman as a result of an investigation that found Oman and various economies failed to impose and effectively enforce bans on imports made with forced labor. Certain categories of goods are subject to higher tariffs globally, including aluminum, of which Oman is an exporter.

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Overview

Oman is positioned astride the southeastern corner of the Arabian Peninsula, bordering the Arabian Sea, Indian Ocean, and the Strait of Hormuz, one of the world's key maritime choke points (see **Figure 1**). Situated across the strait from Iran and bordering Saudi Arabia to the west, Oman's proximity to its much larger, more powerful neighbors has led the Sultanate to follow a pragmatic foreign policy. For over half-a-century, the Sultanate has pursued friendly relations with all of its neighbors, while maintaining close security ties with the United States and the United Kingdom.

Since the start of the U.S.-Iran conflict and the ensuing contest over reopening the Strait of Hormuz, Oman's long-standing tradition of serving as a quiet diplomatic interlocutor has been challenged. Iran and the United States have sought Oman's support for their contrasting proposals to reopen the strait. Oman's attempts to balance competing demands from Washington and Tehran have, at times, drawn criticism from Iranian and U.S. officials; in 2026, President Donald Trump twice threatened military action against Oman if it opposed U.S. efforts to reopen the strait fully and freely.

In the early months of the conflict, Iran struck several Omani ports and coastal facilities. Since then, Iran has not targeted the Sultanate directly but has continued to strike commercial tankers off Oman's territorial waters. Oman has provided navigational guidance and search and rescue aid to tankers transiting the strait. U.S. forces have reportedly been offering air-based defense to ships transiting the strait along Oman's coast.[1]

As the U.S.-Iran conflict continues and as fighting between neighboring Saudi Arabia and the Yemen-based Houthis has intensified, Oman has increased its regional diplomatic efforts independent of U.S. policy. In October 2026, Omani Foreign Minister Badr Albusaidi called on the Gulf Cooperation Council (GCC) members to reach a nonaggression pact with Iran, saying that the GCC can "no longer rely upon the co-operation of external partners."[2]

Although Oman has found itself diplomatically wedged between combatants in a region beset by war, Oman's geographic position has helped insulate its economy from some of the effects of restrictions on shipping through the Strait of Hormuz.[3] In contrast to the economic downturns all other GCC members appear to be experiencing this year, Oman's gross domestic product (GDP) for 2026 is projected by the International Monetary Fund to grow by over 4%.[4]

Since becoming sultan in 2020, Sultan Haythim bin Tariq Al Said has pursued economic diversification aimed at expanding the private sector and reducing Oman's dependence on hydrocarbon revenues. Like other oil-producing Gulf monarchies, Oman is pursuing a plan ("Vision 2040") to boost non-oil sectors, such as logistics, manufacturing, tourism, mining, space, and the digital economy. While Oman's decades-long social contract has brought it prosperity, Oman lacks the hydrocarbon reserves of most other GCC states. The gradual transition away from hydrocarbon extraction and toward human capital-driven growth is arguably the biggest challenge facing the Sultanate over the long term.

[1] Alice Hancock and Steff Chávez, "US limits air defence time slots for tankers sailing through Hormuz," *Financial Times*, September 12, 2026.

[2] Foreign Ministry of Oman, "Minister delivers lecture on Gulf security," October 26, 2026.

[3] Samuel Wendel, "Oman's wartime paradox: Diplomatic losses, economic gains," *Al Monitor*, June 7, 2026.

[4] International Monetary Fund, "Regional Economic Outlook: Middle East and Central Asia," October 2026.

Oman, U.S.-Iran Conflict, and the Strait of Hormuz

Before the launch of Operation Epic Fury in February 2026, Oman attempted to prevent a possible conflict by offering to serve as an intermediary between Iran and the United States. However, compared with previous instances of Omani mediation, such as its backchannel role in facilitating negotiations leading to the 2015 Joint Comprehensive Plan of Action (JCPOA), the rapid buildup of U.S. military forces in the Gulf, escalatory rhetoric by both U.S. and Iranian officials, and unbridgeable U.S.-Iranian gaps over the scope of issues to be discussed made Oman's role far more challenging.[5]

Figure 1.Oman



Source: Graphic created by CRS with information from CIA.

Note: Oman's Musandam peninsula is bounded by the United Arab Emirates.

U.S. and Omani differences over Iran were apparent both immediately before and after the start of Operation Epic Fury. A day before the launch of hostilities, Omani Foreign Minister Albusaidi stated, "I am confident, and in my assessment of the way the talks are going, I think there is, really I can see that the peace deal is within our reach."[6] That statement apparently sowed distrust

[5] While Iran wanted negotiations limited to its nuclear program, the United States wanted negotiations to be broader to include Iran's support for regional proxies, its ballistic missile program, and Iran's domestic politics. See, Alex Vatanka, "With the US and Iran on a knife-edge, can Oman once again step in to mediate?" Middle East Institute, February 5, 2026.

[6] CBS News, "Omani Foreign Minister Badr Albusaidi tells 'Face the Nation' a U.S.-Iran deal is 'within our reach,'" Face The Nation Transcripts, February 27, 2026.

with some Trump Administration officials.[7] Once Israeli and U.S. forces launched airstrikes and Iran retaliated, Omani officials expressed rare public displeasure with U.S. policy.[8]

As the conflict continued, Oman, like all other GCC states, was subject to Iranian retaliatory strikes. Between February and October 2026, Iran launched an estimated 66 strikes against Oman, leading to over two dozen casualties (including 14 fatalities).[9]

Throughout the conflict, U.S.-Omani relations have fluctuated over the issue of freedom of navigation through the Strait of Hormuz. When the United States has sought Oman's support, both sides have cooperated; however, when Oman has engaged Iran in dialogue over the possibility of charging service fees for ships to transit the strait, such conversations have met U.S. criticism (see below).

When President Trump announced in May 2026 the start of "Project Freedom," a U.S. campaign to help ships safely transit the Strait of Hormuz, the United States instructed tankers to exit via Omani territorial waters while the Coast Guard Command of the Royal Oman Police provided traffic control.[10] Project Freedom was suspended shortly after its launch because Saudi Arabia reportedly denied U.S. forces the use of its territory and airspace.[11] Also in May 2026, Iran and Oman conducted bilateral talks over possibly charging tolls or service fees to commercial vessels transiting the Strait of Hormuz. In response, President Trump warned, "Oman will behave just like everybody else, or we'll have to blow them up…. They understand that. They'll be fine."[12]

[7] Alexander Ward, Benoit Faucon, Summer Said, "U.S. Presses Oman To Cut Ties With Iran—Neutral Muscat is losing its footing as an Arab state trusted by both sides," *Wall Street Journal*, June 2, 2026.

[8] Foreign Ministry of Oman, "Oman expresses regret over Israeli and US military operations against Iran," February 28, 2026.

[9] The Institute for National Security Studies (INSS), "Iran Dashboard," Updated October 8, 2026.

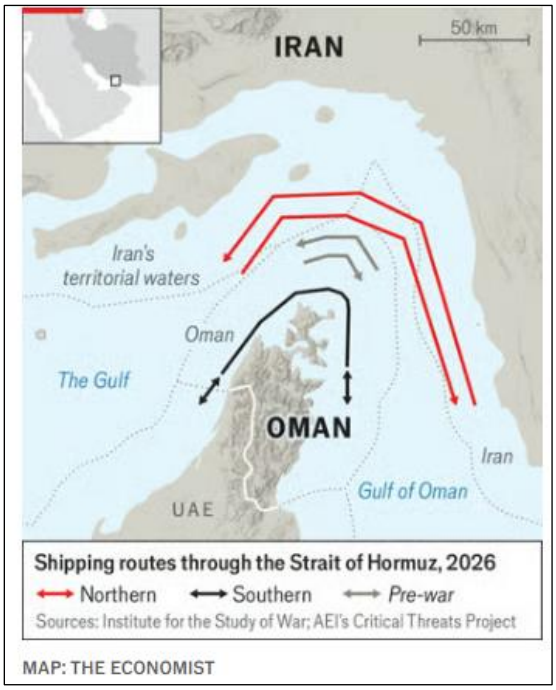
[10] Richard Meade, "Shipping prepares for Hormuz exit amid confused US plan to move vessels and renewed Iran threats," *Lloyd's List*, May 4, 2026.

[11] "Trump shelved 'Project Freedom' after Saudis refused use of bases and airspace," *The Guardian* (UK), May 7, 2026.

[12] Luke Broadwater, "Trump Threatens Oman Over the Strait," *New York Times*, May 27, 2026.

A month later, the June 2026 U.S.-Iran memorandum of understanding (MOU) called for, among other things, an Iranian commitment to "make arrangements using its best efforts for the safe passage of commercial vessels, with no charge for 60 days only," through the Strait of Hormuz, and to subsequently work with Oman and other Gulf states "to define the future administration and maritime services in the Strait."[13] In response to the MOU, Oman established safe passage routes through shipping lanes (see **Figure 2**) along its coast (informally referred to as the "southern route") in coordination with the International Maritime Organization and the Oman Maritime Security Centre; Oman also said that no tolls would be imposed on vessels transiting the strait.[14] After commercial tankers began using the southern route near Omani territorial waters to transit the strait, Iran began attacking commercial vessels. In response, the United States launched its first post-MOU strikes against Iran in late June 2026. Several weeks later, President Trump declared the MOU "over." Reportedly, Iranian hardliners saw the potential success of the southern route along Oman's coast as a threat to Iranian control over the strait.[15]

Figure 2. The "Southern Route" Along Oman's Coast



Source: The Economist, "Donald Trump has no good options for reopening the Strait of Hormuz," July 14, 2026.

Despite the collapse of the MOU, Oman and Iran continued to discuss ways to jointly manage the operation of the Strait of Hormuz and potentially collect payments from transiting vessels. While Oman officially maintained that it recognized international conventions banning maritime tolls (including the United Nations Convention on the Law of the Sea or UNCLOS), Omani officials worked with their Iranian counterparts to develop alternative arrangements to collect "service fees" based on other international models governing key waterways, such as the Dardanelles and the Strait of Malacca.[16] Oman has proposed that such fees be voluntary, whereas Iran has sought to make them mandatory.[17]

By the end of July 2026, Omani media reported that Iran had rejected Oman's proposal to jointly manage the strait and collect voluntary service fees.[18] Though Oman had based its proposal partially on Article 26 of UNCLOS (which allows countries to levy some fees on ships "for

[13] Text of the MOU is available at https://foia.state.gov/FOIALIBRARY/QNI2.aspx (July 2026).

[14] "Qatar PM in Oman to pave way for Iran-Gulf-Iraq Hormuz talks," Reuters, June 24, 2026.

[15] Laurence Norman, Benoit Faucon, Rebecca Feng, and Shelby Holliday, "Clause in U.S.-Iran Pact Is At Center Of Fight," *Wall Street Journal*, July 10, 2026.

[16] Robbie Gramer, Benoit Faucon, Costas Paris, and Summer Said, "Tehran Is Seeking to Cash In With Its Control of Hormuz," *Wall Street Journal*, June 26, 2026.

[17] Vivian NereimFarnaz Fassihi and Erika Solomon, "After U.S.-Iran War, Oman Said to Propose Hormuz Fee Plan," *New York Times*, June 30, 2026.

[18] "Iran rejects joint Hormuz oversight plan, submits counterplan," *Muscat Daily*, July 29, 2026.

specific services rendered"), Iran rejected the proposal because the arrangement did not recognize the extent of Iranian control over the strait that Tehran sought to assert. The United States opposed Oman's initiative on freedom of navigation grounds. According to one analysis, "This leaves Oman in a tricky position: aiming to use international law to negotiate a way out of a crisis, but with opposition coming from all sides."[19]

In August 2026, President Trump again threatened to bomb Oman, as U.S. officials expressed frustration with Oman's proposals concerning the collection of voluntary fees from vessels transiting the strait.[20] In September 2026, Senators Tim Kaine and Adam Schiff introduced S.J.Res. 215 (119th Congress), a joint war powers resolution to direct the removal of U.S. forces from hostilities within or against the Sultanate of Oman that have not been authorized by Congress.

As of November 2026, U.S.-Omani relations in the context of the Iran conflict are uncertain. Reports continue to suggest that Oman's diplomatic engagement with Iran, particularly over the Strait of Hormuz, has heightened U.S. distrust of Oman among some Trump Administration officials, while others see Oman's role as potentially valuable.[21] As of November 2026, countries that have been serving as lead interlocutors with Iran include Qatar, Turkey, and Pakistan—not Oman. In a September 2026 phone call between U.S. Secretary of State Marco Rubio and Omani Foreign Minister Albusaidi, Secretary Rubio "acknowledged Oman's important role in deescalation in the region."[22]

Though Oman's diplomatic role on matters involving Iran may be less central than in the past, high volumes of shipping have been transiting Oman's coastal waters inside and outside the strait. Also, the Royal Navy of Oman has been responding to distress calls from ships that have been attacked by Iran.[23] According to one report, Oman's navy has requested U.S. assistance in monitoring maritime traffic through the Strait of Hormuz.[24] Press accounts suggest that the increase of oil traffic through the Strait of Hormuz toward prewar levels is due in part to U.S. military protection of vessels transiting along the southern edge of the Strait of Hormuz alongside the Omani coast. [25]

Civil War in Yemen and Fighting in Saudi Arabia

Oman has attempted to mediate resolutions to the conflict in Yemen, which has been mired in a civil war since 2014. Unlike Saudi Arabia and the United Arab Emirates, Oman has not played an active military role there.[26] Instead, over the past decade, it has brokered cease-fire negotiations and prisoner releases. Oman has long hosted Mohammad Abdul Salam, the official spokesman of

[19] Prashant Rao, "Oman's Hormuz plan faces stiff opposition," *Semafor*, July 31, 2026.

[20] Samy Magdy, "Trump threatened to bomb Oman because he's unhappy with country's deal with Iran, officials say," Associated Press, August 18, 2026.

[21] Alexander Ward and Robbie Gramer, "Frustrated Over War, Trump Threatens Ally Oman," *Wall Street Journal*, August 18, 2026.

[22] U.S. Department of State, "Secretary Rubio's Call with Omani Foreign Minister Sayyid Badr al-Busaidi," September 15, 2026.

[23] Marcus Hand, "Tanker on fire after Hormuz attack," Seatrade Maritime News, September 13, 2026.

[24] Matthew Shea, "Kennedy, Blumenthal back U.S.-Oman cooperation in the Strait of Hormuz," *JewishInsider*, June 25, 2026.

[25] "How the US is sneaking oil out," *Semafor*, August 20, 2026.

[26] Farea Al Muslimi, "Oman, eastern Yemen, and the fragile geometry of neutrality," Chatham House (UK), January 6, 2026.

the Yemen-based, Iran-backed Ansarallah/Houthi movement and one of the group's lead negotiators.[27]

The resumption of conflict and deadly attacks on Saudi infrastructure and energy facilities by the Houthis since July 2026 have prompted Omani officials to condemn attacks against Saudi Arabia while calling for a political solution to the conflict that "preserves the unity, stability, and territorial integrity" of Yemen.[28] Oman, like Saudi Arabia, is opposed to Yemeni secession movements like the Southern Transition Council. From 1965 to 1975, Oman endured a rebellion in its Dhofar province adjacent to Yemen that had been partially supported by the southern Yemeni state known as the People's Democratic Republic of Yemen (PDRY). The PDRY unified with North Yemen in 1990 to form the present-day Republic of Yemen.

Oman's territory reportedly has served as a conduit for the smuggling of weapons and weapons components to the Houthis.[29] Smuggled materiel allegedly included anti-ship missiles,[30] surface-to-surface short-range missiles, anti-tank guided missiles, small arms, explosives, and unmanned aerial vehicles.[31] At times, the United States has obligated funds (relatively small grants) under the Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) account for counterterrorism programming, some of which is used for the Oman Border Security Enhancement Program.[32]

Oman and China

Beyond its close ties to fellow GCC states and the West, Oman also is cultivating ties to the People's Republic of China (PRC). As of the beginning of the U.S.-Iran conflict, Oman had exported the vast majority of its oil to the PRC.[33] The PRC government also has financed an industrial park in the port of Duqm (**Figure 1**) and lent Oman $3.6 billion in 2017 for Duqm's development.[34] Additionally, Chinese companies have invested in Omani state enterprises that were privatized, such as the Oman Electricity Transmission Company and the Oman Cement Company.[35] In 2025, China's Central New Energy Holding Group committed to investing in solar power projects in Oman.[36] In 2026, a Chinese company began construction of a facility to manufacture anode materials for lithium-ion batteries in Oman.[37]

[27] Ibrahim Jalal, "The war next door: Omani foreign policy toward Yemen," Middle East Institute, September 21, 2023.

[28] Foreign Ministry of Oman, "Statement of Oman to 81st UN General Assembly," September 26, 2026.

[29] Peter Salisbury, Henry Thompson, and Veena Ali-Khan, "From Smugglers to Supply Chains: How Yemen's Houthi Movement Became a Global Threat," The Century Foundation, February 9, 2026; "800 Drone Propellers Seized at Yemen-Oman Border, Intended for Houthi Militants," YemenOnline.info, March 25, 2025.

[30] "U.S. warship targeted in failed missile attack from Yemen: official," *Reuters*, October 15, 2016.

[31] "Iranian Technology Transfers to Yemen," *Conflict Armament Research*, March 2017; United Nations Office on Drugs and Crime, *Assessment of the Response to Illicit Weapons Trafficking in the Gulf of Aden and the Red Sea*, March 2024.

[32] U.S. Department of State, Country Reports on Terrorism 2021: Oman; U.S. Department of State, "U.S. Security Cooperation With Oman," January 20, 2025.

[33] International Monetary Fund, "Oman: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Oman," January 15, 2026.

[34] Economist Intelligence Unit, Middle East and Africa economy: "Middle East weekly brief: China's expanding role," August 26, 2020.

[35] U.S. Department of State, 2023 Investment Climate Statements: Oman.

[36] "Chinese Clean Energy Firm's Venture Enhances Oman's Solar Hub Status," *OPIS*, September 2, 2025.

[37] "Oman secures $1 billion battery materials project," *Oman Observer*, May 30, 2026.

The Chinese telecommunications firm Huawei has an extensive presence in Oman. Oman Airports have partnered with Huawei to install WiFi networks in Oman's airports,[38] and in 2025 Huawei signed an offset agreement with the Omani Ministry of Finance to train thousands of Omani students and workers in information and communication technology.[39]

Beyond economic relations, Omani-PRC military ties are being closely followed by U.S. policymakers. According to one report, in November 2023, U.S. officials briefed then-President Joe Biden on a PRC plan to build a military facility in Oman.[40] PRC naval taskforces conduct goodwill visits and joint exercises with the Royal Navy of Oman.[41] The Royal Army of Oman has purchased 122 mm multiple rocket launch systems from PRC producers.[42]

In November 2026, Sultan Haythim conducted a two-day state visit to China, the first by an Omani Sultan since Omani-Chinese diplomatic relations began in 1978 (see **Figure 3)**. During the visit, both sides agreed to a five-year bilateral currency swap agreement for $4.50 billion.[43] They also signed nearly two dozen investment partnership agreements. Prior to the state visit, Oman and China reportedly have been discussing the possible Omani procurement of the PRC-Pakistani jointly developed JF-17 fighter jet; the Royal Air Force of Oman currently possesses only Western fighter aircraft (U.S. F-16s and Eurofighter Typhoons).[44]

Figure 3.Sultan Haythim's Visit to China

November 2026



Source: Oman News Agency, November 2, 2026.

Country Background

Since the mid-eighteenth century, the Al Said (or Busaid) dynasty has ruled Oman. The Sultanate of Oman is a hereditary monarchy, and the sultan has sole authority to enact laws through royal decree.[45] In January 2020, Oman's long-time leader, Sultan Qaboos bin Sa'id Al Said, passed away without children and was succeeded by Haythim bin Tariq Al Said (b. 1955), a cousin selected by Oman's royal family immediately upon Qaboos's death.

In late January 2021, Sultan Haythim appointed his son, Theyazin bin Haythim, who was born in August 1990, as Crown Prince. The appointment represented a contrast with the Qaboos era in

[38] Elias Al Helou, "Oman Airports becomes first in the world to deploy Wi-Fi 7, supporting over 40,000 daily travelers at Muscat International Airport," Middle East Economy, November 17, 2025.

[39] Oman News Agency, "Partnership for Development Agreement Signed Between Ministry of Finance, Huawei," September 28, 2025.

[40] Michelle Jamrisko and Jennifer Jacobs, "Biden Briefed on Chinese Effort to Put Military Base in Oman," *Bloomberg*, November 7, 2023.

[41] "44th Chinese naval escort taskforce concludes visit to Oman," *China Military Online*, October 16, 2023.

[42] "Oman has Chinese 122mm MRLs," *Jane's Defence Weekly*, January 2, 2022.

[43] "China, Oman sign currency swap agreement," Reuters, November 3, 2026.

[44] Beatrice Farhat, "Oman's sultan concludes historic China visit amid US tensions: What to know," *Al Monitor*, November 2, 2026.

[45] U.S. Department of State, Overseas Security Advisory Council, Bureau of Diplomatic Security, Oman Country Security Report, July 23, 2026.

which the succession was unclear. Theyazin first served in the government as Minister of Culture, Youth, and Sports. In 2026, he was promoted to deputy prime minister for economic affairs, a portfolio in which he may focus on promoting Oman as a regional financial center.[46]

Oman has a bicameral parliament with limited legislative powers; members may question ministers, select their own leadership, and review government-drafted legislation, but law-making powers rest firmly in the hands of the sultan. Members of the Consultative Council (*Majlis As Shura*) are directly elected by Omani citizens, male and female, over 21 years of age.[47] In order to boost the number of female Omani lawmakers, in 2026 Sultan Haythim allocated a total of 11 Consultative Council seats for women across the governorates. The sultan appoints all members of the upper house or State Council (*Majlis Ad Dawla*). Appointees are usually former high-ranking government officials, military officials, tribal leaders, and other notables.

Oman is an absolute monarchy in which, according to international human rights groups, state authorities often target individuals and entities that are critical of the sultan or state.[48] Freedom House's annual survey of political rights and civil liberties globally ranks Oman as "not free." In 2026, Sultan Haythim issued a new Royal Decree making it illegal to publish online content that violates morals or public order (e.g., sedition, sectarianism, social division).[49] The Oman Human Rights Commission is a government entity that monitors human rights cases in the Sultanate.

Oman's Economic Transformation

Sultan Haythim leads a stable, high-income nation (as categorized by the World Bank), though Oman faces challenges in maintaining its decades-long social contract, in which oil has brought prosperity to Omani citizens in exchange for their apparent acceptance of the sultan's absolute rule. Like the other GCC states—Saudi Arabia, Qatar, the United Arab Emirates (UAE), Bahrain, and Kuwait—Oman derives most of its state income (over 70%) from hydrocarbon production and export.[50] However, Oman has the lowest per capita GDP in the GCC owing to its modest levels of oil and gas production relative to its GCC neighbors.[51]

Although higher global prices stemming from the conflict with Iran and various attempts to circumvent the Strait of Hormuz using Omani ports have boosted the economy, the Omani government had begun to explore other options to generate revenue and cut spending—including on development expenditures—well before the outbreak of the current conflict.[52] Oman introduced a Value Added Tax in 2021. In June 2025, Oman became the first GCC country to impose a personal income tax.[53] Though the new tax only affects a small number of high-earning Omanis, it could, according to one report, "lead to a recalibration of the relationship between citizens and their government."[54]

[46] Dominic Dudley, "Oman's heir takes on economic brief," *Semafor*, January 16, 2026.

[47] The last Shura Council elections were held in October 2023. They are scheduled to be held again in 2027.

[48] Amnesty International, "The State of the World's Human Rights," April 2026.

[49] George Sadek, "Oman: New Cybercrime Law Enacted," Global Legal Monitor, Law Library of Congress, September 23, 2026.

[50] Economist Intelligence Unit, *Oman*, June 2025.

[51] Arabian Gulf Business Insight, "GCC economic data," October 22, 2025.

[52] KPMG, "Analysis of Oman's State Budget 2025," January 2025.

[53] "Oman moves to become first Gulf state to impose personal income tax," Reuters, June 23, 2025.

[54] Turki Al-Balushi and Vivian Nereim, "The First Income Tax in the Persian Gulf Signals a Changing Economic Reality," *New York Times*, July 2, 2025.

Economists note that while Oman's economy has been boosted by its neighbors' maneuvers to circumvent the Strait of Hormuz through proposed pipeline, rail, and port connections to Oman, this growth will likely moderate should oil prices begin to decline as a result of greater stability in the Gulf. However, according to the Economist Intelligence Unit, "A prolonged regional conflict could sustain elevated hydrocarbon prices for an extended period, further strengthening Omani fiscal and current-account surpluses."[55]

To date, the Sultanate has used its relatively limited oil-generated wealth to provide citizens with subsidized goods, low taxes, housing support, and public sector salaries. Nevertheless, at current oil production rates (estimated at a million barrels per day or bpd),[56] and barring any new discoveries or major technological innovations, Oman could exhaust its proven oil reserves (around 5 billion barrels-ranked 21st globally)[57] in around 20 years.

Given the possibility of declining production, the Sultanate has embarked upon a diversification strategy called "Vision 2040." Under that whole-of-government approach, domestic and foreign investment is being channeled into other sectors, such as tourism, software, manufacturing, green hydrogen, renewable energy, and mineral-processing. With 64% of the population under 30, the Sultan has directed the Omani government to monitor the implementation of Vision 2040 on a regular basis.[58] According to Bloomberg, "Just a few years ago, Oman's ratings were placed in junk territory by all three major rating companies and concerns mounted that it could require financial support from wealthier neighbors. Fiscal reforms, higher oil prices and privatizations have since helped Oman cut debt and restore its investment-grade ratings."[59]

As other Gulf Arab monarchies attempt to enact their own economic diversification plans, it remains to be seen what comparative advantages the Sultanate can capitalize on relative to its Gulf neighbors. Though the non-oil sectors of the economy (e.g., transportation, financial services, construction) have experienced recent growth, manufacturing has remained flat and the bulk of foreign investment in Oman through 2025 was in the oil and natural gas sector.[60]

[55] Economist Intelligence Unit, "One-click report: Oman," September 24, 2026.

[56] Energy Institute, Statistical Review of World Energy 2025.

[57] "Oman's crude oil reserves dip 2.8% to 4.8 billion barrels," *Oman Observer*, July 10, 2025.

[58] Ousmane Dione and Khamis bin Saif Al Jabri, "Oman Vision 2040: A Blueprint for Sustainable Growth and Global Integration," World Bank Blogs, May 28, 2025.

[59] Omar El Chmouri and Laura Gardner Cuesta, "Oman Seeks to Turn Wartime Windfall Into Lasting Economic Gains," *Bloomberg*, November 3, 2026.

[60] Economist Intelligence Unit, "Oman on track for steady growth," October 28, 2025.

U.S. Relations

In January 2026, the United States and Oman held their third Strategic Dialogue in Muscat (see **Figure 4**). Bilateral talks focused on trade, U.S. investment, and Oman's signing of the Artemis Accords, a U.S. initiative designed to foster international agreement on a set of principles for civil space exploration. In a joint statement accompanying the dialogue, both sides

> [w]elcomed advancements in building relationships between U.S. states and Oman, including our mutual intention to finalize a Sister Port MOU between the State of Louisiana and the Port of Duqm…. The delegations also recognized the growing ties between Oman and the U.S. state of Arizona, through the State Partnership Program, and agreed to continue to foster this subnational relationship. [61]

Figure 4.Third Oman-U.S. Strategic Dialogue

Muscat, Oman



Source: U.S. Embassy Oman.

U.S.-Omani Defense Cooperation

Oman was the first Persian Gulf state to sign a formal accord permitting the U.S. military to use its facilities (1980) as part of the two countries' long-standing strategic partnership. In 2019, Oman and the United States signed a "Strategic Framework Agreement" that expands the U.S.-Oman facilities access agreements by allowing U.S. forces to use the ports of Salalah and Duqm; the latter is large enough to handle U.S. aircraft carriers.[62]

U.S.-Omani security cooperation is ongoing. Through the U.S. Department of Defense's[63] National Guard Bureau State Partnership Program, the Arizona National Guard has partnered with the Sultan of Oman's Armed Forces. U.S. arms sales to Oman are modest when compared with U.S. sales to Oman's neighbors, such as Saudi Arabia and the UAE. From 1950 to 2024, the United States completed nearly $3.4 billion worth of Foreign Military Sales cases with Oman.[64] In 2026, the State Department notified Congress of a potential $188 million sale to Oman of equipment to sustain its fleet of F-16 fighters.[65]

From 1946 to 2025, the United States provided Oman with $1.6 billion in total economic and military assistance. Oman has received a small amount of annual foreign assistance to support specific U.S. programs. The United States provides Oman with annual International Military Education and Training (IMET) grants to support Omani participation in the IMET program, which provides professional military education and training to foreign military students and seeks to establish lasting relationships with future leaders. As previously mentioned, the United States has provided small funding grants (estimated $1 million)—much of it through NADR—to help

[61] U.S. Department of State, "Joint Statement on the Third U.S.-Oman Strategic Dialogue," January 25, 2026.

[62] U.S. Embassy in Oman, "U.S. Statement on the Signing of the Strategic Framework Agreement" March 24, 2019.

[63] The Department is "using a secondary Department of War designation," under Executive Order 14347, dated September 5, 2025.

[64] Defense Security Cooperation Agency, Historical Sales Book, Fiscal Years 1950–2024.

[65] Congressional Record, Senate Speeches and Inserts, Arms Sales Notification, p. S4727, September 15, 2026.

Oman counter terrorist and related threats. Congress also has authorized Oman to receive U.S. military aid for border security through DOD-managed accounts, such as Section 1226 of the National Defense Authorization Act for Fiscal Year 2016 (22 U.S.C. 2151).

Though national defense spending in the Sultanate remains opaque, according to one source, Oman's overall defense budget (est. $6.6 billion) accounts for a quarter of the overall national budget.[66] *Jane's Defence Budget* noted in 2025 that "while the UK and US will remain key providers of defence and security equipment in the future, Oman is likely to continue expanding its horizons as third-party suppliers are able to deliver more capable equipment at lower costs."[67]

U.S.-Omani Economic Relations

The United States is one of the largest foreign direct investors in Oman after the United Kingdom and has registered a cumulative trade surplus of $6.3 billion since 2006.[68] The U.S.-Oman Free Trade Agreement was signed on January 19, 2006, and ratified by Congress (P.L. 109-283, signed by the President September 26, 2006). It was intended to facilitate Oman's access to the U.S. economy and accelerate Oman's efforts to diversify its economy. The United States is one of Oman's largest trading partners. In 2025, the total volume of bilateral trade was $3.3 billion. According to the U.S. Department of Commerce, total U.S. investment in Oman stood at $20 billion as of late 2025, and principal U.S. merchandise exports to Oman included vehicles, aircraft, petroleum products, chemicals, plastics, and industrial engines.[69] In July 2026, the Trump Administration imposed a 12.5% tariff on most U.S. imports from Oman as a result of an investigation that found Oman and various economies failed to impose and effectively enforce bans on imports made with forced labor. Certain categories of goods are subject to higher tariffs globally, including aluminum, of which Oman is an exporter.[70]

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[66] Nadim Kawach, "Oman spends a quarter of its budget on defence," Arabian Gulf Business Insight, April 8, 2025.

[67] Jane's Emerging Markets, "Oman – Market Report," June 26, 2025.

[68] U.S. Department of State, 2025 Oman Investment Climate Statement, September 2025.

[69] U.S. Department of Commerce, International Trade Administration, "Country Commercial Guide, Oman," December 18, 2025.

[70] Office of the United States Trade Representative, "Notice of Actions in Section 301 Investigations," *Federal Register*, vol. 91, no. 143, July 28, 2026, p. 47326.

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