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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 of the Persian Gulf monarchies to formally allow the U.S. military to use bases there. The facilities access accord represented a long-term Omani shift from reliance on Britain for its security, although Oman continues to maintain close military ties to Britain. Oman has hosted U.S. forces during every U.S. military operation in and around the Gulf since then, and it is a partner in U.S. efforts to counter the transit of terrorists through regional waterways. Oman has consistently supported U.S. Middle East peacemaking efforts by publicly endorsing peace agreements reached and meeting with Israeli leaders, even when doing so ran counter to the policies of Oman's Gulf state allies. It was partly in appreciation for Oman's support that the United States entered into a free trade agreement (FTA) with Oman, which is also intended to help Oman diversify its economy and compensate for its lack of large 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. He returned to Oman in March 2015 after nearly a year of treatment in Germany, but his public appearances are rare.

Within the region, Oman has tended not to join its Gulf allies of the Gulf Cooperation Council (GCC: Saudi Arabia, Kuwait, UAE, Bahrain, Qatar, and Oman) in direct intervention in regional conflicts such as in Syria and Yemen, instead developing ties to regional leaders and factions. Oman has historically asserted that engaging Iran is the optimal strategy to reduce the potential threat from that country, and Sultan Qaboos and his aides have consistently maintained ties to Iran's leaders. Oman was the only GCC state not to downgrade its relations with Iran in connection with the Saudi-Iran dispute over the Saudi execution of a Shiite cleric in January 2016. Oman has publicly joined the U.S.-led coalition against the Islamic State organization but it is apparently not participating militarily in those efforts and did not join a Saudi-led broad counterterrorism coalition announced by Riyadh in December 2015. Oman also has been a broker for the United States and Iran, in the absence of formal diplomatic U.S.-Iran relations, to resolve some bilateral and multilateral issues, such as Iran's holding of U.S. citizens. Oman's diplomacy helped pave the way for the November 24, 2013, interim nuclear agreement between Iran and the international community that ultimately became the July 14, 2015, "Joint Comprehensive Plan of Action" (JCPOA).

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 even in the absence of evident public pressure to do so. The liberalization allowed Omanis a measure of representation, but did not significantly limit Qaboos's role as paramount decisionmaker. Modest reform—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. However, 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.

As are the other GCC states, Oman is attempting to cope with the dramatic fall in the price of crude oil since mid-2014. However, Oman's economy and workforce has always been somewhat more diversified than some of the other GCC states that apparently rely almost entirely on oil exports to generate government revenue.

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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	3.3 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)	\$171 billion (2015)
GDP per capita (PPP)	\$46,200 (2015)
GDP Real Growth Rate	4.4% (2015); 2.9% in 2014
Unemployment Rate	15%
Inflation Rate	0.3% (2015)
Oil Production	860,000 barrels per day
Oil Reserves	5 billion-5.5 billion barrels
Oil Exports	750,000 barrels per day (bpd)
Natural Gas Production	875 billion cubic feet/yr
Natural Gas Reserves	30 trillion cubic feet
Natural Gas Exports	407 billion cubic feet/yr
Foreign Exchange and Gold Reserves	\$15.72 billion (end of 2015)
Energy Structure	Petroleum Development Oman (PDO)—a partnership between the Omani government (60%), Royal Dutch Shell, Total, and Partx (2%) controls most oil and natural gas resources.
Major Trading Partners	China, UAE, South Korea, Japan, India, U.S., and Saudi Arabia

**Source:** CIA, *The World Factbook*; information posted as of November 2015.

Figure I. Map of Oman



Source: CRS.

## Democratization, Human Rights, and Unrest

Oman remains a monarchy in which decisionmaking still is largely concentrated with Sultan Qaboos. Throughout his reign, Qaboos has also formally held the position of Prime Minister, as well as the positions of Foreign Minister, Defense Minister, Finance Minister, and Central Bank Governor. Other officials serve as “Ministers of State” for those portfolios and perform as ministers de-facto. Qaboos’s 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’s 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> Secretary of State John Kerry met with Qaboos in Germany in January 2015, and the Sultan returned to Oman in late March 2015, but he has appeared in public only on a few major occasions. He delivered an opening address to the Shura Council following October 2015 elections and he publicly marked the November 2015 National Day and Armed Forces Day.

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, whom some assess 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 Omani officials as “Prime Minister.” Fahd bin Mahmoud has represented Oman at recent annual summits of leaders of the GCC and at the May 2015 and 2016 U.S.-GCC summit meetings, the latter of which took place on April 21, 2016.

Qaboos has continued to decline to establish a formal Prime Minister post, despite the limitations on his level of official activity. Some senior Omanis—as well as the influential Anglo-Oman Society—argue that such a figure is needed to organize the functions of the government and enable the Sultan to focus on larger strategic decisions. Those opposed to a prime ministerial post have maintained that Qaboos has always delegated extensively and that a Prime Minister is not needed. Should Qaboos alter his position on this proposal, an oft-mentioned candidates for the position, in addition to Fahd bin Mahmud, is the secretary general of the Foreign Ministry, Sayyid Badr bin Hamad Albusaidi. Albusaidi is said to be efficient and effective,<sup>3</sup> and he has in recent years been raising his profile in speeches publicly articulating Omani foreign policy. Another figure considered effective is economic adviser to the Sultan Salim bin Nasir al-Ismaïly, a businessman and philanthropist who reportedly was entrusted with brokering some of the U.S.-Iran exchanges discussed below.<sup>4</sup> Another influential figure is Royal Office head General Sultan bin Mohammad al-Naamani, with the question open as to whether his military background would help or harm his selection as prime minister, were that post to be established.

## **Expansion of Representative Institutions and Election History**

Many Omanis, U.S. officials, and international observers have praised Sultan Qaboos for establishing consultative institutions and an election process even without evident public pressure to do so. Under a 1996 “Basic Law,” Qaboos created a bicameral “legislature” called the Oman Council, consisting of the existing Consultative Council (*Majlis As Shura*) and an appointed State Council (*Majlis Ad Dawla*), established by the Basic Law. The Consultative Council was formed in 1991 to replace a 10-year-old all-appointed advisory council. However, even after implementation of a March 2011 Sultan’s decree expanding its powers to question ministers, select its leadership, 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

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<sup>1</sup> Simon Henderson. “Oman Ruler’s 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.

power to draft legislation or to overturn the Sultan's decrees or government regulations. As in the other GCC states, formal political parties are not allowed. And, unlike Bahrain or Kuwait, there are not well-defined "political societies" (de-facto parties) in Oman that compete within or outside the electoral process.

Even though its powers did not expand substantially during 1996-2012, the electoral process did broaden. The Consultative Council was initially chosen through a selection process in which the government had substantial 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 84 and to its current size of 85 seats. Prior to 2011, the Sultan selected the Consultative Council chairman; since then, the chairman and a deputy chairman have been elected by the Council membership.

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 voters was 63%, including enthusiastic participation by women, but none of the 21 female candidates (out of 631 candidates) won. Each province with a population of more than 30,000 elects two members, whereas a province with fewer than that elects one.

*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.

### **2011-2012 Unrest Casts Doubt on Satisfaction with Pace of Political Reform**

Despite the three-decade-long opening of the political process, some Omanis, particularly younger, well-educated professionals, have said they considered the pace of liberalization too slow. Evidence began to mount in 2010 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. Possibly corroborating the assertions of experts that Qaboos is highly popular among the citizenry, few demonstrators called for Qaboos to step down and many reportedly carried posters lauding his rule.



The government calmed some of the unrest through a series of measures, including clearing protesters from Sohar; expanding the powers of the Oman Council appointments of several members of the Consultative Council as ministers; and the naming of an additional female minister. The Sultan also ordered that 50,000 new public sector jobs be created, that the minimum wage increase by about one-third (to about \$520 per month), and that unemployed job seekers receive a grant of \$400. Qaboos decreed that the office of public prosecutor will have independence from government control, and that there will be new consumer protections.

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. During March-July 2013, the Sultan pardoned virtually all of them, an action praised by international human rights groups. In addition, Omanis who had been dismissed from public and private sector jobs for participating in unrest were reinstated.

An additional potential explanation for why the unrest dissipated is that many older Omanis apparently did not support the protests. Many older Omanis tend to compare the existing degree of “political space” favorably with that during the reign of Qaboos’s father, Sultan Said bin Taymur. During his father’s reign, Omanis needed the sultan’s approval even to wear spectacles or to import cement, for example. Some experts argue that Sultan Said kept Oman isolated in an effort to insulate it from leftist extremism that gained strength in the region during the 1960s.

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, 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, then 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.” Career diplomat Marc Sievers was confirmed to succeed her in late 2015.

## 2011 and 2012 Elections Held Amid Unrest

The October 15, 2011, Consultative Council elections went forward despite the unrest. The enhancement of the Oman Council’s powers raised the stakes for candidates and voters and drew considerable interest. 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. However, voter turnout (about 60%) was not appreciably higher than in past elections. 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%.

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



As part of 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. The first-ever elections for councils in all 11 provinces were held 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.

### **2015 Elections**

Oman held its next elections on October 25, 2015. The Council was expanded by one seat, to 85. A total of 674 candidates applied, of which about 75 were forbidden from running on varied and unclear grounds, but possibly linked to participation in the 2011-2012 unrest. Female candidates numbered 20, and a call for a quota of females to be elected to the Council was not adopted. About 612,000 voters participated, and the government did not allow independent election monitoring. As happened in 2011, only one woman was elected. Khalid al-Mawali was reelected Consultative Council Chairman. On November 8, 2015, Qaboos appointed the 84-seat State Council, of whom 13 were women.

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

According to the most recent State Department report on human rights, the principal human rights problems in Oman are limits on freedom of speech, assembly, and association; restrictions on independent civil society; and the lack of representative political institutions with legislative authority. Other U.S. concerns include a lack of independent inspections of prisons and detention centers, restrictions on press freedom, insufficient protections from domestic violence, and labor conditions and abuses of foreign workers. The government continued to prosecute dissident bloggers and cyber-activists, according to the report. U.S. and other reports generally credit the government with holding accountable security personnel and other officials for abuses, including prosecuting multiple corruption cases through the court system. Major specific issue areas are discussed below.

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**

According to the recent State Department reports, Omani law provides for limited freedom of speech and press, but the government generally does not respect these rights. Press criticism of

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<sup>6</sup> Much of this section is from the State Department's country report on human rights practices for 2015 and other State Department reports on international religious freedom and on trafficking in persons. Human rights report for 2015: <http://www.state.gov/documents/organization/253153.pdf>. Trafficking in Persons report for 2015: <http://www.state.gov/documents/organization/245365.pdf>. International Religious Freedom Report for 2014: <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm#wrapper>.

the government is tolerated, but criticism of the sultan (and by extension, government officials) is not. In October 2015, Oman followed the lead of many of the other GCC states in issuing a new royal decree prohibiting disseminating information that targets “the prestige of the State’s authorities or aimed to weaken confidence in them.”

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 20% 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.

### **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. The minimum wage for citizens is \$845 per month, but minimum wage regulations do not apply to a variety of occupations and businesses.

### **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. Civil courts replaced Sharia (Islamic law) courts in 1999. Recent State Department religious freedom reports have noted 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 government, 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 women constitute over 30% of the workforce. The first woman of ministerial rank in Oman was appointed in March 2003, and, since then, there have been several women of that rank in each Cabinet. 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 nine in the 2003-2007 council. One woman was elected to the Consultative Council in the 2011 and in the 2015 elections, following a period (2007-2011) in which no females were elected. As noted above, a campaign by Omani women’s groups failed to establish a minimum number of women elected to the Consultative Council, beginning with the fall 2015 elections.

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 George W. Bush directed that Oman be moved from “Tier 3” on trafficking in persons (worst level, assigned in the June 2008 State Department Trafficking in Persons report) to “Tier 2/Watch List” based on Omani pledges to increase efforts to counter trafficking in persons (Presidential Determination 2009-5). Oman’s rating in the annual report improved to Tier 2 in the 2009 Trafficking in Persons report, and has remained there since, including in the report for 2015, released on July 27, 2015.<sup>7</sup> 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.

## **Foreign Policy/Regional Issues**

Under Sultan Qaboos, Oman has pursued a relatively independent foreign policy, even at times acting contrary to most of the other GCC countries. In the past few years, Oman has diverged even more sharply from its GCC allies—particularly Saudi Arabia—by refusing to become embroiled militarily in regional conflicts and by maintaining high-level ties to Iran. Yet, Oman adheres to the GCC consensus on many issues. Oman fully backs the Al Khalifa regime in Bahrain against mostly Shiite opponents that have demonstrated 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 of its forces to the mission. As are the other GCC states, Oman is part of the U.S.-led coalition against the Islamic State. However, Oman has not conducted any airstrikes or undertaken any other military action against that group in Syria or Iraq. 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.

### **Iran**

Oman’s differences with Saudi Arabia appear to have widened in recent years, in part over relations with Iran and Iran’s proxies and allies. At a GCC leadership meeting on May 14, 2012, Saudi Arabia advanced a plan for political unity among the GCC states as a signal of GCC solidarity against Iran. The plan was not adopted due to concerns among the other GCC leaders about surrendering some of their sovereignty, and observers say that Oman was among the most vociferous opponents of the plan.<sup>8</sup> At an international security conference in Bahrain on December 7, 2013 (“Manama Dialogue,” sponsored by the International Institute for Strategic Studies, IISS), Oman objected to a modified version of the Saudi plan to the point of threatening to withdraw from the GCC entirely if the plan were adopted. The proposal has not been adopted.

<sup>7</sup> <http://www.state.gov/documents/organization/245365.pdf>.

<sup>8</sup> Comments to the author by a visiting GCC official. May 2012.

And, Oman has not joined the Saudi-led Arab coalition that is combatting the Houthi rebels in Yemen, as discussed further below, nor did Oman join a Saudi announcement in December 2015 of a 34 Muslim nation “counterterrorism coalition.” Oman was the only GCC state not to downgrade relations with Iran in January 2016 in solidarity with Saudi Arabia when the Kingdom broke relations with Iran in connection with the dispute over the Saudi execution of dissident Shiite cleric Nimr Al Nimr. Oman’s Minister of State for Foreign Affairs did, however, stand with Saudi Foreign Minister Adel Al Jubeir in condemning the Iranian attacks on the Saudi facilities. In February 2016, Oman joined the other GCC states in declaring Lebanese Hezbollah to be a terrorist organization—an action directed primarily against Iran but perhaps signalling that Oman distinguishes between Iran and Iran’s non-state allies. Oman did not follow the other GCC states in the related decision to impose significant restrictions on its citizens’ travel to Lebanon.

Oman’s differences with other GCC states over Iran stem from Oman’s assertion that engagement with Iran better mitigates the potential threat from that country than does confrontation. This stance has positioned Oman as a trusted mediator on several regional issues in which most of the GCC states are working against Iran’s allies or proxies. There are residual positive sentiments among the Omani leadership for the Shah of Iran’s support for Qaboos’s 1970 takeover and its provision of troops to help Oman end the leftist revolt in Oman’s Dhofar Province during 1962-1975, a conflict in which Iran lost 700 troops. 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, whose citizens tend to practice the moderate Ibadhism. That religious tradition places Oman to some extent outside the Sunni-Shiite sectarianism roiling the region. Sultan Qaboos bucked U.S. and GCC criticism by visiting Tehran in August 2009 at the time of 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 membership in the GCC are not mutually exclusive with Oman’s relationship with Iran. Successive U.S. administrations have refrained from criticizing Oman’s relations with Iran, instead periodically using that relationship to resolve U.S.-Iran disputes and develop 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. In 2007, Oman helped broker Iran’s release of 15 sailors from close U.S. ally Britain, who Iran had captured at gunpoint in the Shatt al Arab waterway. U.S. State Department officials publicly confirmed that Oman had played a brokering role in the 2010-2011 releases from Iran of U.S. hikers Sara Shourd, Josh Fattal and Shane Bauer, Americans imprisoned for allegedly straying into Iran from Iraq. Oman, according to some reports, paid their \$500,000 per person bail to Iranian authorities. 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 releases.<sup>9</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. Hekmati was released on January 17, 2016, in concert with “Implementation Day” of the multilateral nuclear deal with Iran, but Levinson’s whereabouts are still unknown.

<sup>9</sup> Dennis Hevesi. “Philo Dibble, Diplomat and Iran Expert, Dies At 60.” *New York Times*, October 13, 2011.

Oman's intermediation facilitated 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 been trying 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 secretly meeting with Iranian officials in early 2013 to explore the possibility of a nuclear deal. The first such meetings took place well before the moderate Hassan Rouhani was elected Iran's president in June 2013, but then accelerated after Rouhani took office in August 2013. Sultan Qaboos's August 25-27, 2013, visit to Iran to meet with Rouhani helped pave the way for further talks that led to the JPA. Omani banks implemented some of the financial arrangements of the JPA, such as the allowance for Iran to receive \$700 million per month in hard currency proceeds from oil sales. Omani banks had a waiver from U.S. sanctions laws to permit the transfers of funds to Iran's Central Bank.<sup>10</sup> In mid-March 2014, Rouhani visited Oman—the only GCC state he has visited since taking office.

Oman's pivotal role continued during talks to achieve the July 14, 2015, Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1. During November 9-10, 2014, Secretary of State John Kerry met with Iranian Foreign Minister Mohammad Javad Zarif in Muscat to try to accelerate progress in the negotiations. Their meeting was followed one day later by a meeting in Muscat between the entire P5+1 and Iranian negotiators. 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>11</sup> An additional round of talks was held in Oman subsequently, and the JCPOA was finalized in Vienna on July 14. In December 2015, Oman hosted a meeting between two key negotiators of the JCPOA, Energy Secretary Ernest Moniz and head of Iran's Atomic Energy Organization Ali Akbar Salehi, reportedly to discuss implementation of the JCPOA.

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>12</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 come at the expense of Oman's cooperation with the United States.

Oman's relations with Iran position Oman to benefit from the lifting of sanctions on Iran. Oman and Iran have, even during the period of maximum sanctions (2010-2015), conducted normal civilian trade, supplemented by the informal trading relations that have long characterized the Gulf region. Oman's government is said to have long turned 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>13</sup> Iran and Oman have jointly developed the Hengham oilfield in the Persian Gulf, and the field came on stream officially on July 11, 2013, producing 22,000 barrels

<sup>10</sup> Primarily Section 1245(d)(5) of the National Defense Authorization Act for Fiscal Year 2012 (P.L. 112-81). For text of the waiver, see a June 17, 2015 letter from Assistant Secretary of State for Legislative Affairs Julia Frifield to Senate Foreign Relations Committee Chairman Bob Corker, containing text of the "determination of waiver."

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

<sup>12</sup> Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

<sup>13</sup> Ibid.



of oil per day. Its capacity is 30,000 barrels per day. The investment is estimated at \$450 million, although the exact share of the costs between Iran and Oman is not known. The field also produces natural gas, and can produce a maximum of 80 million cubic feet per day. 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.

Several projects long under discussion are moving forward now that international sanctions on Iran have been lifted. During Iranian President Hassan Rouhani's visit to Oman in March 2014, the two countries signed a deal to build a \$1 billion undersea pipeline to bring Iranian natural gas from Iran's Hormuzegan Province to Sohar in Oman, where it will be converted to Liquefied Natural Gas (LNG) and then exported.<sup>14</sup> The Korea Gas Corporation is reportedly nearing agreement to build the pipeline.<sup>15</sup> The project was held up for many years because it constituted a violation of the Iran Sanctions Act (ISA), but the United States has not sanctioned them and the main provisions of that law were waived as of January 16, 2016, upon Iran's implementation of the JCPOA. Iran and Oman are conducting a feasibility study to construct a \$200 million car production plant in the Omani port of Duqm, a joint venture between Oman and Iran's Khodro Industrial Group. Since sanctions were lifted, Oman's central bank also licensed Bank Muscat to open a branch in Tehran. (See CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, for a discussion of ISA and its provisions.)

### **Cooperation against the Islamic State Organization and on Syria and Iraq**

Oman aligns with the other GCC states in asserting that the Islamic State constitutes a major threat to the region. 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. However, unlike Saudi Arabia, UAE, Bahrain, and Qatar, Oman has not at any time conducted U.S.-led airstrikes against Islamic State positions in Syria. Oman reportedly offered the use of its air bases for the coalition, but Oman's bases are farther 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 the strikes.

Possibly in order not to jeopardize relations with Iran, Oman has refrained from intervening in Syria against Iran's close ally, President Bashar Al Assad. Unlike Saudi Arabia, Qatar, and UAE, Oman is not reported to have provided any funds or arms to anti-Assad rebel groups in Syria. Yet, in solidarity with the GCC, in November 2011, Oman, despite stated reservations, voted to suspend Syria's membership in the Arab League and closed its embassy in Damascus.<sup>16</sup>

Oman's position and ties have positioned it as an increasingly significant potential mediator for the civil conflict there. On August 6, 2015, after a period of battlefield setbacks for the Assad regime, Oman hosted Syrian Foreign Minister Walid Muallem for talks on possible political solutions to the Syria conflict. On October 26, 2015, Omani Minister of State for Foreign Affairs (de-facto foreign minister) Yusuf bin Alawi bin Abdullah visited Damascus, reportedly to convey a message from Secretary of State John Kerry to Syrian President Bashar Al Assad.<sup>17</sup> In late 2015, Oman attended the two meetings in Vienna on the Syria conflict, which included most of the GCC states, major European powers, Russia, China, the United States, and Iran. On November 6,

<sup>14</sup> Dana El Baltaji. "Oman Fights Saudi Bid for Gulf Hegemony with Iran Pipeline Plan." Bloomberg News, April 21, 2014.

<sup>15</sup> Oman: Iran's Best Friend in the Gulf. Financial Times, April 11, 2017.

<sup>16</sup> <http://gulfnnews.com/news/gulf/oman/oman-ready-to-mediate-between-syrian-parties-1.1617551>

<sup>17</sup> Sigurd Neubauer. "Oman: the Gulf's Go-Between" The Arab Gulf States Institute in Washington. February 4, 2016.

2015, Saudi Foreign Minister Adel Jubeir visited Muscat to discuss the conflicts in Syria and Yemen (a conflict in which Oman also emerged as a mediator). During February 2-3, 2016, Russia's Foreign Minister Sergei Lavrov visited Muscat to discuss Syria and other regional issues, according to Russia's Foreign Ministry spokeswoman.

No GCC state has undertaken air strikes against the Islamic State fighters in Iraq, where the Islamic State also has captured significant territory. With the exception of Kuwait, all of the GCC states have had difficulty working with the Shiite-dominated government in post-Saddam Iraq. Oman opened an embassy in Iraq after the 2003 ousting of Saddam but then closed it for several years following a shooting outside it in November 2005 that 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. Oman provided about \$3 million to Iraq's post-Saddam reconstruction, a relatively small amount.

## **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 collapsed. The Yemeni affiliate of Al Qaeda, Al Qaeda in the Arabian Peninsula, is under reduced pressure and the pro-Iranian "Houthi" Shiite rebels remain in control of Yemen's capital, Sanaa, which they seized in January 2015. Oman has built some refugee camps near the border to accommodate refugees, built a 180 mile fence along their border, redeployed additional security assets to the border with Yemen, and, in January 2016, closed its two last remaining border crossings into 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 largely failed when Saleh's successor, Abdu Rabu Mansur Al Hadi, was driven out of Sanaa by the Houthi offensive and governance collapsed.

In keeping with its general policy of avoiding direct military involvement in the region, Oman is the only GCC state that has not joined the Saudi-led Arab coalition which, since March 2015, has fought to try to restore the Hadi government by pushing back Houthi forces. Oman's relative neutrality, coupled with Oman's ties to Iran, has enabled international governments to turn to Oman as a mediator. Oman has hosted talks between U.S. diplomats and Houthi representatives, and Oman has helped broker the release of several Western captives from Yemen. As noted above, Saudi Foreign Minister Jubeir visited Muscat on November 6, 2015, to discuss Oman's mediation efforts in Yemen as well as in Syria. Mediation talks between the Hadi government and the Houthis began in early April 2016 in Kuwait. Kuwait is part of the Saudi-led military coalition in Yemen and maintains some ties to Iran, although not as close as those maintained by Oman.

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.



## Policies on Other Regional Uprisings

*Libya.* Oman did not play as active a role in supporting the Libya uprising as did fellow GCC states Qatar and UAE. Oman did not supply weapons or advice to rebel forces or fly any strike missions against Qadhafi forces. Oman did recognize 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>18</sup> who reportedly had entered Oman in October 2012. Aisha and Hannibal are wanted by Interpol pursuant to a request from the recognized 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.

*Egypt.* The GCC has been divided on post-Mubarak Egypt. Qatar supported the 2012 election of Muslim Brotherhood leader Mohammad Morsi as the first elected post-Mubarak president, but Saudi Arabia and the UAE oppose the Brotherhood and supported the Egyptian military ouster of Morsi in July 2013. Omani media (*Times of Oman*) have criticized the Egyptian military for a crackdown against Morsi supporters,<sup>19</sup> but Oman has joined most of the other GCC states in building ties to the government of former military leader/elected President Abdel Fatah El Sisi.

## Israeli-Palestinian Dispute and Related Issues

Taking a stand 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 U.S.-brokered Egyptian-Israeli peace treaty in 1979. All the GCC states participated in the multilateral peace talks established by the 1991 U.S.-sponsored Madrid peace process, but only Oman, Bahrain, and Qatar hosted working group sessions of the multilaterals. Oman hosted an April 1994 session of the working group on water and, as a result of those talks, a Middle East Desalination Research Center was established in Oman. Participants in the Desalination Center include Israel, the Palestinian Authority, the United States, Japan, Jordan, the Netherlands, South Korea, and Qatar.

In September 1994, Oman and the other GCC states renounced the secondary and tertiary Arab boycott of Israel. In December 1994, it became the first Gulf state to officially host a visit by an Israeli prime minister (Yitzhak Rabin), and it hosted then Prime Minister Shimon Peres in April 1996. In October 1995, Oman exchanged trade offices with Israel, essentially renouncing the primary boycott of Israel. However, there was no move to establish diplomatic relations. The trade offices closed following the September 2000 Palestinian uprising. In an April 2008 meeting in Qatar, de facto Foreign Minister Alawi 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. 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>20</sup> Oman offered 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 publicly supports the Palestinian Authority (PA) drive for full U.N. recognition.

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<sup>18</sup> “Muammar Gaddafi’s Family Granted Asylum in Oman.” Reuters, March 25, 2013.

<sup>19</sup> Times of Oman website in English. August 18, 2013.

<sup>20</sup> Ravid, Barak. “Top Israeli Diplomat Holds Secret Talks in Oman.” Haaretz, November 25, 2009. <http://www.haaretz.com/hasen/spages/1130242.html>.

## Defense and Security Issues

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. 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.

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 mostly to U.S.-made major combat systems. Still, as a signal of the continuing close defense relationship, in early April 2016 Britain and Oman signed a memorandum of understanding to build a base near Oman's Duqm port, at a cost of about \$110 million, to support the stationing of British naval and other forces in Oman on a permanent basis.<sup>21</sup>

Qaboos has consistently advocated expanding intra-GCC defense cooperation and for the GCC to cooperate with the United States. Oman was the first Gulf state to formalize defense relations with the United States after the Persian Gulf region was shaken by Iran's 1979 Islamic revolution. Oman and the United States signed a "facilities access agreement" that allows U.S. forces access to Omani military facilities on April 21, 1980. Days after the signing, 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 complained that they were not informed of that operation in advance. Under the agreement, which was renewed in 1985, 1990, 2000, and 2010, the United States reportedly can use—with advance notice and for specified purposes—Oman's military airfields in Muscat (the capital), Thumrait, Masirah Island, and Musnanah. Some U.S. Air Force equipment, including lethal munitions, is reportedly stored at these bases.<sup>22</sup>

Oman's facilities contributed to U.S. major combat operations in Afghanistan (Operation Enduring Freedom, OEF) and, to a lesser extent, Iraq (Operation Iraqi Freedom, OIF). According to the Defense Department, during major combat operations of OEF (late 2001) 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 (which began in March 2003) because facilities in GCC that are closer to Iraq were used more extensively. Since 2004, Omani facilities reportedly have not been used for air support operations in either Afghanistan or Iraq, and the numbers of U.S. military personnel in Oman number a few hundred, mostly Air Force.<sup>23</sup> No GCC state contributed forces to OIF or to subsequent stabilization efforts in Iraq and, unlike Bahrain or UAE, Oman did not send military or police forces to Afghanistan.

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<sup>21</sup> "UK to Have Permanent Naval Base in Oman, MoU Signed." Middle East Confidential. April 1, 2016. <http://me-confidential.com/12289-uk-to-have-permanent-naval-base-in-oman-mou-signed.html>

<sup>22</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. The Khasab base, 50 miles from Muscat, was upgraded with \$120 million in U.S. funds – assistance agreed in conjunction with the year 2000 renewal of the facilities access agreement. Finnegan, Philip. "Oman Seeks U.S. Base Upgrades." *Defense News*, April 12, 1999.

<sup>23</sup> Contingency Tracking System Deployment File, provided to CRS by the Department of Defense.

## U.S. Arms Sales and other Security Assistance to Oman<sup>24</sup>

Using U.S. assistance and national funds, Oman is trying to expand and modernize its arsenal primarily with purchases from the United States. However, Oman is one of the least wealthy GCC states and cannot buy U.S. arms as readily as the wealthier GCC states can. Oman has received small amounts of Foreign Military Financing (FMF) that have been used to purchase equipment that help Oman operate alongside U.S. forces, secure its borders, and combat terrorism. Oman is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. For the first time in any recent year, the Administration has not requested any FMF for Oman for FY2017, perhaps representing a shift toward emphasis on counterterrorism and border security assistance.

- *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. In 2010, the United States approved a sale to Oman of 18 additional F-16s, with a value (including associated support) of up to \$3.5 billion.<sup>25</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. Oman’s air force possesses 12 Eurofighter “Typhoon” fighter aircraft.
- *Countermeasures for Head of State Aircraft*. In November 2010, DSCA notified Congress of a possible sale of up to \$76 million worth of countermeasures equipment and training to protect the C-130J that Oman bought under a June 2009 commercial contract. The prime manufacturer of the equipment is Northrop Grumman. Another 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.

<sup>24</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>25</sup> Andrea Shalal-Esa. “Lockheed Hopes to Finalize F-16 Sales to Iraq, Oman.” Reuters, May 16, 2011.

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 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 asserts that it still requires armor to supplement the 38 British-made Challenger 2 tanks and 80 British-made Piranha armored personnel carriers it bought in the mid-1990s. Oman has also bought some Chinese-made armored personnel carriers and other gear, and it reportedly is considering buying 70 Leopard tanks from Germany with a value of \$2.2 billion.
- *Patrol Boats/Maritime Security.* Some FMF has been used to help 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. EDA grants since 2000 have gone primarily to help Oman monitor its borders and waters and to improve inter-operability with U.S. forces. Oman has bought some British-made patrol boats.
- *Anti-Tank Weaponry.* In December 2015, DSCA notified a potential sale to Oman of more than 400 TOW (tube-launched, optically tracked, wire-guided) anti-tank systems. The sale has an estimated value of \$51 million.

### *Professionalizing Oman’s Forces: IMET Program and Other Programs*

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. About 100 Omani military students participate in the program each year, studying at 29 different U.S. military institutions. For FY2016, some FMF is to be used to help promote the professionalization of Oman’s armed forces and build its ability to address emerging threats to the coalition that is combatting the Islamic State organization.<sup>26</sup> The Administration has requested funds to continue those programs in FY2017.

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

(In millions of dollars)

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
IMET	1.11	1.43	1.45	1.525	1.622	1.638	1.935	2.01	1.6	2.0	0
FMF	13.49	4.712	7.0	8.85	13.0	8.0	7.6	8.0	4.0	2.0	2.0
NADR	1.28	1.593	0.95	1.655	1.5	1.5	1.475	1.5	1.5	1.5	2.0
1206					0.948						

**Notes:** IMET is International Military Education and Training; FMF is Foreign Military Financing; NADR is Nonproliferation, Anti-Terrorism, De-Mining and Related Programs, and includes ATA (Anti-Terrorism Assistance); EXBS (Export Control and Related Border Security); and TIP (Terrorism Interdiction Program).

<sup>26</sup> State Department Congressional Budget Justification for FY2016; and for FY2017

## Cooperation against Terrorism/"NADR" and Other 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 2014 (latest available), Oman is assessed as actively involved in preventing members of these and other terrorist groups from conducting attacks and using the country for safe haven or transport.<sup>27</sup>

The United States provides funding—Nonproliferation, Antiterrorism, Demining, and Related (NADR) and other funds—to help Oman counter terrorist and related activity. NADR funding falls into three categories: Export Control and Related Border Security (EXBS) funds, Anti-Terrorism Assistance (ATA) funds, and Terrorism Interdiction Program funding. The U.S. Export Control and Related Border Security program has been used to train the Royal Oman Police (ROP) Coast Guard, the Directorate General of Customs, and the Royal Army of Oman to enhance their capabilities to interdict weapons of mass destruction (WMD), advanced conventional weapons, or illegal drugs at official Ports of Entry on land and at sea ports, and along land and maritime borders. ATA funds are used to train the ROP on investigative techniques and to enhance their ability to detect and respond to the entry of terrorists into Oman. In FY2017, the Administration has requested an equal split of the \$2 million in NADR funds, with \$1 million to be used for counterterrorism programs (ATA) and \$1 million to be used to combat trafficking of WMD. In 2005, Oman joined the U.S. "Container Security Initiative," agreeing to pre-screening of U.S.-bound cargo from its port of Salalah to prevent smuggling of nuclear material, terrorists, and weapons.

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. On January 15, 2016, the Defense Department announced a transfer to Oman of 10 Yemeni nationals from 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 say that it has the lowest risk for terrorism financing or money laundering of any of the GCC countries.<sup>28</sup> 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. A 2010 Royal Decree is Oman's main legislation on anti-money laundering and combatting terrorism financing.

## Economic and Trade Issues<sup>29</sup>

Despite Oman's efforts to diversify its economy, oil exports still generate over 50% of government revenues, according to Oman's 2016 budget. Oman has a relatively small 5.5 billion

<sup>27</sup> <http://www.state.gov/j/ct/rls/crt/2014/239407.htm>.

<sup>28</sup> Full text of the report is at <http://www.state.gov/j/ct/rls/crt/2014/239407.htm>

<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.



barrels (maximum estimate) of proven oil reserves, enough for about 15 years at current production rates. 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 natural gas reserves. Gas revenues are estimated to account for about 20% of government revenues in Oman’s 2016 budget. Some of the joint ventures that Oman is engaged in with Iran in the oil and gas sector are discussed in the section on Iran, above.

The downturn in energy prices since mid-2014 has affected Oman significantly. It is estimating an \$8.6 billion budget deficit for 2016, wider than the \$6.6 billion deficit experienced in 2015. Recognizing its budgetary limitations, the government is cutting subsidies substantially. It also continues to seek to increase private sector employment as against public sector employment, the latter of which is costly to the government. In February 2014, even before the oil price decline, the Omani government 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 reducing 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>30</sup> The government reportedly is also trying to raise \$60 billion to build up the port at Duqm (see map) as a transportation, energy, and even in part a military hub. Oman’s plans for the port include a refinery (\$6 billion alone), a container port, a dry dock, and other facilities for transportation of petrochemicals. A 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>31</sup> Iranian officials have said that Duqm is likely to become Iran’s main gateway for trade with the Gulf states.

## U.S.-Oman Economic Relations

The United States is Oman’s fourth-largest trading partner, and there was nearly \$3.25 billion in bilateral trade in 2015. That year, the United States exported \$2.364 billion in goods to Oman, and imported \$905 million 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, the largest products categories are fertilizers, industrial supplies, and oil by-products such as plastics. In part because of expanded U.S. oil production, over the past few years the United States has imported almost no crude oil from Oman.<sup>32</sup>

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).

<sup>30</sup> Author conversation with Omani officials. September 2013.

<sup>31</sup> Hugh Eakin. “In the Heart of Mysterious Oman.” *New York Review of Books*, August 14, 2014.

<sup>32</sup> <http://www.census.gov/foreign-trade/statistics/product/enduse/imports/c5230.html>.

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.

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.

On January 23, 2016, the United States and Oman signed an agreement on cooperation in science and technology. The agreement paves the way for exchanges of scientists, joint workshops, and U.S. training of Omani personnel in those fields.

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