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

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SUMMARY

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

The Sultanate of Oman has been a strategic partner of the United States since 1980, when it became the first Persian Gulf state to sign a formal accord permitting the U.S. military to use its facilities. Oman has hosted U.S. forces during every U.S. military operation in the region since then, and it is a partner in U.S. efforts to counter terrorist groups and other regional threats. In January 2020, Oman's long-time leader, Sultan Qaboos bin Sa'id Al Said, passed away and was succeeded by Haythim bin Tariq Al Said, a cousin selected by Oman's royal family immediately upon Qaboos's death. Sultan Haythim espouses policies similar to those of Qaboos and has not altered U.S.-Oman ties or Oman's regional policies.

During Qaboos's reign (1970-2020), Oman generally avoided joining other countries in the Gulf Cooperation Council (GCC: Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, and Oman) in regional military interventions, instead seeking to mediate their resolution. Oman joined but did not contribute forces to the U.S.-led coalition against the Islamic State organization, nor did it arm groups fighting Syrian President Bashar Al Asad's regime. It opposed the June 2017 Saudi/UAE-led isolation of Qatar and had urged resolution of that rift before its resolution in January 2021.

Oman's leaders have consistently asserted that engaging Iran is preferable to confrontation. Oman's ties to Iran have enabled it to broker agreements between the United States and Iran for the release of U.S. citizens held by Iran as well as U.S.-Iran direct talks that later produced the July 14, 2015, Iran nuclear agreement (Joint Comprehensive Plan of Action, JCPOA). At the same time, U.S. officials credit Oman with enforcing re-imposed U.S. sanctions and with taking steps to block Iran's efforts to ship weapons across Oman's borders to Iran-backed Houthi rebels in Yemen.

During his reign, Sultan Qaboos drew consistent U.S. praise for gradually opening the political process in the absence of evident public pressure to do so, and for promoting the role of women in society. The liberalization allowed Omanis a measure of representation through elections for the lower house of a legislative body, but did not significantly limit the Sultan's role as paramount decisionmaker. Public clamor for faster and more extensive political reform, and resentment of inadequate employment opportunities, produced protests in several Omani cities for much of 2011, and for two weeks in January 2018, but government commitments to create jobs apparently helped calm unrest in each instance. Oman has increased press censorship and arrested some critics who use social media, as have the other GCC states since the 2011 Arab uprisings.

The periodic unrest may demonstrate that Oman is having difficulty coping with the decline in the price of crude oil since mid-2014. Oman is assessed by international economic observers as particularly economically vulnerable to the economic effects of the COVID-19 pandemic, which caused a further dip in oil prices as well as an interruption of tourism and other sources of government revenue. As of mid-May, 2021, Oman has reported over 200,000 COVID-19 cases and over 2,200 deaths from the disease; nearly 275,000 vaccine doses have been administered. Oman's economy and workforce has always been somewhat more diversified than some of the other GCC states, as Oman has only modest energy resources. The country has sought to attract foreign investment, including to fund the development of Al Duqm port, which Oman and several partner countries are building into what Oman hopes will be a major trading hub. The 2006 U.S.-Oman free trade agreement (FTA) was intended to facilitate Oman's access to the large U.S. economy and accelerate Oman's efforts to diversify. Oman receives small amounts of U.S. security assistance focused primarily on building capacity of Oman's counterterrorism and border and maritime security authorities.

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Historical Background and U.S. Relations

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. Sultan Qaboos bin Sa'id Al Said was the eighth in the line of the monarchy; he became sultan in July 1970 when, with British military and political support, he compelled his father, Sultan Said bin Taymur Al Said, to abdicate. During his father's reign, Omanis needed the sultan's approval even to wear spectacles or to import cement. Upon Qaboos's death, Haythim bin Tariq Al Said, a cousin of Qaboos, became the ninth Al Said monarch on January 11, 2020.

The United States has had relations with Oman since the early days of American independence. The U.S. merchant ship *Rambler* made a port visit to Muscat in September 1790. 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, DC, in 1973. Sultan Qaboos was accorded formal state visits in 1974, by President Gerald Ford, and in 1983, by President Ronald Reagan. President Bill Clinton visited Oman in March 2000. Career diplomat Leslie Tsou took up her duties as Ambassador on January 10, 2020.

Figure 1. Oman

People	• Population: 3.6 million, of which about 46% are expatriates (2019 est.) • Religions: Muslim (of which Ibadhis and Sunnis are over 90%, and 5% are Shia) 86%; Christian 6.5%; Hindu 5.5%; Buddhist 0.8% (2010 est.)
Economy	• GDP purchasing power parity (PPP): $137 billion • GDP per capita (PPP): $31,101 (2020) • GDP real growth rate: -0.5% (2019): -6.2% (2020) • Inflation Rate: -0.9% (2020) • Unemployment Rate: 3% Youth Unemployment: 15.6%; Female Unemployment: 10.2% (2021) • Foreign Exchange/Gold Reserves: $15 billion (2020) • External Debt: $75.4 billion (2020)
Energy	• Oil Production: 951,000 barrels per day (2020); Reserves: 4.8 billion barrels; Exports: 722,000 barrels per day (bpd) • Natural Gas *Production:* 875 billion cubic feet per year; *Reserves:* 30 trillion cubic feet; *Exports:* 407 billion cubic feet per year • Energy Sector 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
Trade	• Major Partners: China (mostly oil), UAE, South Korea, Japan, India, United States, Saudi Arabia

Source: Graphic created by CRS with information from CIA, *The World Factbook;* World Bank: Oman's Economic Update—May 2021; Economic Intelligence Unit report March 2021; S&P Global; U.S. Department of State, *2020 Report on International Religious Freedom: Oman,* May 12, 2021.

Democratization, Human Rights, and Unrest

Oman remains a monarchy in which decisionmaking has been concentrated with the Sultan. The government reflects the diverse backgrounds of the Omani population; many officials 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. Sultan Qaboos's brief marriage in the 1970s produced no children, and the Sultan, who was born in November 1940, had no heir apparent when he passed away on January 11, 2020, after a long illness. According to Omani officials, succession would be decided by a "Ruling Family Council" of his relatively small Al Said family (about 50 male members) and, if the family council could not reach agreement within three days, it was to select the successor recommended by Qaboos in a sealed letter to be opened upon his death.[1] Upon his death, the Family Council and a separate Defense Council, in a televised ceremony, opened Qaboos's letter and named his choice, Haythim bin Tariq Al Said, as the new Sultan.

Haythim, an Oxford-educated cousin of Qaboos, is about 65 years of age (born October 13, 1954). He had served since 2002 as Minister of Heritage and Culture and previously served in senior positions in Oman's foreign ministry. Haythim's selection bypassed his two older brothers—Asad bin Tariq and Shihab bin Tariq—who many experts considered were more likely successors than Haythim. Upon assuming the leadership, Sultan Haythim indicated a commitment to continue Qaboos's policies.[2]

[1] "Explainer: How Oman's succession works to determine the next Sultan," Al Arabiya, January 11, 2020.

[2] "Meet Oman's New Sultan. How Will He Navigate the Region's Turmoil?" *Washington Post*, January 15, 2020.

Figure 2. The new Sultan Haythim bin Tariq Al Said

Source: Times of Oman.

Representative Institutions, Election History, and Unrest

Many Omanis, U.S. officials, and international observers credited Sultan Qaboos for establishing consultative institutions and electoral processes before there was 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*).[3] The Consultative Council was formed in 1991 to replace a 10-year-old all-appointed advisory council. A March 2011 decree expanded the Oman Council's powers to include questioning ministers, selecting its own leadership, and reviewing government-drafted legislation, but it still does not have the 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

[3] Basic Law of the Sultanate of Oman, November 6, 1996.

allowed but, unlike Bahrain or Kuwait, well-defined "political societies" (de-facto parties) have not developed in Oman. In 2011, Qaboos instituted elections for municipal councils.

Elected Consultative Council. The size, scope of authority, and the electorate for Oman's elected legislature have gradually expanded. When it was formed in 1991, the Consultative Council had 59 seats, and it has been gradually expanded since to its current size of 86 seats. In the 1994 and 1997 selection cycles for the council, "notables" in each of Oman's districts nominated three persons and Qaboos selected one of them to occupy that district's seat. The first direct elections were held in September 2000; holders of a high school or university degree, businessmen, and notables could vote—an electorate of about 25% of the population over 21 years of age. For the October 4, 2003, election, voting rights were extended to all citizens, male and female, over 21 years of age. 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 more recent Consultative Council elections are discussed below.

The State Council remains an all-appointed body, and arguably acts as a counterweight to the Consultative Council by being able to block legislative initiatives of the Consultative Council. Its size has expanded from 53 members at inception to 86 members—equal to the Consultative Council. Appointees are usually former high-ranking government officials, military officials, tribal leaders, and other notables.

Unrest Casts Doubt on Satisfaction with Pace of Political Reform

Despite the gradual reforms, prominent Omanis petitioned Sultan Qaboos in 2010 for a "contractual constitution" that would provide for a fully elected legislature. In February 2011, after pro-democracy protests swept through several Arab countries, protests broke out in Oman as well. Many protesters called for more job opportunities whereas others called for a fully elected legislature, but there were no evident calls for the Sultan to resign. The government calmed the unrest—which spanned most of 2011—through a combination of reforms and punishments, including expanding the powers of the Oman Council and creating additional public sector jobs. The journalists, bloggers, and other activists that were arrested during the unrest for "defaming the Sultan," "illegal gathering," or violating the country's cyber laws were pardoned and those who were dismissed from public and private sector jobs for participating in unrest were reinstated.[4]

Small demonstrations occurred again for two weeks in January 2018. Protesters generally cited what they describe as a lack of job opportunities rather than demanding political reform. In response, the government reiterated an October 2017 plan to create 25,000 jobs for Omani citizens and banned the issuance of new visas for expatriate workers in 87 private sector professions. The government has also taken steps to increase the number of Omani nationals in private sector jobs by increasing the fees for sponsoring expatriate employees and reserving certain professions for citizens. After the outbreak of the COVID-19 pandemic, the government encouraged companies to replace foreign workers with nationals, and urged private firms to ask some expatriates to leave the country permanently.[5] The World Bank reports that between January of 2020 and 2021, the number of expatriates employed in the private sector decreased 14%, compared to just 3.1% for nationals over the same period.[6] The government instituted its first-ever unemployment insurance scheme in November 2020 to cover all Omani workers in the

[4] James Worrall. "Oman: The 'Forgotten' Corner of the Arab Spring," Middle East Policy, September 2012.

[5] "Oman tells state firms to fire expats, hire locals: ONA," Al Jazeera, April 29, 2020.

[6] World Bank, "Oman," Macro Poverty Outlook, April 2021.

public, private, military and security sectors who have lost their employment involuntarily, a measure that analysts expect will help the country respond to the economic shocks caused by COVID-19.[7]

Recent Elections

The October 15, 2011, Consultative Council elections went forward amidst the unrest. Perhaps because of the enhancement of the Oman Council's powers, about 1,330 candidates applied to run—a 70% increase from the 2007 vote. A record 77 candidates were women; one woman was elected. Some reformists were heartened by the victory of two political activists, Salim bin Abdullah Al Oufi, and Talib Al Maamari, and the selection of a relatively young entrepreneur as speaker of the Consultative Council (Khalid al-Mawali). In the State Council appointments, the Sultan appointed 15 women, bringing the total female participation in the Oman Council to 16—over 10%.[8]

In 2012, the government also initiated elections for 11 municipal councils, bodies that make recommendations to the government on development projects, but do not make final funding decisions. The chairman and deputy chairman of each municipal council are appointed by the government. In the December 22, 2012 municipal elections, there were 192 seats up for election. There were more than 1,600 candidates, including 48 women. About 546,000 citizens voted. Four women were elected.

Another election to the Consultative Council was held on October 25, 2015. A total of 674 candidates applied to run, although 75 candidates were barred, apparently based on their participation in the 2011 unrest. There were 20 women candidates. The one incumbent woman was reelected but no other woman was elected.

On December 25, 2016, the second municipal elections were held to choose 202 councilors—an expanded number from the 2012 municipal elections. There were 731 candidates, of whom 23 were women. Seven women were elected.

2019 Elections[9]

The most recent Consultative Council elections were held on October 27, 2019. On July 7, 2019, the government issued a preliminary list of 767 candidates, including 43 women, but the final approved list contained 637 candidates, of which 40 were women. There were 713,000 eligible voters. Turnout was described as high, and two women won seats in the final results, which were announced October 29, 2019. Khalid bin Hilal al-Mawali was elected to a third term as speaker of the Consultative Council, and overall the Council appeared to represent continuity in Oman's political process rather than dramatic change. On November 8, 2019, Qaboos appointed the members of the State Council, including 15 women. The next elections for Consultative Council are scheduled for 2023.

[7] International Labour Organization, "Oman institutes its first unemployment insurance scheme," news, October 16, 2020.

[8] "15 Women in New Omani State Council," *Al Sharq Al Awsat*, November 8, 2019.

[9] See "15 Women in New Omani State Council," Op. cit.

Broader Human Rights Issues[10]

According to the most recent State Department report on human rights, the principal human rights issues in Oman are: "restrictions on free expression, the press, and the internet, including censorship, site blocking, and criminal libel laws; substantial interference with the rights of peaceful assembly and freedom of association; required exit permits for foreign workers; restrictions on political participation; and criminalization of consensual lesbian, gay, bisexual, transgender, and intersex conduct."

The law provides for an independent judiciary, but the Sultan chairs the country's highest legal body, the Supreme Judicial Council, which can review judicial decisions. The Oman Human Rights Commission, a quasi-independent but government-sanctioned body, investigates and monitors prison and detention center conditions through site visits.

Freedom of Expression, Media, and Association

Omani law provides for limited freedom of speech and press, but the State Department assesses that the government generally does not respect these rights. In October 2015, Oman followed the lead of many of the other GCC states in issuing a decree prohibiting disseminating information that targets "the prestige of the State's authorities or aimed to weaken confidence in them." The government has prosecuted dissident bloggers and cyber-activists under that and other laws.[11] Omani law provides for freedom of association for "legitimate objectives and in a proper manner," enabling the government to restrict such rights in practice. Associations must register with the Ministry of Social Development.

Private ownership of radio and television stations is not prohibited, but there are few privately owned stations. Satellite dishes have made foreign broadcasts accessible to the public. Still, according to the State Department report, there are some legal and practical restrictions to internet usage, and many internet sites are blocked for content the government decides is objectionable.

Trafficking in Persons and Labor Rights

According to the State Department Trafficking in Persons reports, Oman is a destination and transit country for men and women primarily from South Asia and East Africa who are subjected to forced labor and, to a lesser extent, sex trafficking. The 2018, 2019, and 2020 Trafficking in Persons reports rated Oman as Tier 2, based on the government's investigating, prosecuting, and convicting more suspected traffickers than in previous years and in standing up a specialized anti-trafficking prosecutorial unit.[12] The government also developed, funded, and began implementing a new five-year national action plan to combat trafficking in persons.

On broad labor rights, Omani workers have the right to form unions and to strike (except in the oil and gas industry), however no independent organized labor unions exist. One government-backed federation of trade unions exists—the General Federation of Oman Trade Unions. 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.

[10] Much of this section, including its subsections, is derived from the State Department's country report on human rights practices for 2020; on international religious freedom (2020) and on trafficking in persons (2020).

[11] "Omani authorities restrict free expression through censorship and arrests of activists," Monitor: Tracking Civic Space, September 6, 2017.

[12] U.S. Department of State, 2020 Trafficking in Persons Report: Oman, June 25, 2020.

Some measures to reform the *kafala* or visa-sponsorship employment system have been implemented, such as the June 2020 removal of a requirement for migrant workers to obtain a "no-objection" certificate from their current employer before changing jobs. However, the State Department reports that "migrant workers, employed as domestic workers or as low-skilled workers in the construction, agriculture, and service sectors, faced working conditions indicative of forced labor, including withholding of passports, restrictions on movement, usurious recruitment fees, nonpayment of wages, long working hours without food or rest, threats, and physical or sexual abuse."[13] Migrant laborers constitute approximately 80% of the labor force in Oman.

Religious Freedom[14]

Oman has historically had a high degree of religious tolerance, particularly compared to some of the other GCC states such as Bahrain and Saudi Arabia. An estimated 45%-75% (government figure) of Omanis adhere to the Ibadhi sect, a relatively moderate school of Islam centered mostly in Oman, East Africa, and in parts of Algeria, Libya, and Tunisia.[15] About 5% of Oman's citizens are Shia Muslims, and they are allowed to adjudicate family and personal status cases according to Shia jurisprudence, outside the civil court system.

The State Department religious freedom report notes no known instances of societal abuses or discrimination based on religious affiliation or practice. Non-Muslims, who are mostly expatriates working in Oman, are free to worship at temples and churches built on land donated by the government but, according to law, offending Islam or any Abrahamic religion is a criminal offense. In January 2018, a new penal code significantly increased penalties for blasphemy and for promoting a religion other than Islam.

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); and the Hindu Mahajan Temple. Buddhists are able to worship in private spaces, but have not been able to build separate places of worship. Members of all religions and sects are free to maintain links with coreligionists abroad and travel outside Oman for religious purposes. MERA has allowed construction of a new building for Orthodox Christians, with separate halls for Syrian, Coptic, and Greek Orthodox Christians, and it has approved worship space for Baptists. A new Catholic church was inaugurated in Salalah in September 2019. The Church of Jesus Christ of Latter Day Saints (Mormons) has not received approval to establish an independent place of worship. There is no indigenous Jewish population, and private media have occasionally published anti-Semitic editorial cartoons.

Advancement of Women

During his reign, Sultan Qaboos emphasized that Omani women are vital to national development. Women now constitute over 30% of the workforce. The first woman of ministerial rank in Oman was appointed in March 2003, and, since then, there have consistently been several female ministers. Oman's ambassador to the United States, Hunaina al-Mughairy, is a woman. The number of women in Oman's elected institutions was discussed above, but campaigns by

[13] U.S. Department of State, *2020 Country reports on Human Rights Practices: Oman,* March 30, 2021.

[14] U.S. Department of State, *2020 Report on International Religious Freedom: Oman,* May 12, 2021.

[15] Whereas Ibadhi religious and political dogma generally resembles basic Sunni doctrine, Ibadhis are neither Sunni nor Shia. Ibadhis argue that religious leaders should be chosen by community leaders for their knowledge and piety, without regard to race or lineage. A rebellion led by the Imam of Oman, leader of the Ibadhi sect, ended in 1959.

Omani women's groups failed to establish a quota for women elected to the Consultative Council. The 2021 Global Gender Gap Report notes that Oman scores particularly poorly due to the country's lack of female political representation. The country ranks 13th within the MENA region for gender equality on the index, and 145th globally.

More broadly, 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 relying on their families, rather than legal institutions, for their protection. The World Bank's *Women, Business and the Law 2021* index scores Oman 35.6 out of 100, lower than the regional MENA average, due in part to constraints on freedom of movement for women.

Foreign Policy/Regional Issues

During Sultan Qaboos's reign, Oman pursued a foreign policy that sometimes diverged from that of some of Oman's GCC partners, particularly Saudi Arabia. Sultan Haythim has said he will largely continue Qaboos's foreign policy, in which Oman has generally sought to mediate resolution of regional conflicts and refrained from direct military involvement in them. However, some observers have speculated that Oman's weak financial position and Haythim's inexperience in a leadership role could open Oman to pressure from Saudi Arabia and the UAE to support their foreign policy initiatives.[16]

Oman joined the U.S.-led coalition against the Islamic State, but did not participate in the coalition's airstrikes or ground operations against the group. Oman did not join the Saudi-led Arab coalition assembled in 2015 to fight the Iran-backed Houthi forces in Yemen and has instead sought to mediate a resolution of that conflict. In 2013, Oman opposed a Saudi proposal for political unity among the GCC states, even threatening to withdraw from the GCC if the plan was adopted.[17] Oman also opposed the Saudi-led move in June 2017 to isolate Qatar over a number of policy disagreements. 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[18]

Omani leaders, including Sultan Haythim, have consistently asserted that engagement with Iran better mitigates the potential threat from that country than confrontation—a stance that has positioned Oman as a mediator in regional conflicts in which Iran or its proxies are involved. In explaining Oman's positive relations with Iran, Omani leaders often cite the Shah of Iran's support for Qaboos's 1970 takeover and Iran's deployment of troops to help Oman end the leftist revolt in Oman's Dhofar Province during 1962-1975, a conflict in which 700 Iranian soldiers died.[19]

Sultan Qaboos demonstrated his commitment to relations with his visit to Tehran in August 2009, at the time of massive Iranian protests over alleged fraud in the reelection of President Mahmoud Ahmadinejad. He visited again in August 2013, after Iran's President Hassan Rouhani took office. Rouhani visited Oman in 2014 and 2017; the latter trip was part of an unsuccessful Iranian effort

[16] Anne Sheline, "Oman's Smooth Transition Doesn't Mean Its Neighbors Won't Stir Up Trouble," Foreign Policy, January 23, 2020.

[17] "Omani rejection of GCC union adds insult to injury for Saudi Arabia," Al Monitor, December 9, 2013.

[18] For information on Iran's regional policies, see CRS Report R44017, *Iran's Foreign and Defense Policies*, by Kenneth Katzman.

[19] Faramarz Davar, "Why is Oman So Loyal to Iran?" Iranwire, August 9, 2018.

to begin a political dialogue with the GCC. 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 a dissident Shia cleric. In 2009, Iran and Oman agreed to cooperate against smuggling across the Gulf of Oman. In August 2010, Oman signed a pact with Iran to cooperate in patrolling the Strait of Hormuz, an agreement that reportedly committed the two to hold joint military exercises. The two countries expanded that agreement by signing a Memorandum of Understanding on military cooperation in 2013, and they have held some joint exercises under these agreements.[20]

Iran and Oman conduct significant volumes of civilian trade, but Oman has sought to ensure that its projects with Iran would not violate any of the wide array of U.S. sanctions in effect on transactions with Iran. Most notably, Oman has permitted Iran to invest in the expansion of Oman's port of Al Duqm, which Tehran might eventually use as a hub to interact with the global economy. Oman and Iran are jointly developing a $200 million car production plant there.[21] Iran and Oman have jointly developed the Hengham oilfield in the Persian Gulf.[22] In 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, from where it would be exported, but the reimposition of U.S. sanctions on Iran in 2018 derailed the concept.[23] If the U.S. and Iran were to reinstate the nuclear agreement, Oman is reportedly prepared to resume work on the Iran-Oman pipeline project.[24]

Oman as a Go-Between for the United States and Iran

Oman's relations with Iran have often helped U.S. officials negotiate with Iranian officials. U.S. officials' meetings with Iranian officials in Oman that began in early 2013 set the stage for negotiations that culminated in the Joint Comprehensive Plan of Action (JCPOA) Iran nuclear agreement that was finalized in July 2015.[25] Omani banks, including Bank Muscat that held about $5.7 billion in Iranian funds, were used to implement some of the financial arrangements of the JCPOA.[26]

Oman also has been an intermediary through which the United States and Iran have exchanged captives. Oman brokered a U.S. hand-over of Iranians captured during U.S.-Iran skirmishes in the Persian Gulf in 1987-1988. In 2007, Oman helped broker Iran's release of 15 British sailors, who Iran had captured in the Shatt al Arab waterway. U.S. State Department officials publicly

[20] Giorgio Cafiero and Adam Yefet. "Oman and the GCC: A Solid Relationship?" Middle East Policy, 2016.

[21] "In post-oil economy, Oman turns sleepy fishing port to bustling trading hub," *National*, February 7, 2017; "Car Production Plan Back on Iran-Oman Agenda," *Financial Tribune*, January 24, 2017.

[22] "Hengam Gas Processing to Help Earn $300m Annually," *Financial Tribune*, March 3, 2018.

[23] Dana El Baltaji, "Oman Fights Saudi Bid for Gulf Hegemony with Iran Pipeline Plan," *Bloomberg*, April 21, 2014; "Oman to Invite Bids to Build Gas Pipeline," *Financial Tribune*, April 23, 2018.

[24] Katie McQue, "INTERVIEW: Oman wants to extend gas pipeline network to Iran and Yemen: minister," S&P Global, May 17, 2021.

[25] David Ignatius, "Opinions: The Omani 'back channel' to Iran and the secrecy surrounding the nuclear deal," *Washington Post*, June 7, 2016.

[26] Omani banks had a waiver from U.S. sanctions laws to permit transferring those funds to Iran's Central Bank, in accordance with 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." See also Permanent Subcommittee on Investigations of the U.S. Senate. Majority Report, "Review of U.S. Treasury Department's License to Convert Iranian Assets Using the U.S. Financial System," May 2018.

confirmed that Oman helped broker the 2010-2011 releases from Iran of three U.S. hikers (Sara Shourd, Josh Fattal, and Shane Bauer), in part by paying their $500,000 per person bail to Iran.[27] In April 2013, Omani mediation obtained the release to Iran of an Iranian scientist imprisoned in the United States in 2011 for procuring nuclear equipment for Iran.

The Trump Administration did not criticize Oman's relations with Iran, even though Omani policy conflicted to some extent with U.S. efforts to isolate Iran. During a January 2019 regional trip, Secretary of State Michael Pompeo praised Oman for enforcing the sanctions that the Trump Administration re-imposed on Iran.[28] Since November 2016, Iran had been exporting heavy water to Oman, helping Iran reduce its stockpile to a level that comports with its commitments under the JCPOA. However, in May 2019, the United States ended waivers that enabled countries to buy Iranian heavy water without U.S. penalty, a decision that caused Oman to stop importing Iranian heavy water. In May 2019, Secretary Pompeo discussed escalating U.S.-Iran tensions with Sultan Qaboos, suggesting that the United States sought Oman's help to de-escalate tensions.[29] However, it is not clear that any Omani mediation resulted from the conversation.

With the resumption of negotiations between the Biden Administration and Tehran in early 2021, it remains unclear whether there is a diplomatic role for Oman to play. In February 2021, Omani Foreign Minister, Badr al-Busaidi, expressed his country's desire to see a return to the nuclear deal, but noted that lines of communication appear to be directly open between Washington and Tehran, obviating the need for Oman to serve as intermediary.[30]

Oman, Iran, and Yemen[31]

In neighboring Yemen, Oman and Iran's interests conflict, insofar as Iran is widely reported, including by U.N. investigators, to be arming and advising the Zaidi Shia "Houthi" movement that drove the Republic of Yemen government out of the capital, Sanaa, in 2014. Oman did not join the Saudi-led Arab coalition fighting to restore the Yemen government and has instead sought to use its ties to Iran to mediate the Yemen conflict. The U.N. Special Envoy for Yemen in 2018 described Oman as "playing a pivotal role in all our efforts to help people in Yemen."[32] Oman hosted talks between U.S. diplomats and Houthi representatives, and brokered the Houthis' release of several of their captives.[33] Oman also has sought to prevent spillover of the Yemen conflict into Oman by increasing patrols along the border with Yemen. The Oman government also has built ties with tribes and residents just over the border, and it has provided some humanitarian aid to the Yemeni people.[34]

In 2016, media reports indicated that Iran has used Omani territory to smuggle weapons into Yemen, taking advantage of the porous and sparsely populated 179-mile border between the two

[27] Dennis Hevesi, "Philo Dibble, Diplomat and Iran Expert, Dies at 60," *New York Times,* October 13, 2011.

[28] U.S. Department of State, "A Force for Good: America Reinvigorated in the Middle East," Speech by Secretary of State Michael Pompeo, January 10, 2019.

[29] U.S. Department of State, "Secretary Pompeo's Call with Omani Sultan Qaboos bin Sa'id Al Sa'id," readout. May 16, 2019.

[30] "A conversation with H.E. Sayyid Badr Albusaidi, Foreign Minister of Oman," *The Atlantic Council,* February 11, 2021.

[31] For information, see CRS Report R43960, *Yemen: Civil War and Regional Intervention*, by Jeremy M. Sharp.

[32] Madiha Asif, "Oman playing key role in helping Yemeni citizens," *Times of Oman*, April 8, 2018.

[33] Adam Goldman, "Marine Veteran, Held a Year by Yemeni Rebels, is Freed," *New York Times,* November 7, 2016.

[34] "Oman's humanitarian aid to Yemen also pragmatic," Al Monitor, January 9, 2020.

countries.[35] Smuggled materiel allegedly included anti-ship missiles,[36] surface-to-surface short-range missiles, small arms, and explosives. Some reports indicate that Iranian-made unmanned aerial vehicles (UAVs) used by Houthi forces in Yemen may have transited through Oman.[37] U.N. reports from the Panel of Experts established pursuant to resolution 2140 (2014) identified land routes that stretch from the Omani border to Houthi-controlled areas in the west and Omani ports with road access to Yemen as possible channels for weapons smuggling.[38] Omani officials denied the allegations."[39] Since the March 2018 visit of then-Defense Secretary James Mattis to discuss ways to secure the Oman-Yemen border, Omani officials asserted in 2018 that the "file" of Iran smuggling weaponry to the Houthis via Omani territory was "closed," suggesting that Oman has stopped any such trafficking through it.[40]

The current instability adds to a long record of difficulty in Oman-Yemen relations. The former People's Democratic Republic of Yemen (PDRY), considered Marxist and pro-Soviet, supported Oman's Dhofar rebellion (see above). Oman-PDRY relations were normalized in 1983, but the two engaged in border clashes later in that decade. Relations improved after 1990, when PDRY merged with North Yemen to form the Republic of Yemen.

Related U.S. Assistance Issues. The United States obligates Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) funds for counterterrorism programming, some of which is used for the Oman Border Security Enhancement Program that is "focused on developing and enhancing Omani border security capabilities along the Oman-Yemen border."[41] The FY2020 Consolidated Appropriations Act (P.L. 116-260H.R. 5515, P.L. 115-232) appropriated funds to Oman in accordance with Section 1226 of the FY2016 NDAA (22 U.S.C. 2151) to secure the border with Yemen. U.S. assistance to Oman for counter-terrorism and border security is discussed in greater detail below.

Cooperation against the Islamic State Organization (ISIS) and on Syria and Iraq

Oman, along with the other GCC states, joined the U.S.-led Global Coalition to Defeat ISIS in 2014. Oman offered the use of its air bases for the coalition but, unlike several other GCC states, Oman did not conduct airstrikes against the group. Oman also was not reported to have backed any rebel groups fighting Iran's close ally, Syrian President Bashar Al Asad, and instead focused on mediating the Syria internal conflict. Oman joined other Arab states in 2011 in suspending Syria's membership in the Arab League, but Oman did not suspend its relations with the Syrian government.[42] In July 2019, Oman's de-facto Foreign Minister Yusuf Alawi visited Damascus reportedly to convey a U.S. message to Asad and to discuss regional stability.[43]

[35] Yara Bayoumy and Phil Steward, "Exclusive: Iran steps up weapons supply to Yemen's Houthis via Oman—officials," Reuters, October 20 2016.

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

[37] "Iranian Technology Transfers to Yemen," Conflict Armament Research, March 2017.

[38] See, for example, S/2018/68, Final report of the Panel of Experts on Yemen, January 26, 2018.

[39] "Oman denies arms smuggled through border to Houthis," *Middle East Eye*, October 21, 2016.

[40] U.S. Department of Defense, "Press Gaggle En Route to Oman," March 10, 2018; CRS conversations with Oman Embassy in Washington, DC, June 2018.

[41] State Department CN 18-090, transmitted May 3, 2018.

[42] "The growing strength of Russian-Omani ties," The Middle East Institute, March 10, 2020.

[43] Sigurd Neubauer, "Oman: the Gulf's Go-Between," The Arab Gulf States Institute in Washington, February 4, 2016;

On Iraq, no GCC state undertook air strikes against the Islamic State fighters there. The GCC states generally have not assisted the Shia-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, and Oman provided $3 million for Iraq's stabilization and reconstruction.[44]

Israeli-Palestinian Dispute and Related Issues

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. The GCC states participated in the multilateral peace talks established by the 1991 U.S.-sponsored Arab-Israeli peace process. As a result of the multilateral working group sessions of that process, Oman hosts a Middle East Desalination Research Center. In September 1994, Oman and the other GCC states renounced the secondary and tertiary Arab boycott of Israel.[45]

In December 1994, Oman 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, but diplomatic relations were not established. The trade offices closed following the September 2000 Palestinian uprising and have remained closed.[46] On October 25, 2018, Israeli Prime Minister Binyamin Netanyahu visited Oman and met with Sultan Qaboos to discuss regional issues, a visit widely seen as evidence of improving ties between Israel and some of the GCC states. The visit was followed up by a November 2018 visit to Oman by Israel's Minister of Transportation and Minister of Intelligence Yisrael Katz to present a concept for a railway between Israel, Jordan, and the Gulf states.[47] On July 2, 2019, an Israeli intelligence official stated at a public conference that Israel had established a representative office in Oman. Israeli Foreign Ministry officials did not confirm or deny that assertion.[48]

Oman publicly supports the Palestine Liberation Organization (PLO) in its diplomatic initiatives and its claims of Palestinian statehood. In 2018, Oman's Foreign Minister Alawi visited the Al Aqsa Mosque in East Jerusalem, and he also met Palestinian officials in Ramallah. In June 2019, Oman announced plans to open an embassy to the Palestinians in the West Bank.[49] The announcement coincided with the U.S.-led workshop in Bahrain intended to promote investment in the region as part of a Middle East peace initiative. Neither Palestinian nor Omani officials attended the workshop. Oman has publicly rejected Israel's announced plans to annex parts of the West Bank.[50]

"Omani foreign minister makes rare visit to Syria," *Washington Post*, July 7, 2019.

[44] U.S. Congress, Senate Foreign Relations Committee, *Iraq's Transition: the Way Ahead: Part I*, hearing, 108th Cong., 2nd sess., May 18, 2004, S.Hrg. 108-645 (Washington, DC: GPO, 2005).

[45] See CRS Report RL33961, *Arab League Boycott of Israel*, by Martin A. Weiss.

[46] See CRS In Focus IF11237, *Israel and the Palestinians: Chronology of a Two-State Solution*, by Jim Zanotti.

[47] "Israeli minister in Oman to attend transport conference," Al Jazeera, November 7, 2018.

[48] "Mossad Chief Declares Israel Renewing Oman Ties; Foreign Ministry Won't Comment," *Times of Israel*, July 2, 2019.

[49] "Oman says to open embassy in Palestinian territories," AFP, June 26, 2019.

[50] "Updated: Oman Rejects Israeli Plan as Netanyahu Moves to Annex 75% of Area C," *International Middle East Media Center*, September 15, 2019.

Unlike its Gulf neighbors, Oman has not indicated active consideration of normalizing relations with Israel and joining onto the Abraham Accords alongside the UAE and Bahrain. In February 2021, the Omani Foreign Minister noted contentment with the current level of relations and dialogue with Israel, and reiterated a commitment to a two-state solution for Israel and the Palestinians.[51]

Defense and Security Issues[52]

As threats to the region mounted after Iran's 1979 revolution, Sultan Qaboos, a Sandhurst-educated defense strategist, consistently asserted that the United States was the security guarantor of the region. On April 21, 1980, Oman signed a "facilities access agreement" that allows U.S. forces access to Omani military facilities and, days later, U.S. forces used Oman's Masirah Island air base to launch the failed attempt to rescue the U.S. Embassy hostages in Iran. Under the agreement, which the State Department fact sheet cited above says was revised and renewed in 2010, the United States reportedly has access to Oman's military airfields in Muscat (the capital), Thumrait, Masirah Island, and Musnanah. U.S. forces used these facilities for major combat operations in Afghanistan (Operation Enduring Freedom, OEF) and, to a lesser extent, Iraq (Operation Iraqi Freedom, OIF). Oman did not contribute forces either to OEF or OIF. After 2004, Omani facilities were not used for U.S. air operations in Afghanistan or Iraq.

According to February 2018 testimony of then-CENTCOM commander General Joseph Votel, each year Omani military forces participate in several exercises, and Oman allows 5,000 overflights and 600 landings by U.S. military aircraft and hosts 80 port calls by U.S. naval vessels.[53] A few hundred U.S. military personnel, mostly Air Force, are stationed in Oman.[54]

Omani leaders have expressed willingness to join a U.S.-backed "Middle East Strategic Alliance" (MESA) among all six GCC states and other Sunni Arab states that would counter Iran. The Trump Administration reportedly planned to formalize that coalition at a U.S.-GCC summit in the United States, but the intra-GCC rift repeatedly delayed a summit and the finalization of the MESA. On January 9, 2019, Oman hosted meetings on the "economic and energy pillars of the Middle East Strategic Alliance," according to the readout of Secretary Pompeo's meeting with Qaboos on January 15, 2019.[55]

On March 24, 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 Al Duqm (see above) and Salalah.[56] Al Duqm is large enough to handle U.S. aircraft carriers, and U.S. officials viewed the agreement as improving the U.S. ability to counter Iran.

[51] "Oman content with current Israel relationship, foreign minister says," Middle East Eye, February 12, 2021.

[52] Much of this section is derived from U.S. Department of State, "U.S. Security Cooperation with Oman," January 20, 2021; author conversation with U.S. and Omani officials (1990-2020), and various press reports.

[53] Testimony of Gen. Joseph Votel, in U.S. Congress, House Committee on Armed Services, *Terrorism and Iran: Defense Challenges in the Middle East*, hearing, 115th Cong., 2nd sess., February 27, 2018, H.Hrg. 115-74 (Washington, DC: GPO, 2019).

[54] Contingency Tracking System Deployment File, provided to CRS by the Department of Defense.

[55] U.S. Department of State," "Secretary Pompeo's Meeting with Omani Sultan Qaboos bin Sa'id," press statement, January 15, 2019.

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

Oman's Defense Relations with other Militaries

In part because of his historic ties to the British military, Sultan Qaboos relied on seconded British officers to command Omani military services early in his reign and bought British weaponry. Over the past two decades, Oman has shifted its arsenal mostly to U.S.-made major combat systems. Still, as a signal of the continuing close defense relationship, Britain and Oman signed a memorandum of understanding in April 2016 to build a base near Al 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.[57] In February 2018, India reportedly signed an agreement with Oman granting the Indian navy the use of the port as well.[58]

U.S. Arms Sales and Other Security Assistance to Oman[59]

Oman's approximately 43,000-person armed force—collectively called the "Sultan of Oman's Armed Forces"—is widely considered one of the best trained in the region. However, in large part because of Oman's limited funds, it is one of the least well equipped of the GCC countries. Oman's annual defense budget is about $9 billion out of a total $30 billion budget.

Oman is trying to expand and modernize its arsenal primarily with purchases from the United States, assisted by relatively small amounts of U.S. Foreign Military Financing (FMF). Oman also is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. Since 2014, the United States has provided Oman with over $14 million in Foreign Military Financing. None is requested for FY2021. As of January 2021, the United States has 72 active cases valued at $2.86 billion with Oman under the government-to-government Foreign Military Sales (FMS) system. Since 2014, the U.S. has also authorized the permanent export of over $730 million in defense articles to Oman via the Direct Commercial Sales (DCS) process. The top categories of DCS to Oman include gas turbine engines, military electronics, and firearms.

The most significant FMS cases, current and past, are discussed below.

- *F-16s.* In October 2001, Oman purchased 12 U.S.-made F-16 C/D aircraft and associated weapons (Harpoon and AIM missiles) at an estimated value of $825 million. Deliveries were completed in 2006. In 2010, the United States approved a sale to Oman of 18 additional F-16s and associated support, and Oman signed a contract with Lockheed Martin for 12 of the aircraft in December 2011, with deliveries completed in 2016.[60] Oman's Air Force also possesses 12 Eurofighter "Typhoon" fighter aircraft.
- *Precision-Guided Munitions*. Oman has bought U.S. munitions for its F-16s, including "AIM" advanced medium-range air-to-air missiles (AIM-120C-7, AIM-9X Sidewinder), 162 GBU laser-guided bombs, and other equipment.

[57] "UK to Have Permanent Naval Base in Oman, MoU Signed," Middle East Confidential, April 1, 2016.

[58] Shubhajit Roy, "India gets access to strategic Oman port Duqm for military use, Chabahar-Gwadar in sight," *Indian Express*, February 13, 2018.

[59] Much of the information in this section is taken from U.S. Department of State, "U.S. Security Cooperation with Oman," fact sheet, January 20, 2021. 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.

[60] "Oman to Upgrade Fleet of Lockheed Martin F-16 Fighting Falcons," *The National Interest*, January 7, 2018.

- *Surface-to-Air and Air-to-Air Missiles*. Oman has bought AVENGER and Stinger air defense systems to help Oman develop a layered air defense system.
- *Missile Defense*. In May 2013, then-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 land-based missile defense system the U.S. exports. A tentative agreement by Oman to purchase the system, made by Raytheon, was announced in May 2013, with an estimated value of $2.1 billion, but no sale of the system has been completed.[61] Several other GCC states have bought or are in discussions to buy the THAAD.
- *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 1990s.
- *Patrol Boats/Maritime Security.* Oman has bought U.S.-made coastal patrol boats ("Mark V") for counternarcotics, antismuggling, and antipiracy 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 interoperability with U.S. forces. The United States has sold Oman the AGM-84 Harpoon anti-ship missile. Oman has bought some British-made patrol boats.
- *Antitank Weaponry*. The United States has sold Oman antitank weaponry to help it protect itself from ground attack and from attacks on its critical infrastructure. The systems sold include TOW (tube-launched, optically tracked, wire-guided) antitank systems, with an estimated value of $51 million and 400 "Javelin" antitank guided missiles.[62]

Professionalizing Oman's Forces: IMET Program and Other Programs[63]

The International Military Education and Training (IMET) program provides professional military education and training to military students and is key to establishing lasting relationships with future leaders. IMET courses increase military professionalization, enhance interoperability with U.S. forces, offer instruction on the law of armed conflict and human rights, provide technical and operational training, and create a deeper understanding of the United States. Since 2014, the United States has provided Oman with $10.746 million in IMET which has funded over 900 members of the Omani Armed Forces for training in the United States, including 47 members in FY2018.

[61] "Pentagon confirms Saudi $1 billion payment for THAAD missile system," *The National*, March 5, 2019.

[62] State Department security cooperation factsheet, op. cit.

[63] Ibid.

Table 1. Recent U.S. Aid to Oman

($ in millions)

	FY17	FY18	FY19	FY20 (req.)	FY21 (req.)
IMET	1.94	1.85	1.42	1.70	1.70
FMF	2.00	-	-	-	-
NADR Total	2.0	1.90	1.70	1.70	1.00
NADR ATA		*.90*		*1.00*	
NADR EXBS		*1.00*		*.70*	
Total	**3.94**	**3.75**	**3.12**	**3.40**	**2.70**

Source: State Department Congressional Budget Justifications. FY2020 and FY2021 are requests.

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) and EXBS (Export Control and Related Border Security).

Cooperation against Terrorism and Terrorism Financing

Oman cooperates with U.S. legal, intelligence, and financial efforts against various cross-border threats, particularly those posed by terrorist groups including Al Qaeda, Al Qaeda in the Arabian Peninsula (AQAP, headquartered in neighboring Yemen), and 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 any of those groups. The State Department assesses that Oman actively tries to deny terrorist safehaven in or transit, but that its effectiveness is limited by local capacity and a challenging operating environment because of Oman's extensive coastline and long, remote borders with Saudi Arabia and Yemen. [64]

The United States provides funding (see **Table 1**)—primarily through Nonproliferation, Antiterrorism, Demining, and Related (NADR) and other programs—to help Oman counter terrorist and related threats. NADR funding—Export Control and Related Border Security (EXBS), Anti-Terrorism Assistance (ATA), and Terrorism Interdiction Program—enhance the capabilities of the Royal Oman Police (ROP), the ROP Coast Guard, the Directorate General of Customs, the Ministry of Defense, and several civilian agencies to interdict weapons of mass destruction (WMD), advanced conventional weapons, or illegal drugs at land and sea borders. The funding is also used to train Omani law enforcement agencies on investigative techniques and border security.

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. However, the effect of some U.S. programs on Omani performance is sometimes hindered by the lack of clear delineation between the roles and responsibilities of Oman's armed forces and law enforcement agencies.

There are no Omani nationals currently held in the U.S. prison for suspected terrorists in Guantanamo Bay, Cuba. During 2015-17, Oman accepted the transfer of 23 non-Omani nationals from Guantanamo Bay as part of an effort to support U.S. efforts to close the facility.

[64] U.S. Department of State, *Country Reports on Terrorism 2019: Oman*, June 24, 2020.

Anti-Money Laundering and Countering Terrorism Financing (AML/CFT)

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a regional body to exchange information and best practices to curb money laundering and the financing of terrorism.[65] A Royal Decree in 2016 requires financial institutions to screen transactions for money laundering or terrorism financing. In May 2017, Oman joined with the other GCC states and the United States to form a Riyadh-based "Terrorist Finance Target Center." However, numerous perceived gaps in Oman's performance remain, including implementation of certification procedures for AML and CFT, issuing directives for the immediate freezing and seizure of the assets of persons and entities on various U.N. sanctions lists, and designating wire transfer amounts for customer due diligence procedures.

Countering Violent Extremism

The State Department characterizes Oman's initiatives to address domestic radicalization and recruitment to violence as "opaque." Oman's government, through the Ministry of Endowments and Religious Affairs (MERA), has conducted advocacy campaigns designed to encourage tolerant and inclusive Islamic practices, including through an advocacy campaign titled "Islam in Oman." The Grand Mufti of Oman, Shaykh Ahmad al-Khalili, has called on Muslims to reject terrorism. A 2015 study found that no Omanis had traveled to fight alongside the 20,000 foreign fighters joining the Islamic State in Syria and Iraq.[66] The Global Terrorism Index 2020 ranks Oman among the countries "least impacted by terrorism."

Economic and Trade Issues

Oman has been in a difficult economic situation since at least 2014, when world oil prices fell precipitously and still have not recovered. Oman's financial situation has been characterized by budget deficits of approximately $10 billion per year over the past three years, and its financial system was made worse in 2020 by the economic effects of the COVID-19 outbreak. Oman acted early to try to contain the pandemic by barring entry to travelers from China, South Korea, Iran, and Italy, and by mandating closure of some schools and retail outlets and banning some public gatherings.[67] As of mid-May, 2021, Oman has reported over 200,000 COVID-19 cases and over 2,200 deaths from the disease; nearly 275,000 vaccine doses have been administered.[68] The Ministry of Health plans to vaccinate 1.5 million by the end of June 2021 with doses from PfizerbioNTech, AstraZeneca, and the multilateral COVAX initiative. Analysts expect that the rollout of vaccines will boost sectors most affected by the pandemic, namely tourism and retail, both of which rely heavily on foreign tourists.[69]

Oman has sought to avoid drawing down its estimated $17 billion in sovereign wealth reserves, and it is searching for ways to financially cope with the COVID-19 outbreak without doing so. In June 2020, it reportedly has sought financial aid from some of the wealthier Gulf states,

[65] Information on the MENAFATF can be found at its home page, https://www.fatf-gafi.org/pages/menafatf.html

[66] Peter Neumann, "Foreign fighter total in Syria/Iraq now exceeds 20,000; surpasses Afghanistan conflict in the 1980s, International Center for the Study of Radicalization, January 26, 2015.

[67] Marc Sievers, "Oman's handling of the coronavirus," Atlantic Council, April 3, 2020.

[68] World Health Organization, "WHO Coronavirus Disease (COVID-19) Dashboard," May 17, 2021.

[69] Economic Intelligence Unit, *Country Report: Oman*, accessed March 29, 2021.

particularly Qatar.[70] A $2.2 billion sovereign loan in March 2021 has allayed some concerns over the financing of the 2021 fiscal deficit (estimated at $5.82 billion).[71] The government also has cut subsidies substantially and has reduced the number of public sector employees. The government's Medium-Term Fiscal Plan 2020-24 hopes to trim the fiscal budget to less than 2% of GDP by 2024, from an estimated 19.1% of GDP in 2020, and introduce a personal income tax on high earners in 2022 (the first such tax in the GCC).[72] A value-added tax (VAT) of 5% implemented on April 16, 2021, is expected to raise $1 billion annually.[73]

In order to better position its economy over the longer term, Oman has been diversifying its economy; in the first half of 2019, nonoil sectors contributed twice as much to Oman's gross domestic product (GDP) as did the energy sector.[74] Oman has announced a "Vision 2020" strategy. Its cornerstone is to attract foreign investment to positioning Oman as a trading hub, centered on the $60 billion project to build up Al Duqm port. That project has attracted investment from Iran, Kuwait, China, Saudi Arabia, South Korea, the United Kingdom, and the United States. Oman's plans for the port include a refinery, a container port, a dry dock, and facilities for transportation of petrochemicals, with a rail link to the other GCC states that enables them to access the Indian Ocean directly.[75] China's $11 billion investment in Al Duqm, part of its "Belt and Road Initiative" to assemble a trade link between China and Europe, will fund a "Sino-Oman Industrial City."

Yet, the energy sector will remain significant in Oman for at least several more years. Oman has a relatively small 4.8 billion barrels of proven oil reserves, enough for about 25-30 years at current production rates.[76] Under a supply agreement reached with OPEC and 10 allies to cope with the impact of COVID-19 on oil demand, Oman is exporting approximately 722,000 barrels of crude oil per day, mostly to China. In part because it is a small producer, Oman is not a member of the Organization of the Petroleum Exporting Countries (OPEC). Oman has in recent years expanded its liquefied natural gas (LNG) exports, primarily to Asian countries. Oman is part of the "Dolphin project," operating since 2007, under which Qatar exports natural gas to UAE and Oman, freeing up Omani gas for export.

U.S.-Oman Economic Relations

The United States is one of Oman's largest trading partners. In both 2018 and 2019, the United States exported about $2 billion in goods to Oman, and imported about $1.1 billion in goods from it. In 2020, the U.S. exported about $1.1 billion in goods to Oman and imported about $816 million.[77] The largest U.S. export categories to Oman are automobiles, aircraft (including military) and related parts, drilling and other oilfield equipment, and other machinery. Of the imports, the largest product categories are fertilizers, industrial supplies, and oil by-products such as plastics. The United States imports almost no Omani oil.

[70] "Oman Weighs Seeking Financial Aid From Gulf Countries," Bloomberg, June 11, 2020.

[71] Davide Barbuscia and Yousef Saba, "Oman agrees $2.2 billion loan with large group of banks – sources," Reuters, March 3, 2021.

[72] Economist Intelligence Unit, *Oman Country Report*, generated March 29, 2021.

[73] Ibid.

[74] "Non-Oil Sector's Contributions to Oman's GDP Twice the Oil Earnings," *Times of Oman*, December 18, 2019.

[75] Hugh Eakin, "In the Heart of Mysterious Oman," *New York Review of Books*, August 14, 2014.

[76] Katie McQue, "Oman says may struggle to grow oil reserves and production," S&P Global, October 19, 2020.

[77] U.S. Census Bureau. Foreign Trade Statistics.

Oman was admitted to the WTO in September 2000. The U.S.-Oman Free Trade Agreement was signed on January 19, 2006, and ratified by Congress (P.L. 109-283, signed September 26, 2006). According to the U.S. Embassy in Muscat, the FTA has led to increased partnerships between Omani and U.S. companies in a broad range of industries, not limited to energy.

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