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

Updated August 30, 2018

**Congressional Research Service**
https://crsreports.congress.gov
RS21534

**CRS REPORT**
Prepared for Members and
Committees of Congress

The Sultanate of Oman has been a strategic ally of the United States since 1980, when it became the first Persian Gulf state to sign a formal 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 regional terrorism and related threats. Oman's ties to the United States are unlikely to loosen even after its ailing leader, Sultan Qaboos bin Sa'id Al Said, leaves the scene. Qaboos underwent cancer treatment abroad for nearly a year during 2014-2015, and appears in public rarely, fueling speculation about succession.

Within the region, Oman has tended to avoid joining its Gulf allies of the Gulf Cooperation Council (GCC: Saudi Arabia, Kuwait, UAE, Bahrain, Qatar, and Oman) in regional interventions, instead serving as an intermediary to try to resolve regional conflicts. Oman joined the U.S.-led coalition against the Islamic State organization, but it is has not contributed military force to that effort. It refrained from joining a Saudi-led regional counterterrorism coalition until one year after that grouping was formed in December 2015. Oman opposed the Saudi-led effort to isolate Qatar in June 2017.

Oman also has historically asserted that engaging Iran is the optimal strategy to reduce the potential threat from that country. It was the only GCC state not to downgrade its relations with Iran in connection with a January 2016 Saudi-Iran dispute. Oman's ties to Iran have enabled it to broker agreements between the United States and Iran, including the release of U.S. citizens held by Iran as well as U.S.-Iran direct talks that later produced the July 14, 2015, nuclear agreement between Iran and the international community (Joint Comprehensive Plan of Action, JCPOA). On the other hand, Iran reportedly has taken advantage of its relationship with Oman to ship weapons across Oman's borders to an Iran ally, the Houthi rebels in Yemen.

Prior to the 2011 wave of Middle East unrest, the United States consistently praised Sultan Qaboos for gradually opening the political process even in the absence of evident public pressure to do so. The liberalization allows Omanis a measure of representation, but does not significantly limit Qaboos's role as paramount decisionmaker. The apparent public thirst for additional political reform—as well as the inadequate employment opportunities—produced protests in several Omani cities for much of 2011, and for two weeks in January 2018. Still, the apparent domestic popularity of Qaboos and government commitments to advance reform and create jobs have helped prevent more sustained unrest. And, Oman has followed policies similar to the other GCC states in increasing press censorship and arresting activist critics of the government who use social media.

The periodic economy-driven unrest demonstrates that Oman is having difficulty coping with the decline in the price of crude oil since mid-2014. Oman's economy and workforce has always been somewhat more diversified than some of the other GCC states, but Oman has only a modest financial cushion to invest in projects that can further diversify its revenue sources. The 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 minimal amounts of U.S. security assistance, and no economic aid.

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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. 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 has had relations with Oman from the early days since American independence. The U.S. merchant ship *Ramber* 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 Marc Sievers has been Ambassador to Oman since late 2015.

**Table 1. Some Key Facts on Oman**

| | |
|---|---|
| Population | 4.6 million, of which about 2.2 million are expatriates |
| Religions | Muslim (of which Ibadhis and Sunnis are over 90%, and 5% are Shiite) 86%; Christian 6.5%; Hindu 5.5%; Buddhist 0.8%. |
| GDP (purchasing power parity, PPP) | $188 billion (2017) |
| GDP per capita (PPP) | $45,500 (2017) |
| GDP Real Growth Rate | 0 (2017); slower than the 3% in 2016 |
| Unemployment Rate | 18% |
| Inflation Rate | 3% (2017) |
| 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/Gold Reserves | $14.5 billion |
| External Debt | $20.5 billion |
| 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. |
| Major Trading Partners | China, UAE, South Korea, Japan, India, United States, and Saudi Arabia |

**Source:** CIA, *The World Factbook*; information posted as of December 2017.

**Figure 1. Map of Oman**

**Source:** CRS.

# Democratization, Human Rights, and Unrest

Oman remains a monarchy in which decisionmaking still is 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.

Some senior Omanis argue that a formal position of Prime Minister is needed to organize the functions of the government and enable the Sultan to focus on larger strategic decisions. Should such a post be established, potential candidates include the deputy prime minister for Cabinet

Affairs Fahd bin Mahmud Al Said,[1] who is commonly referred to as "Prime Minister," and the secretary general of the Foreign Ministry, Sayyid Badr bin Hamad Albusaidi, who is said to be efficient and effective[2] and has given speeches publicly articulating Omani foreign policy. Other figures considered effective are Salim bin Nasir al-Ismaily, a businessman and economic adviser to the Sultan who reportedly brokered 2013 U.S.-Iran meetings,[3] and Royal Office head General Sultan bin Mohammad al-Naamani.

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 cancer treatment in Germany. The Sultan returned to Oman in March 2015 but, since then, he has not left Oman and has appeared in public only on major occasions or to meet visiting foreign leaders.

*Potential Successors*. The leading contenders to succeed Qaboos include three brothers who are cousins of the Sultan and whose sister was the woman who was briefly married to Qaboos. 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 has held the title of "Representative of the Sultan" for several years; and Shihab bin Tariq Al Said, the former commander of Oman's Navy. All are in their 60s. Asad bin Tariq appeared to emerge as a frontrunner as a potential successor in March 2017 when he was appointed deputy prime minister for international relations and cooperation affairs and represented Oman at an Arab League summit in Jordan. Another potential choice is Fahd bin Mahmud, who had previously regularly represented Oman at major regional and international meetings.

## Expansion of Representative Institutions and Election History

Many Omanis, U.S. officials, and international observers credit 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*), established by the Basic Law. 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 allowed. But, unlike Bahrain or Kuwait, well-defined "political societies" (de-facto parties) that compete within the electoral process have not developed in Oman.

The electoral process has broadened consistently. 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 gradually expanded to its current 85 seats. Prior to 2011,

[1] Author conversations with Omani officials in Washington, DC, June 2013.

[2] 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.

[3] "Oman Stands in U.S.'s Corner on Iran Deal." *Wall Street Journal*, December 29, 2013.

the Sultan selected the Consultative Council chairman; since then, the chairman and a deputy chairman have been elected by the Council membership. Also in 2011, Qaboos instituted elections for municipal councils. Each province with a population of more than 30,000 elects two members, whereas a province with fewer than that elects one.

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 nominated three persons and Qaboos selected one of them to occupy that district's seat. The first direct elections were held in September 2000, but the electorate was limited (25% of all citizens over 21 years old). For the October 4, 2003, election, voting rights were extended to all citizens, male and female, over 21 years of age. About 195,000 Omanis voted in that election (74% turnout). The same two women were elected as happened in the 2000 vote (out of 15 women candidates). In the October 27, 2007, election (after changing to a four-year term), public campaigning was allowed for the first time and about 250,000 people voted (63% turnout). None of the 21 females (out of 631 candidates) won. The more recent Consultative Council elections are discussed below.

*Appointed State Council*. The government considers the State Council as a counterweight to the Consultative Council, and it remains all-appointed. The Council, which had 53 members at inception, has been expanded to 84 members, nearly the size of the Consultative Council. By law, it cannot have more members than the Consultative Council. Appointees are usually former high-ranking government officials, military officials, tribal leaders, and other notables.

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

The expansion of the electoral process did not satisfy those Omanis, particularly those younger and well-educated, who consider the pace of liberalization too slow, or those dissatisfied with the country's economic performance and apparent lack of job opportunities. In July 2010, 50 prominent Omanis petitioned Sultan Qaboos for a "contractual constitution" that would 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, and later spread to the capital, Muscat. Although most protesters asserted that their protests were motivated primarily by economic factors, some echoed calls for a fully elected legislature. One person was killed in February 2011 by security forces.

But, many protestors carried posters lauding his rule. And, many older Omanis apparently did not support the protests, apparently comparing 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.

By mid-2012, the government had calmed the unrest through a combination of reforms and punishments, including expanding the powers of the Oman Council; appointing several members of the Consultative Council as ministers; giving the office of the public prosecutor autonomy and consumers additional protections; naming an additional woman minister; ordering that additional public sector jobs be created; increasing the minimum wage; making grants to unemployed job seekers; and arresting journalists, bloggers, and other activists for "defaming the Sultan," "illegal gathering," or violating the country's cyber laws. Twenty-four of those arrested went on a hunger strike in February 2013 and the Sultan pardoned virtually all. Omanis who had been dismissed from public and private sector jobs for participating in unrest were reinstated.

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 relatively minor.

## 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 the elections. There were 1,330 candidates—a 70% increase from the number of candidates in the 2007 vote. A record 77 women filed candidacies. However, voter turnout (about 60%) was not higher than in past elections. The expectation of several female victors was not realized: only one was elected. Some reformists were heartened by the victory of two political activists—Salim bin Abdullah Al Oufi, and Talib Al Maamari. A relatively young entrepreneur was selected speaker of the Consultative Council (Khalid al-Mawali). 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—over 10%. The government did not permit outside election monitoring.

In 2012, the government also initiated elections for 11 municipal councils. Previously, only one such council had been established, for the capital region, and it was all appointed. The elected "councilors" 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.

### *2015 Consultative Council Election and 2016 Municipal Elections*

Elections to the Consultative Council (expanded by one seat, to 85) were last 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 2011-2012 unrest. There were 20 female candidates. Turnout was estimated at 56% of the 612,000 eligible voters. The one woman on the Council was reelected and no other female was elected. 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.

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. Turnout was about 40% of the 625,000 eligible voters, according to the government. Seven women were elected, more than were elected in 2012 but still a small percentage of the 202 seats up for vote.

The next Consultative Council elections are due to be held in the fall of 2019.

## Unrest Erupts Again in 2018

After several years of political calm, relatively small demonstrations occurred again for two weeks in mid-late January 2018. Protesters generally cited a perceived lack of job opportunities rather than a demand for 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.

## Broader Human Rights Issues[4]

According to the most recent State Department report on human rights, the principal human rights problems in Oman, other than the political structure, are limits on freedom of speech, assembly, and association; torture of prisoners and detainees; political imprisonment; blocking of internet functions and content; criminalization of libel and political content; trafficking in persons; and refoulement of refugees. U.S. and other reports generally credit the government with holding accountable security personnel and other officials for abuses, including prosecuting multiple corruption cases. An "Oman Human Rights Commission," a quasi-independent but government-sanctioned body, investigates and monitors prison and detention center conditions through site visits.

State Department funds (Middle East Partnership Initiative, Near East Regional Democracy account, and other accounts) have been used in past fiscal years to promote Omani civil society, judicial reform, election management, media independence, and women's empowerment. In 2011, Oman established a scholarship program through which over 500 Omanis have enrolled in higher education in the United States. The U.S. Commerce Department's Commercial Law Development Program has worked to improve Oman's legislative and regulatory frameworks for business.

### Freedom of Expression, Media, and Association

Omani law provides for limited freedom of speech and press, but the government generally does not respect these rights. Press criticism of the government is tolerated, but criticism of the Sultan and, by extension, senior 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." The government has prosecuted dissident bloggers and cyber-activists under that decree and other laws. During July-August 2016, Omani authorities arrested three journalists of the *Al Zaman* independent daily newspaper, and shuttered the paper, for articles accusing senior judicial officials of corruption. In October 2017, Oman's Supreme Court permanently shut the paper.

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, there are some legal and practical restrictions to internet usage, and only a minority of the population has subscriptions to internet service. Many internet sites are blocked, primarily for sexual content, but many Omanis are able to bypass restrictions by accessing the internet by cell phone.

Omani law provides for freedom of association for "legitimate objectives and in a proper manner"—language that enables the government to restrict such rights in practice. A 2014 decree by the Sultan imposed a new nationality law that stipulates that citizens who join groups deemed harmful to national interests could be subject to citizenship revocation. Associations must register with the Ministry of Social Development, which is empowered to determine whether a group serves the interests of the country. Registered associations for foreign nationalities include the Indian Social Group.

[4] Much of this section is from the State Department's country report on human rights practices for 2017 and other State Department reports on international religious freedom and on trafficking in persons. Human rights report for 2017: https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&dlid=277259#wrapper.

## Trafficking in Persons and Labor Rights

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. In October 2008, President George W. Bush directed that Oman be moved from a "Tier 3" ranking on trafficking in persons (worst level) by the State Department Trafficking in Persons report for 2008 to "Tier 2/Watch List." The upgrade was based on Omani pledges to increase efforts to counter trafficking in persons (Presidential Determination 2009-5). Oman was rated Tier 2 in the 2009-2015 Trafficking in Persons reports, but the report for 2016 downgraded Oman back to Tier 2: Watch List on the grounds that the government did not demonstrate increasing efforts to address human trafficking during the previous reporting period. Similarly, the Trafficking in Persons report for 2017 retained Oman at Tier 2: Watch List, on the basis that, in the aggregate, it did not increase its antitrafficking efforts during the reporting period.[5] According to the report, Oman did identify more victims than the previous year, but conducted fewer investigations of traffickers compared to the prior year.

The 2018 Trafficking in Persons report upgraded Oman to Tier 2. The upgrade was based on the government's demonstrating increased efforts against trafficking by investigating, prosecuting, and convicting more suspected traffickers and standing up a specialized anti-trafficking prosecutorial unit. The government also identified more victims and provided them with robust care. The government also developed, funded, and began implementing a new five-year national action plan, which included funding a full-time liaison between relevant agencies to facilitate a whole-of-government effort.[6]

On broader 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[7]

Oman has historically had a high degree of religious tolerance. 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. Ibadhism has been sometimes misrepresented as a Sunni sect. Ibadhi religious and political dogma generally resembles basic Sunni doctrine, although the Ibadhis are neither Sunni nor Shiite. Ibadhis believe strongly in the existence of a just Muslim society and argue that religious leaders should be chosen by community leaders for their knowledge and piety, without regard to race or lineage. A long-term rebellion led by the Imam of Oman, leader of the Ibadhi sect, ended in 1959. About 5% of Oman's population are Shiite Muslims. Oman's Shiites are allowed to resolve family and personal status cases according to Shiite jurisprudence outside the court system.

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

[5] https://www.state.gov/documents/organization/271344.pdf.

[6] https://www.state.gov/j/tip/rls/tiprpt/2018/index.htm.

[7] For text of the section on Oman in the State Department report on International Religious Freedom for 2017: https://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?year=2017&dlid=281000#wrapper.

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). Buddhists have been able to worship in private spaces. Members of all religions and sects are free to maintain links with coreligionists abroad and travel outside Oman for religious purposes. To address crowded conditions in some non-Muslim places of worship, MERA has made plans to use land donated by Sultan Qaboos for construction of a new building for Orthodox Christians, with separate halls for Syrian, Coptic, and Greek Orthodox Christians. The government has also approved new worship space for Baptists. The Church of Jesus Christ of Latter Day Saints (Mormons) reportedly did not receive approval to register with MERA because it had not identified a sponsor in the Christian community, but its representatives have met with the MERA and are working toward a solution.

There is no indigenous Jewish population. Private media have occasionally published anti-Semitic editorial cartoons.

### Advancement of Women

Sultan Qaboos has emphasized that he considers Omani women 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 been several female ministers in each cabinet. Oman's ambassadors to the United States and to the United Nations are women. The number of women in Oman's elected institutions was discussed above, but campaigns by Omani women's groups failed to establish a minimum number of women elected to the Consultative Council.

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.

## Foreign Policy/Regional Issues

Sultan Qaboos has pursued a relatively independent foreign policy that sometimes diverges markedly from some of Oman's GCC allies, particularly Saudi Arabia and the UAE. Oman has generally avoided direct military involvement in regional conflicts, instead serving as a mediator to try to resolve these conflicts. Oman joined the U.S.-led coalition against the Islamic State, but did not conduct any airstrikes against that group. Oman has not joined the Saudi-led Arab coalition fighting the Iran-backed Houthi forces in Yemen. Oman supported, but did not supply forces to, the deployment of the GCC's joint "Peninsula Shield" unit to Bahrain in 2011 to help the Al Khalifa regime counter the Shiite uprising there.

Oman opposed the Saudi-led move in June 2017 to isolate Qatar over a number of policy disagreements, and has instead supported Kuwaiti, U.S., and other efforts to mediate a resolution of the dispute. Oman's top diplomat Yusuf Alawi has visited Washington, DC, several times, most recently in late July 2018, in part to work with U.S. officials seeking to resolve the rift. Omani diplomats were hopeful that the annual GCC summit during December 5-6, 2017, would make progress on the dispute, but that meeting adjourned on December 5, 2017, after only two hours of

talks. Qaboos, primarily because of his infirmity, did not attend. Omani officials might hope for progress in the context of a U.S.-GCC summit to be held in the United States during October 12-13, 2018.

Oman opposed a 2012 Saudi proposal for political unity among the GCC states as a signal of GCC solidarity against the Iran plan,[8] even going so far as to threaten to withdraw from the GCC entirely if the plan were adopted. Other GCC leaders are similarly concerned about surrendering any of their sovereignty, and, although the proposal was again referenced at the GCC summit in December 2016, the plan has not been adopted. 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

Omani leaders assert that engagement with Iran better mitigates the potential threat from that country than confrontation—a stance that has positioned Oman as a mediator on several regional issues that pit GCC states against Iran's allies or proxies. Oman's citizens, most of whom practice the moderate Ibadhism, are not necessarily receptive to either Sunni or Shiite Islamist extremist appeals. 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 700 Iranian soldiers died.

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. He visited again in August 2013, after Iran's President Hassan Rouhani first took office. Rouhani visited Oman in 2014 and again on February 15, 2017, as part of an Iranian effort to begin a political dialogue with the GCC—an initiative that Oman and Kuwait have promoted. Sultan Qaboos made a rare public appearance to receive Rouhani. Following the Rouhani visit, Oman welcomed Kuwait's Amir on a three-day visit to jointly plan efforts to enlist the other GCC countries in a dialogue with Iran. However, that dialogue did not materialize. In July 2017, during a visit by Oman's de-facto Foreign Minister Yusuf Alawi to Tehran, Iran and Oman announced plans to strengthen their ties—a statement interpreted as an Omani signal of disagreement with the Saudi-led move to isolate Qatar. Iran has helped Qatar resist the Saudi-led blockade. Iran's Foreign Minister visited Oman and met with Sultan Qaboos on October 2, 2017 to discuss that and other regional issues.

Oman's has not joined the Saudi-led coalition that is combatting the Houthi rebels in Yemen, in part to avoid injuring ties to Tehran and in part to position Oman to mediate an end to the Yemen violence. Oman did not immediately join the December 2015 Saudi assembly of a Muslim-nation "counterterrorism coalition" that excludes Iran and Iran's allies, although Oman finally did join that initiative in December 2016, becoming the 41st member of the group. And, 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. In February 2016, Oman joined the other GCC states in declaring Lebanese Hezbollah to be a terrorist organization, but Oman did not restrict travel by its citizens to Lebanon.

Some experts and GCC officials argue that Oman-Iran relations, particularly their security cooperation, are undermining GCC defense solidarity. In 2009, Iran and Oman agreed to

[8] Comments to the author by a visiting GCC official. May 2012.

cooperate against smuggling across the Gulf of Oman, which separates the two countries. On August 4, 2010, Oman signed a security pact with Iran to cooperate in patrolling the Strait of Hormuz, an agreement that reportedly committed the two to hold joint military exercises.[9] The two countries expanded that agreement by signing a Memorandum of Understanding on military cooperation in 2013. The two countries have held joint exercises under these agreements, most recently a December 2015 joint naval exercise.[10]

Iran and Oman have always conducted normal civilian trade and banking relations, supplemented by the informal trading relations that have long characterized the Gulf region. These longstanding economic ties might be at risk, however, in the wake of President Trump's May 2018 announcement that the United States will no longer participate in the JCPOA and will reimpose secondary sanctions.[11] The Trump Administration is insisting that third countries, including Iran's neighbors, reduce economic ties with Iran in order to avoid violating U.S. sanctions.

A number of Iran-Oman joint ventures could be jeopardized by the Trump Administration posture. Iran and Oman have jointly developed the Hengham oilfield in the Persian Gulf, although the exact division of the costs is not known. The field is producing about 30,000 barrels per day and can also produce a maximum of 80 million cubic feet of natural gas per day.[12] 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.[13] The Omani field began producing oil and gas in 2009. During Iranian President Hassan Rouhani's 2014 visit to Oman, 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.[14] Several major international energy firms are reportedly involved in the project, for which Oman is expected to solicit bids this month.[15]

Iran reportedly envisions the joint expansion of Oman's port of Al Duqm as providing Tehran with a major trading hub to interact with the global economy.[16] Iran and Oman are conducting a feasibility study to construct a $200 million car production plant at Duqm, a joint venture between Oman and Iran's Khodro Industrial Group.[17] China, Britain, and numerous other powers are also large investors in Oman's Al Duqm development, and in February 2018 India reportedly signed an agreement with Oman granting the Indian navy certain rights at the port.[18]

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[9] Iran, Oman Ink Agreement of Defensive Cooperation. Tehran Fars News Agency, August 4, 2010.

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

[11] Andrew Torchia, "Big Gulf Arab economies may be winners as U.S. exits Iran deal," Reuters, May 9, 2018. See CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman, for a discussion of U.S. sanctions on Iran.

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

[13] "Norway Company Proposes to Develop Joint Field With Oman," *Financial Tribune*, November 19, 2016.

[14] Dana El Baltaji, "Oman Fights Saudi Bid for Gulf Hegemony with Iran Pipeline Plan," *Bloomberg*, April 21, 2014.

[15] "Oman to Invite Bids to Build Gas Pipeline," *Financial Tribune*, April 23, 2018.

[16] Saleh al Shaibany, "In post-oil economy, Oman turns sleepy fishing port to bustling trading hub," *National*, February 7, 2017.

[17] "Car Production Plan Back on Iran-Oman Agenda," *Financial Tribune*, January 24, 2017.

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

### *Oman, Iran, and Yemen*

In neighboring Yemen, Oman and Iran's interests in some ways conflict. Iran might be taking advantage of its relationship with Oman, and of Oman's porous border with Yemen, to smuggle weapons to the Houthi rebels in Yemen via Omani territory.[19] Oman's relations with neighboring Yemen have historically been troubled, and Oman's concerns have increased as Yemen has again lapsed into conflict. A GCC-wide initiative helped organize a peaceful transition from the rule of Ali Abdullah Saleh in 2011-2012. However, Saleh's successor, Abdu Rabu Mansur Al Hadi, was driven out of Sanaa in 2015 by Zaidi Shiite Houthi rebels and central authority disintegrated. The Yemeni affiliate of Al Qaeda, Al Qaeda in the Arabian Peninsula (AQAP), also continues to operate there. Oman has largely closed its border with Yemen since 2015 and has built some refugee camps near the border.

As the only GCC state that has not joined the Saudi-led Arab coalition fighting to restore the Hadi government and with its ties to Iran, Oman has become a key mediator of the Yemen conflict. The new U.N. Special Envoy for Yemen visited Oman in April 2018 as part of his initial tour of the region and described Oman as "playing a pivotal role in all our efforts to help people in Yemen."[20]Oman has hosted talks between U.S. diplomats and Houthi representatives, and brokered the release of several captives there, including the November 2016 release of a U.S. Marine veteran who was detained by the Houthis in April 2015.[21] During 2015-2017, Omani mediation also secured the release in Yemen of another American, a French national, and Australian national, and an Indian priest.

The current instability in Yemen builds on 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. 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.

Iran's interference in Yemen has brought more international scrutiny to Oman's relations with Iran. 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 smugglers avoid paying taxes in Iran, but Oman's local government collects taxes on the goods shipped.[22]

Since at least October 2016, media reports have 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 countries.[23] Smuggled materiel allegedly includes antiship missiles (some of which have reportedly been used to target U.S. warships),[24] surface-to-surface short-range missiles, small arms, and explosives. Some reports indicate that unmanned aerial vehicles (UAVs) used by Houthi forces in Yemen are Iranian in origin and may have transited through Oman.[25] Successive U.N. reports from the Panel of Experts established pursuant to resolution 2140 (2014)

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[19] "Exclusive: Iran Steps up Weapons Supply to Yemen's Houthis via Oman – Officials." Reuters, October 20, 2016.

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

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

[22] Ibid.

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

[24] Idrees Ali and Matt Spetalnick, "U.S. warship targeted in failed missile attack from Yemen: official," Reuters, October 15, 2016.

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

have identified both land routes that stretch from the Omani border to Houthi-controlled areas in the west and Omani ports with road access to the Yemeni border as possible channels for weapons smuggling.[26]

Omani officials deny these allegations.[27] Some outside observers argue that such allegations "appear implausible given the long distance the weapons would have to be transported overland through territory the Houthis do not control."[28] No U.S. official has publicly asserted that Iran has used Omani territory, airspace, or territorial waters, either with or without the knowledge of Omani officials, to transfer weapons to Houthi forces in Yemen. Some observers have speculated that U.S. officials are raising the issue in private discussions with their Omani counterparts, but that doing so publicly might be counterproductive. This is due to Oman's strategic value and the considerable logistical challenges of interdiction efforts over such a vast space.[29]

In March 2018, Secretary of Defense James Mattis visited Oman, and indicated that the issue of Omani territory being used to supply the Houthis would be discussed in his meetings there. En route to Oman, in response to a question about weapons smuggling into Yemen, Mattis responded that the Omanis "have security concerns that we share. I'm going there to listen ... and find out how they assess any trafficking that's going on at all. What is their assessment? What is their view of routes and that sort of thing?"[30]

In May 2018, the State Department notified Congress of its intention to obligate FY2017 Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR) funds for counterterrorism programming in Yemen and Oman, including the Oman Border Security Enhancement Program, a "program focused on developing and enhancing Omani border security capabilities along the Oman-Yemen border."[31] The FY2019 National Defense Authorization Act (NDAA, H.R. 5515, P.L. 115-232) extends the authority to provide funds to Oman under Section 1226 of the FY2016 NDAA (22 U.S.C. 2151) to secure the border with Yemen.

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

Far from criticizing Oman for its ties to Iran, U.S. officials have used the Oman-Iran relationship to develop ties to Iranian officials. Oman's intermediation facilitated the November 24, 2013, interim nuclear deal (Joint Plan of Action) between Iran and the "P5+1" countries (United States, United Kingdom, France, Russia, China, and Germany) and the July 2015 (Joint Comprehensive Plan of Action (JCPOA). Press reports indicate that then-Deputy Secretary of State William Burns and other U.S. officials began secretly meeting with Iranian officials in early 2013—before the June 2013 election of the moderate Hassan Rouhani as Iran's president—to explore the possibility of a nuclear deal. The meetings accelerated after Sultan Qaboos's August 25-27, 2013, visit to Iran. In November 2014, then-Secretary of State John Kerry met with Iranian Foreign Minister Mohammad Javad Zarif in Muscat to try to accelerate progress in the negotiations, followed by a meeting in Muscat between the entire P5+1 and Iranian negotiators.[32] An additional round of P5+1-Iran talks was held in Oman subsequently, and the JCPOA was finalized in July

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

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

[28] Mareike Transfeld, "Iran's Small Hand in Yemen," Carnegie Endowment for International Peace, February 14, 2017.

[29] David Welna, "Mattis Aims To Curb Iran's Influence On The Arabian Peninsula," NPR, March 12, 2018.

[30] Press Gaggle En Route to Oman, U.S. Department of Defense, March 10, 2018.

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

[32] Carol Morello. "Kerry Meets with Oman's Ailing Sultan at His Estate in Germany." *Washington Post*, January 11, 2015.

2015. 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, to discuss implementing the JCPOA. In November 2016, Iran exported 11 tons of heavy water to Oman in order to reduce Iran's stockpile below the amount allowed in the JCPOA and remain in compliance with the terms of the agreement.

Omani banks, some of which operate in Iran, were used to implement some of the financial arrangements of the JPA and JCPOA.[33] As a consequence, a total of $5.7 billion in Iranian funds had built up in Oman's Bank Muscat by the time of implementation of the JCPOA in January 2016. In its efforts to easily access these funds, Iran obtained from the Office of Foreign Assets Control (OFAC) of the Treasury Department a February 2016 special license to convert the funds (held as Omani rials) to dollars as a means of easily converting the funds into Euros. Iran ultimately used a different mechanism to access the funds as hard currency, but the special license issuance resulted in a May 2018 review by the majority of the Senate Permanent Subcommittee on Investigation to assess whether that license was consistent with U.S. regulations barring Iran access to the U.S. financial system.[34]

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 sailors from close U.S. ally the United Kingdom, who Iran had captured in the Shatt al Arab waterway. U.S. State Department officials publicly 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 Iranian authorities.[35] In April 2013, Omani mediation obtained the release to Iran of an Iranian scientist, Mojtaba Atarodi, imprisoned in the United States in 2011 for procuring nuclear equipment for Iran. During a 2013 visit to Oman, then-Secretary Kerry sought Oman's help in obtaining the release of U.S.-Iran nationals held by Iran and determining the fate of retired FBI agent Robert Levinson, who disappeared on Iran's Kish Island in 2007.

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

Omani leaders, as do those of the other GCC states, assert that the Islamic State constitutes a major threat to the region. At a meeting in Saudi Arabia on September 11, 2014, all the GCC states joined the U.S.-led anti-Islamic State coalition and Oman offered the use of its air bases for the coalition. Unlike several GCC states, Oman did not conduct airstrikes against the group.

In the Syria internal conflict, possibly because of its relations with Iran, Oman has refrained from intervening against Iran's close ally, Syrian President Bashar Al Assad, and instead focused on mediation. Oman is not reported to have provided funds or arms to anti-Assad rebel groups in Syria. Oman did join other Arab states in 2011 in suspending Syria's membership in the Arab League and closing Oman's embassy in Damascus.[36] In August 2015, Oman hosted Syria's

[33] 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."

[34] "Obama Misled Congress, Tried and Failed to Give Iran Secret Access to US Banks Before the Deal." Business Insider, June 6, 2018; 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.

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

[36] http://gulfnews.com/news/gulf/oman/oman-ready-to-mediate-between-syrian-parties-1.1617551.

foreign minister for talks on possible political solutions to the Syria conflict, and in October 2015, Omani Minister of State for Foreign Affairs Yusuf Alawi visited Damascus to convey a U.S. message to Assad.[37] Oman attended multilateral meetings in Vienna on the Syria conflict in late 2015, which included most of the GCC states, major European powers, Russia, China, the United States, and Iran. During February 2-3, 2016, Russia's Foreign Minister Sergei Lavrov visited Muscat to discuss Syria and other regional issues.

On Iraq, no GCC state has undertaken air strikes against the Islamic State fighters there. The GCC states have tended to resist helping 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 a small amount of funds for Iraq's post-Saddam reconstruction.

## Policies on Other Conflicts

*Libya*. Oman did not play an active a role in supporting the 2011 Libyan uprising that overthrew Mu'ammar Al Qadhafi. Oman recognized the opposition Transitional National Council as the government of Libya after Tripoli fell on August 21, 2011. In March 2013, Oman granted asylum to Qadhafi's widow and her and Qadhafi's daughter, Aisha, and sons Mohammad and Hannibal,[38] who had entered Oman in October 2012. 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's ouster of Morsi in July 2013. Oman did not take a clear side in this rift, but it criticized a post-coup crackdown on Brotherhood supporters. Yet, in November 2017, Oman hosted a visit by Egyptian leader Abdel Fattah Al Sisi, who has taken the Saudi side in the intra-GCC rift.[39]

## 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. All the GCC states participated in the multilateral peace talks established by the 1991 U.S.-sponsored Madrid peace process, and Oman hosted an April 1994 session of the multilateral working group on water that resulted in the establishment of a Middle East Desalination Research Center in Oman. Participants in the 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

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

[38] "Muammar Gaddafi's Family Granted Asylum in Oman." Reuters, March 25, 2013.

[39] Sisi to Make First Visit to Oman. Middle East Monitor, November 25, 2017.

in Qatar, de-facto Foreign Minister Alawi informed his Israeli counterpart (visiting Doha for a conference) 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 to hold talks with Omani officials on the margins of the conference.[40] Oman offered to resume trade contacts with Israel if it halted settlement construction in the West Bank—a condition Israel has not met. Oman publicly supports the Palestinian Authority (PA) drive for full U.N. recognition. In February 2018, Foreign Minister Alawi visited the Al Aqsa Mosque in east Jerusalem, which required coordination with Israeli authorities. He also met Palestinian officials in Ramallah during that trip.

# Defense and Security Issues

Sultan Qaboos, who is Sandhurst-educated, is respected by his fellow Gulf rulers as a defense strategist. He has long asserted that the United States is the security guarantor of the region. Oman's approximately 43,000-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.

Qaboos has consistently advocated expanding intra-GCC and GCC-U.S. defense cooperation. Oman was the first Gulf state to formalize defense relations with the United States after 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 assert that they were not informed of that operation in advance. Under the agreement, which was last renewed in 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.[41] Omani military forces participate in numerous exercises and training events each year, according to testimony on February 27, 2018, by CENTCOM commander General Joseph Votel. He added that, each year, Oman allows 5,000 overflights and 600 landings by U.S. military aircraft and hosts 80 port calls by U.S. naval vessels.[42]

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 states that are closer to Iraq were used more extensively. During 2004-2011, Omani facilities were not used

[40] Ravid, Barak. "Top Israeli Diplomat Holds Secret Talks in Oman." Haaretz, November 25, 2009. http://www.haaretz.com/top-israeli-diplomat-holds-secret-talks-in-oman-1.3558.

[41] 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.

[42] Testimony of Gen. Joseph Votel before the House Armed Services Committee. February 27, 2018.

for air support operations in either Afghanistan or Iraq, and the numbers of U.S. military personnel in Oman were reduced to a few hundred, mostly Air Force.[43] No GCC state contributed forces to OIF or to subsequent stabilization efforts in Iraq. Unlike Bahrain or UAE, Oman did not send military or police forces to Afghanistan.

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 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.[44] Britain agreed to that arrangement even though, as noted above, Iran is involved in developing Duqm.

For 2017, Oman earmarked $8.6 billion for defense and security. That amount comes from estimated total 2017 government expenditures of $30 billion.

## U.S. Arms Sales and other Security Assistance to Oman[45]

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. Oman receives small amounts of Foreign Military Financing (FMF) that are used to purchase U.S. equipment, which helps Oman operate alongside U.S. forces. Oman is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. The Administration did not request any FMF for Oman for FY2018.

- *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. 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.[46] Oman signed a contract with Lockheed Martin for 12 of the aircraft in December 2011, and deliveries were completed in 2016. Oman's Air Force also possesses 12 Eurofighter "Typhoon" fighter aircraft.
- *Precision-Guided Munitions*. Oman has bought associated weapons systems, including "AIM" advanced medium-range air-to-air missiles (AIM-120C-7, AIM-9X Sidewinder), 162 GBU laser-guided bombs, and other equipment.
- *Countermeasures for Head of State Aircraft*. In November 2010, DSCA notified Congress of a possible sale of up to $76 million worth of countermeasures equipment and training to protect the C-130J that Oman bought under a June 2009 commercial contract. The prime manufacturer of the equipment is Northrop

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

[44] "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.

[45] 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.

[46] Andrea Shalal-Esa. "Lockheed Hopes to Finalize F-16 Sales to Iraq, Oman." Reuters, May 16, 2011.

Grumman. Another sale of $100 million worth of countermeasures equipment—in this case for aircraft that fly Sultan Qaboos was sold to Oman in 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*. 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 on May 27, 2013, with an estimated value of $2.1 billion. However, a sale has not been announced. Several other GCC states have bought or are in discussions to buy the THAAD as part of an effort to establish 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 counter-narcotics, anti-smuggling, 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. Oman has bought some British-made patrol boats. The United States also has sold Oman the AGM-84 Harpoon antiship missile.
- *Antitank Weaponry*. The United States has sold Oman antitank weaponry to help it protect from ground attack and to protect critical infrastructure. In December 2015, DSCA notified a potential sale to Oman of more than 400 TOW (tube-launched, optically tracked, wire-guided) antitank systems. The sale has an estimated value of $51 million. The United States also has provided to Oman 400 "Javelin" antitank guided missiles.[47]

### *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 interoperability with U.S. forces. About 100 Omani military students participate in the program each year, studying at 29 different U.S. military institutions.

[47] https://www.state.gov/t/pm/rls/fs/2016/253850.htm.

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

(In millions of dollars)

| | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 (req) |
|---|---|---|---|---|---|---|---|---|
| IMET | 1.638 | 1.935 | 2.01 | 1.6 | 1.9 | 0 | 2.0 | 0.5 |
| FMF | 8.0 | 7.6 | 8.0 | 4.0 | 2.0 | 2.0 | 0 | |
| NADR | 1.5 | 1.475 | 1.5 | .96 | .54 | 1.94 | 1.5 | 2.0 |
| Other DOD | | | | .20 | .70 | | | |
| Dept. Energy | | | | .57 | .50 | | | |

**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). Dept. of Energy funds are for materials protection and nonproliferation.

## Cooperation against Terrorism[48]

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 recent State Department reports on global terrorism, Oman is actively trying to prevent terrorist groups from conducting attacks and using the country for safe haven or transport.

*"NADR" and Related Counterterrorism Funding.* The State Department provides funding—Nonproliferation, Antiterrorism, Demining, and Related (NADR) and other funds—to help Oman counter terrorist and related activity and combat trafficking of WMD-related equipment. NADR funding falls into three categories: Export Control and Related Border Security (EXBS) funds, Anti-Terrorism Assistance (ATA) funds, and Terrorism Interdiction Program funding. These funds have been used in recent years to enhance the capabilities of the Royal Oman Police (ROP), the ROP Coast Guard, the Directorate General of Customs, the Ministry of Defense, the Ministry of Foreign Affairs, the Ministry of Transportation, the Ministry of Commerce and Industry, the Ministry of Transportation and Communication, and the Royal Army of Oman 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 Royal Army of Oman and several Omani civilian law enforcement agencies on investigative techniques, maritime border security, cybersecurity, and to enhance their ability to detect and respond to the entry of terrorists into Oman.

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. 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.

[48] Much of the information in this section is derived from the State Department Country Reports on Terrorism 2016, which can be found at https://www.state.gov/j/ct/rls/crt/2016/272232.htm.

On January 15, 2016, the Defense Department announced a transfer to Oman of 10 Yemeni nationals from the facility. In January 2017, Oman accepted another 10 Guantanamo prisoners.

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

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. 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 was Oman's main legislation on anti-money laundering and combatting terrorism financing but, in 2016, Royal Decree 30/2016 increased efforts to counter terrorism financing by requiring financial institutions to screen transactions for money laundering or terrorist financing. In 2015, Oman signed an agreement with India to improve cooperation on investigations, prosecutions, and counterterrorism efforts.

### Countering Violent Extremism

According to the State Department report on terrorism for 2016, referenced earlier, Oman's government, through the Ministry of Endowments and Religious Affairs (MERA) has conducted advocacy campaigns designed to encourage tolerant and inclusive Islamic practices.

## Economic and Trade Issues

Despite Oman's efforts to diversify its economy, oil exports still generate over 70% of government revenues and nearly 50% of its gross domestic product (GDP). Oman has a relatively small 5.5 billion barrels (maximum estimate) of proven oil reserves, enough for about 15 years at current production rates. It exports approximately 820,000 barrels of crude oil per day, as of late 2017. In part because it is a relatively small producer, Oman is not a member of the Organization of the Petroleum Exporting Countries (OPEC). Oman has announced a "Vision 2020" strategy to reduce its dependence on the oil and gas sector.

Oman has in recent years expanded its liquefied natural gas (LNG) exports, for which Oman has a large market in Asia. Oman is part of the "Dolphin project," operating since 2007, under which Qatar is exporting natural gas to UAE and Oman through undersea pipelines, freeing up Oman's own natural gas supplies for sale to other customers. In December 2013, Oman signed a $16 billion agreement for energy major BP to develop Oman's natural gas reserves, and gas revenues accounted for about 20% of government revenues in Oman's 2016 budget.

Still, the downturn in energy prices since mid-2014 has compounded Oman's difficulties. It has had to spend heavily to address citizen unemployment, with the intention of reducing the proportion of expatriate private sector employment from 39% to 33%. It ran a budget deficit well in excess of $13 billion in 2016, much wider than the $6.6 billion deficit for 2015, and another deficit of about $8 billion in 2017. Oman has addressed the shortfalls—without drawing down its estimated $24 billion in sovereign wealth reserves—by raising capital internationally. Since the beginning of 2017, Oman has raised over $10 billion by selling government bonds and receiving loans from Chinese and other banks.[49] The government has cut subsidies substantially and has reduced the size of the government. General Votel's February 27, 2018, testimony, cited earlier,

[49] Jasim Husain. "Oman Secures Financing." Gulf News, September 11, 2017.

stated that "... unless the government successfully makes policy changes to constrain government spending and attract foreign investment, Muscat will likely face an economic crisis in the next few years."

Oman is trying to attract foreign investment by positioning itself as a trading hub. The key to that strategy is the $60 billion project—with some funding coming from Iran, Kuwait, China, and other countries—to build up the port at Duqm (see **Figure 1**) as a transportation, energy, and 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.[50] During 2017, Chinese firms have increased their investment in projects at Duqm, reportedly as part of China's "One Belt-One Road" initiative to build a continuous trade link between China and Europe, including by investing $11 billion in Duqm to build the "Sino-Oman Industrial City" there.[51] The Chinese investments in Oman help China secure its oil supplies; Oman is China's fourth-largest source of oil.

## U.S.-Oman Economic Relations

The United States is Oman's fourth-largest trading partner. In recent years, including 2017, there has been about $3 billion in bilateral trade. In 2017, the United States exported about $2 billion in goods to Oman, and imported about $1.1 billion in goods from it. 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. In part because of expanded U.S. oil production, over the past few years the United States has imported almost no Omani oil.[52]

Oman was admitted to the WTO in September 2000. The U.S.-Oman Free Trade Agreement was signed on January 19, 2006, and ratified by Congress (P.L. 109-283, signed September 26, 2006). According to the U.S. Embassy in Muscat, the FTA has led to increased partnerships between Omani and U.S. companies. General Cables and Dura-Line Middle East are two successful examples of joint ventures between American and Omani firms. These 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) 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.

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

[51] "Oman Counts on Chinese Billions to Build Desert Boomtown." *Reuters,* September 5, 2017; Oman's Coastline is the Next Stop on China's Belt and Road." Reuters. December 19, 2017.

[52] http://www.census.gov/foreign-trade/statistics/product/enduse/imports/c5230.html.

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