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Oman: Current Issues and U.S. Policy

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Summary

The Sultanate of Oman is a long-time strategic U.S. ally in the Persian Gulf. It allowed U.S. access to its military facilities in 1980, long before the 1990 Persian Gulf crisis, and hosted U.S. forces participating in recent U.S. military operations in Afghanistan and Iraq. Sultan Qaboos has been gradually opening the political process while trying to manage an economy that lacks the vast oil reserves of its neighbors. This report will be updated to reflect regional developments. See also CRS Report RL31533, *The Persian Gulf: Issues for U.S. Policy, 2003.*

Introduction

Oman is located along the Arabian Sea and guards the southern approaches to the Strait of Hormuz, across from Iran. Except for a brief period of Persian rule, the Omanis have remained independent since 1650, when they expelled the Portuguese. Omani influence subsequently was extended into Zanzibar and other parts of the eastern coast of Africa until 1861. A long-term rebellion led by the Imam of Oman (leader of the Ibadhi sect of Islam) was finally put down in 1959. A militant leftist revolt in Dhofar Province, which began in 1964, was defeated in 1975, partly with help from Iranian troops provided by the then Shah of Iran. Sultan Qaboos bin Sa'id Al Said, born in November 1940, is the eighth in the line of the Al Said dynasty, founded in 1744. He became Sultan in July 1970 after he, with British support and encouragement, forced his father to abdicate. He is considered highly popular, but he has no clear successor. Oman's population is 75% Ibadhi Muslim, a sect of Islam that is neither Sunni or Shiite and is described by the State Department as "moderate conservatism;" it is the only country in the world that is majority Ibadhi.

The United States signed a treaty of friendship with Oman in 1833, one of the first of its kind with an Arab state. Oman sent an official envoy to the United States in 1840. A U.S. consulate was maintained in Muscat during 1880-1915, and a U.S. embassy was opened in 1972. The first resident U.S. Ambassador took up his post in July 1974. Oman opened its embassy in Washington in 1973.

Defense and Security Ties[1]

Oman's Sultan Qaboos, who is Sandhurst-educated and perceived as the foremost defense strategist among the Gulf leaders, sees the United States as the key security guarantor in the region, although he has also advocated improving and enlarging joint Gulf state defense capabilities and forces. Over the past twenty years, Qaboos has focused on regional security issues even though Oman, because it is far down the Persian Gulf, did not sense as acute a threat from Iraq's Saddam Hussein as did Saudi Arabia or Kuwait. Nor has Oman been particularly wary of Iran, with which Oman has long had good relations, even at the height of the Iran-Iraq war when Iran was perceived as the greatest threat to Gulf security. Oman's 43,000 man armed force is the third largest of the Gulf Cooperation Council states (GCC, including Saudi Arabia, Kuwait, UAE, Oman, Bahrain, and Qatar), and Oman's force is widely considered one of the best trained. The Sandhurst-educated Sultan Qaboos has traditionally relied on seconded British officers who, until a few years ago, commanded entire services in the Omani military. British officers have been largely replaced by Omanis in the command structure, but British officers still play an advisory role, particularly in Oman's navy.

Just after Iran's 1979 Islamic revolution, Oman became the first Gulf state to formalize defense relations with the United States by signing an agreement to allow U.S. forces access to Omani military facilities (April 21, 1980). Three days after the agreement was signed, the United States used Oman's Masirah Island air base in the course of the failed attempt to rescue the U.S. embassy hostages in Iran. Under the access agreement, which was renewed in 1985, 1990, and 2000 (for ten years), the United States reportedly can use Oman's airfields, including airfields in Muscat (the capital), Thumrait, and Masirah Island, and U.S. Air Force equipment, including bombs and other lethal munitions, are pre-positioned at these bases.[2] Although not a condition for Oman to renew the access agreement in 2000, the United States acceded to Oman's request that the United States fund the upgrading of the jointly used facilities,[3] including a fourth air base at Musnanah, about 50 miles northwest of the capital, Muscat. The cost of upgrading the base at Musnanah is expected to be about $120 million, and the base is now partially operational. When completed, it will be capable of handling F-16 combat aircraft.

Cooperation With U.S. War Efforts/War on Terrorism. Oman's facilities contributed significantly to the recent major U.S. combat operations in Afghanistan (Operation Enduring Freedom, OEF) and Iraq (Operation Iraqi Freedom, OIF). During OIF, there were about 3,000 U.S., mostly Air Force, personnel in Oman. This is well above the baseline figure, pre-September 11, 2001, of about 200 U.S. personnel. U.S. strikes in both OEF and OIF were launched from Oman, and U.S. military officials in Oman say the use of Omani facilities — including hosting of B-1 bombers — was pivotal in being able to strike key Afghan targets during OEF. The U.S. military presence in Oman has fallen close to the baseline figure (a few hundred U.S. military personnel) now

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[1] Some of the information in this section comes from CRS conversations with U.S. Embassy officials in Oman during December 2003.

[2] Hajjar, Sami. U.S. Military Presence in the Gulf: Challenges and Prospects. U.S. Army War College, Strategic Studies Institute. P.27.

[3] Finnegan, Philip. Oman Seeks U.S. Base Upgrades. Defense News, April 12, 1999.

that major combat has been declared over in both operations. There has been little evident popular opposition in Oman to the U.S. military presence there.

In addition to hosting U.S. forces, Oman has been highly cooperative in the legal and financial aspects of the global war on terrorism. After the September 11, 2001 attacks, Oman issued new laws to prevent terrorist organizations from raising or laundering money in Oman. According to the State Department report on global terrorism for 2003 (Patterns of Global Terrorism: 2003, p. 66), Oman has established surveillance systems to identify unusual financial transactions. It has committed to freezing the assets of individuals suspected of links to terrorism. According to U.S. diplomats in Oman, the Omani government wants to join U.S.-led initiatives to combat terrorist threats emanating from container shipping.

Oman's Capabilities and U.S. Security Assistance.[4] Oman is generally weak in all categories of heavy weaponry, particularly combat aircraft. Because of its historic military ties to Britain, most of its arsenal is British-supplied. In 1989, Oman cancelled a buy of British Tornado fighters due to financial constraints, but subsequently ordered 12 of the less capable and less expensive British-made Hawk aircraft. During 1993-97, Oman purchased 38 British-made Challenger 2 tanks and, in 1994, it bought 80 British Piranha armored personnel carriers.

Oman is eligible for grant U.S. excess defense articles (EDA) under Section 516 of the Foreign Assistance Act. It received 30 U.S.-made M-60A3 tanks in September 1996 on a "no rent" lease basis, and it later was given title to the tanks outright. There have been virtually no EDA transactions since 2000, although U.S. officials say Oman might want Bradley fighting vehicles and Humvees as EDA, although Oman turned down an apparent offer of U.S.-made M1A1 tanks as EDA. Oman has sought to purchase additional equipment outright and, in October 2001, after several years of consideration, Oman announced the purchase of 12 U.S.-made F-16 A/B aircraft and associated weapons (Harpoon and AIM missiles) and training, at a cost of about $800 million. The purchase might have been intended, in part, to keep pace with Oman's Gulf neighbors that have recently bought F-16's, including the UAE and Bahrain. Oman is using its own funds and the aircraft will be newly produced; Oman wants delivery by its November 2005 national day celebrations. Oman is also buying three US.-made coastal patrol boats for anti-narcotics, anti-smuggling missions.

Oman is receiving increased U.S. security assistance, partly as a sign of U.S. appreciation for Oman's role in OEF and OIF and partly in an effort to bolster Oman's capabilities and familiarize Omani officers with U.S. equipment and military values. In FY2002, Oman received about $500,000 in International Military Education and Training (IMET) funds; in FY2003, that amount increased to $750,000, and will likely reach $1 million for FY2004. The United States has also resume providing Foreign Military Financing (FMF) grant aid that was phased out in the mid 1990s. For FY2002 Oman received $25 million in FMF in supplemental appropriations that, among other provisions,

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[4] 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. As applied to the GCC states, this provision has been waived each year on the grounds that doing so was in the national interest.

provided assistance to U.S. allies in the war in Afghanistan (P.L. 107-206, August 2, 2002). Oman received a total of about $80 million in FMF for FY2003 from regular FY2003 appropriations ($19.5 million) and supplemental appropriations ($61.5 million). The Administration estimates Oman will receive $25 million in FMF in FY2004.

The United States phased out development assistance to Oman in the mid 1990s. In conjunction with the signing of the U.S. facilities access agreements with Oman in 1980, the United States and Oman created a Joint Commission on Economic and Technical Cooperation. At the height of the program in the 1980s, the United States contributed Economic Support Funds (ESF), at an annual rate of about $15 million in combined loans and grants. The program was used to improve conservation and management of Omani fisheries and water resources. There have been no new U.S. aid obligations to this program since FY1992 ($29 million was provided that year) and the program closed out its residual activities in FY1996.

Democratization and Human Rights[5]

Oman, which has a population of 2.3 million (including about 550,000 foreigners), remains a monarchy in which decision-making is largely concentrated in the office of Sultan Qaboos. Believing that Omanis would ultimately demand political reform, in the 1980s, Qaboos embarked on a long-term program of gradual political liberalization, even though he was not under evident popular pressure at that time. In November 1991, Qaboos established a 59-seat Consultative Council (expanded to 83 seats in 1993), to replace a ten-year old consultative council in which government officials held 19 out of 55 seats. In September 2000, the first direct elections were held to the Consultative Council, which serves a three year term, but the electorate was limited to 25% of all citizens over 21 years old. The year 2000 process contrasted with past elections (1994 and 1997) in which smaller and more select electorates chose two or three nominees per district and the Sultan then selected final membership. Two women were elected to the Consultative Council in the September 2000 elections. On November 21, 2002, Qaboos announced he was extending voting rights to all citizens, male and female, over 21 years of age, beginning with the 2003 Consultative Council elections. Those elections were held on October 4, 2003, resulting in a Council similar to that elected in 2000, including the election of the same two women as in the previous election (out of 15 women candidates). Like the other Gulf states, political parties are not allowed and, unlike in Bahrain or Kuwait, there are no evident groupings or factions within the Consultative Council. The Council also lacks binding legislative powers.

Qaboos has also created an appointed "State Council" to serve, in part, as a check and balance on the elected Consultative Council. It has 57 seats, up from the original 53 seats. In 2000, he named five women to the State Council, up from four previously, and he increased that further to 8 women in the 2003 appointments to this body. State Council appointees tend to be somewhat older than the members of the Consultative Council; many State Council members are former government officials. (The legislature became a bicameral body in November 1996, when Qaboos handed down a "Basic Law"

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[5] Information in this section is taken from State Department reports on human rights practices (for 2003).

providing for individual rights. That set of laws established a bicameral "Oman Council," consisting of the Consultative Council and an appointed "State Council.")

The 1996 Basic Law affirms Islam as the state religion. Non-Muslims are free to worship at temples and churches built on land donated by the Sultan, but non-Muslims may not publish religious materials in Oman. Members of all religions and sects are free to maintain links with coreligionists abroad and travel outside Oman for religious purposes. Press criticism of the government is tolerated, but criticism of the Sultan is not. Private ownership of radio and television stations is prohibited, but the availability of satellite dishes has made foreign broadcasts accessible to the public. Workers are not permitted to form or join unions, but they can form representational committees.

Women are an increasing presence in the workplace and in government; they now constitute about 30% of the work force. Some aspects of Islamic tradition in Oman discriminate against women, as is the case in most other Islamic countries; for example, male heirs are favored in adjudication of inheritance claims. Sultan Qaboos has given major speeches on the equality of women and their importance in national development. In September 1999, Qaboos, for the first time, appointed a female ambassador (to the Netherlands). In March 2003, he named a woman to the rank of minister, bestowing that rank on an appointee in charge of the national authority for industrial craftsmanship. In March and June 2004, he appointed two female ministers — minister of higher education and of tourism, respectively. In April 2004, Qaboos made five women among the 29 appointees to the public prosecutors office, making Oman unique in the Gulf for appointing women to the judiciary. The State Department report on U.S. efforts to support human rights and democracy (2003-2004), although the latter report does not list any U.S. democratization initiatives in Oman during the time frame covered in the report. However, U.S. officials say some U.S. funds, from the Middle East Partnership Initiative and other sources, is being used to fund women's empowerment programs in Oman.

Regional Relations

Sultan Qaboos has often pursued foreign policies outside an Arab or Gulf consensus. For example, Oman maintained good relations with Iran throughout the Iran-Iraq war, even though the GCC as a whole was firmly aligned with Iraq. During the latter stages of that war, Oman served as an intermediary between the United States and Iran for the return of Iranians captured in skirmishes with U.S. naval forces in the Gulf. Oman also maintained its embassy in Iraq throughout the 1990-91 Gulf crisis and had an ongoing dialogue with Saddam Hussein's regime from then until the fall of the regime in April 2003. Even though it agreed to host U.S. forces in OIF, Oman's de-facto foreign minister, Yusuf bin Alawi bin Abdullah, was highly critical of the U.S. decision to go to war against Iraq, saying it could "incite revenge" against the United States in the Arab world, and there have been a few public protests in Oman against the U.S.-led war effort and against U.S. policies in the Middle East.

As another sign of Oman's foreign policy independence, Oman was the one of the few Arab countries not to break relations with Egypt after the signing of the Egyptian-Israeli peace treaty in 1979. All the GCC states participated in the multilateral peace talks established by the U.S.-sponsored Madrid peace process, but only Oman, Bahrain, and Qatar hosted working group sessions of the multilaterals. Oman hosted an April 1994 session of the working group on water and, as a result of those talks, a Middle East

Desalination Research Center was established in Oman. In September 1994, Oman and the other GCC states renounced the secondary and tertiary Arab boycott of Israel and, two months later (December 26, 1994), it became the first Gulf state to officially host a visit by an Israeli Prime Minister (Yitzhak Rabin). Oman hosted a visit by then Prime Minister Shimon Peres in April 1996. In October 1995, Oman agreed with Israel to exchange trade representatives, essentially a renunciation of the primary boycott of Israel, and trade offices were subsequently opened in the respective capitals. However, Oman stopped short of establishing diplomatic relations with Israel, and Oman closed the trade offices after the September 2000 Palestinian uprising began. Since then, there has been no known official contact between Israel and Oman, and Omani officials say they are not considering reopening the offices at this time.

Oman has experienced more evident tension with Yemen than with any other neighboring state; these tensions have led to brief armed border clashes on a few occasions over the past two decades. On October 1, 1992, Oman and Yemen ratified a border demarcation agreement that ended a 25-year border disagreement between them; the demarcation was completed in June 1995. Under the pact, Oman relinquished its claim to a vast area bordering its western Dhofar province.

Economic and Trade Issues

Oil is still a foundation of the Omani economy, accounting for nearly 75% of government revenues. However, Oman has a relatively small 5 billion barrels of proven oil reserves, enough for about 15 years, and some press reports say that production at some Omani fields has been declining since 1997.[6] Oman exports about 900,000 barrels per day of oil, which is less than 3% of internationally traded crude oil. It is not a member of the Organization of Petroleum Exporting Countries (OPEC), probably because it is too small a producer. However, it is a leader in group of independent petroleum exporting countries that coordinate production and pricing with OPEC. Oman is a small oil supplier to the United States (about 40,000 barrels of crude oil per day).

Recognizing that its crude oil fields are aging, Oman is trying to privatize its economy and diversify its sources of revenue. It is investing several billion dollars in a project to produce and export liquid natural gas (LNG), for which Oman has identified large markets in Asia and elsewhere. Oman has about 30 trillion cubic feet of proven gas reserves. The Oman Oil Company is also coordinating an oil concession in Kazakhstan and an Omani partnership in a Caspian Sea pipeline consortium. Oman's government is encouraging Omani citizens to work in the private sector in an effort to reduce dependence on foreign labor. The government has funded a high technology industrial park to develop Oman's information technology sector (Knowledge Oasis Muscat).

The United States has been Oman's fourth largest trading partner, and there have been few commercial disputes for U.S. firms there. On July 7, 2004, Oman and the United States signed a trade and investment framework agreement (TIFA). Oman was admitted to the WTO in September 2000.

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[6] Gerth, Jeff and Stephen Labaton. "Oman's Oil Yield Long in Decline, Shell Data Show." *New York Times*, April 8, 2004.