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

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Summary

The Sultanate of Oman, a long-time strategic U.S. ally in the Persian Gulf, allowed U.S. access to its military facilities long before the 1990 Persian Gulf crisis. It hosted U.S. forces participating in recent major combat operations in Afghanistan and Iraq. Sultan Qaboos has been slowly opening the political process while trying to manage an economy that lacks vast oil reserves. This report will be updated periodically. See also CRS Report RL31533, *The Persian Gulf: Issues for U.S. Policy*, 2004.

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, Omanis have remained independent since 1650, when they expelled the Portuguese. The Al Said monarchy began in 1744, and it extended Omani influence into Zanzibar and other parts of east Africa until 1861. A long-term rebellion led by the Imam of Oman (leader of the Ibadhi sect of Islam) ended in 1959, but a leftist revolt broke out in Dhofar Province in 1964. It was defeated by 1975, partly with help from Iranian troops provided by the Shah of Iran. Sultan Qaboos bin Sa'id Al Said, born in November 1940, is the eighth in the line of the Al Said monarchy; he became Sultan in July 1970 after he, with British support, forced his father to abdicate. He is considered highly popular, but he was married only briefly in the 1970s and has no clear successor. Oman is unique in that its population is 75% Ibadhi Muslim, a sect of Islam that is neither Sunni or Shiite and is described by the State Department as "moderate conservative."

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.

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Defense and Security Ties¹

Oman's Sultan Qaboos, who is Sandhurst-educated and is respected as a defense strategist by the other Gulf leaders, sees the United States as the key security guarantor of the region, although he is an advocate of improving and enlarging joint Gulf state defense capabilities. Qaboos has focused on regional defense cooperation even though Oman, because it is far down the Persian Gulf, did not sense an acute threat from Iraq's Saddam Hussein.

Although Oman has not been as wary of Iran's Islamic revolutionary government as most of the other Gulf states, perhaps because there is no sizable Shiite community in Oman with which Iran could meddle in Oman, Oman became the first Gulf state to formalize defense relations with the United States just after the 1979 Islamic revolution in Iran. Oman signed 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. (Oman also 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.) 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. That cost was about \$120 million, and the base is operational.

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), although Omani leaders were publicly 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. According to fact sheets provided by the Defense Department, during OEF, there were about 4,300 U.S. personnel in Oman, mostly Air Force, suggesting that Oman air facilities — which also hosted U.S. B-1 bombers — were used extensively for strikes during OEF. The U.S. presence fell slightly to 3,750 during OIF; other facilities closer to Iraq, such as air bases in Kuwait, were more extensively used in OIF than in OEF. There are now only about 26 U.S. personnel in Oman, below the pre-September 11, 2001 figure of about 200 U.S. personnel. This indicates that Omani facilities are not being used for air support operations in either the Afghanistan or Iraq theater at this time. There was little evident popular opposition in Oman to the U.S. military presence there at the height of either OEF

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.

or OIF, despite the perception among many Omanis that these operations were against Islam and were harming innocent Muslims in the course of the combat.

Oman has been cooperative in the legal, intelligence-sharing, 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 2004 (p. 67), Oman has established surveillance systems to identify unusual financial transactions, and it has demonstrated its commitment to freezing the assets of suspected terrorists from Al Qaeda and related organizations. According to U.S. diplomats in Oman, the 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'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). Its force is widely considered one of the best trained, but not particularly well equipped with the most modern heavy systems. Qaboos early on relied on seconded British officers to command entire services in the Omani military, but these officers are now mostly limited to an advisory role. Still, British advisers remain particularly influential in Oman's navy, and much of Oman's arsenal is British-supplied. Most of the new equipment Oman is ordering or considering is U.S.-made.

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. U.S. officials say Oman might want Bradley fighting vehicles and Humvees as EDA, but in 2004 it turned down a U.S. offer of EDA U.S.-made M1A1 tanks. Any additional armor would supplement the 38 British-made Challenger 2 tanks and 80 British-made Piranha armored personnel carriers it bought in the mid-1990s. In an effort to modernize its Air Force, 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-16s, including the UAE and Bahrain. Oman is using its own funds and the aircraft will be newly produced; Oman wants delivery by the end of 2005. The new aircraft will supplement the 12 less-capable British-made Hawk aircraft Oman flies. Oman is also buying three U.S.-made coastal patrol boats suited for anti-narcotics and anti-smuggling missions.

Over the past four years, Oman has been receiving increased amounts of U.S. security assistance, partly in appreciation of Oman's help in OEF and OIF and partly to familiarize Omani officers with U.S. equipment and military values. Amounts are shown in the table below. The United States phased out development assistance to Oman in 1996. At the height of that development assistance program in the 1980s, the United

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.

States was giving Oman about \$15 million per year in Economic Support Funds (ESF) in combined loans and grants. The funds were used mostly to improve conservation and management of Omani fisheries and water resources.

Table 1. Recent U.S. Aid to Oman
(In millions of dollars)

	FY2002	FY2003	FY2004	FY2005 (estimated)	FY2006 (request)
IMET	0.5	0.75	0.825	1.1	1.1
FMF	25	80	24.85	19.84	20
NADR			0.4	0.4	0.5

Note: IMET is International Military Education and Training; FMF is Foreign Military Financing; NADR is Nonproliferation, Anti-Terrorism, De-Mining and Related.

Democratization and Human Rights⁵

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 to do so 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 purely appointive advisory council. 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 the 1994 and 1997 elections in which a small electorate chose two or three nominees per district and the Sultan then selected final membership. In November 2002, Qaboos extended voting rights to all citizens, male and female, over 21 years of age, beginning with the 2003 Consultative Council elections. Those elections, held on October 4, 2003, resulted 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, formal political parties are not allowed. Unlike Bahrain or Kuwait, there are no evident groupings or factions within the Consultative Council. The Council also lacks binding legislative powers.

In November 1996, Qaboos made the “legislature” bicameral. In his “Basic Law,” providing for individual rights, he established an appointed State Council to serve, in part, as a check and balance on the elected Consultative Council. Together, the State Council and the Consultative Council constitute an “Oman Council.” The State Council has 57 seats, up from the original 53 seats. State Council appointees tend to be somewhat older than the members of the Consultative Council; many State Council members are former

⁵ Some of the information in this section is taken from the State Department report on human rights for 2004 - country report on Oman. Released February 28, 2005.

government officials. Qaboos has gradually increased the number of women on the State Council; there are now eight.

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, and they now constitute about 30% of the work force. 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. He has since added three female ministers — of higher education, of tourism, and of social development — in March, June, and November 2004, 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 1996 Basic Law affirms Islam as the state religion, and the State Department's International Religious Freedom Report for 2004 (released September 15, 2004) notes some restrictions on religious rights, in practice. 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. On related issues, press criticism of the government is tolerated, but criticism of the Sultan is not. In April 2005, the government arrested 31 persons accused of conspiring to overthrow the government; they were reportedly pardoned by Qaboos in June 2005. 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. The State Department report on U.S. efforts to support human rights and democracy (2004-2005, released March 28, 2005) 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. The State Department's "Trafficking in Persons Report" for 2005, released June 2005, lists Oman as a "Tier 2" country because it is a "destination country" for women and men from South Asia who are trafficked into "involuntary servitude," and government is not fully complying with minimum standards to eliminate the trafficking. Oman was not placed on any of the three tiers in the trafficking report for 2004.

Regional Relations

Sultan Qaboos has often pursued foreign policies outside an Arab or Gulf consensus. 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. Oman has not agreed to the reopening of those offices, and there has been no known recent official contact between the two countries.

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 remains a foundation of the Omani economy, generating 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 (OOC) is coordinating an oil concession in Kazakhstan and an Omani partnership in a Caspian Sea pipeline consortium, and it is part of the "Dolphin project," under which Qatar is exporting natural gas to UAE (by replacing Omani gas supplies - 135 million cubic feet per day - to the UAE). Oman's government is encouraging Omani citizens to work in the private sector, and it has funded a high technology industrial park (Knowledge Oasis Muscat) to develop Oman's information technology sector.

The United States has been Oman's fourth largest trading partner. Oman was admitted to the WTO in September 2000. In November 2004, the Bush Administration announced it would negotiate a free trade agreement (FTA) with Oman (and with UAE). U.S. official statements during the first round of negotiations in March 2005 said that an agreement is expected to be reached by the end of 2005. A second round of talks was held in April 2005.

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