Arabian Peninsula Background Notes

APBN-013

May 2026

The Impact of the Iran War on Oman

"I am dismayed. … This is not your war." Oman's foreign minister, Sayyid Badr bin Hamad Al Bu Saidi, intended these words for the United States in a post on the day that Israel and the US began their attacks on Iran. Sayyid Badr's dismay was understandable as it suddenly became obvious that his patient efforts at negotiation between Iran and the US masked little more than a feint by the Trump administration to buy time for military assets to slip into place for the aerial onslaught. He added that "The American administration's greatest miscalculation, of course, was allowing itself to be drawn into this war in the first place."

The abrupt initiation of hostilities on 28 February put both Sayyid Badr and Oman in an untenable situation. The asymmetry of the negotiating table had been exposed: a full-fledged Iranian negotiating team prepared to resolve differences of details and technical points facing American envoys – real-estate magnate Steve Witkoff and President Trump's son-in-law Jared Kushner – who, it became clear, were never authorized to engage in substantive dialogue but were buying time until a decision already made was executed.

The episode appeared to compromise Oman's well-deserved reputation as a facilitator of negotiations between hostile actors, including prior US-Iran reconciliations that helped lay the groundwork for the JCPOA. Tellingly, Pakistan shepherded subsequent negotiations and the two-week ceasefire of 7 April.

This is an *Arabian Peninsula Background Note (APBN)* written by J.E. Peterson

This episode could also read as reflecting the Trump administration's relative indifference to Oman. Oman was not one of the wealthier and more visible (thus "valuable") members of the Gulf Cooperation Council. Neither President Trump nor any senior member of his government had made a stop in Oman on their trips to the region, nor had Sultan Haitham bin Tarek been invited to Washington in six years of rule, unlike his predecessor, Sultan Qaboos bin Said, who made several state visits. Upon Qaboos's death in January 2020, Britain sent the Prince of Wales and the prime minister to the funeral while the American delegation consisted of a minor cabinet member who arrived late.

Military Exposure and the Liability of US Basing Access

Beginning in 1980, Oman concluded a military access agreement with the United States providing use of airfields at Thumrait, Muscat, and Masirah Island, a listening outpost on al-Ghanam Island near the Strait of Hormuz, and naval facilities at Duqm and Salalah on the Arabian Sea. The agreement was subsequently renewed and expanded, most significantly through a Framework Agreement signed in March 2019 broading US access to Duqm and Salalah. These facilities proved critical to US operations during the 1991 liberation of Kuwait, the 2003 invasion of Iraq, and the 1980 attempt to rescue American diplomats heled hostage in Tehran – an operation launched from Masirah Island days after the access agreement was signed.

This longstanding cooperation raised an acute dilemma once hostilities began. Iran's strikes on Duqm and Salalah appear designed to signal that Omani territory enabling US naval operations would not be exempt from the conflict. Oman found itself in the same predicament as other Gulf states – discovering that the costs of hosting American military presence could, under certain conditions, outweigh the benefits.

Oman's vulnerability was far more serious than the hit to its diplomatic reputation, however. The sultanate was struck on multiple occasions in the early weeks. Drones hit Duqm port on consecutive days; a tanker was attacked off the Musandam Peninsula; oil storage at Salalah Port was struck (perhaps because Salalah was an alternate destination for Gulf-bound shipping); vessels were evacuated from Mina al-Fahl, Oman's principal oil terminal; and two workers

were killed in a drone attack near Suhar.

Economic Impact: Immediate Gains and Long-Term Uncertainty

On the bright side, the war had a more positive impact on Oman's economy than its Gulf neighbors. Its oil infrastructure lies predominantly outside the Strait of Hormuz and production of both crude oil and LNG appeared largely unharmed. The spot price of Omani crude reportedly exceeded more than $160 per barrel before declining below $100. Ships diverted from Gulf routes were redirected to Omani ports. Oman seemed well prepared to benefit economically in this crisis, just as it had during the 2017-2021 Qatar boycott when it served as an essential supply conduit to Qatar. Initial estimates placed Oman's oil revenues in March 2026 approximately $609 million above March 2025 levels, despite a production reduction of roughly three million barrels.

The longer-term outlook is more mixed. Oman shares the GCC's damaged reputation for stability and security. Its tourism sector – a key diversification priority – may suffer for years. The sultanate's expatriate community, vital to its workforce, may also reassess their presence, even as Oman has introduced ten-year visa schemes and real estate ownership rights for prospective longer-term residents.

The Structural Dilemma: Iran as Permanent Neighbor

Predicament is the word best describing Oman's role in the region going forward. Two structural dimensions frame Oman's predicament. The first is geographical and historical: Iran will always be Oman's most powerful immediate neighbor, irrespective of which régime governs in Tehran.

There are two primary and intertwined concerns. First, no matter how the war turns out, Iran will always be Oman's immediate and more powerful neighbor. Ever since the Dhofar War of the 1970s, Muscat has sought to establish and maintain good relations with Tehran.

The relationship traces in part to the personnel connection Sultan Qaboos established with the

Shah at Persepolis celebrations in October 1971, after which the Shah deployed Iranian military forces to assist the Sultan's Armed Forces against the Marxist-led Popular Front for the Liberation of Oman. At peak deployment in 1975, Iranian forces in Dhufar numbered approxiatemly 5,000 concurrent troops, within a total military contribution – across ground, air, and naval forces – estimated at over 15,000 personnel between 1972 and 1979.

Small numbers of Iranian personnel remained in Dhofar after the war's conclusion, withdrawing only after the 1979 Islamic Revolution. Sultan Qaboos subsequently cultivated relations with the Islamic Republic, enabling Oman to serve a intermediary between Tehran, Riyadh, and Washington – contributions that helped lay partial groundwork for the 2015 JCPOA. The relationship had an economic element as well. When Oman's copper smelter ran out of locally produced ore, it relied on imports from Iran. There was talk of supplying Iranian gas to Oman before the sultanate got its industry off the ground. And trade between the two countries has remained robust.

During the current conflict. Sultan Haitham was the only Arab leader to congratulate Mojtaba Khamenei on his selection as Supreme Leader. Muscat maintained communication with Iranian President Masoud Pezeshkian and kept bilateral channels open at the foreign ministry level. When Iran claimed that the missiles and drones strikes on Oman were accidental or Israeli-perpetrated, Oman declined to attribute blame.

The Strait of Hormuz: Control, Passage, and Post-War Governance

The second structural dimension concerns the Strait of Hormuz. Formerly, the shipping lanes through the strait ran between Oman's Musandam Peninsula and the islands of Salamah wa-Binatuha (also known as the Quoins), which also belong to Oman. Its 1972 extension of territorial waters to twelve nautical miles, combined with Iran's parallel claims, means the two countries effectively share sovereign jurisdiction over the waterway. During the Iran-Iraq War (1980-1988), Oman moved the shipping lanes to a route outside the islands but still within its territorial waters. The Traffic Separation Scheme (TSS) – two parallel two-mile-wide lanes – operates within this framework.

Both Oman and Iran historically have accepted the internationally agreed principle of free passage through the strait, although both have argued for some restrictions. The first challenge to free passage occurred in the later stages of the Iran-Iraq War when Iran threatened shipping from the GCC states. Iran's threats during the 2026 conflict – mining, drone strikes on shipping, small boat attacks, and potential lane reconfigurations – recall the tanker-war dynamics of the Iran-Iraq War, during which Omani naval vessels confronted Iranian ships intruding into Omani territorial waters on several occasions. The current conflict involves a far more sophisticated Iranian drone capability. Muscat has not sought to defend the strait independently and has instead pursued bilateral diplomacy with Tehran to preserve freedom of navigation, although it is unlikely that any meaningful results will transpire before the cessation of hostilities. In what seemed to be an attempt at another approach at the beginning of April, three Omani tankers, two carrying crude oil and the third liquefied natural gas, proceeded through the strait by keeping close to the Omani Musandam mainland.

In the immediate aftermath of the 7 April ceasefire, the status of passage through the strait remained uncertain. Iran proposed a safe-passage protocol under its own military supervision and asserted that both Iran and Oman could collect approximately $2 million per ships transiting the strait. Oman's transport minister rejected this categorically, asserting that "The strait is a natural passage not created by human intervention, and therefore no fees can be imposed under international agreements signed by the sultanate." Bilateral discussions continued at the deputy foreign minister level, while Iran separately attempted to reposition TSS lanes towards its shoreline, behind Larak Island – a shift Oman cannot contest militarily.

Iran's further action in blocking out a major section of the strait to the south of its newly declared shipping lanes and declaring it "hazardous" presumably implies that all the strait within Omani territorial waters has been mined. Whether or not this is only a bluff, the effect on shipping remains the same. In either case, these actions seem to be a grave interference with Oman's rights and jurisdiction. A rather dubious argument can be advanced that Iran and Oman secretly agreed on the new Iranian protocol, with Oman under some duress, but this seems improbable. It is far more likely that Iran announced a unilateral declaration without any significant Omani input.

The failure of the US-Iranian talks in Islamabad to reach a breakthrough and the Trump administration's subsequent decision to institute its own "blockade" on the strait, aimed at blocking Iranian exports from the Gulf, introduced even more uncertainty regarding the strait. Maps released by Tehran indicated not only that shipping lanes were set closer to Iran but that it had possibly mined the waters of the strait in Omani territorial waters. An anonymous report on 15 April averred that Iran might be agreeable to allow shipping through strait close to the Omani coast. It is unlikely that Oman would agree to such a protocol. The purported US-Iranian agreement to open the strait on 17 April collapsed almost immediately, and Oman was left again without a voice at the table.

Oman remains caught in the middle. Continued cooperation with revolutionary Iran, as has been the case for nearly half a century, is necessary. Running afoul of the Islamic Republic would quite likely result in similar treatment as the other GCC states. At the same time, Oman must be centrally involved in any discussion about the present status of the strait and especially the post-war régime regarding it. Oman's only advantages in this respect are its reputation for honesty and clean-playing and the goodwill engendered by decades of adhering to neutrality.

Oman's Position Within the GCC

Oman's continued cooperation with Iran has generated friction within the GCC, whose other five members have adopted markedly more confrontational postures. The sultanate's outlier tendencies predate the current conflict: Muscat had declined to join the Saudi-led Yemen campaign in 2015; served as a conduit between the Huthis and the outside world; sided with Doha during the 2017-2021 blockade; and declined to support the GCC's drive, led by Bahrain, for a UN Security Council resolution on the current war.

Oman's relationship with Saudi Arabia normalized only in 1971, and its relations with Abu Dhabi have been marked by recurring tensions, including two separate Omani accusations of Emirati espionage related to success planning. These faultlines mean that while the GCC sans Oman has sought to maintain a semblance of unity during the war, the underlying intra-Gulf divisions – most prominently the Saudi-Emirati rivalry over Yemen – persist. The cohesion of the GCC itself remains an open question.

Domestic Political Impact

Assessing domestic opinion in Oman is difficult given the government's prohibition on public expression. The Arab Spring demonstrations of 2011, concentrated in Suhar, Salalah, and elsewhere, were suppressed, and subsequent expressions of dissent have been dealt with firmly.

In the current conflict, popular sentiment can be expected to reflect dual pressures: solidarity with fellow GCC populations absorbing Iranian strikes, alongside broader Arab anger at the United States and Israel over the conduct of the war and its Palestinian and Lebanese dimensions. A major destabilizing domestic episode appearsly unlikely given the government's institutional capacity and political to manage public unrest.

Assessment and Outlook

Oman finds itself simultaneously central to the conflict's management and powerless to determine its outcome. Sayyid Badr's assessment – "Whatever your view of Iran, this war is not of their making. This is already causing widespread economic problems and I fear they promise to get much worse if the war continues" – reflects a sober regional evaluation largely disregarded by the principal belligerents.

The conflict designated officialy as "Operation Epic Fury" – and rechristened by The Economist as "Operation Epic Folly" – has produced outcomes that vindicate the skeptics: Iran did not collapse, Lebanon sustained severe damage, the Gulf states incurred significant collateral costs, and the Strait of Hormuz was weaponized and became a contested geopolitical instrument.

These developments of the last few months serve to doubly emphasize that Oman is powerless to exert any meaningful effect over either the direction of the war and ceasefire or even protection of its own territorial limits. Indeed, its position and outlook – at least for the medium-term – is more negative than positive. While Oman is likely to come out of the war essentially unscathed economically with minimal damage from Iranian attacks, it undoubtedly faces serious questions in the future. Interaction with Washington has weakened (although ties with Britain remain strong). Its precarious relationship with Iran is likely to remain even more

fragile and subservient (reports of Iranian-Omani discussions on charging tolls through the Strait of Hormuz likely reflect this). The GCC has become more fragmented as the Saudi-Emirati rivalry seems just as volatile as before the war. The divergence in the attitudes towards Iran between the UAE and the rest of the GCC may well encompass more friction between Abu Dhabi and Muscat, never on the best of terms anyway. At the same time, Oman almost certainly would not draw closer to Riyadh, leaving it with Qatar and Kuwait as allies within the organization.

Whatever the final settlement terms of the war – whenever they may emerge – Oman's strategic position has been complicated and its trajectory rendered less predictable. Its principal assets in the post-war environment will be its reputation for honest dealing, its semi-unique communication channels with Tehran, and its geographic indispensability to any sustainable arrangement governing Strait of Hormuz passage. These are not negligible advantages, but they must be deployed with considerable skill in a region whose architecture has been fundamentally altered.