The Switzerland of the Middle East? Oman's Neutrality Under Pressure

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[Note: The views expressed in this dispatch are informed by the author's research and on-the-ground observations in Oman in September 2026.]

Nearly two centuries after it sent the first Arab envoy to America, Oman is still the Gulf state that "talks to everyone and fights no one." Conversations and observations in Muscat this September suggest its neutrality is holding, and that Omanis are quietly confident their country's steady role has never mattered more to the region.

What it will cost them to keep it is a harder question.

The ship that came to trade

On 30 April 1840, a ship called the Sultanah dropped anchor in New York Harbor. Aboard was Ahmad bin Na'aman, envoy of the Sultan of Muscat and head of the first Arab diplomatic mission ever to reach the United States. He had not arrived out of curiosity.

Seven years earlier, Muscat and Washington had signed a Treaty of Amity and Commerce, the first bilateral accord between the United States and any Arab state in the Gulf region. The Sultan's reasoning was simple and, for the time, unusual. The Americans, unlike the British and the French, had turned up with cargo rather than gunboats, and Oman has always preferred a partner who wants to trade to one who wants to rule.

That instinct still defines the place. Oman keeps a door open to everyone and slams it on no one, and its foreign policy rests less on power than on being trusted by people who trust nobody else.

Parley Policy's 2023 Cable ("Oman's Interfaith Diplomacy") traced the roots of that posture to the Ibadi sect of Islam, an oil economy that treated migrant labor as an asset, and a deliberate habit of religious dialogue. This dispatch picks up where it left off.

That analysis was written in 2023, before the assassination of Iran's supreme leader and the Red Sea and Hormuz crises that came with it, before Iranian drones had ever struck an Omani port, and before the new Sultan had properly settled into the job. In September 2026 I spent time in Muscat exploring the beautiful country of Oman and seeking answers to whether the takeaways from that analysis still hold, and what Omanis themselves think they stand to gain or lose from a region that is polarizing faster than quiet diplomacy can keep up with.

Oman gets called the Switzerland of the Middle East, and the label earns its keep. Both are small, mountainous countries that have stayed out of their neighbors' wars and become places where enemies could meet, whether overtly or secretly. Each turned discretion into a national industry, one in banking, the other in diplomacy. Even the manners rhyme. In neither country does a good host fill a guest's glass to the brim, though in Muscat, as I explain later in the dispatch, the gesture carries an unspoken message.

But the comparison has a limit, and this year exposed it. Swiss neutrality was recognized by the great powers in 1815 and, a handful of stray Allied bombs in the Second World War aside, has never been tested by force. Oman's neutrality was tested by Iranian drones in March. Whether Oman's neutrality can survive further tests of a similar nature is the question this dispatch tries to explore.

How the habit was learned

Oman learned to deal with outsiders the hard way. In 1507, Afonso de Albuquerque sacked Muscat on his way to building Portugal's Indian Ocean empire. Chroniclers record him ordering the noses and ears cut from the town's captives.

Portugal held the Omani coast for the better part of a century and a half. The two forts that still frame Old Muscat's harbor, Al Jalali and Al Mirani, were Portuguese works of the 1580s, though the version I heard on a walk through the old town had them built to keep the Portuguese out.

The Portuguese were expelled in 1650, and over the next two centuries Oman built a maritime empire of its own that ran down the East African coast to Zanzibar. That is where the Sultanah sailed from in 1840.

The Persians came next. In the 1730s and 1740s, with Oman weakened by civil war, Nader Shah's forces occupied much of the coast. Ahmad bin Said, the governor of Sohar,

drove them out, was elected imam in 1744, and founded the Al Bu Said dynasty that rules Oman today. The state that Sultan Haitham heads was, in other words, born by expelling Persia. Omanis told me with some pride that they had beaten the Persians twice with a fraction of their population, as true underdogs. What came later makes the present relationship with Tehran more striking still.

When Qaboos took power in 1970, he inherited the problem of a communist-backed insurgency in Dhofar, southern Oman, that his father had been losing. The British ran the campaign and Jordan sent troops and engineers, but the decisive contribution came from the Shah's Iran, which sent a brigade with its own artillery and helicopters in 1973. Some 3,000 Iranian troops were stationed in Dhofar by the time the war was won in 1975.

Oman did not forget. When the Shah fell four years later, Muscat kept its channel to the new Islamic Republic open while most of the Gulf lined up behind Iraq, and it has kept this channel open through the Iran-Iraq war, the tanker wars, the nuclear crisis and now the killing of a supreme leader.

The relationship with Tehran is not sentiment. It is an informal debt, and a calculation about geography. The two neighboring countries share the Strait of Hormuz, and the shipping lanes which run through Omani waters off the Musandam peninsula.

Atmospherics in Muscat

The short answer on mood is calm, and quietly confident. Nothing in Muscat feels tense or desperate. If anything, the city hums with prosperity. The multilane highways have no potholes. No detail is spared on the bridges and pillars, which are worked with geometric patterns, and rows of palms frame the road. The cafes are spotless, and serve coffee as good as anything in Australia at half the price. They are full of smartly dressed young Omanis in crisp dishdashas, standing tall. Meet someone's eye and you get a warm smile back. To understand where that confidence comes from, you have to start with how Omanis talk about, and look up to, the man who made the modern state.

Sultan Qaboos ruled from his bloodless coup in 1970 until his death in 2020. The phrase I kept hearing, in one form or another, was the "lovely dictator," and it was meant kindly. He held all the power and, in the telling, used it to build rather than to hoard.

The folklore around his death makes the same point. The story goes that Qaboos died with barely a hundred million in the bank, having plowed everything else back into the country. I have no idea whether the figure is anywhere near right, and it hardly matters. Omanis tell the story because it explains the bargain at the heart of the state. Only half in jest, I had the economy described to me as a "baby economy," in which the ruler feeds the population the way a parent feeds a child and the population, in return, grants

legitimacy. A political scientist would call it a rentier state, but the local phrase says more about how the arrangement feels from the inside. It repeats at household scale. At one dinner I attended, the cooks turned out to be relatives of a man who had worked for the same family for more than thirty years.

Muscat still caps most of its buildings at around nine stories; the capital would rather not loom. New developments on the outskirts though may be fresh challenges to these traditional limits, including one major development associated with the Trump family. A further point that best encapsulates the charm of Oman, is a saying among British expatriates of three, five, life. Stay three years and you will almost certainly stay five, and after five you are here for good.

The economics of staying calm

Omanis do not welcome the war, and they have not been spared it, but they see in it a reminder of what their country has always offered the region, a safe harbor where capital, families, and visitors can wait out the storm.

Migrant labor has been a pillar of that peace for fifty years. Oil-funded growth drew workers from across the region and beyond, and Oman, unlike some of its neighbors, chose to treat them as contributors rather than a threat. That still holds, but it now sits under a pressure of Oman's own making.

Vision 2040 is the government's blueprint for weaning the country off oil, and at its center is Omanization, a program to move nationals into private-sector jobs through annual targets, quota inspections, and a growing list of occupations closed to foreigners.

Progress is well behind schedule. Omanis hold under a fifth of private-sector jobs, about 436,000 of them at the end of March 2026, against a target of 42 percent by 2040, so the pressure is to tighten rather than to relax. With nearly two-thirds of Omanis under thirty, the logic is hard to argue with, but it sits awkwardly beside the multiculturalism the peace is supposed to rest on. If the bargain of the past fifty years was that outsiders were welcome because they built the country, what happens to the welcome when the country wants those jobs for its own people?

The labor market has its own vocabulary, or rather lacks one. There is, I was told, no everyday word in Omani Arabic for part-time work; you have a job or you do not. It hints at how a country accustomed to lifetime public employment will have to rethink work itself as it tries to make room for the young.

Oman treats its migrant workers better than most of its neighbors do, but it has not found a way to write them into the country's long-term bargain, and there is no sign that it intends to. Omani nationals and their employers pay into the Social Protection Fund.

Expatriates are largely outside its pension branch, as they are across the Gulf. Almost all manual labor is done by South Asian migrants, paid somewhere between 150 and 400 rials a month, or roughly US$400 to US$1,000. However long they stay, they remain foreigners. There is no Omani nationality at birth for the children of expatriates and no dual nationality. Even a foreigner married to an Omani woman must have a child from the marriage, wait fifteen years, and then hope for citizenship by royal decree, which is granted rarely and need not be granted at all. Unlike in the West, there is no assumption that a migrant will one day become a citizen with equal standing, and no expectation that Oman will adapt to its migrants rather than the reverse. The terms are understood on both sides.

Germans were singled out to me as a large and growing market for short term tourism, which is plausible, since Oman sells wadis, mountains, and forts rather than shopping malls. Developers are pitching townhouses to higher wealth foreign buyers on flexible terms with a government-backed guarantee on deposits. Oman is opening itself up as a place to stay rather than just a place to work, and the steadiness that has always been its inheritance is also, increasingly, what it has to offer the world. One expat described Oman's investment case to me as a tax haven that is now less likely than Dubai to be hit by a drone.

The confidence of Oman as an increasingly attractive country for expat investment due to its relative safety, low to no tax, and economic stability, has a balance sheet and fiscally responsible leadership behind it. When oil collapsed in 2020, Oman's public debt stood at about 68 percent of GDP and all three big rating agencies had the country well into junk. Sultan Haitham's answer was a four-year fiscal plan, a value-added tax in 2021 and a run of early debt repayments, and the numbers moved quickly. Debt fell to around 36 percent of GDP by 2025, the budget ran a surplus of 2.8 percent of GDP in 2024, and investment grade came back, from S&P in September 2024, Moody's in July 2025 and Fitch in December 2025. Switzerland did something similar in 2001, when 85 percent of its voters imposed a debt brake on their own federal government. Oman's version arrived by decree rather than referendum, but the instinct is the same, that of a small country that does not want to need anyone's help. It is harder for a country to stay neutral if its proverbial are firmly gripped by debt

Respect without alignment

When I asked why Oman behaves the way it does, one of the answers I got was a parable: When an Omani is walking and his clothes catch on a branch or a thorn bush, he does not give in to the instinct to rip the fabric free, because that would hurt the plant and tear the cloth. He stops, thinks, and works the garment loose gently.

It may be a well-worn saying. It is also a fair summary of the country's foreign policy. The same watchfulness shows up in small things. For example, I found it fascinating

that in carparks, it was near impossible to see any cars parked front in. Upon asking a local, it was explained that Omanis reverse into parking spaces so that they can leave in a hurry if they need to; nobody could tell me where the habit came from.

You see the respect without alignment mentality most clearly in how Omanis talk about Iran.

Iran, I was told more than once, is simply Persia under a new name: same land, same people, different flag. There was real admiration for the staying power of the Shia and of the region's non-Arab peoples. In almost the same breath, I was reminded with some pride that Oman beat them twice with a fraction of their population, a memory that reaches back to the founding of the ruling house.

But the line was drawn clearly. Oman is not pro-Iran or pro-anyone; the pride is in being the go-between. That is the stance that lets Muscat sit in a room with Tehran without either flattering it or fearing it.

It shows in who turns up, too.

In the small hours one morning, I walked into the bar of an international hotel in Muscat and found a party in full swing. The room was packed, most of it dancing and singing, drinks and cigarettes everywhere, and nearly everyone in Western clothes. My passport and personal questions beyond what would be the usual requirements for entering a pub were required to be answered and assessed prior to entry. The music was heavy, bass-driven and Middle Eastern, closer to what you would hear blasting in an authentic shisha lounge back in Australia.

It took a few conversations to work out that they were predominantly Iranians, each in Oman for a reason of their own and none of those reasons flattering to the government in Tehran. Iranians in Oman are mostly not refugees but traders on business visas, and disproportionately people with no love for the system at home. They are a commercial community, and also a useful window on opinion inside Iran, and on that evening a reminder of what a safe harbor looks like from the inside.

The go-between role has a long record. Muscat hosted the secret meetings in 2013 that led to the Iran nuclear deal, negotiated the release of American hikers held in Tehran before that, and has carried messages between the Saudis and the Houthis throughout the Yemen war. It was hosting talks between Washington and Tehran over the nuclear program in February this year, right up until the strikes that killed Ali Khamenei, and its foreign minister said afterwards that serious negotiations had been undermined.

Whatever else the war has done, it has not made Oman any less necessary.

Speculations about Tehran's leadership abound

On the government in Tehran itself, the picture Omanis are describing is stranger than the question assumes. Their reading is that the Iranian state is heavily layered and decentralized, and that nobody can say with any confidence whether the new supreme leader is alive.

One theory I heard in Muscat is that Iran has been through a silent coup, with a newer power base operating behind the formal leadership. Published analysis is not far off. Forbes suggested Mojtaba's elevation was the Revolutionary Guards consolidating behind a pliant figurehead.

Where I would differ is on who has benefited. The presidency has never been the real center of power in Iran, and Pezeshkian, a reformist with no base of his own, pledged allegiance to Mojtaba alongside Ghalibaf and Larijani back in March. A president publicly vouching for a leader nobody has seen looks less like a faction seizing its moment than like the existing elite closing ranks around an empty chair. The more likely beneficiaries are the Guards and the security council.

The theory comes with its own test. If Mojtaba turns up in verifiable footage it collapses; the longer decisions keep appearing in the name of a man nobody sees, the more plausible it becomes.

For Oman, this makes the question about Tehran's new government a practical one. What the new leader thinks matters less than working out who in Tehran actually answers the phone.

The price of a position

Neutrality is not free, and this year, Oman paid for it literally.

On 28 February, with Omani-hosted talks between Washington and Tehran still under way, the United States and Israel kicked off the hostilities. From 1 March, Iranian drones began arriving over Omani ports and the shipping off them.

Duqm was hit first. One drone struck a workers' housing unit at the port and the debris of a second fell near the fuel tanks, one of which was damaged two days later. The same day, two crew were killed on a tanker off Khasab, and four more died on a tug in Omani waters the following week. Salalah followed on 11 March, with fuel tanks ablaze and the port suspended, and again at the end of the month, when two drones damaged a crane and injured a worker. Two people were killed when a drone fell on Sohar's industrial area on 13 March. Duqm and Salalah are both ports the U.S. Navy uses under a 2019 access agreement, and the Revolutionary Guards were explicit about the logic. They

were aiming at an American support vessel, they said, and the sovereignty of a brotherly country was respected. Omanis I spoke with drew the same distinction themselves. The targets, in their telling, were foreign ships and foreign interests in Omani ports, and no Omani-owned business has been hit. It is a fine line, and one that suits both Muscat and Tehran to keep drawing.

Muscat called the attacks heinous. The country that had spent February trying to head off the war spent March absorbing it.

Omanis know what neutrality costs in other currencies too. They remember that when the Saudi-led coalition went to war against the Houthis in 2015 and Oman stayed out, parts of the Gulf press called them weak, even cowardly.

The Houthis are discussed in Muscat in neutral and at times sympathetic terms; the Saudi leadership gets rather less charity. NEOM's The Line was described to me as a project that was always going to fail, run by a leadership too insulated to hear criticism, "a video game player with no idea," as one description had it. Color rather than analysis, but it shows where Oman places itself in relation to its larger neighbor.

The sharper point concerns the chokepoints. If the Bab al-Mandeb and the Strait of Hormuz stay contested, the view in Muscat is that it could be the end of the House of Saud. One answer being floated is a pipeline across Oman to the Arabian Sea, where the port at Duqm was built precisely to give Gulf oil a way out that does not pass through Hormuz. It would be enormously lucrative. It would also make Oman a permanent target, as the March strikes on Duqm and Salalah have already shown, and it could compromise the neutrality that makes Oman useful in the first place. Whether it would serve Oman in the long run was left open in the conversations where it came up. That is the dilemma: the country's chief asset is a position it will be under real pressure to give up.

Oman's own arrangement with the Americans has always been access rather than permanent bases. A facilities agreement in 1980, renewed in 2010, and the 2019 framework covering Duqm and Salalah add up to roughly eighty U.S. Navy port calls a year, and weeks after signing the 2019 agreement, Muscat signed a military cooperation memorandum with Iran. Britain keeps a logistics base at Duqm; India has access to the same port. Overlapping access for everyone, exclusivity for no one, and as little said about any of it as possible. That is the model, and it survived March. Switzerland keeps its neutrality with an army it never uses; Oman keeps its with ports everyone uses.

On the American presence itself, Omanis do not volunteer an opinion. The conversations about the Houthis and the Saudis circle around it, but nobody I spoke with said what they thought Washington should do next, or whether they wanted it to stay, and the spring's strikes did not come up unprompted. Six months after being

struck for hosting American ships, the silence may be the answer. A country that has spent two centuries declining to choose is unlikely to start by choosing out loud.

Conclusion

When the Sultanah sailed into New York in 1840, it carried a philosophy along with its envoy, one Oman has never abandoned, that safety lies not in armies or alliances but in being the one everybody can deal with. America was welcome because it came to trade rather than to rule. Nearly two centuries on, the same instinct makes Muscat the quiet room of the Middle East, useful to Tehran and Washington alike because it belongs to neither.

The peace at home and the role abroad rest on the same foundation. At home it is a bargain between the beloved ruler who fed his people and the open door that turns three-year postings into lifelong residents. Abroad, it is the Ibadi outsider, neither Sunni nor Shia, who can respect Iran without joining it and host America without serving it. They are the same thing. The tolerance that keeps the peace at home is what makes the peacemaking abroad believable, and after this year, it is also what makes the calm itself so remarkable.

What has changed is the pressure. A polarizing region keeps asking small states to choose, and Oman's whole value lies in declining to do so. Vision 2040 will test whether the country can keep its doors open while handing more of its future to its own people. The chokepoint crises will test whether quiet diplomacy can survive a moment this loud, and whether a pipeline's revenue is worth a reputation two hundred years in the making and a coastline that has already been struck once this year. For now, Omanis are betting that the calm is the asset, and that a region in turmoil needs a place that stays steady more than it ever has.

So is it the Switzerland of the Middle East? In most of the ways that matter, yes: a small country that made itself indispensable by refusing to take sides, and that everybody, in the end, needs somewhere to meet. The difference is that Switzerland's neutrality sits behind the Alps and a two-century-old guarantee, and Oman's sits on the Strait of Hormuz with nothing behind it but its own reputation. That makes it the braver of the two, and the more fragile.

There is an Omani custom that fits. At a gathering, a host who wants you to stay tops up your cup a little at a time. A cup filled to the brim means it is time to go home. Oman has made an art of saying a hard thing gently, and in a region that has forgotten how, that may turn out to be its most valuable export.

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