

See the second
comments.
not

Prime Minister

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You may well have comments Foreign and Commonwealth Office
on various points. But the only
decision arising from this letter is that
which I have marked on page 3 viz
should the Aid not be restored. 1

London SW1A 2AH

1 May 1981

Please reconsider
LSP cost
point.

Dear Michael, assume that you would wish
this to happen.

Oman

Andy S/S

You asked for a report by the end of this week on the
action taken to follow up a number of bilateral points
which arose during the Prime Minister's visit to Oman.
These were dealt with in detail in Mr Hurd's meeting with
the Omani Minister of State for Foreign Affairs (record
attached) and also in the Prime Minister's tete-a-tete
with the Sultan. This letter brings everything together
for convenience but action in many cases lies with other
Departments in Whitehall. We have been in touch with all those
concerned.

The first matter is the proposal put forward by Qais
Zawawi for a Joint Economic Commission. We have agreed to
this in principle, subject to further discussion of the
details. Although reference was made in the discussion to the
UK/UAE Joint Commission, the Omanis clearly envisage
something more on the lines of the recently set up Oman/US
Economic Commission with Yusuf Alawi and the American
Ambassador as co-chairmen. This Commission is intended
to identify development projects (such as water exploration
and conservation) to be financed from the soft loans which
form part of the wider military/economic package agreed between
the US and Oman last year. Unfortunately a similar Omani-
British Commission might compare unfavourably with the
American arrangement in view of the very limited resources
available for us for aid to Oman. There is, however, certainly
scope for a Commission with a more general remit similar
to the one with the UAE, which could provide for a series of
sub-committees to cover detailed aspects of our relations
(trade, British Council and other cultural matters, hospital
co-operation etc). We do not, however, think it would be
appropriate to include defence matters. These are better dealt
with in the framework of the regular contact at Ministerial
and other levels which has already been established and which
we and the Omanis agreed during Mr Nott's visit to intensify
through the institution of regular 'staff' talks which we hope
will in practice cover the whole range of defence co-operation.
We would not wish these to be tied to the irregular
Joint Committee meetings and should prefer to keep them
separate and unstructured. We are now drawing up draft
terms of reference for the Joint Commission in consultation
with the Department of Trade and others and will put them to
the Omanis shortly.

The next issue is the perennial one of Loan Service
Personnel (LSP) costs. Ministers agreed as recently as
January this year that we should continue to assess charges

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I thoroughly disagree. This approach does us no benefit here. These people are our true friends

on a full cost basis, which means that an element is included to defray the cost that has gone into training the individual concerned. The Defence Secretary has, however, agreed that we should be able to reassess the fees in individual cases where there are good reasons or defence grounds, including defence sales. The Ministry of Defence are studying how this should be done and the appropriate machinery should be established by June. The Ministry of Defence will be reporting to you direct.

and we look them back by helping matters such as this.

Zawawi also complained of sudden retrospective increases in LSP charges. It is true that these have had to be made in the past. This is because costing data, on which LSP charges are based, do not become available until the latter part of August each year. In the interim, bills are calculated on the basis of the previous year's costs. In order to avoid retrospective charges, MOD will as from April this year, be increasing bills at the outset and will make adjustments to reflect actual charges when up-to-date costs become available.

This is most unwise

The Omanis raised the question of a line of credit for military sales, drawing a comparison with American arrangements. The Ministry of Defence are looking at this question and will be writing to you direct. There is no doubt that while ECGD's terms are comparable with those of most of our Western allies, they are distinctly inferior to those offered by the Americans under FMS, which are more akin to aid. On the general question of our military assistance to Oman, it is for consideration whether we should make clear to the Americans that their activities in this field to some extent have the effect of undercutting ours, both on sales of defence equipment and the provision of assistance and training. The Americans consistently affirm that we should maintain our position in Oman and they should be prepared to help us do so.

The Prime Minister has asked that the cut in our aid programme to Oman should be looked at again. The problem is that Oman's comparative economic wealth should preclude our providing any financial support at all at a time when we are having to give priority to those countries in direst need and lacking resources of their own. Such aid as we now give is really only justified on political grounds and because of the close historical links. Ministers concurred last year in the Aid Framework Proposals which identified Oman as a country for which we should run down our aid, with a view to eventual termination. Following that decision, negotiations were put in hand with the Omanis and we agreed with them in March that posts financed in part by ODA would be phased out gradually over the next two and a half years to cause the least inconvenience. Meanwhile the Omani contribution was

and strategic



1. think a gesture such as this is needed and should be made.

to remain at the lower level of Oman Rials 500 per month for each expert (not Rs.0 800 quoted by Zawawi to Mr Hurd). Our involvement would not cease when financial responsibility for TCOs ends in 1983. We should continue to provide training in Britain and pay for short visits by advisers. And, apart from the TCO aspect, the British Council's important work would continue. It would, of course, be possible to restore the aid programme to the original £300,000 if the Prime Minister wished this. It would be a political gesture and we hope it would be seen by the Sultan as a direct result of his intervention with the Prime Minister. The money would come from the contingency reserve, which Lord Carrington has wished to keep for genuine contingencies, but he agrees that this sum will not make a significant reduction. If this is agreed we shall reopen negotiations with the Omanis about the spending of the money.

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Zawawi, who did not ask for reconsideration of the cuts, asked Mr Hurd whether HMG could help recruit personnel for direct appointment by the Oman Government. We have looked into this and can agree for the period up to 1984 to meet the recruitment costs charged by British Council and/or Crown Agents in respect of British experts recruited on direct contract to the Government of Oman to fill agreed key posts in the Omani Government's administration. On the basis that the aid cut is not restored we should have to limit our commitment to £15,000 in any one year, the costs to be a first charge on such aid money as the British Government makes available to Oman. If, however, the aid is restored to £300,000, we could cover a larger recruiting cost.

The Prime Minister told Sultan Qaboos of our interest in the new university which is planned. The contacts which have already been made through the British Council with universities in this country put us in on the ground floor in assisting with the academic development of the university and the number of British consultants and construction companies operating in Oman itself offers a similar advantage on the engineering side. We are pursuing the question of whether the various British interests should be pulled together in a consortium either now or at a later date. In the meantime, the Omani Project Co-ordinator for the academic development of the university has been invited to this country in June by the British Council, when he will have further discussions with universities and institutions. In preparing the programme for the visit, the British Council will bear in mind the Sultan's wish that the university should concentrate on science and technology. The Council have noted the Prime Minister's view that institutions other than Oxford and Cambridge should be involved.

I should like to see him and see the proposals prepared for him.

The Sultan and I had a long discussion.

3. Can the Ministry of Education be initially invited here for a visit to see several universities?



Finally, Zawawi raised the question of the BBC relay station at Mairah. The Americans have recently suggested that its transmissions are a radiation hazard to USAF operations in its vicinity which could also concern the Omani Air Force. American engineers, assisted by British experts, carried out a technical study of the problem in March. We have now heard (Washington tel 1320 attached) that the report considers there may be a problem. The Americans have proposed a meeting in May in London, and we are instructing our Embassy in Washington both to obtain a copy of the report urgently and to press the Americans for the earliest possible meeting.

I am copying this letter to Brian Norbury (MOD) and John Rhodes (DOT).

Yours ever,

A handwritten signature in cursive script that reads "Francis Richards".

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1



Oman

CF to file

10 DOWNING STREET

From the Private Secretary

6 May 1981

Oman

The Prime Minister has seen your letter to me of 1 May about the follow up to her visit to Oman. She has made a number of comments.

Loan Service Personnel Costs

The Prime Minister would like our policy on this issue to be reconsidered. She wholly disagrees with the proposition that we should assess charges for Loan Service Personnel on a full cost basis. She believes that this approach does us very great harm. She considers that we are unnecessarily upsetting friendly countries by raising "trifling matters" such as this. The Prime Minister also regards the proposition that bills should be raised from the beginning of the financial year with adjustments being made subsequently to reflect actual charges as "most unsatisfactory".

Aid

The Prime Minister believes that the aid programme should be restored to its original size i.e. £300,000.

The University

The Prime Minister would like to see the Omani Project Co-ordinator when he comes to this country next month. She would also like to see the programme prepared for his visit. She wonders whether the Omani Minister of Education should not be invited to come here to see some of our universities.

I am sending copies of this letter to Brian Norbury (Ministry of Defence) and John Rhodes (Department of Trade).

M. O'D. B. ALEXANDER

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

55-8



From the Secretary of State

Francis Richards Esq
Private Secretary to the Secretary
of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

13 May 1981

Dear Francis,

OMAN: JOINT COMMISSION

My Secretary of State was interested to note from your letter of 1 May that the Omanis raised a proposal for a Joint Economic Commission during Mr Hurd's recent visit. For political reasons, the proposal was accepted. I am writing to set out the Secretary of State's views on the general principle of Joint Commissions, to help your people in drafting the terms of reference.

From the trade point of view, Oman is not a market where we would see any obvious advantage in a Joint Commission. First, it is a relatively small market; but more important, our experience is that such Commissions as we have only produce benefit to justify the effort with centralised economies such as the East Europeans or, currently, Iraq. They do not work well in less structured markets of the Omani kind. All Departments are, as you know, losing staff. On the trade side here, for instance, we are taking a 25% cut by 1984. We therefore need to use our remaining resources to best effect.

The Secretary of State is therefore glad to see that you are looking at the arrangements we have made with the UAE which embrace other subjects of bilateral interest, and is not confined to trade.

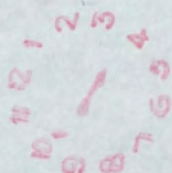
Given that we have very little aid, and little to discuss under trade, it would seem worth making quite an effort to take the "economic" out of the title of the new body.

I am copying this to Michael Alexander at Number 10.

Yours sincerely,

JOHN RHODES
Private Secretary

113 MAY 1981



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RECORD OF A MEETING BETWEEN THE MINISTER FOR FOREIGN AND COMMONWEALTH
AFFAIRS AND THE OMANI MINISTER OF STATE FOR FOREIGN AFFAIRS IN SALALAH
ON THURSDAY 23 APRIL 1981 AT 1815 HOURS

Present:

The Hon Douglas Hurd, CBE, MP
Sir John Graham, KCMG
Sir Ronald Ellis
Mr. Charles Humfrey

HE Qais Zawawi
Yusuf Alawi, Under Secretary of
State for Foreign Affairs
Salem Ghazali, Under Secretary
for Defence

1. Zawawi said that he had a few bilateral points which he wished to raise separately with Mr. Hurd. The first was an Omani proposal to set up a joint UK/Omani economic commission similar to that which the UK had with the UAE. He referred to the Joint Commission which Oman had started with the US and which he said assisted Oman in carrying out surveys of projects for their five-year plan. He handed over a copy of the latest five-year plan and referred to the section on "main projects" which he said provided for US technical aid and assistance, one of the initial priorities being the development of water resources. Mr. Hurd suggested that this concept for a committee differed from the existing UK/UAE Joint Committee in that it appeared to be more specifically directed towards aid rather than a forum for general discussion between the two governments. There was a limit to the amount of technical cooperation the UK was able to give. Nevertheless, his initial reaction was to favour establishment of such a committee with perhaps somewhat wider terms of reference which could take the form of a main Ministerial committee with smaller sub groups. He undertook that we would prepare draft terms of reference for such a committee and put these to the Omanis.

Zawawi agreed and said that the Omanis would provide details of the terms of reference of the US/Omani Joint Committee as a guide in the drafting. There was a discussion about what might be said to the press. Mr. Hurd said that there would be no objection to the Omanis saying that the UK side agreed to give the idea of a joint commission favourable consideration.

2. Zawawi turned next to bilateral relations in defence and security and said that there were two questions which he wished to raise. The first was to ask for a reduction in the cost of Loan Service Personnel supplied by the UK and the second to repeat the request which he had made earlier to Mr. Nott for better credit facilities for purchases of military equipment from the UK. Mr. Hurd said that the question of credit facilities had been considered by Mr. Parkinson who had asked him to explain that under the British

system it was difficult for us to open a line of credit as the US had done. At the same time, we wanted to ensure that the Omanis got the best available terms and would like to handle this through the ECGD flexibly case by case. If for a particular contract Oman considered that the terms were too tough then they should let us know and Mr. Hurd would personally try to ensure that they got the best available terms.

3. Zawawi stressed the advantages which FMS credit from the US gave Oman in the form both of government to government credit facilities and by involving the US Government in all defence purchases from the US. Sir Ronald Ellis explained that the UK had never given any country military credit like that available under FMS. We always gave credit only for an individual sales package. However, the memoranda of understanding which we had signed on occasion with certain countries gave opportunities for government to government consultation similar to that embodied in the FMS system. We had also set up special joint commissions with particular countries, for example Yugoslavia which provided an opportunity for consultation between governments free of any contractual obligations.

4. Zawawi and Ghazali explained that the Omanis were looking for more than an opportunity for government to government consultations in this field. Ad hoc consultation already took place with MOD. The FMS system had the additional advantages of better credit and of rolling over the credit available. The present UK arrangements for credit were an obstacle to purchasing from the UK and Oman was hoping for regular credit facilities which would allow it to continue to buy from the British market. Mr. Hurd said that it would be difficult for us to follow exactly the FMS system but he was prepared to look at the question again and for us to do our best to accommodate Omani concerns. Mrs Thatcher had said that we were anxious to facilitate Omani defence purchases in the UK. Sir John Graham suggested that the terms of reference of a joint UK/Oman commission which had been discussed earlier might be broadened to include a section on defence matters. This was accepted by the Omani side and Mr. Hurd concluded that we would look into the general question of credit and meanwhile try to accommodate the Omanis on specific credit problems case by case.

5. Sir Ronald Ellis, replying to Zawawi's concern about the cost of Loan Service Personnel, explained that the Ministry of Defence were in the process of reviewing costs. Ghazali said that the Omani concern was caused by the need for more LSP to handle new equipment on order. The matter had been

/ raised during

raised during Mr. Nott's visit. Mr. Hurd confirmed that Mr. Nott had ordered a review of costs, and he would pass on this further appeal to Mr. Nott. We considered that the charges for LSP could be defended. Ghazali stressed that there was a strong feeling on the Omani side that Oman should be treated differently by the UK because of the special defence relationship between the two countries. As cooperation became clearer, more LSPs were needed and this problem became more acute. He complained that for example Oman had to pay 3,172 rials a month for a British LSP colonel. But the colonel himself received only 1,732 rials from the Ministry of Defence in pay, and a British colonel on contract terms would be paid only 1,111 rials. Mr. Hurd explained that the costs charged included provision for having trained the colonel to his present position and that the UK made no profit on the arrangement. Ghazali disputed this, however, saying that it could be looked at in a different way. For example the British LSP flying Jaguars had the benefit of flying experience while they were in Oman, something which should be taken into account. Mr. Hurd said that he understood the Omani concern and that he would certainly look at it carefully in the context of the review under way. Zawawi added that one further problem on charges was that the Ministry of Defence gave Oman no advance notice before making sudden retroactive increases in the charges. Mr. Hurd undertook to take this point into account also.

6. Zawawi raised the question of the BBC relay station in Masirah. Sir John Graham said that we had wanted to have a joint US/UK technical team look into the problem which the station might pose for the planned US facilities in Masirah. A team had been to Masirah, but we had not yet received a report. There had been a delay on the US side in getting the team out. Zawawi said that he thought that the US and UK teams had done their investigations independently. He understood that the US team had returned to the US to evaluate its findings before making a report. Mr. Hurd said that it was an important problem both for Oman and the UK. It would be expensive to move the BBC station, and he hoped that a satisfactory technical answer could be found to avoid this. Sir J. Graham undertook to pursue the matter in London.

7. Zawawi raised the question of British technical assistance. Oman had an agreement on such assistance with the UK, but had discovered that it was

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not being adhered to, particularly as far as the salaries of technical assistance personnel were concerned. The UK had recently asked for an increase in the salaries of such personnel, first from 250 rials per month to 500 rials and now to 800 rials. Yusuf Alawi said that total UK assistance was apparently going to be decreased by 1983 from £300,000 a year to only £50,000. This did not appear to be in line with the agreement. If Oman recruited personnel in the open market it would cost less than it did at present, and in any case the Ministries concerned had no budgetary allocation to meet the increased costs. An official ODA team, following their visit to Oman, had proposed that there should be a reduction in the number of personnel so that their cost could be accommodated within the new aid total. Zawawi said bluntly that Britain was no longer offering technical assistance since Oman was paying for what it received. Oman already provided a great deal for the technical assistance personnel which it received, and now it was being asked to pay large increases in salary. As an alternative the British Government could have one of its Departments recruit such personnel for Oman so that they entered into direct contacts with the Omani Government. He had wanted simply to raise the matter on this occasion, so that it could be taken up again at a later date. Mr. Hurd indicated that he would give the question further consideration.

(note)

24 April, 1981.

CONFIDENTIAL

CONFIDENTIAL

FM WASHINGTON 282235Z
 TO PRIORITY F C O
 TELNO 1320 OF 26 APRIL 1961,
 INFO MUSCAT.

YOUR TELNO 550: BBC TRANSMITTERS AT MASIRAH

1. LUMSDEN (STATE DEPARTMENT) TOLD US TODAY THAT THE REPORT FROM USAF PATERSON WAS NOW WITH THE DEPARTMENT OF DEFENSE. THE STATE DEPARTMENT EXPECTED TO INSTRUCT THE US EMBASSY IN LONDON SHORTLY TO SEEK A MEETING ON EITHER 11 OR 25 MAY IN LONDON AT WHICH THE REPORT WOULD BE HANDED OVER. DOD ARE CONCERNED LEST THE REPORT SHOULD BE MISINTERPRETED BY NON-EXPERTS, ESPECIALLY PERHAPS BY THE OMANIS, AND BECOME A SUBJECT OF CONTROVERSY: THEY WOULD THEREFORE PREFER THEIR REPRESENTATIVES TO HAND IT OVER AND TO COMMENT ON IT PERSONALLY.
2. LUMSDEN APPEARED EMBARRASSED TO OFFER THIS LAME EXPLANATION FOR THE DELAY. WE URGED HIM TO DO WHAT HE COULD TO ENSURE THAT THE REPORT WAS MADE AVAILABLE AS SOON AS POSSIBLE SO THAT IT COULD BE STUDIED BY OUR EXPERTS BEFORE ANY MEETING. LUMSDEN AGREED TO PURSUE THIS FURTHER WITH DOD.
3. LUMSDEN (PLEASE PROTECT) GAVE US IN STRICT CONFIDENCE A SUMMARY OF THE REPORT'S FINDINGS (HE HAS SEEN ONLY A SYNOPSIS OF THE REPORT). HE SAID THAT THERE WAS A LIMITED PROBLEM CONCERNED WITH THE PROPOSED THIRD GENERATION AIRCRAFT SHELTERS AND THE ARM/DISARM PAD LOCATED AT THE NORTH END OF THE MAIN RUNWAY. DURING BERS TRANSMISSIONS THERE IS A POTENTIAL HAZARD TO MUNITIONS IN THESE AREAS. ONCE THE MUNITIONS ARE "UPLOADED" THE HAZARD DIMINISHES. SO FAR AS LUMSDEN IS AWARE, THE REPORT MAKES NO RECOMMENDATIONS FOR TACKLING THIS PROBLEM, BUT, HE IMPLIED THAT DOD MIGHT BE THINKING IN TERMS OF REMOVING THE BERS TRANSMITTERS.
 HENDERSON

LIMITED
 INFORMATION D (VISITS)
 CED
 MED
 DEFENCE D
 LORD NG LENNOX
 MR MILLS

THIS TELEGRAM
 WAS NOT
 ADVANCED

CONFIDENTIAL