



INTERNATIONAL SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: DEC 17 2018

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MEMORANDUM FOR THE SECRETARY OF DEFENSE
THROUGH: THE UNDER SECRETARY OF DEFENSE FOR POLICY

SUBJECT: Proposed Solution for O & M Cost Sharing in Oman (U) -
ACTION MEMORANDUM

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Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 17 DEC 2018 Authority: EO 13526
Declassify: X Deny in Full:
Reason: _____
MDR: 18-M-1476

(U) On July 27, 1983, I chaired an interagency (IG) meeting to find a solution to the current O & M cost sharing impasse we have with the Omani Government (OmanGov). We considered two options:

1) Offer Oman \$10M beginning in FY 85 under a formal lease arrangement, to meet the increased commitment the OmanGov believes we made in February, plus payments for actual maintenance and operating costs as agreed in Dec/Jan. This offer would be contingent on OmanGov guarantee of US access to Omani facilities and approval to begin our repositioning program this year.

2) Adhere to our Dec/Jan offer, and if rejected and approval to begin repositioning is not received, suspend our entire milcon program in Oman.

(U) Essentially, State, NSC and ISA support Option 1, and Air Force and JCS support Option 2. Specific positions of the various agencies represented at the IG are summarized at TAB A.

(S) **RECOMMENDATION:** Given the importance of Oman to US regional interests, we should make a reasonable offer to the Omanis to meet the commitment outlined in the February 27 document as our contribution to O & M. \$10M is a reasonable amount, since it includes the \$3M readiness payment we agreed to pay toward maintenance of existing Omani Air Force (SOAF) facilities, an additional \$3M toward SOAF maintenance costs, and \$4M for a proportion of Oman's operating costs. This \$10M payment (to begin in FY 85) would be in addition to payments, based on direct billing, for maintenance of US constructed facilities, and for consumables related to US military activities. A table of estimated costs is at TAB B.

Caspar W. Weinberger
12 AUG 1983

APPROVE _____

DISAPPROVE _____

(U) According to legal statute, this \$10M payment constitutes "rent", and therefore requires a lease arrangement that would become an amendment to the Access Agreement. As such, the lease should be more acceptable politically to the Omanis. Congress will be notified before the lease goes into force. If you

330-85-0028, bx 21, Oman

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Caspar W. Weinberger

agree, I will ask OSD General Counsel to work with Defense and State lawyers in preparing such a lease.

APPROVE _____ DISAPPROVE _____

I don't much like the idea of a "boor" - too much bargaining opened up & they can see what we're doing

(A) The US Air Force should sign the lease, with the understanding that the Army, Navy and Marine Corps will reimburse the Air Force for one-quarter of the rent annually (\$2.5M each) under Inter-Service Support Arrangements. If you agree, the tasking memo to the Service Secretaries is next under for your signature.

APPROVE _____ DISAPPROVE _____

(B) If Oman rejects this arrangement, we should suspend ~~milcon~~ and enlist President Reagan's support in an approach to Sultan Qaboos to gain approval for our repositioning program.

You need not decide this.

APPROVE *✓* _____ DISAPPROVE _____
Caspar W. Weinberger

12 AUG 1983

(C) Our offer will be presented to the Omani Government later this month by a team led by MG Tixier. At that time, a draft lease will be provided to the OmanGov. Foreign Minister al-Alawi will visit Washington in September. We will recommend he co-sign the lease formally at that time.

We need Oman +

Shoukri's field's about to dump and the time

Caspar W. Weinberger
12 AUG 1983

R. L. Armitage

RICHARD L. ARMITAGE
Assistant Secretary of Defense
(International Security Affairs)

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SUMMARY OF AGENCY POSITIONS ON O & M COST SHARING IN OMAN

ISA: Support a reasonable increase in the payment offered to Oman as outlined in Option #1. This would be a gesture in good faith to resolve the current impasse, and supportive of NSDD-99, the President's Southwest Asia (SWA) strategy. There is no assurance that Oman will accept this offer, however, or give us permission to begin prepositioning. It is imperative that we delink prepositioning and O & M. If Oman rejects this offer, we propose to disagree on this issue, try to delink it from the remainder of our military programs in Oman, particularly prepositioning, and proceed with those programs. If Oman refuses to let us preposition, we recommend suspending military construction, until we receive their approval.

Ambassador Countryman: Find a compromise solution, and thus help bolster the Foreign Minister, who is very pro-US and wants to strengthen US/Omani relations in his new role of de facto Minister of Defense. Immediate, satisfactory resolution of this issue would restore the success of the February joint talks which the Foreign Minister chaired. Finally, since O & M is the last hurdle to be cleared before we can preposition, any more delays imposed by the OmanGov then could be brought to the Sultan's attention by the President as a matter of US concern.

OSD General Counsel: Option #1 could be carried out legally under a standard lease, which would guarantee access, as well as to provide for the usual lease hold rights. Under current statutes we are not obligated to consult with Congress, but must report to them such arrangements at least 30 days in advance of entry into force. Such a lease can not be in force for more than five years, but is renewable after that time.

Air Force: Oman is important for prepositioning, as reflected in current plans to put one-half of CENTAF's requirements there. Support Option #2; that is, draw the line with our Dec/Jan offer and cancel our milcon program on an unspecified date, if permission to preposition is not received. (Note: If the milcon program is cancelled, estimated sunk costs would be \$165M for milcon projects to date plus termination charges.) Making an increased payment to Oman will set a bad precedent for similar requests from other regional countries. Fundamental legal problems with a lease arrangement include: its inconsistency with the terms of US/Omani Access Agreement, thus requiring an amendment to the Agreement; difficulty justifying rent to Congress because Congress will want a justification based on fair value of land rented, minus improvements the US makes. Oman is unlike other countries where we have leases that give us full base operating rights for exclusive US use. Even though statute requires Congressional notification only, previous practice shows that certain committees exercise right of approval. Congressional

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hearings almost certainly will be required.

State: Support Option 1, because it would be difficult to carry out our SWA strategy without Omani facilities, especially with reduced prospects for Egypt. Sayyid Faher's letter to SecDef makes it clear that Oman expect us to comply with the signed February agreement. This is a crucial decision: either to reverse a major strategic policy or find an accommodation. A formal written lease would be difficult politically for Oman and us, particularly vis-a-vis Congress. The form in which the offer is presented both to Oman and the Congress is very important.

NSC: Support Option #1 since it is important to protect the Presidential decision in NSDD-99. However, Congressional notification could present a problem, so DoD General Counsels should examine carefully a lease option.

JCS: While supporting NSDD 99 and Oman's importance, do not believe "Oman is essential". Rather prepositioning in Oman is essential. Support Option 2, and recommend against any increased offer until we know what the OmanGov position on US prepositioning is, and if and when they will permit it. If the OmanGov refuses the offer and approval to preposition, suspend our milcon program. Major concern is that if we increase our offer and Oman accepts it, there is no assurance that we can begin prepositioning. JCS, with the exception of the Air Force, would support an increase in our O & M offer (recommend \$5M vice \$10M in FY 85) if prepositioning can be delinked from O & M and other issues, and start in 1983.

CENTCOM: Since Oman is essential to our SWA strategy, especially in view of Egyptian developments, it is important to determine what Oman is worth to us and pay the price. No view expressed on the dollar value of Oman. The most costly ISA option falls short of the amount desired by Oman. Current operational plans are being developed to include Oman, as the most politically feasible alternative to Egypt. Lastly, any offer made by the US must finally resolve all the preconditions which might be attached to prepositioning.

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OMAN CALCULATIONS OF US PAYMENTS FOR O & M

	<u>FY 83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>
Maintenance	2.815	11.213	13.649	14.928	16.45	16.718	17.5
Ops Costs*	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Transfer	0	0	3.0	3.0	3.0	3.0	3.0
Consumables**	2.815	2.953	3.089	3.228	3.37	3.518	3.67
TOTAL*	10.63	19.166	24.738	26.156	27.82	28.236	29.24

* SOAF only provided figures for FY 83. This amount will increase since SOAF operating costs are expected to increase in the outyears.

** For USN P-3 Operations

PROPOSED US ESTIMATED PAYMENTS FOR O & M

	<u>FY 83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>
USAF Maintenance	0	8.26	10.56	11.7	13.08	13.2	13.9
USN Consumables	2.815	2.953	3.089	3.228	3.37	3.518	3.67
RENT*	0	0	10.00	10.00	10.00	10.00	10.00
TOTAL	2.815	11.213	23.649	24.928	26.45	26.718	27.57

*US Contribution to existing Oman O & M costs.

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