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**VISIT BY PRESIDENT NELSON MANDELA TO  
THE SULTANATE OF OMAN**

**6 TO 7 APRIL 1999**

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## A. OMAN IN BRIEF

### Government

Official Name	Sultanate of Oman
Head of State	Sultan Qaboos bin Said, who came to power in 1970.
Main Political Parties	Political parties are not permitted

### Demography

Land Area	212,460 sq km
Population	2.27 mn (1997)
Language	Arabic

### Economy

Real GDP Growth	2.3% (1997)
Annual Inflation	-0.2% (1997)
Currency	The Omani Riyal (OR), which is divided into 1000 baisa. The Riyal is effectively pegged to the Dollar at a rate of OR0.3845:US\$1.00

## **A. POLITICAL BACKGROUND**

### **1. Historical Background**

- 1.1. The Al Bu Said tribe has ruled Oman since the 1740s. In the mid-1800s the country had large overseas holdings, including Zanzibar, in what is now Tanzania, and Baluchistan, in what is now Pakistan. The dynasty split in the 1850s, with one member of the Al Bu Said given power over Oman proper and another over Zanzibar. There was, however, constant contact between the two countries, and families who went to Zanzibar frequently kept their land in Oman. The Al Bu Said ruled Zanzibar until 1964, when a violent coup overthrew the government there. Holdings in Baluchistan were relinquished in the 1950s.
- 1.2. In the late 1800s and early 1900s a series of Al Bu Said rulers in Muscat became increasingly dependent on the UK for funding. Said bin Taimur, the father of the current Sultan, came to power in 1932 at a time when the country was heavily in debt and dependent on the British. He worked to reduce the debt and isolate the country from outside influences. Oil was discovered in Oman in the 1950s and exports began in 1967. However, Said bin Taimur was averse to change and, even with his new source of income, did little to develop the country. In 1970 his son, Qaboos bin Said, overthrew him in a palace coup. Said bin Taimur was exiled to London, where he died in 1972.
- 1.3. Despite the country's lack of development when Qaboos came to power, the government's most immediate priority was an armed insurrection in the southern region of the country, Dhofar. The revolt was led by the communist-dominated People's Front for the Liberation of Oman (PFLO). The PFLO received backing from the People's Democratic Republic of Yemen (former South Yemen). The UK, Jordan and Iran (under the Shah) all provided troops and assistance to the Omani Government. A "hearts and minds" campaign was also launched, and the rebels were eventually defeated in 1975. After the rebellion in the south had been successfully contained, government policy focused on developing the economy and Oman's external relations

## 2. The Constitution

- 2.1. Oman is an absolute hereditary monarchy, and the Sultan rules the country by royal decree. There is no Prime Minister and the Sultan holds the ministerial portfolios of Defence, Foreign Affairs and Finance. He appoints and dismisses other ministers in the Council of Ministers. Despite a reshuffle in late 1997 which brought four new faces into the cabinet, the Sultan is cautious about replacing long-serving and loyal ministers.
- 2.2. Oman had no Constitution until November 1996, when a document called the Basic Law, which is essentially a Constitution, was promulgated. The Basic Law outlines the rights and obligations of the state and individuals. The state undertakes to try to provide healthcare and education for the population, and to provide for the security of the state through the armed forces. There are provisions for freedom of the press, but these are limited by a clause stating that anything detrimental to state security, which is undefined, is forbidden. Other freedoms are also listed but in some instances are similarly restricted. In his 1997 national day speech, the Sultan emphasised the need for legal reform, adding that laws must secure the individual and collective rights of the people.
- 2.3. The code also provides a framework for succession. The Sultan has no brothers or children, and is unlikely to have children. The Basic Law requires the Al-Said family to choose a successor to the Sultan within three days of the post becoming vacant. If the family fails to do so, the Defence Council will confirm as successor the person named in a letter left by the Sultan. The document also stipulates that the successor must come from the Al-Turki branch of the royal family, and thus be a descendant of the current Sultan's great-great-grandfather.

## 3. Government Institutions

- 3.1. The consultative process has evolved over time. In 1981 the Sultan established a State Consultative Council. Its members were appointed, it had ill-defined and very limited responsibilities and it met infrequently. In 1990 the Sultan announced that this body would be replaced by a new Majlis Al-Shura. The Majlis, which is allowed to question ministers on economic and social policy, is more influential than its predecessor.

- 3.2. The selection process for this body is evolving. The members of the first two sessions, who were selected in 1991 and 1994, were chosen by the Sultan from a list of candidates nominated by prominent citizens. In 1997, for the third session of the Majlis, some 51,000 Omanis voted for 82 representatives. The Sultan then selected members from the top finishers in the election. While not fully democratic, the 1997 selection process clearly moved Oman towards democracy. Oman has also moved ahead of the other Gulf states in allowing women to take part in the political process. In 1994 the Majlis was expanded to include women and in 1997 women voted in the election.
- 3.3. The Basic Law called for the establishment of a second consultative body to supplement the already existing Majlis, and in December 1997 the Sultan named members to the new State Council. Tribal notables and former officials and dignitaries, including four members of the Al-Busaidi family, make up most of the membership of the body. The first joint session of the Majlis and the State Council, called the Council of Oman, was held in January 1998.

#### 4. **Main Political Figures**

##### ***Sultan Qaboos:***

As Head of State, the Sultan also holds the portfolios of Minister of Defence, Finance and Foreign Affairs. The Sultan staged a palace coup against his father in 1970, and has ruled the country since that time. He is unique in the Al-Said ruling family in that his father was from the north of Oman and his mother from the south.

##### ***Ali Majid:***

As head of the Defence Council and Minister of Palace Office Affairs (overseeing security and intelligence matters), Mr Majid is a behind-the-scenes player. He wields considerable authority, not least in his capacity as a member of the Defence Council which is charged with confirming the successor to the throne should the royal family disagree.

***Youssef bin Alawi bin Abdullah:***

Mr Abdullah, who is from a Dhofari family, is the long-serving Minister of State for Foreign Affairs and has been a key player in developing Oman's relationship with Iran.

***Maqboul Ali Sultan:***

Mr Sultan has been the Minister of Commerce and Industry since 1992. He previously headed the Oman Chamber of Commerce and Industry. His family controls the WJ Towell group, the oldest commercial conglomerate in Oman and one of the largest, and he is a leading member of the Shia community.

***Sayyid Shihab bin Tariq:***

Sayyid Shihab heads the Sultan's navy. A brother of Sayyid Haithem and another first cousin of the Sultan, he is also suggested as a potential ruler of Oman.

**5. Political Forces**

- 5.1. Political parties are not legal in Oman, but interest groups play an important role in Omani society, with the tribes remaining a key social structure in the country. The Sultan works to ensure that there are avenues for individuals from various tribes to seek assistance or redress from the Government, with various ministerial positions parcelled out to leaders of different tribes. This adds to the formal representation that outlying areas have in the Majlis, which is currently headed by a shaikh from a major interior tribe.
- 5.2. The major trading families, a handful of which run much of the country's trade and industry, form an important interest group. Most of these families gained power and prominence in the 1970s, obtaining lucrative exclusive agency agreements with foreign companies. The small clique is also well represented in government circles, although the Basic Law has required ministers and other government officials to resign from directorships of publicly held companies. With the growth of the stock exchange and government encouragement for listing companies



on the bourse, some of this power has been diluted. However, these families still play an important role in the trading and industrial sectors.

- 5.3. Omanis may also be distinguished by their background. After the Sultan took over in 1970, a large number of Omanis who had lived in Zanzibar before the revolution returned to Oman at the invitation of the Sultan. They are generally well educated and provided an important resource for developing the country's economy. Many have complained in recent years that there is a glass ceiling on their advancement in the government because of their origins. This may in part be a result of poor Arabic language skills.
- 5.4. Dhofari Omanis are another important force within Oman. Since the rebellion in the 1970s the Sultan has been careful to provide economic opportunities and government positions to those from the south. The Sultan's mother was from Dhofar, giving him a special link to that region.
- 5.5. The royal family in Oman is small in comparison with those of other Gulf countries such as Saudi Arabia. Some members hold government positions, although such appointments are not guaranteed. Moreover, the family connection does not mean immediate commercial success. Many royal family members have successful commercial ventures, but these have not made them wealthy on the same scale as some private Omani trading families.

## **B. INTERNATIONAL RELATIONS**

1. Since 1970 the Government of Oman has pursued a basically pro-Western foreign policy. Ties with the UK have remained strong, and relations with the US have been strengthened. One of the pillars of the relationship with the US is the facilities access agreement which was first signed in 1980 and was renewed for ten years in 1990. In 1981 Oman and five other Gulf states – Saudi Arabia, Kuwait, Bahrain, Qatar and the United Arab Emirates – formed the Gulf Co-operation Council (GCC). Common defence and economic co-operation and development were the goals of the group.

### **2. Neighbouring States**

- 2.1. Oman tries to maintain cordial relations with all of its immediate neighbours. It has reached border agreements with Yemen and Saudi Arabia and has close ties with the UAE. Believing that Iran must be an integrated member of the region if long-term security is to be achieved, Oman has a continuing dialogue with Iran and was the only GCC country not to break diplomatic relations with Tehran during the Iran-Iraq war. For the same reasons, it also maintains contact with Iraq.
- 2.2. Oman's policy on the Middle East peace process has also diverged from that of its Gulf neighbours. After Egypt signed the Camp David accord with Israel, Oman, unlike other GCC countries, did not break relations with Cairo. Similarly, it has been ahead of other Gulf states in establishing relations with Israel. In 1994 Muscat hosted the Multilateral Working Group on Water Resources which emerged from the Arab-Israeli peace talks that had started in Madrid in 1991, and in 1996 Israel opened a trade office in Oman. Oman subsequently opened a commercial office in Tel Aviv, but the deterioration in the peace process in late 1996 led Oman to freeze contacts with the Israeli government and to recall its representative in Tel Aviv.

### **3. The role of the British in Oman**

- 3.1. British involvement in Oman stemmed essentially from interest in India and the Gulf region. Oman was an ideal stopping off point for British ships en route to India. Oman and the UK signed their first treaty of friendship in 1798, and this treaty was further formalised in 1800, with

British representatives present in Oman from shortly after that time. Britain and Oman signed a commercial and consular treaty in 1839, according each other most favoured nation status. This treaty was replaced in 1891 by the Treaty of Friendship, Commerce and Navigation.

- 3.2. In 1951 the two governments signed a new treaty of friendship which recognised Oman's full independence. However, UK influence remained strong and it provided troops and other assistance for Muscat in both the Imamate revolt and the Dhofari conflict. In addition, through the 1970s and early 1980s, UK officers continued to hold key positions in the government and the military. However, in the late-1980s and early 1990s the official presence of UK personnel declined. More Omanis have been trained for technical positions, replacing UK staff. In addition, Omanis have advanced through the ranks and have taken over prominent positions from UK nationals.
- 3.3. Apart from these official ties, there are strong commercial ties between the two countries. Shell, the Anglo-Dutch oil company, was instrumental in bringing Omani oil on stream and UK companies are involved in all sectors of the economy. The UK is generally the second or third most important supplier of goods to Oman, providing both civilian and military items.

### C. DEFENCE

1. In the aftermath of the Gulf War, Sultan Qaboos argued for the expansion of the Peninsula Shield force, a small GCC force, from about 10,000 men to 100,000. However, the Gulf states have been unable to agree on this and Oman continues to rely on Western powers, in particular the US, as the ultimate guarantor of its security.
2. Current spending on the defence sector accounts for over 30% of budgeted spending. Capital expenditure figures for the defence sector are not published, and presumably make the proportion of overall spending even more skewed towards the military.

#### Military Forces (1996)

Army	25,000
Navy	4,200
Air Force	4,100
Royal Guard	6,500
Paramilitary	4,400
Foreign Personnel	3,700
Total	47,900

## D. THE ECONOMY

### 1. Introduction

- 1.1. Hydrocarbons form the most important sector of the Omani economy, with crude oil accounting for between 32% and 40% of GDP since 1980. However, unlike its neighbours in Saudi Arabia and the United Arab Emirates, Oman's oil resources are relatively limited and difficult to extract. Oman is therefore attempting to diversify its economy away from dependence on oil. In the 1980s it emphasised development of non-oil manufactured exports, with much of this activity centred on an industrial estate on the outskirts of Muscat. Natural gas was discovered in large quantities in the early 1990s and Omani development plans now feature an expansion of this sector. The agriculture sector was traditionally the mainstay of the economy and still plays an important role in employment. However, its contribution to GDP is small, and water resource problems place the future of this sector in doubt

### 2. Economic Policy

- 2.1. A rapidly rising population and dwindling oil resources pose clear challenges for Omani policymakers. Oman's population growth rate, if changes in the number of expatriates are disregarded, averaged 2.6% in 1996. Moreover, estimates produced by a local business development company, Sabco, indicate that 940,000 students will leave school over the next 15 years. While the country has enjoyed relatively healthy GDP growth throughout the 1990s, the type of jobs which the younger Omanis have become used to accepting have not been created fast enough to keep pace with population growth. As a result, the majority of the Omani workforce is employed by the state, an unsustainable policy given the Government's limited resources.
- 2.2. Because of these problems, government policy in recent years has focused on two main issues: Omanisation and diversification. Omanisation is the policy of replacing expatriate workers with Omanis. There are several problems which must be overcome if the Omanisation rates are to increase significantly. The education system must be geared more towards skills-oriented learning, and social attitudes towards many jobs, including those in construction and manufacturing now done by

workers from the Indian subcontinent, must change. Omanis, like other Gulf Arabs, tend to prefer managerial and professional positions, and there are simply not enough of these to meet the growing demand.

- 2.3. The aim of diversification is to promote other sectors besides oil. In the 1980s and early 1990s diversification efforts focused on the manufacturing sector. However, since the discovery of large natural gas reserves, the diversification policy has favoured the development of gas resources and gas-based industry. Construction of a gas-liquefaction facility is under way in Sur, and there are plans for an aluminium smelter, a petrochemicals plant and a fertilizer complex.

### 3. Economic performance

- 3.1. Oil is the most important factor in the growth equation and, as a result, when the oil sector does poorly those problems are reflected throughout the economy. Real GDP in Oman has grown in most years since 1980. Exceptions to this were 1986, when government oil revenue dropped dramatically as a result of a crash in world oil prices, and 1987, when private sector confidence in the economy was still low after the oil price collapse. In the 1990s, however, growth in the hydrocarbons sector has been steady, and has consistently contributed to positive overall economic growth. Non-petroleum activities have fluctuated. In 1991 and 1992 they grew by 7.7% and 10.3% respectively in real terms. However, growth has fallen back since that point, reflecting in part a drop in construction activity and lower growth in education and health.
- 3.2. Revised Omani government figures show that real GDP growth in 1996 was 3.5%, down from 4.8% in 1995. Provisional figures for 1997 give only the nominal GDP growth rate, which is put at 2.9%. Lower world petroleum prices in 1997 combined with slower growth in production levels produced a 1.5% contraction in the crude oil sector.
- 3.3. While it may not fully reflect the inflationary pressures faced by the average consumer, the rate of inflation as measured by the Muscat Consumer Price Index is generally low. The government does not resort to currency debasement to finance its budget deficits, so there is little inflationary pressure from this source. Moreover, the rial is pegged to the dollar and the US is a major source of imports for this country, thus protecting it from some of the pressures of imported inflation.

## **F. RELATIONS WITH SOUTH AFRICA**

### **1. Introduction**

- 1.1. South Africa and Oman maintain friendly relations. Even though diplomatic relations have existed since October 1995, no resident diplomatic missions have thus far been established. The Oman Chamber of Commerce and Industry did, however, open a Commercial Office in Johannesburg in 1993.
- 1.2. Both countries have accredited Ambassadors on a non-resident basis. South Africa's Ambassador to Riyadh (at present Dr Samuel Motsuenyane) is accredited to Oman, while the Sultanate has accredited its Ambassador to the UK (at present Mr Hussain bin Ali bin Abdullatif) to South Africa.
- 1.3. A Joint Working Group has been established to explore co-operation opportunities between the two countries. The JWG has already had two meetings at the level of Deputy Director General. The next meeting is scheduled to be held in Muscat in April 1999.
- 1.4. South Africa and Oman are both founding members of the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC).

### **2. Chronology of important events**

- |              |   |
|--------------|---|
| October 1994 | South African Foreign Minister Alfred Nzo visits Oman.  |
| October 1995 | South Africa and Oman establish diplomatic relations.   |
|              | Co-operation agreement signed between the South African Chamber of Business (SACOB) and the Oman Chamber of Commerce and Industry (OCCI). |
| April 1996   | South African Deputy President FW de Klerk visits Oman.   |
| August 1996  | Omani Foreign Minister Yusuf bin Alawi visits South Africa.   |

June 1997	Dr Samuel Motsuenyane presents his credentials to Sultan Qaboos as South Africa's first non-resident Ambassador to Oman.
September 1998	Omani Foreign Minister Yusuf bin Alawi leads his country's delegation to the summit meeting of the Non-Aligned Movement.
November 1998	Delegation from the Durban Chamber of Commerce and Industry visits Oman.
December 1998	Deputy Agriculture Minister Thoko Didiza visits Oman.
December 1998	Mr Hussain bin Ali bin Abdullatif presents his credentials to President Nelson Mandela as Oman's first non-resident Ambassador to South Africa.
January 1999	South Africa participates in the Muscat International Folklore and Heritage Festival.

### 3. **Bilateral Agreements**

There are no bilateral agreements between South Africa and Oman. However, a few agreements are under consideration, including the following:

- Trade Agreement.
- Agreement for the Promotion and Reciprocal Protection of Investments.
- Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.
- Memorandum of Understanding on Defence Co-operation.

### 4. **Bilateral Investments**

There is only one major known bilateral investment in either country.

- Engineering Management Services (EMS), a division of Murray and Roberts, and the Omani-British company Yahyah-Costain have been

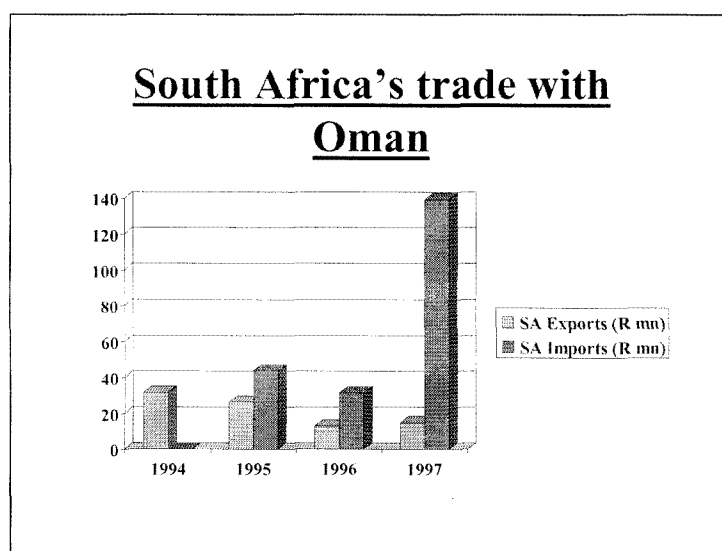


awarded a contract worth US\$87mn to construct a sugar refinery at Mina Qaboos in Muscat. The contract was concluded in July 1998. The refinery will have an annual capacity of 450,000 tonnes and commercial production is expected to commence by mid-2000. Illovo Sugar will provide the technology under license and will train the workforce.

## 5. Trade Relations

A co-operation agreement between the South African Chamber of Business (SACOB) and the Oman Chamber of Commerce and Industry (OCCI) was signed in October 1995. SACOB has extended an invitation to the OCCI to pay a visit to South Africa, but this is yet to materialise.

Despite this agreement, bilateral trade remains limited.



In 1997, South Africa's exports to Oman totalled only R14.97 million. The major exports (according to the Harmonised System classification) included the following:

➤ Mineral products	R4.92mn
➤ Machinery	R2.63mn
➤ Foodstuffs	R1.99mn
➤ Base metals	R1.22mn
➤ Chemicals	R1.17mn

Imports from Oman totalled R139.31 million in 1997, but were dominated by crude oil, which is classified under “Mineral Products” in the Harmonised System. South Africa’s major imports included the following:

➤ Mineral products	R136.40mn
➤ Live animals	R0.75mn
➤ Photographic equipment	R0.65mn
➤ Paper products	R0.57mn
➤ Chemicals	R0.46mn

Final figures for 1998 have not been released as yet, but statistics for the first eight months of the year show a significant decline of 99% in imports and a 6% decrease in exports. The details are the following:

	<u>Jan – Aug 1997</u>	<u>Jan – Aug 1998</u>
SA Exports	R 10 856 533	R10 258 067
SA Imports	R138 509 443	R 1 033 703

Trade figures are compiled and published by the Commissioner for Customs and Excise of the Department of Finance.

## 6. Export of military equipment

Trade in military equipment is not included in the trade statistics published by the Commissioner for Customs and Excise. The National Conventional Arms Control Committee (NCACC) published the following figures related to the export of military equipment to Oman:

1996	R4,318,000
1997	R10,443,000
1998	R3,745,000

## 7. Technical co-operation

There has been limited technical co-operation with Oman in the past. The Council for Geoscience managed a copper mine in the Sultanate until it was

taken over by the Government. In an effort to promote technical co-operation, a delegation of South African experts will visit Oman from 10 to 14 April in order to explore co-operation opportunities. The delegation will include representatives from the Department of Minerals and Energy, the Council for Geoscience, the Agricultural Research Council, Denel, NAFCOOC and a consulting engineering company.

#### 8. Tourism

Tourism from Oman to South Africa has been very limited. Since 1995, the number of tourists has remained relatively constant and in 1997 the figure totalled only 209. Because of the potential that does exist, plans are underway to launch a project in consultation with Satour during 1999 to promote tourism from the Sultanate to South Africa.

#### 9. The South African community in Oman

There is a significant number of South African nationals resident in Oman. They have formed a South African Business Council to promote commercial exchanges between the two countries.

## **G. DISCUSSION POINTS**

### **1. Bilateral Relations**

1.1. There are no major issue of bilateral concern that must be discussed, but the President may wish to raise the following:

- Several high-level visits from South Africa to Oman have already taken place, and South Africa has launched certain initiatives to improve relations with Oman such as the organisation of seminars, exhibitions and trade visits. One week after the President's visit, a technical team will visit Oman to explore further co-operation opportunities. However, with the exception of a brief visit by Oman's Foreign Minister, there has been no reciprocal actions from the Omani Government. The President may wish to encourage the Sultan and some of his Ministers to consider visiting South Africa.
- The President may wish to inform the Sultan that, in addition to having Ambassador Motsuenyane already accredited to Oman from Riyadh, consideration is being given to the appointment of an Honorary Consul who could promote South Africa's interests.

### **2. Developments in Southern Africa**

2.1. In general, Omanis (including its Government) are not well-informed about developments in Sub-Saharan Africa. With the exception of some Arab countries in North Africa and a Consul in Zanzibar, Oman has no resident representation in any African country. The Oman Chamber of Commerce and Industry has a representative in Johannesburg, who also acts as liaison between the two Governments. The President may wish to brief the Sultan on the elections in South Africa and the progress made with the democratic process in the country; as well as developments in Angola and the Great Lakes region.

### 3. **Multilateral Issues**

#### 3.1. **Libya**

The President's role in resolving the Lockerbie issue.

#### 3.2. **The Non-Aligned Movement and the Indian Ocean Rim**

The President may wish to discuss future developments within NAM, the IOR and South-South dialogue.

#### 3.3. **Developments in the Middle East**

The President and the Sultan may wish to exchange views on the latest developments relating to such issues as the Middle East Peace Process and Iraq.