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R 011215Z DEC 00
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 0592
SECDEF WASHDC
INFO AMEMBASSY PORT LOUIS
AMEMBASSY NAIROBI
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CINCUSNAVEUR LONDON UK//POLAD//
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CNO WASHDC//N5/N53/N3/POLAD//
COMNAVFORJAPAN YOKOSUKA JA//00/03/N3/00J//
CINCPACFLT PEARL HARBOR HI//N51/N000J/N42//
USCINCPAC HONOLULU HI//JJJ//
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E.O. 12958: N/A
TAGS: PREL, PHUM, ECON, EFIS, SENV, IO
SUBJECT: BIOT RESETTLEMENT MAY BE POSSIBLE

REF LONDON 8062

PLEASE NOTE THAT THIS TELEGRAM IS
UNCLASSIFIED IN ITS ENTIRETY, AS THE TEXT IS
A SUMMARY OF HMG'S PUBLIC REPORT.

1. SUMMARY: TO PREPARE FOR THE COURT CASE
(REF) ON THE RETURN OF THE POPULATION
REMOVED FROM THE CHAGOS ARCHIPELAGO BEFORE

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CONSTRUCTION OF THE NAVAL FACILITY ON DIEGO GARCIA, HMG COMMISSIONED A FEASIBILITY STUDY ON THE ISSUE OF RESETTLEMENT. STARTUP COSTS FOR THE INFRASTRUCTURE FOR A COMMUNITY OF 400 ARE ESTIMATED TO BE \$1,500,000, WITH ANNUAL DEFICIT OPERATING COSTS IN THE HUNDREDS OF THOUSANDS OF DOLLARS. FISHERIES ARE THE BEST BET FOR SUSTAINABLE ECONOMIC ACTIVITY; REACTIVATING THE COCONUT PLANTATIONS IS UNECONOMICAL, AS ARE MOST FORMS OF AGRICULTURE. TOURISM WOULD BE IMPEDED BY THE REMOTENESS OF THE ATOLLS, AND THE LACK OF AN AIRPORT. THE REPORT CONCLUDES THAT RESETTLEMENT IS PHYSICALLY POSSIBLE, BUT ONLY IF CONCERNS REGARDING WATER, THE ENVIRONMENT, FINANCING AND ONGOING PRIVATE ECONOMIC ACTIVITY ARE MET.

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FCO EXPECTS TO CONTRACT FOR FURTHER STUDIES.
END SUMMARY.

2. HMG PAID FOR A FIVE MEMBER TEAM (ENVIRONMENTALIST, ECONOMIST AND FISHERIES, NATURAL RESOURCES AND WATER EXPERTS) TO TRAVEL TO THE SALOMONS AND PEROS BANHOS ATOLLS IN THE NORTHERN BRITISH INDIAN OCEAN TERRITORY (BIOT) EARLIER THIS YEAR TO STUDY THE POTENTIAL FOR RESETTLEMENT. THESE TWO ATOLLS HAD A POPULATION ON THEM BEFORE THE ESTABLISHMENT OF THE U.S. MILITARY FACILITY ON DIEGO GARCIA.

3. THE TWO ATOLLS COMPRISE 35 SMALL ISLANDS WITH A TOTAL AREA OF FIVE SQUARE MILES, THE LARGEST ISLAND BEING JUST HALF A SQUARE MILE IN AREA, THE HIGHEST POINT BEING FIVE FEET ABOVE SEA LEVEL. TWO ISLANDS ARE LARGE ENOUGH FOR AN AIRSTRIP. NO USABLE FACILITIES OR INFRASTRUCTURE REMAIN OTHER THAN A FEW WELLS AND WATER TANKS.

SETTLEMENT COSTS

4. TOTAL INFRASTRUCTURE COSTS FOR LAND CLEARANCE, WATER SUPPLY, ELECTRICITY, RESIDENTIAL INFRASTRUCTURE, PUBLIC HEALTH FACILITIES, JETTIES, NAVIGATION CHANNELS, PUBLIC BUILDINGS AND EXTERNAL TRANSPORT IS ROUGHLY GUESSED AT \$1,500,000. THIS DOES

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NOT INCLUDE THE COST OF BUILDING 100 HOUSES.

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5. TIMBER, CORAL ROCK AND SAND ARE AVAILABLE AS CONSTRUCTION MATERIALS. SETTLEMENT WILL REQUIRE HARBORS OR JETTIES AND NAVIGATIONAL CHANNELS, POWER AND WATER SUPPLIES, AND A SMALL FLEET OF TRANSPORT AND FISHING BOATS. TO RUN A 500-TON FREIGHT BOAT TO MAURITIUS FOUR TIMES A YEAR WOULD COST \$120,000/YEAR, WITH LESS THAN HALF THE COSTS BEING RECOVERED FROM FREIGHT CHARGES. A POPULATION OF 400 WOULD NEED A NURSE/MIDWIFE, TEACHER, TAX COLLECTOR, GENERAL ADMINISTRATION AND THE MAINTENANCE OF POWER, WATER AND WASTE SERVICES AND OTHER PUBLIC ASSETS. SIX PUBLIC EMPLOYEES WOULD COST \$45,000/YEAR TOTAL IF RECRUITED FROM THE SETTLERS, A LOT MORE IF THEY HAVE TO BE RECRUITED ABROAD.

6. THERE ARE NO SPRINGS OR STREAMS, BUT SUBTERRANEAN FRESHWATER LENSES CERTAINLY

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EXIST. TESTS SUGGEST THAT WELL WATER IS
FRESH AND POTABLE. TO CONNECT THESE WELLS
TO 100 HOMES WOULD COST \$300,000.

7. IN SUM, THE REPORT CONCLUDES, SUBSTANTIAL
ECONOMIC ACTIVITIES WOULD BE NECESSARY TO
GENERATE SUFFICIENT INCOMES TO JUSTIFY THE
INVESTMENT AND RUNNING COSTS OF SUPPORTING A
SETTLED POPULATION.

POTENTIAL ECONOMIC ACTIVITY: FISHERIES
8. CONSTRAINTS AGAINST DEVELOPING FISHERIES
INCLUDE REMOTENESS FROM MARKETS, THE LACK OF
EXTENSION AND TRAINING SERVICES AND THE NEED
FOR STUDIES TO VALIDATE THE VIABILITY OF NEW
ENTERPRISES. INVESTMENT WOULD BE NEEDED IN
ICE-MAKING, PROCESSING AND STORAGE
FACILITIES, ACCESS TO ADEQUATE FRESH WATER
AND ELECTRICITY, VESSEL MAINTENANCE
FACILITIES AND OIL AND FUEL SUPPLIES, NONE
OF WHICH EXIST.

9. FOUR TYPES OF FISHERIES MIGHT SUCCEED:
REORGANIZING THE FOREIGN SHIPS THAT NOW
VISIT THE ATOLLS TO USE ISLAND-BASED DORIES;
LAGOON AND REEF FISHERY FOR PERSONAL

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CONSUMPTION BY SETTLERS; MARICULTURE OF
SEAWEED AND PEARL OYSTER (BOTH CAN BE STORED
WITHOUT REFRIGERATION FOR EXTENDED PERIODS);

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AND ESTABLISH SEA CUCUMBER (SELLS FOR \$25/LB IN HONG KONG) AND TROCHUS (VALUED FOR THE PEARL LACQUER LINING INSIDE THEIR SHELLS) FISHERIES.

POTENTIAL ECONOMIC ACTIVITY: TOURISM

10. SOME 50 YACHTS A YEAR, CARRYING SLIGHTLY OVER 100 PERSONS, VISIT THE ATOLLS YEARLY. THIS COULD BE INCREASED BY PROVISION OF MOORINGS, WATER, FUEL, FOOD, CHANDLERY AND MAINTENANCE. DIVING SAFARIS AND ECO-TOURIST TRIPS OPERATING OUT OF THE MALDIVES ARE POSSIBLE. HOWEVER, CRUISE SHIPS AND LUXURY RESORTS ARE UNLIKELY TO SUCCEED. SHIPS ARE TOO BIG TO VISIT ANY OF THE ATOLLS, AND RESORTS WOULD REQUIRE AN AIRSTRIP AND A LEVEL OF INVESTMENT AND SOPHISTICATION UNLIKELY TO BE ATTAINED IN THE NEAR TERM. OTHER THAN DIEGO GARCIA, THE NEAREST AIRSTRIP IS AT GAN IN THE MALDIVES, 200 MILES AWAY.

POTENTIAL ECONOMIC ACTIVITY: AGRICULTURE

11. COMMERCIAL AGRICULTURE DOES NOT APPEAR TO BE VIABLE, ALTHOUGH SUBSISTENCE AGRICULTURE WILL BE A MUST. EVEN ASSUMING AN UNREALISTICALLY LOW LABOR COST OF \$6/DAY, COCONUTS (WHICH WERE ALREADY IN DECLINE IN

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THE 1970'S) WOULD LOSE MONEY IN VIRTUALLY ANY CIRCUMSTANCES AND ARE NOT WORTH PURSUING FURTHER. A PRECONDITION FOR SUCCESSFUL DEVELOPMENT OF OTHER COMMERCIAL CROPS OR LIVESTOCK ENTERPRISES WOULD BE THE EXISTENCE OF SIGNIFICANT COMPARATIVE ADVANTAGE SUCH AS GOOD SOILS, CHEAP TRANSPORT TO MARKETS AND A PRODUCTIVE LABOR FORCE AND A HIGH LEVEL OF MANAGERIAL AND ENTREPRENEURIAL COMPETENCE. IT IS DIFFICULT TO SEE ANY OF THESE CONDITIONS APPLYING, THE REPORT CONCLUDES.

THE ENVIRONMENT:

12. THE LACK OF A POPULATION FOR DECADES HAS PRODUCED PRISTINE REEFS, HOME TO 220 SPECIES OF CORALS AND 784 FISH SPECIES. SEVERAL THREATENED SPECIES, INCLUDING THE HAWKSBILL AND GREEN TURTLES, INHABIT THE ISLANDS.

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CONCLUSION

13. THE REPORT CONCLUDES THAT RESETTLEMENT

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OF ONE OR BOTH OF THE TWO ATOLLS IS
PHYSICALLY POSSIBLE, IF FOUR CONDITIONS ARE
MET:

- A SUSTAINABLE AND AFFORDABLE WATER RESOURCE CAN
BE DEVELOPED;

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- THE SETTLEMENT WILL NOT DAMAGE THE ENVIRONMENT;
- PUBLIC MONEY IS AVAILABLE TO FINANCE INFRASTRUCTURE AND BASIC SERVICES;
- ONE OR MORE PRIVATE INVESTORS ARE WILLING TO DEVELOP VIABLE ENTERPRISES WHICH CAN GENERATE SUFFICIENT INCOME TO PAY FOR THE INVESTMENT AND RECURRENT COSTS OF RESETTLEMENT.

14. THE REPORT RECOMMENDS MAKING FURTHER STUDIES TO CONFIRM WHETHER THESE FOUR CONDITIONS CAN BE MET, AND TO REFINED FURTHER THE COST ESTIMATES INCLUDED IN THIS PRELIMINARY REPORT. THIS PHASE 2 SHOULD, ONCE INITIATED, TAKE AT LEAST ONE YEAR, GIVEN THE NEED FOR STUDY OF YEAR-ROUND WATER AVAILABILITY. FCO TOLD US NOVEMBER 21 (SEPTTEL) THAT IT WILL CONTINUE TO CONTRACT FOR FURTHER STUDIES. BEFORE CHRISTMAS, IT WILL LAUNCH A SIX-MONTH STUDY OF POTABLE WATER RESOURCES. A NEW TENDER OFFER WILL BE NEEDED FROM CONTRACTORS TO UNDERTAKE

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ADDITIONAL RESOURCES STUDIES. FCO EXPECTS
PHASE 2 AS A WHOLE TO REQUIRE 18 MONTHS,
WITH MORE STUDIES TO FOLLOW AFTER THAT.
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