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EXDIS

SUBJECT: BIOT Finances

REFERENCES: a. State's 085099
b. London's 4558

1. We take your point in para 1 ref b to the effect that HMC should be advised of fact that question of BIOT financing ^{did} ~~would~~ emerge in course of classified Executive Session testimony by US Navy before House Appropriations Subcommittee on military construction on May 19. Accordingly you may draw on following insert for the record that was provided by ^{Navy} ~~RAF~~ in response to a question. ~~by RAF x Sik x Subcommittee x Chairman x~~

~~QUOTE x can you x provide x something x for x the x record x showing x how x~~
~~that x they x have x known x and x what x the x investment x which x work x~~
~~has x a x value x in x the x operation x of x the x Project x Park x since x 1945 x QUOTE~~

The insert reads QUOTE The most significant contribution made by the UK has been the creation of the British Indian Ocean

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Territory (BIOT) in 1965, in response to a U.S. request. The BIOT consists of the Chagos Archipelago (includes Diego Garcia) and the islands of Aldabra, Farquhar and Desroches. It was formed by detaching islands from the former British colony of Mauritius and the present UK crown colony of Seychelles, and was done to reserve defense areas for the use of the UK and the U.S. This was affirmed in a 1966 agreement between the two countries providing US access for 50 years. The detachment of the BIOT from Mauritius and the Seychelles occasioned some costs to eliminate private ownership of land and property; for purchase of land, resettlement of local inhabitants, etc. The U.S. agreed to fund one-half of these costs (to a maximum of \$14 million) by offsetting Polaris R&D charges. The British thus have contributed strategically valuable land, and in addition have invested over \$14 million for a project which to date only promises US access to the islands of the BIOT.

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QUOTE It is of importance that the British flag will fly at the facility and a small liaison staff will be present. Some UK participation in an intelligence effort based on Diego Garcia seems likely once such an effort has been established. The British make a continuing diplomatic contribution by acting as a sponsor for any projects conducted in the BIOT. They act as a lightning rod to ~~draw~~ draw off international controversy and attention, leaving the US relatively free to carry out the physical aspects of the project. Thus, in addition to the \$14 million cash investment, they are contributing in other significant ways to which a price tag cannot be attached. END QUOTE

2. As noted from the foregoing you may assure Brits that no breakout of the \$14 million was provided the Subcommittee nor ~~do~~ DOD witnesses in subsequent testimony intend to do so. We consider that this assurance fully tracks ^{with} ~~either~~ point cited final sentence para 3 ref a.

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END

ROGERS

3. British ~~XXXXXX~~ Embassy has been apprised in general terms more specific of May 19 Subcommittee session. We are deferring ~~XXXXXX~~ details for ~~XXXXXX~~ presentation.

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NOTE: It is of importance that the British flag will fly at the facility and a small British flag will be present. Some UK participation in an intelligence effort based on these facts is some likely once such an effort has been established. The British makes a continuing diplomatic contribution by being as a sponsor for any British effort.