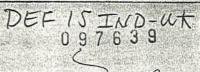


Department of State



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STATE

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 HMG should be advised of fact that question of BIOT financing work 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 MAIN in response to a question.hyxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx DOCKO KANTANIKO KODEKAKANIKA KODEKAKANIKA KANTOKA KANTOKA KANTOKA KANTOKA KANTOKA KANTOKA KANTOKA KANTOKA KANT

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

PM/ISO: JDStoddart:ml

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PM/ISO - J.D. Stoddart

CLEARANCES:
EUR/BMI - Mr. Cheslaw AF/I - Mr. Kormann AF/E XMXXXMaotxx AF/C -Mr. Sul ISA/EUR - Mr. James OGC/IA - Mr. Allen OP/61 - Capt. Riesx Crawford of ISA/NESA - Dr. Timberlake ISA/MA&S - Mr. Alne SAFUSI - Mr. Robinson OSD/LA - Mr. Sinclair ISA/FMRA - Mr. Barringer J-5 - Col. Bradburn S/S - Mr. Morton H - Mr. Prentice

METERENCES: a. State's 083099 London's 4558 l. We take your noint in

RIOT Finences

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SUBJECT:

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Territory (BIOT) in 1965, in response to a U.S. request. The

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countries providing US access for 50 years. The detachment of U.S. This was affirmed in a 1966 agreement between the two was done to reserve defense areas for the use of the UK and the Mauritius and the present UK crown colony of Seychelles, and formed by detaching islands from the former British colony of and the islands of Aldabra, Farquhar and Desroches. It was BIOT consists of the Chagos Archipelago (includes Diego Garcia)

purchase of land, resettlement of local inhabitants, etc. The costs to eliminate private ownership of land and property; for the BIOT from Mauritius and the Seychelles occasioned some

\$14 million) by offsetting Polaris R&D charges. The British U.S. agreed to fund one-half of these costs (to a maximum of

thus have contributed strategically valuable land, and in

date only promises US access to the islands of the BIOT. \_ addition have invested over \$14 million for a project which to

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Manufactory (PLOT) in 1653, in tassence to 10.8, tequest. The Mint cometate of the Chease Atouthelesso (includes Dieto Careta) funded by detailing talents from the former Deflore. It was absuritive and the missent MC atoms colony of Parchar

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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 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 DOD witnesses in subsequent testimony intend to do so. We consider that this assurance fully tracks #1500 point cited final sentence para 3 ref a.

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of May 19 Subcommittee session. We are deferring/xxxxx details

3. British KWKKKKX Embassy has been apprised in general terms

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