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 Authority NND 959000
 By VAN NARA Cat. 11-17

Sbj - Nam, '64-66, 59/250/6/23/34
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DEPARTMENT OF STATE
 DEPUTY UNDERSECRETARY

SECRET

MEMORANDUM TO: The Secretary

THROUGH: U - Mr. Ball
 G - Ambassador Thompson RES
 S/S SPW

FROM: G/PM - Jeffrey C. Kitchen

SUBJECT: Indian Ocean Islands: British Interest in
 U.S. Financial Contribution

Problem

What response should be made to Foreign Secretary Stewart's inquiry to Mr. Ball, asking whether the U.S. will contribute half the 10 million pounds (\$28 million) the UK believes is required to secure acceptance by the Mauritius and Seychelles authorities of the administrative detachment of the Chagos Archipelago (Mauritius) and the islands of Aldabra, Farquhar and des Roches (Seychelles)?

Discussion

1. The British gave brief advance warning they would raise this subject during the NATO Ministerial Meeting. Our position paper indicated our hope detachment would move along; we could not make present commitment as to financial contribution, but might consider reducing some long-run British budgetary costs by accelerated construction of our facilities, to which the British would have access. Mr. Ball made points along these lines to Mr. Stewart.

2. Subsequently, when I saw British officials in London May 14, I noted on a personal basis willingness to explore a) the possibility of offsetting some research and

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development charges accruing against the UK and, b) accelerating construction of facilities which might meet some British requirements. The British indicated some interest in the offset concept.

3. The JCS, in the light of the May 11 British request, and following establishment of a U.S. military requirement for air facilities on Aldabra (essentially for CINCSTRIKE contingency purposes) recommended that funds be programmed to meet this requirement, in addition to the already approved requirement for a U.S. communications station and supporting facilities in the Chagos Archipelago (Diego Garcia). By separate action, the Secretary of the Air Force requested Secretary McNamara's approval to plan to meet Aldabra funding requirements in the FY-67 budget. The JCS stated they regard a U.S. contribution to the detachment costs to be warranted by our requirements for Chagos and Aldabra, the potential usefulness of Farquhar and des Roches, and the long-term strategic value of keeping the UK involved in the control and use of the islands.

4. Nevertheless, Mr. McNamara appears to believe that the U.S. should not make any of the indicated proposals which are designed to relieve slightly over-all British defense costs. Mr. McNamara spoke briefly to Denis Healey May 30 about the Island project but the financial question was not specifically addressed. John McNaughton tells me it is not a question of money; rather, Mr. McNamara believes the British will be better induced to "fulfill their responsibility" in the Indian Ocean area if they do not have any impression the U.S. is willing to help them out financially. If we assist he believes they may be encouraged to abdicate.

5. The issue thus becomes one of tactics in dealing with the UK. The JCS have established military requirements for U.S. use of two islands. The British must shortly commence the process leading to detachment, since the constitutional conference to determine the future of Mauritius will take place in September and the transfer question should be resolved before then. The UK is presently re-examining

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its hard-core worldwide defense responsibilities and its capabilities to meet them. We know there is a strong feeling in the British Cabinet that Britain will have to reduce its overseas commitments. We understand the Wilson Government believes Britain should continue to play a world role. It has demonstrated this by deciding to proceed with the purchase of Polaris and U.S. long-range aircraft. But British means are limited by balance of payments difficulties and Cabinet sentiment to impose a Defense budget ceiling. In this situation, a U.S. financial contribution to help obtain Indian Ocean Islands could provide the margin the Wilson-Stewart-Healey group need to persuade the Cabinet it is worth the candle to stay "East of Suez." Healey told McNamara that Aden is close to untenable and the UK will need to operate from Aldabra if they are to be effective in East Africa. I believe time is rapidly running out in which administrative transfer can be accomplished before pressures for self-determination dominate the situation.

Recommendation:

That you speak to Mr. McNamara indicating it is advisable for the U.S. to advance its foreign policy and security objectives by responding affirmatively to the British request for some assistance. While the detailed means for rendering assistance can be worked out by State and DOD representatives, it is desirable that we advise the British shortly as to what these means may be, in order to get transfer action underway and help persuade them they can plan to continue operations in the area. You might wish to note the question appears to be one of tactics to achieve an objective which we believe is shared by Secretary McNamara, including the political desirability of providing the UK Cabinet leaders with assurance that the U.S. wants them to be able to continue military operations in the area.

Concurrence: EUR - Mr. Davis
S/P - Mr. Rostow
AF - Mr. MacKnight

G/PM:HMeyers:JCKitchen:ew

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MEMORANDUM FOR THE SECRETARY OF THE NAVY

Subj: Concord Squadron Cruise (S)

1. At a meeting of representatives of Navy, ISA, STATE and the Joint Staff held today on reconsideration of a Concord Squadron Cruise, it was agreed unanimously that STATE would forward a memorandum to the White House recommending a postponement until both the political climate improves and naval commitments lessen.

2. It was further agreed that the memorandum will include a provision to the effect that Defense will inform STATE when units are considered available for Concord. At that time, STATE will examine the political aspects and, if they appear favorable, will suggest active planning for another cruise.

3. Navy will be given the opportunity to review the memorandum to the White House.

James C. [unclear]
[unclear] Policy Division

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