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From the Minister of State

No. AU 1199

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FOREIGN OFFICE
LONDON SW1



Handwritten: Conf. Mins

30 December, 1966.

Handwritten in box: Ray F. White

Your Excellency,

I have the honour to acknowledge receipt of your Note No. 26 of the 30th of December, 1966, concerning the financial arrangements which have been reached between the two Governments in respect of the detachment of the islands constituting the British Indian Ocean Territory from colonial administration and the acquisition of the lands thereon.

I have the honour to confirm on behalf of the Government of the United Kingdom the financial arrangements set out in Your Excellency's Note.

I have the honour to be, with the highest consideration,
Your Excellency's obedient Servant,
(For the Secretary of State)

Handwritten signature: Chalfont

His Excellency
The Honourable
David K.E. Bruce, C.B.E.,
etc., etc., etc.,
24/31, Grosvenor Square,
W.1.

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Authority NND 98000
By NA Date 11/16/65This document consists of 4
pages 4 No. 5 of copies 5
series BGREAT BRITAIN AND NORTHERN IRELAND }
LONDON, ENGLAND. } SS:
EMBASSY OF THE UNITED STATES OF AMERICA }

I,

Ray E. White, Jr.

Consul of the United States of America, residing at London, England,
fully commissioned and qualified, do hereby certify that the annexed copy of
Embassy's Note No. 26, dated December 30, 1966, addressed to The Right
Honorable George Brown, Secretary of State for Foreign Affairs, Foreign
Office, London, England,
is a true and faithful copy of the original this day exhibited to me, the same
having been carefully examined by me and compared with the said original and
I do hereby agree therewith word for word and figure for figure.

WITNESS WHEREOF I have hereunto set my hand and official seal
twenty-ninth day of December 19 66

Ray E. White, Jr.

Consul of the United States
of America at London, England.

Service No: A 1643857
Item No: 83
No fee prescribed

Authority NND 969000
By JS NARA Date 11/16/05

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Note No. 26

30 December 1966

Sir,

I have the honor to refer to the Agreement concluded today between our two Governments concerning the availability of certain Indian Ocean islands for such defense needs of either of our two Governments as may arise. I wish to confirm the following financial arrangements which have been reached regarding the detachment of these islands from colonial administration and the acquisition of the lands thereon:

1. The United Kingdom will assume all costs pertaining
to the administrative detachment of the Indian Ocean islands
in question and to the acquisition of the lands thereon so that
they may be available over the indefinite future to meet the
defense needs of either Government as these needs may arise.

2. Under the POLARIS Sales Agreement signed by our two Governments at Washington on April 6, 1963, the United Kingdom is obliged to make certain payments as a participation in expenditures incurred by the United States after January 1, 1963 for research and development of the POLARIS missile system (hereinafter "R&D surcharge"). Since the United Kingdom is assuming the costs of the administrative detachment of the Indian Ocean islands and of the acquisition of the lands thereon the United States will forego the R&D surcharge to the extent

/ of \$14 million

The Right Honorable
George Brown, M.P.,
Secretary of State for Foreign Affairs
Foreign Office
Whitehall, London, S.W.1

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of \$14 million, or one half of the foregoing Indian Ocean islands costs incurred by the United Kingdom, whichever is the less. The amount of the R&D surcharge so foregone is referred to below as the contribution.

3. The procedure proposed for effecting the contribution is described in the following subparagraphs.

(a) As of 30 September 1966 the United Kingdom has paid into the Trust Fund established pursuant to paragraph 2 of Article XI of the POLARIS Sales Agreement the aggregate sum of \$14.3 million in respect of :

- (i) the R&D surcharge
- (ii) the agreed overhead costs of the POLARIS program (hereinafter "Overhead") and
- (iii) the agreed charge for use of all United States Government-furnished Facilities (hereinafter "Facilities").

Of this aggregate sum \$14 million will be applied to meet current charges against the United Kingdom for the POLARIS procurement. In consequence, the next practicable quarterly payment by the United Kingdom into the Trust Fund for such current procurement charges will be reduced by the aforementioned amount of \$14.0 million. If the next quarterly payment otherwise due for such current procurement charges is less than \$14.0 million, the difference between the \$14.0 million and the amount of that quarterly payment otherwise due will be deducted from the succeeding quarterly payment or payments made by the United Kingdom.

(b) Beginning as of the last day of the quarter following the quarter in which this Exchange of Notes is

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signed and ending as of March 31, 1969, the United Kingdom will pay, in equal quarterly installments, the entire amounts for Overhead and Facilities called for by paragraph 2 of the Classified Minute relating to Article XI of the POLARIS Sales Agreement, less those amounts exceeding \$14.0 million paid into the Trust Fund as of the date of signature of these arrangements in respect of the R&D surcharge and in respect of Overhead and Facilities, which balance will be applied against the first quarterly payment or payments for Overhead and Facilities.

(c) When the cumulative amount of the R&D surcharge which would have been payable except for these arrangements equals the contribution, the United Kingdom will commence payments in respect of the R&D surcharge at the rate specified in subparagraph 1.b of Article XI of the POLARIS Sales Agreement. Should payments in respect of the R&D surcharge which would have been payable except for these arrangements prove insufficient to meet the contribution, the Governments of the United States and of the United Kingdom will consult in order to determine how the United States' obligation to provide the contribution can best be satisfied.

I have the honor to request you to confirm the foregoing financial arrangements on behalf of the Government of the United Kingdom.

Accept, Sir, the renewed assurances of my highest consideration.

(David Bruce)
American Ambassador

PM:DPassage:ddp

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Agreed Minute

In the course of discussions leading up to the Exchange of Notes of 30 December 1966, constituting an Agreement between the Governments of the United States and the United Kingdom concerning the use of the islands in the British Indian Ocean Territory for defence purposes the following agreement and understandings were reached:

I With reference to paragraph (2) (a) of the Agreement, the administrative measures referred to are those necessary for modifying or terminating any economic activity then being pursued in the islands, resettling any inhabitants, and otherwise facilitating the availability of the islands for defence purposes.

Where any United States requirement is for land owned by the United Kingdom Government but in the possession of a lessee of that Government and it will be necessary for notice of termination of the lease to be given by or on behalf of that Government to the lessee, there will be adequate notice of the United States requirement for the purpose of enabling the United Kingdom Government to give the lessee six months' notice of the termination of the lease or such less period of notice as may be specified in the lease. This paragraph shall not, however, apply in the circumstances envisaged in paragraph (2) (c) of the Agreement.

II With reference to paragraph (2) (b) of the Agreement, the approval in principle by both Governments before either constructs or installs any facility is required only for construction or installation of major new developments. Such developments would be of the order of an air staging base, a fleet support installation, or a space tracking station. The mutually satisfactory arrangements between appropriate administrative authorities would be sufficient for improvement or reasonable expansion of approved facilities already constructed or installed.

III With reference to paragraph (2) (c) of the Agreement, the types of measures considered appropriate by the British authorities during periods of emergency use by the United States will be indicated to the United States authorities and will be reflected by the latter in any planning for emergency use. In the event of such emergency use of an inhabited island, the implementation of measures taken by the United States authorities to ensure the welfare of any inhabitants may be monitored by British personnel.

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When temporary emergency use is required, the administrative authorities of the two Governments will agree upon the arrangements (if any) regarding such temporary use which may in the circumstances be appropriate.

IV With reference to paragraph (6) of the Agreement, the Governments of the United States and the United Kingdom agree to define the terms and conditions for use in exceptional circumstances by commercial aircraft of military airfields in the Territory, as follows:-

- (i) Such use shall be limited to technical stops by British and United States commercial aircraft only;
- (ii) the United States Government has indicated its agreement to such use following consultation on an expedited basis at the time, provided for in paragraph (6) of the Agreement, for the purpose of making practical arrangements;
- (iii) if, however, a third government should in the view of the United Kingdom make an effective challenge, in pursuance of international instruments relating to civil aviation, to the United Kingdom's action as sovereign power in denying the use of an airfield, then it is agreed that civil use by British and United States commercial aircraft shall be suspended for such time as in the view of the United Kingdom Government the effective challenge is maintained;
- (iv) the above provisions would not preclude the use of military airfields by civil aircraft operated by or on behalf of either Government for governmental purposes, which is covered by the service-level arrangements provided for in paragraph (5) of the Agreement.

V Paragraph 2 (b) (iii) of Annex II to the Agreement does not debar any person who has a civil claim against the United States Government or any person for whose acts or omission that Government is responsible from bringing a civil claim in a British court under British law in any circumstances in which it would otherwise be open for him to do so.

VI In the light of circumstances prevailing in the Territory at the commencement of the Agreement and the use to which it is contemplated the islands will be put, no formal provision has been included to cover the status of the members of the United States Forces and other personnel (except with regard to

/jurisdiction,

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jurisdiction, customs duties, and taxes) and certain defence activities of the United States pursuant to the Agreement. The lack of formal provisions in these respects will not operate to restrict such defence activities of the United States authorities. If at any time during the continuance of the Agreement it appears to the United Kingdom Government or the United States Government necessary, having regard to any change in the use of any development in the circumstances of the islands, to make formal provision for those matters, an Agreement will be concluded containing such of the provisions of the Seychelles Tracking Facility Agreement as appear necessary to the two Governments, with any necessary modifications, and such other provisions as appear necessary to the two Governments.

David Bruce

Chalfont

LONDON

30 December 1966

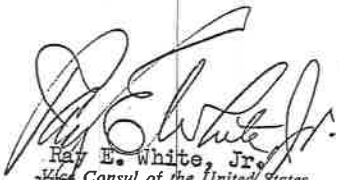
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GREAT BRITAIN AND NORTHERN IRELAND }
LONDON, ENGLAND. } SS:
EMBASSY OF THE UNITED STATES OF AMERICA }

I, Ray E. White, Jr.

~~Vice~~ Consul of the United States of America, residing at London, England,
duly commissioned and qualified, do hereby certify that the annexed copy of
Embassy's Note No. 27, dated December 30, 1966, addressed to The Right
Honorable George Brown, Secretary of State for Foreign Affairs, Foreign
Office, London, England,
a true and faithful copy of the original this day exhibited to me, the same
having been carefully examined by me and compared with the said original and
do hereby agree therewith word for word and figure for figure.

IN WITNESS WHEREOF I have hereunto set my hand and official seal
on the twenty-ninth day of December 19 66


Ray E. White, Jr.
~~Vice~~ Consul of the United States
of America at London, England.

Service No: A1543857
Item No: 83
No fee prescribed