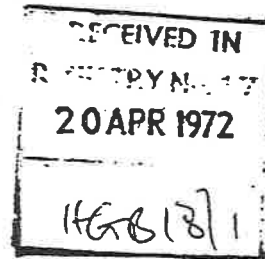


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KAD 301/302/01

19 April 1972

RESETTLEMENT IN MAURITIUS OF ILOIS FROM BIOT

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1. You will recall that at their meeting on 22 March to settle the question of Vote responsibility for the excess costs of the establishment of BIOT, Ministers directed that the FCO and the ODA should "consult together with a view to establishing that the resettlement scheme put forward by the Mauritian Government was the cheapest that could be regarded as fulfilling the Government's commitment to resettle in Mauritius the people of Mauritian origin displaced from BIOT, and to report the outcome to the Treasury".
2. I should say at the outset that HM's commitment, given to Mauritian Ministers in 1965 in connection with the ceding of the Chagos Archipelago by Mauritius to form part of BIOT, amounts in fact only to meeting the costs of resettling these displaced Ilois; we are in no way obliged to set up a resettlement scheme ourselves, or even to give any assistance to the Mauritians in evaluating such a scheme, whether by appraising it for them and advising them on it or by providing them with technical assistance during its execution. This distinction is important for reasons which I refer to below.
3. The scheme was described in outline by the Parliamentary Under-Secretary, FCO, in his letter of 9 March to your Minister of State. Essentially it consists of settling about 395 families (many of whom are at present "on the beach" in Mauritius languishing in a kind of shanty town and some of whom are actually still in BIOT) on two housing estates which will provide both a minimal area of land for subsistence cultivation (and possibly also rabbit breeding) and a larger co-operative area for pig raising. Candidly, although the scheme has been produced with the help of a British expert working with the Mauritian authorities, if it were one which we were asked to consider for financing as a development project from aid programme funds, we would certainly not feel able to approve it until we had carried out a fundamental appraisal and were completely satisfied on a number of aspects of the proposal, especially that of the marketing of the end product, cash flow, extension services for the resettled persons, and certain animal health aspects. But the present proposal is not one of this kind, and the FCO Whitehall wing and ourselves, who have thoroughly discussed the scheme, are convinced that it would be not merely undesirable, but possibly even from the financial standpoint unfortunate, for us to

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become involved in the preparation or execution of the Mauritius Government's scheme. And, of course, our terms of reference require us simply to be satisfied that we could not discharge our obligation to the Mauritius Government more cheaply.

4. The reason why we think that close involvement could have unfortunate results is that, having examined the scheme, we are persuaded that it is almost certainly under-estimated. As regards the housing estates, which account for seven-eighths of the total cost of £650,000, the costs at present put forward are certainly moderate by normal standards in that part of the world. We have evidence from our High Commission that one at least of the sites chosen might present difficulties which would inevitably escalate costs. In short, we do not think that these houses of moderate standard could be provided more cheaply even if no extraordinary difficulties in the process of construction were encountered. As regards the viability of the scheme, here again we are extremely chary of embarking on a process of evaluation. Such an investigation might indeed result in modifications to the scheme, even substantial structural changes in it; we cannot know this without more facts than we have at present. But whatever the outcome, we are persuaded that the odds would be heavily on a increase in cost which could be substantial. Any changes in the scheme adopted at our suggestion will clearly be regarded, if they do not succeed, as our fault; we should be involved in putting matters to rights and this could involve us in considerable aftercare expenses. In the terms of our financial undertaking, we feel we should be unable to resist meeting these increases in cost which, ironically, would be of our own making.

5. With your agreement, therefore, our intention is to tell the Mauritius Government that we will make available £650,000 for the financing of the scheme as it has been submitted to us, on condition that the Mauritius Government publicly acknowledges that this payment constitutes a full discharge of our 1965 undertaking. Should the scheme then prove to be less than a total success to whatever degree, the Mauritius Government would have no recourse to further financial assistance from us. This is not to say that we would be unwilling to increase the chances of success of the scheme by providing technical assistance for it out of our normal programme in an entirely unobtrusive manner. But even if we eventually go this far, I feel we would have to tread extremely carefully.

6. We are also agreed, on general political grounds, that it is now necessary to dispose of the problem quickly. The Mauritian Government and HME have been attacked by the opposition Movement Militant Mauritian for our neglect of the people and it is important that this weapon is taken from them as soon as possible. It has taken a long time for the Mauritius Government to come up with this scheme, but they have shown enthusiasm for it and have indicated that they would regard it as an adequate discharge of HME's obligations. The Mauritian Ministers who presented the scheme to Lord Lothian in the latter part of February made it clear that for their part they regarded it as one which provided some permanent employment for the [Ileis]; that it was conducive to the local economy; and that it would be an important step in removing feelings of unrest and in taking out of local politics the issue of the non-fulfilment of HME's seven year old pledge. It would be a mistake to prejudice the present effort

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of disposing of the issue, on a basis satisfactory to them, by proposing further investigation. If we agree it now without further delay, we can hope to cash in on the Mauritians' present goodwill, momentum and enthusiasm for the scheme. But with the delay which a full economic evaluation would involve, it would be very difficult to get the Mauritians to put their shoulders to the wheel again to get things moving on this issue.

7. Our final advice, therefore, is that we are convinced that we shall not be able to produce any cheaper scheme which the Mauritius Government would accept as in full acquittance of our undertaking and that the Mauritius Government should be informed that we accept the scheme on their advice and are prepared to make a payment to them of £650,000 subject to their giving us a full and public discharge of the 1965 commitment.

8. If this arrangement is agreeable, I understand that full settlement of Vote responsibility has not yet been reached. I believe, however, that at the Ministerial meeting on 22 March, Mr Wood indicated that he would prefer that these resettlement costs should be borne on MCD Votes with a corresponding increase in the share of the increased airfield costs that would ultimately fall on the aid programme whether it was borne on FCO or ODA Votes. This would mean, therefore, that the resettlement costs would be paid by MCD out of the original £10 million.

9. I am copying this letter to Thorp in MCD and Cox and Counsell in the FCO.

(R P J Lynch)

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