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independently of American plans, but the decision to proceed with a communications facility on Diego Garcia, which will necessitate evacuating that atoll, has brought it to a head.

5. There is no ideal solution. It has always been envisaged that the population should be resettled outside the B.I.O.T. as and when islands become needed for defence purposes. Our aim must be to ensure the welfare of the people concerned, but at the same time we must seek to limit the financial burden falling on H.M.G. as well as follow a course which is defensible in the United Nations and which does not store us up greater trouble for the future. I agree with the conclusion reached in the paper that on balance the best plan will be to try to arrange for these people, all of whom are citizens of the U.K. and Colonies or of Mauritius or both, to return to the Seychelles or Mauritius. The people with whom we are concerned are working in the Chagos under contract and own no property or other fixed assets there. However some of them have established roots in Chagos and I should naturally have wished to consult at least these in advance of any decisions about their future, if this had been possible. Officials have examined closely the

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possibility of giving them some element of choice, but have advised that this would seem wholly impracticable. We are not able, at this stage, in advance of talks with Mauritius, to offer resettlement there as an option; and even if we could, these workers might well express a preference to stay in Chagos. This, as explained in the paper at Annex A, would have severe drawbacks from our own point of view.

6. We have undertaken to meet the cost of resettlement of displaced labour, but it is not possible without further information to make a realistic estimate of that cost. Our expectation is that the return home of the U.K. citizens of Seychelles origin will not prove difficult or expensive; but we shall have to persuade the Mauritian Government to accept the return of those who are dual citizens of Mauritius and of the U.K. and Colonies on reasonable terms and we shall also have to endeavour to negotiate with the Mauritian Government reasonable resettlement terms for these dual citizens and a smaller number of single nationality Mauritians. I therefore propose that we should enter into negotiations with the Mauritian Government to this end. We should not seek agreement at any price and it may later transpire that we

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are unable to make fair and satisfactory arrangements with the Mauritians for these people's welfare at a reasonable cost to ourselves. It would then still be open to us to fall back on less satisfactory solutions such as the resettlement of some of the population of Diego Garcia on Peros Banhos and Salomon and the development of these two atolls by H.M.G. This latter alternative is, however, one which we should try to avoid, since it might later involve moving people a second time for defence reasons. It might also prove expensive in that continuing development and budgetary aid might be required.

7. If the course of action proposed commends itself to my colleagues, my Department will suggest discussions to the Mauritians at the same time as they give them confidential advance warning of the Diego Garcia project.

Oil and Minerals

8. A paper by officials on whether we should allow exploration for oil and minerals in the B.I.O.T. is at Annex B. It may well be that, as was thought by all parties as recently as 1966, there are no oil, gas or mineral resources in the Chagos. Nevertheless there are already some (foreign) companies who wish to satisfy themselves that this is in fact so; Shell have indicated that they may in due course have an interest in exploration in the Chagos; and the Mauritians, to whom the benefit of any oil or minerals discovered in or near Chagos will ultimately revert as a result of assurances given

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Department of Defense
 DIR OF BUDGET PLAN (TOA), BUDGET AUTHORITY, AND OUTLAYS
 Fiscal Years 1968-1970 by Functional Classification and Department or Agency

(Millions of Dollars)

	Dept. of Defense - Total			Dept. of the Army			Dept. of the Navy			Dept. of the Air Force			Def. Ags./OSD/UCD/MAP		
	FY 1968	FY 1969	FY 1970	FY 1968	FY 1969	FY 1970	FY 1968	FY 1969	FY 1970	FY 1968	FY 1969	FY 1970	FY 1968	FY 1969	FY 1970
Total	76,816	81,302	83,002	25,361	26,618	26,331	21,242	22,453	24,408	25,287	26,669	26,222	4,928	5,563	6,041
Military Personnel	19,086	20,593	20,600	7,820	8,491	8,535	5,585	6,004	6,106	5,677	6,098	5,959	-	-	-
Active Forces	875	953	1,049	570	614	675	157	175	185	148	165	189	-	-	-
Reserve Forces	2,093	2,450	2,735	-	-	-	-	-	-	-	-	-	2,093	2,450	2,735
Retired Pay	22,055	23,990	24,364	8,391	9,105	9,210	5,745	6,179	6,291	5,825	6,263	6,148	2,093	2,450	2,735
Total - Military Personnel	22,055	23,990	24,364	8,391	9,105	9,210	5,745	6,179	6,291	5,825	6,263	6,148	2,093	2,450	2,735
Operation and Maintenance	20,950	22,516	21,941	8,372	8,342	7,902	5,402	5,848	5,840	6,169	7,207	7,049	1,007	1,120	1,150
Subtotal - Operations	43,005	46,512	46,325	16,763	17,447	17,112	11,147	12,027	12,131	11,994	13,470	13,197	3,100	3,570	3,885
Procurement	9,469	8,409	8,157	1,282	843	941	2,760	2,478	2,659	5,428	5,088	4,556	-	-	-
Aircraft	2,518	3,390	4,115	433	926	1,348	601	781	885	1,424	1,682	1,882	-	-	-
Missiles	1,232	1,207	2,849	-	-	-	1,232	1,207	2,848	-	-	-	-	-	-
Ships	424	296	336	406	284	298	18	12	38	-	-	-	1	1	1
Tracked Combat Vehicles	6,443	7,403	6,116	3,023	3,548	2,651	1,769	1,841	1,776	1,650	2,013	1,689	8	7	15
Ordnance, Vehicles & Rel. Equip.	1,428	1,592	1,374	609	669	432	465	537	462	346	379	466	44	50	92
Electronics & Communications	2,096	2,158	2,177	744	617	663	809	1,072	994	500	419	427	53	58	108
Other Procurement	23,610	24,455	25,124	6,556	6,887	6,333	7,653	7,928	9,662	9,348	9,581	9,020	-	-	-
Total - Procurement	23,610	24,455	25,124	6,556	6,887	6,333	7,653	7,928	9,662	9,348	9,581	9,020	-	-	-
Research, Dev., Test, & Eval.	536	586	631	162	172	182	147	153	160	143	152	159	84	109	130
Military Sciences	1,126	987	1,354	138	117	132	217	396	577	762	473	645	8	1	-
Aircraft	2,485	2,467	2,483	658	755	883	769	713	552	553	938	976	105	60	72
Missiles	1,038	1,168	1,151	7	11	14	15	18	24	1,013	1,136	1,110	3	3	3
Military Astronautics	248	344	346	-	-	-	15	344	345	-	-	-	-	-	-
Ships and Small Craft	323	334	302	174	171	193	150	164	109	-	-	-	-	-	-
Ordnance, Vehicles & Rel. Equip.	1,127	1,221	1,334	348	351	363	244	237	285	277	384	400	258	11	10
Other Equipment	420	491	528	35	53	54	96	137	154	278	291	309	11	49	50
Program-wide Management & Support	-	49	50	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Fund	7,303	7,647	8,179	1,522	1,629	1,822	1,886	2,161	2,207	3,426	3,373	3,599	469	484	551
Total - RDT&E	7,303	7,647	8,179	1,522	1,629	1,822	1,886	2,161	2,207	3,426	3,373	3,599	469	484	551
Military Construction	1,613	1,332	1,951	521	655	1,064	554	338	408	518	245	404	600	536	634
Family Housing	600	536	634	-	-	-	-	-	-	-	-	-	86	61	75
Civil Defense	86	61	75	-	-	-	-	-	-	-	-	-	-	11	4
Special Foreign Currency Program	-	11	4	-	-	-	-	-	-	-	-	-	-	-	-
Total - Military Functions	76,216	80,554	82,293	25,361	26,618	26,331	21,242	22,453	24,408	25,287	26,669	26,222	4,328	4,815	5,332
Military Assistance	600	748	709	-	-	-	-	-	-	-	-	-	600	748	709
TOA Total - Dept. of Defense	76,816	81,302	83,002	25,361	26,618	26,331	21,242	22,453	24,408	25,287	26,669	26,222	4,928	5,563	6,041
Financing adjustments	-69	-4,003	-1,970	-58	-1,297	-402	-85	-1,419	-633	-35	-1,199	-832	109	-88	-103
Budget concepts adjustments	-345	-301	-387	-67	-58	-67	-35	-39	-39	-55	-35	-37	-188	-168	-242
Budget Authority (NOA)	76,402	76,998	80,645	25,237	25,262	25,862	21,122	20,995	23,736	25,196	25,435	25,353	4,848	5,305	5,694
Outlays	78,027	78,400	79,000	25,223	24,920	25,094	22,071	22,573	22,766	25,734	25,933	25,543	4,999	4,974	5,598

Note:

(1) FY 1969 TOA and NOA amounts include proposed supplemental appropriations as follows: Southeast Asia special support, \$1,631,500,000; military pay increases, \$907,200,000; civilian pay increase, \$198,900,000; wage board increases, \$84,600,000; retired pay, \$27,700,000; other supplemental appropriations, \$27,700,000.

Special support, \$1,631,500,000; military pay increases, \$907,200,000; civilian pay increase, \$198,900,000; wage board increases, \$84,600,000; retired pay, \$27,700,000; other supplemental appropriations, \$27,700,000.

OASD (Comptroller)
 January 13, 1969

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