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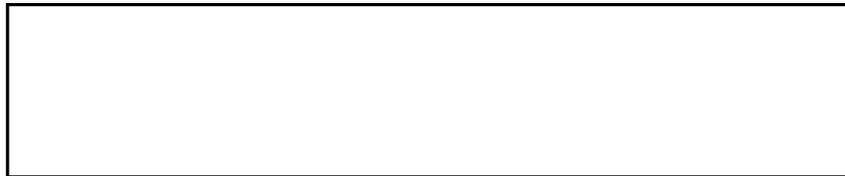
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3 March 1967

Central Intelligence Bulletin

CONTENTS



Indonesia-Malaysia: Diplomatic relations to be resumed within a few months. (Page 5)

India: Mrs. Gandhi likely to continue as prime minister. (Page 6)

Brazil: Costa e Silva administration planning changes in governmental style and program. (Page 7)

Nigeria: Threat of military action (Page 8)

25X1

Approved For Release 2003/05/19 : CIA-RDP79T00975A009700130001-0

Next 4 Page(s) In Document Exempt

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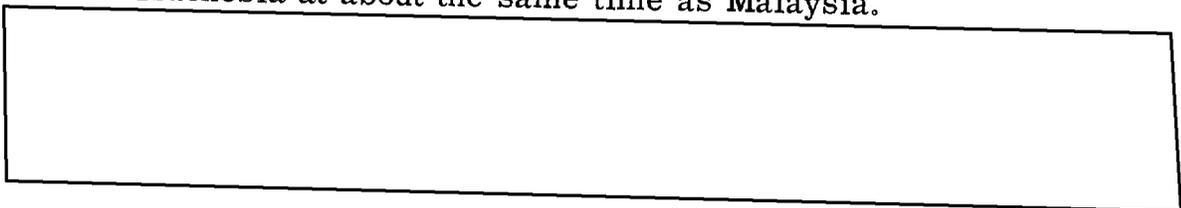
Indonesia-Malaysia: Indonesia plans to resume diplomatic relations with Malaysia within the next few months.

An Indonesian official who will join the Indonesian liaison mission in Kuala Lumpur later this month stated that his job will be to prepare for an exchange of ambassadors. He told a US Embassy official in Djakarta that his government plans to act shortly after next month's elections in Sabah, in Malaysian Borneo, and by June at the latest.

According to Foreign Minister Malik, Djakarta has informed the Malaysian Government that it would regard the outcome of the Sabah elections as an adequate indication of northern Borneo's attitude on remaining an integral part of Malaysia. Malik believes that the Sabah vote is almost certain to reflect pro-Malaysian sentiment.



Diplomatic relations between Indonesia and Singapore can be expected to follow shortly. Singapore agreed to wait so that it could establish formal ties with Indonesia at about the same time as Malaysia.



3 Mar 67

5

India: Mrs. Gandhi appears likely to continue as prime minister in the new government, barring a shift in Congress Party sentiment.

Despite damage to her prestige as a result of nationwide Congress Party losses during the recent elections, Mrs. Gandhi retains the support of party chiefs from several states where Congress did relatively well. She will, therefore, enter the election on 12 March for parliamentary leader with a considerably larger base of support than her probable rival, 71-year-old Morarji Desai. In addition, several leading politicians who previously had not favored Mrs. Gandhi were defeated in the elections.

Between now and 12 March party leaders hope to convince Desai that, in the interest of party unity, he should defer to Mrs. Gandhi and accept a cabinet post, possibly the deputy prime ministership. Thus far, Desai has indicated little interest in a deal, and it is not certain that Mrs. Gandhi would be willing to offer him any job in her cabinet. Pressure to accept Desai in a future cabinet might become strong, however, as many party hierarchs seem genuinely desirous of having the former finance minister contribute his skill and experience.

In a similar contest with Mrs. Gandhi in January 1966, Desai got the support of nearly one third of the Congress Party members in the two houses of parliament. To win this time, he will need to transform dissatisfaction with Mrs. Gandhi's leadership into wide support among rank and file members.

Should a standoff between Mrs. Gandhi and Desai appear to be developing, other candidates might come forward. In that case, Home Minister Y. B. Chavan, who has been supporting Mrs. Gandhi, would appear to have the best chance of winning.

3 Mar 67

6

Brazil: [President-elect Costa e Silva appears to be charting a governmental course that will differ radically in style and perhaps even in some matters of substance from that of the Castello Branco administration.]

[Ambassador Tuthill points out that there may well be some surprises--and not always happy ones--for the US. He notes that the incoming cabinet--which takes office on 15 March--includes a number of open critics of the present regime who may seek to stress their political differences with the Castello Branco administration while adhering to its basic policies. Brazil will undoubtedly retain its strongly pro-Western orientation, but a considerably more nationalistic and independent foreign policy less closely tied to the US can be expected. Foreign capital will still be welcome, so long as it contributes to Brazilian interests.]

[A confidential document prepared by planning minister-designate Beltrao outlines broad domestic policies much like those of the present administration. However, production and economic growth, rather than austerity, will be emphasized as the means to achieve financial stabilization. Although efforts will be made to restrain inflation, restrictive credit and wage policies may be relaxed.]

[Costa e Silva's leadership skills will be severely tested as he attempts to balance the interests of the military--his real power base--with opposition, student, and labor demands for significant liberalizations.]

NOTE

Nigeria: (Supreme commander Gowon told diplomatic representatives in Lagos on 1 March that "police action" might become necessary to prevent the disintegration of Nigeria. In an obvious reply to Eastern Governor Ojukwu's ultimatum, which expires on 31 March, Gowon also mentioned the possibility of closing the East's seaports and airports.

25X1

3 Mar 67

8

NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 2 March 1967 approved the following national intelligence estimates:

NIE 70-67, "East Africa (Kenya, Tanzania, Uganda)"

25X1

NIE 85-67, "Key Issues and Prospects for Castro's Cuba"

25X1

3 Mar 67

9

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