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OCTOBER 26, 1974

MEMORANDUM FOR SECRETARY KISSINGER
FROM: THE SITUATION ROOM
SUBJECT: INFORMATION ITEMS

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SOVIET HARVEST RESULTS: THE PRELIMINARY OFFICIAL ESTIMATE OF GRAIN PRODUCTION IN THE USSR, RELEASED YESTERDAY, PLACES THE SOVIET GRAIN HARVEST BETWEEN 190 MILLION AND 200 MILLION TONS. THE 205.6-MILLION-TON TARGET MAY BE MISSED BY AS MUCH AS 15 MILLION TONS. THIS IS WITHIN THE RANGE OF PREVIOUS UNOFFICIAL SOVIET ESTIMANS AND IN LINE WITH OUR ESTIMATES.

HINT OF TANAKA RESIGNATION: JAPANESE NEWSPAPERS TODAY INTERPRETED REMARKS BY A CLOSE FRIEND OF PRIME MINISTER TANAKA TO MEAN TANAKA MAY RESIGN SHORTLY AFTER PRESIDENT FORD'S VISIT TO JAPAN. THE FRIEND SAID HE THOUGHT TANAKA WANTED TO STAY IN OFFICE "AT LEAST UNTIL" THE VISIT WAS COMPLETED.

SOUTH VIETNAMESE OFFSHORE OIL DISCOVERY: THE SHELL OIL COMPANY HAS REPORTEDLY DISCOVERED OIL AT AN UNIDENTIFIED DRILLING SITE IN SOUTH VIETNAM'S OFFSHORE WATERS. PRELIMINARY TESTS SUGGEST A POTENTIAL FLOW OF AT LEAST 1,000 BARRELS PER DAY OF HIGH-QUALITY, LOW-SULPHUR OIL. IF THE SITE PROVES OUT, IT WOULD TAKE AT LEAST THREE YEARS FOR DEVELOPMENT. THE DISCOVERY, ALONG WITH DETECTION OF OIL-BEARING ROCK AT SHELL'S FIRST DRILLING SITE LAST AUGUST, IS EXPECTED TO SPUR FURTHER EXPLORATION IN THIS AREA. THIS IN TURN COULD ATTRACT OTHER FOREIGN INVESTORS, THEREBY BOL-

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STERING THE COUNTRY'S DEPRESSED ECONOMY.

FRG'S TRADE SURPLUS LARGEST IN WEST: WEST GERMANY'S TRADE SURPLUS IN THE THIRD QUARTER OF THIS YEAR CAME TO \$5.7 BILLION -- A SLIGHT DECLINE FROM THE FIRST TWO QUARTERS. THE NINE-MONTH SURPLUS IS \$18 BILLION, COMPARED WITH \$16 BILLION FOR THE ENTIRE YEAR OF 1973. THE RISE IS LARGELY ATTRIBUTABLE TO PRICE INCREASES FOR EXPORTS AND A LOWER VOLUME OF IMPORTS. EXPORT VOLUME HAS STAGNATED IN RECENT MONTHS, BECAUSE OF DETERIORATING ECONOMIC CONDITIONS THROUGHOUT THE INDUSTRIALIZED WORLD AND, IN PARTICULAR, THE SLUMP IN THE INTERNATIONAL WOOD-MOBILE MARKET. IMPORT VOLUME HAS BEEN DEPRESSED ALL YEAR BUT PICKED UP SLIGHTLY IN THE THIRD QUARTER. FOR THE ENTIRE YEAR, THE TRADE SURPLUS WILL PROBABLY EXCEED \$23 BILLION, THE LARGEST IN THE INDUSTRIALIZED WEST.

POSSIBLE TROUBLE IN LIMA: THE POSSIBILITY OF AN OPEN BREAK BETWEEN RADICAL AND MODERATE OFFICERS IN THE PERUVIAN GOVERNMENT IS INCREASING AS A RESULT OF PRESIDENT VELASCO'S EFFORTS TO CHANGE MILITARY RETIREMENT PROCEDURES. THE PRESIDENT'S GOAL APPARENTLY IS TO ALLOW THE THREE SERVICE CHIEFS TO REMAIN IN OFFICE AFTER THEIR MANDATORY RETIREMENT DATES. HE MAY ALSO DELAY PROMOTIONS IN THE NAVY TO BLOCK THE ADVANCEMENT OF OFFICERS WHO ARE UNACCEPTABLE TO HIM. VELASCO'S MOVES WILL ALMOST CERTAINLY CREATE SERIOUS UNREST AMONG SENIOR AND MIDDLE-GRADE OFFICERS, WHO PLACE GREAT STOCK IN TRADITIONAL RETIREMENT AND PROMOTION PROCEDURES. WHILE HE IS CERTAINLY AWARE OF THE RISKS HE RUNS IN TRYING TO TAMPER WITH THE MILITARY SENIORITY SYSTEM, HE HAS ACCELERATED THE PACE OF HIS RADICAL REFORMS AND MAY NOW FEEL THAT DECISIVE ACTION IS NECESSARY TO UNDERCUT THE MODERATES' POWER SO AS TO ENSURE CONTINUATION OF THE SOCIALIST REVOLUTION.

AFRICAN COUNTRIES GETTING ARAB FUNDS: ARAB OIL-PRODUCING COUNTRIES HAVE STARTED TO DISBURSE AID TO AFRICAN COUNTRIES. AN ARAB FUND FOR AFRICA, WITH A CAPITAL OF \$200 MILLION, WAS SET UP IN JANUARY TO ASSIST AFRICAN COUNTRIES IN MEETING HIGHER OIL COSTS. UGANDA, THE FIRST RECIPIENT, RECENTLY RECEIVED A \$5.65 MILLION CREDIT. TANZANIA AND LIBERIA HAVE SIGNED AGREEMENTS ENABLING THEM TO BEGIN USING CREDITS FROM THE FUND. AN ARAB BANK FOR AGRICULTURAL AND INDUSTRIAL DEVELOPMENT IN AFRICA, A COMPANION INSTITUTION WITH ABOUT THE SAME CAPITALIZATION AS THE FUND, IS STILL BEING FORMED. EVENTUALLY THE BANK WILL ADMINISTER THE FUND.

RESOLUTION TO EXPEL SOUTH AFRICA: THREE BLACK AFRICAN MEMBERS OF THE UN SECURITY COUNCIL YESTERDAY FORMALLY SUBMITTED A RESOLUTION CALLING ON THE UN TO EXPEL SOUTH AFRICA. THE RESOLUTION -- SPONSORED BY KENYA, CAMEROON, AND MAURITANIA -- IS EXPECTED TO BE VOTED ON NEXT WEEK. IT APPEARS THAT ONLY

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A VETO BY ONE OF THE PERMANENT MEMBERS OF THE SECURITY COUNCIL WILL PREVENT THE RESOLUTION FROM BEING ADOPTED. UNTIL YESTERDAY, IT APPEARED THAT THE AFRICANS WOULD BE SATISFIED IF THE SECURITY COUNCIL MERELY SUSPENDED SOUTH AFRICAN MEMBERSHIP AND CALLED ON PRETORIA TO TAKE SPECIFIC STEPS TO AMELIORATE APARTHEID. ON THURSDAY, SOUTH AFRICA'S AMBASSADOR TO THE UN INFORMED A U.S. OFFICIAL THAT IF THE BLACK AFRICANS REJECTED THE OFFER OF COOPERATION HE MADE IN HIS SPEECH TO THE UN, THERE WOULD BE A STRONG REACTION IN PRETORIA AND NO MOVEMENT AT ALL TO END APARTHEID.

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