

State Department review completed

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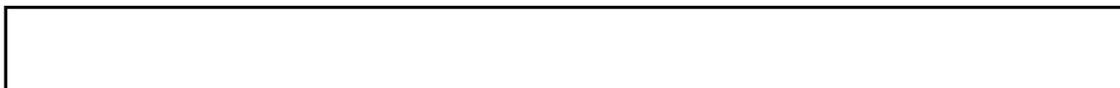
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YUGOSLAVIA: The smallpox epidemic is worse than Belgrade is admitting publicly, and the Yugoslavs privately are seeking speedy medical assistance.

The official in charge of combating the epidemic told the US ambassador on 28 March that there were around 200 cases in Serbia and its provinces of Kosovo and Voivodina, almost twice the incidence admitted by the press. There were 15 deaths reported as of yesterday, including five in Belgrade alone.

An estimated 20 to 30 percent of the locally produced vaccine may be ineffective. The Yugoslavs are requesting assistance totaling 20 million doses of vaccine from the US, USSR, major West European countries, and the World Health Organization. Three million doses of vaccine, related equipment, and six specialists from the US will arrive in Yugoslavia by Friday.

Most central government meetings--including an unprecedented joint session of the party presidium and the state presidency--have been postponed indefinitely in an effort to limit contagion. Sports events and other public gatherings in the infected areas have also been canceled. The epidemic is localized for now in the general area of Serbia, but Yugoslav experts fear a second outbreak will spill over into new areas in the next few days. Such an outbreak could outpace immunization efforts by the other republics.

The epidemic may be spreading abroad. A Yugoslav worker in Hanover, West Germany, has been hospitalized with smallpox, and the Bulgarians have closed their border with Yugoslavia and are claiming that Albania, too, is infected. Other neighboring countries may close their borders shortly.



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YUGOSLAVIA: The bombing yesterday of a Yugoslav tourist office in Stockholm may signal another round of terrorism by anti-Tito emigres.

An anonymous telephone caller, claiming to be a member of an emigre resistance movement, took credit for the blast which caused no injuries. The caller warned that all Yugoslav installations and residences in the Stockholm area would be "detonated."

The emigres also may be targeting installations inside Yugoslavia. Approximately 20 fires, some probably of incendiary origin, were reported in Zagreb on Monday.

The Croatian political crisis in Yugoslavia last December spawned several terrorist explosions in January both in Yugoslavia and abroad. Since that time, the emigres have warned of new violence in the cause of what they call a free and independent Croatia. The Stockholm blast could have been designed as a prelude to the 31st anniversary of the founding of the Croatian fascist state on 10 April.



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CHINA: The death this week of long-absent politburo member Hsieh Fu-chih underlines Peking's difficulties in replacing its key personnel.

According to the eulogy delivered yesterday by Premier Chou En-lai, Hsieh was stricken with stomach cancer two years ago. Despite his serious illness and his inability to make but a single public appearance since March 1970, Hsieh continued to hold a number of sensitive positions including the posts of vice premier, minister of public security, and first political commissar of the Peking military region; moreover, in March 1971, he was designated party boss of Peking city. Hsieh's tenure appears all the more remarkable since there were also indications in early 1970 that he had been heavily involved in the bitter wrangling between conservatives and ultra-leftists in the politburo over the investigation of the "May 16 Corps"--an extremist group that had attacked Premier Chou En-lai and some of his associates during the Cultural Revolution.

In any case, with his passing, Hsieh's security, party, and military posts are likely to become political footballs. Wu Te, veteran conservative on the central committee, has been the de facto head of the Peking city party apparatus and seems a likely candidate to replace Hsieh in that post. But whether Wu Te would inherit the politburo status previously enjoyed by the top party boss in Peking city is uncertain. There is greater uncertainty about the sensitive public security portfolio. This appointment may be complicated not only by conservative-radical rivalry but also by controversy over whether Hsieh's replacement should be civilian or military, and whether he should be elevated to the politburo.

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BOLIVIA-USSR: (Bolivia has given 119 Soviets a week to leave the country.)

Bolivian-Soviet relations cooled considerably following the change in Bolivian regimes last August, but the Soviets confirmed that a \$27.5-million credit offered earlier was still available. Relations have been correct, although the anti-Communist Banzer government remained troubled by the size of the Soviet mission; it says there are 169 Soviet nationals in Bolivia.

The Bolivian armed forces have been adamant in demanding that the Soviet presence be reduced, especially since three Soviet military attachés were posted to La Paz. No evidence of Soviet complicity with violence-prone extremists has been produced, but such a charge will probably be used as a pretext. The expulsion could jeopardize the large and much-needed credit.

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INDIA: Since the US suspended its aid during the Indo-Pakistani war, India has intensified its drive for economic self-sufficiency, according to a recent US Embassy analysis.

The US action has led to concentrated efforts to find alternative sources of supply for commodities previously financed by US aid and to limit all dollar expenditures. US and Indian businessmen say that they are under pressure from New Delhi to decrease dollar requirements for raw materials, parts, and capital equipment. Businessmen in Calcutta claim that where US prices and quality are only marginally competitive, India is shopping elsewhere, especially in soft currency countries such as the USSR and Eastern Europe. Earlier bright prospects for the sale of three Boeing 737 aircraft have dimmed, but the decision probably will not be made this year.

The embassy notes that the longer US assistance remains suspended, the greater the likelihood that alternative suppliers will supplant the US permanently. New Delhi actually has refused small amounts of US PL 480 cotton and vegetable oil, claiming India does not want to discuss aid on a "piecemeal basis."

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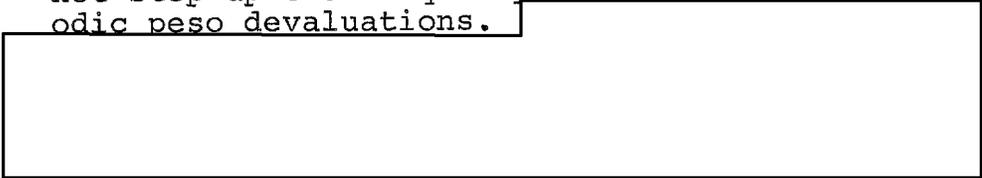
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NOTES

ARAB STATES: Baghdad has fallen short of its declared goal of forging bonds of unity with Damascus and Cairo as both capitals gave little more than a cordial reception to visiting Iraqi strongman Saddam Tikriti. Iraq's scheme, floated on the wave of revulsion to King Husayn's West Bank proposal, probably reflected few illusions in Baghdad about any real prospects for success. Nevertheless, any improvement in Iraq's chronically strained relations with other Arab states would improve Tikriti's domestic position and ease Iraq's diplomatic isolation. Improved relations would also give some satisfaction to Moscow, which has been urging closer Iraqi-Syrian cooperation on projects of mutual interest, such as the development of the Euphrates River basin.



COLOMBIA: Organized labor is demanding an immediate 30-percent increase in minimum wage levels that it expects will lead to a corresponding upward adjustment in union wage scales. Labor justifies its demands by citing the 28-percent cost-of-living rise since the last minimum wage increase in 1969, even though the unions have secured partially compensatory wage adjustments. Labor's political clout, strengthened by an imminent merger of the two largest democratic unions, probably will force President Pastrana to approve at least a 20-percent increase to avoid a confrontation before local elections in April. Such a wage increase would greatly strengthen inflationary pressures and could jeopardize export-promotion efforts if Colombia does not step up the frequency or magnitude of its periodic peso devaluations.



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