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E.O. 12356: DECL: OADR

TEXT

TAGS: PREL, OVIP (VRANITZKY, FRANZ), AU, US
SUBJ: BACKGROUND TO THE WASHINGTON VISIT OF
- CHANCELLOR VRANITZKY

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMARY: AUSTRIAN CHANCELLOR FRANZ VRANITZKY WILL MEET WITH THE PRESIDENT ON MAY 5 AGAINST A BACKGROUND OF IMPROVING U.S.-AUSTRIAN RELATIONS FOLLOWING THE PROBLEMS OF THE WALDHEIM AFFAIR. THE POLITICAL SCENE HERE IS IN SOME TURMOIL, BUT VRANITZKY'S OWN POLITICAL POSITION IS SECURE. VRANITZKY PLANS TO RAISE THREE ISSUES WITH THE PRESIDENT: EAST-WEST RELATIONS, INCLUDING ARMS CONTROL; EUROPEAN INTEGRATION AND THE AUSTRIAN EC APPLICATION; AND THE MIDDLE EAST. AUSTRIA WELCOMES THE POLITICAL AND ECONOMIC REFORMS UNDERWAY IN PARTS OF EASTERN EUROPE, BUT REMAINS SKEPTICAL OF THEIR DURABILITY; VRANITZKY WILL PROBABLY URGE MORE U.S. ECONOMIC AND POLITICAL SUPPORT FOR REFORM. AFTER A LONG INTERNAL DEBATE AUSTRIA HAS DECIDED TO APPLY FOR MEMBERSHIP IN THE EC. WE SHOULD MAINTAIN OUR POSITION THAT AUSTRIAN NEUTRALITY POSES NO INTRINSIC OBSTACLE TO ITS MEMBERSHIP IN THE EC WHILE AVOIDING PUBLIC EXPRESSIONS OF SUPPORT LEST THIS EXACERBATE SOVIET CONCERNS AND UNDERMINE AUSTRIA'S EFFORTS TO

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JOIN. AUSTRIA HAS RECENTLY REASSERTED A TRADITIONAL INTEREST IN THE MIDDLE EAST. VRANITZKY WILL PROBABLY ASK THAT WE QUICKEN THE PACE OF OUR OWN EFFORTS SO THAT WE NOT LOSE A LIMITED OPPORTUNITY TO DEAL WITH A MODERATE YASIR ARAFAT. END SUMMARY.

GENERAL

3. FRANZ VRANITZKY HAS BEEN CHANCELLOR OF AUSTRIA SINCE JUNE 1986. HIS SOCIALIST PARTY (SPO) LEADS A GRAND COALITION GOVERNMENT WITH THE CONSERVATIVE PEOPLES PARTY (OVP). BOTH OF THE MAJOR PARTIES HAVE GONE THROUGH DIFFICULTIES IN RECENT MONTHS, WITH THE SPO WRACKED BY A SERIES OF SCANDALS AND RESIGNATIONS AND THE OVP TORN BY A LEADERSHIP CONTROVERSY JUST RESOLVED THIS WEEK WHEN JOSEF RIEGLER WAS NAMED TO REPLACE FOREIGN MINISTER ALOIS MOCK AS PARTY CHAIRMAN AND VICE CHANCELLOR IN THE COALITION. IN A SERIES OF PROVINCIAL ELECTIONS THE OPPOSITION LIBERAL FREEDOM PARTY (FPO) (A PARTY WITH A TINGE OF GERMAN CULTURAL NATIONALISM), LED BY THE CHARISMATIC JOERG HAIDER, HAS MADE INROADS INTO THE ELECTORAL BASE OF BOTH MAJOR PARTIES. HOWEVER, VRANITSKY'S PERSONAL HIGH STANDING WITH THE AUSTRIAN ELECTORATE HAS HELPED MINIMIZE THE FALLOUT FROM THESE SCANDALS AND LIMIT THE SPO'S ELECTORAL LOSSES.

4. VRANITZKY WILL THUS ARRIVE IN WASHINGTON AT A TIME OF SOME POLITICAL TURMOIL IN AUSTRIA BUT WITH HIS OWN POLITICAL BASE SECURE. HE VIEWS HIS MEETING WITH THE PRESIDENT SO EARLY IN THE NEW ADMINISTRATION AS A SIGNAL OF AUSTRIA'S ROLE AS AN IMPORTANT NEUTRAL BETWEEN EAST AND WEST (HE VISITED MOSCOW IN NOVEMBER AND MET WITH GORBACHEV), AND AS A PERSONAL POLITICAL ACHIEVEMENT.

5. THE VISIT ALSO COMES AT A TIME WHEN TIES BETWEEN AUSTRIA AND THE UNITED STATES ARE AT THEIR STRONGEST SINCE THE BEGINNING OF THE WALDHEIM AFFAIR THREE YEARS AGO. ALTHOUGH **KURT WALDHEIM** REMAINS PRESIDENT OF AUSTRIA AND IS STILL ON THE U.S. WATCHLIST, THE CONTROVERSY HAS BEEN QUIESCENT FOR ALMOST A YEAR AND WE HAVE BEEN ABLE TO REBUILD A RELATIONSHIP BASED ON OBJECTIVE COMMON INTERESTS. THE VISITS TO VIENNA BY SECRETARIES SHULTZ AND BAKER EARLIER THIS YEAR AND THE VRANITZKY TRIP TO THE UNITED STATES ARE SYMBOLIC OF THE "NORMALITY" WHICH HAS RETURNED TO AUSTRIAN-AMERICAN RELATIONS.

6. WE HAVE BEEN TOLD BY VRANITZKY'S OFFICE THAT HE INTENDS TO RAISE THREE SUBJECTS WITH THE PRESIDENT: EAST-WEST RELATIONS AND ARMS CONTROL; EUROPEAN INTEGRATION AND AUSTRIA'S APPLICATION TO JOIN THE EUROPEAN COMMUNITY; AND MIDDLE EAST AFFAIRS, INCLUDING THE ARAB-ISRAELI PEACE PROCESS. THE REST OF THIS TELEGRAM PROVIDES BACKGROUND ON THOSE ISSUES.

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AST-WEST RELATIONS

7. WHILE FIRMLY A PART OF THE ECONOMIC, POLITICAL AND VALUE SYSTEM OF THE WEST, AUSTRIA HAS DECLARED ITSELF MILITARILY NEUTRAL AND IT PROFESSES A ROLE AS A BRIDGE BETWEEN EAST AND WEST. IN REALITY THE ROLE IS EXAGGERATED,
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LARGELY BECAUSE OF THE RELAXATION OF TENSIONS AND GROWING DIRECT TIES BETWEEN EAST AND WEST, PARTICULARLY THE FRG. NONETHELESS, BECAUSE OF ITS GEOGRAPHY AND ITS HISTORY (BOTH PRE-WORLD WAR I AND POST-WORLD WAR II), AUSTRIA HAS A SPECIAL INTEREST IN AND PERSPECTIVE ON EVENTS IN EASTERN EUROPE.

8. VRANITZKY WILL WANT TO PROVIDE THE PRESIDENT HIS VIEWS ON THE REFORM PROCESS IN THE SOVIET UNION AND EASTERN EUROPE. WHILE THE AUSTRIANS ARE EAGER FOR REAL ECONOMIC AND POLITICAL CHANGE, PARTICULARLY IN THE COUNTRIES DIRECTLY ON AUSTRIA'S BORDERS (HUNGARY, CZECHOSLOVAKIA AND YUGOSLAVIA), THEY ARE ALSO SKEPTICAL ABOUT THE DURABILITY OF CHANGES CURRENTLY UNDER WAY, PARTICULARLY IN THE SOVIET UNION. THE AUSTRIANS ARE STRONG ADVOCATES OF ECONOMIC SUPPORT FOR REFORM IN EASTERN EUROPE, AND THEY WOULD ESPECIALLY LIKE TO SEE MORE WESTERN ASSISTANCE FOR YUGOSLAVA. BUT THEY ARE REALISTS, TOO, AND THEY KNOW FROM THEIR OWN EXPERIENCE THAT AID AND LOANS NEED TO BE PUT INTO VIABLE SECTORS OF THE ECONOMY AND MADE CONDITIONAL ON CONTINUED REFORM.

9. A MAJOR REASON FOR AUSTRIA'S HOPES FOR REFORM IN EASTERN EUROPE IS THAT THIS WILL, IN THE LONG RUN, STANCH THE FLOW OF REFUGEES FROM EAST TO WEST, MANY OF WHOM PASS THROUGH THIS COUNTRY OF FIRST ASYLUM AS WELL AS FINAL RESETTLEMENT (600,000 OF 2,000,000 REFUGEES WHO ENTERED AUSTRIA SINCE 1945 HAVE SETTLED HERE). HOWEVER, THE GROWING TIDE OF PERSONS LEAVING THE SOVIET UNION AND EASTERN EUROPE AS A RESULT OF THE NEW OPENNESS IN THOSE COUNTRIES IS WORRISOME IN VIENNA. THE RECENT ANNOUNCEMENT BY WEST GERMANY THAT IT WILL REQUIRE VISAS OF YUGOSLAV VISITORS HAS HEIGHTENED THIS CONCERN. VRANITZKY MAY WELL ASK THAT WE CONTINUE TO BE GENEROUS IN WELCOMING SOVIET AND EASTERN EUROPEAN REFUGEES OR THAT WE INCREASE THE NUMBERS ESPECIALLY OF THOSE WE TAKE FROM THE NON-SOVIET EASTERN EUROPEAN COUNTRIES.

10. ONE AREA WHERE AUSTRIA HAS ACTED AS AN EAST-WEST BRIDGE IS ITS LOCATION AS THE SITE OF SUMMITS AND ARMS CONTROL NEGOTIATIONS. AUSTRIA TAKES ITS ROLE AS MEMBER OF THE NEUTRAL AND NON-ALIGNED SERIOUSLY, WAS VERY ACTIVE IN THE CSCE FOLLOW-ON MEETING IN VIENNA, AND WOULD PREFER TO BE A MORE ACTIVE PARTICIPANT IN THE

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CFE TALKS. AUSTRIA HAS URGED THAT U.S. SHORT-RANGE NUCLEAR FORCES NOT BE MODERNIZED. VRANITZKY WILL BE PREPARED FOR A SUBSTANTIVE DISCUSSION OF ARMS CONTROL, NUCLEAR AND CHEMICAL AS WELL AS CONVENTIONAL. HE WILL ALMOST CERTAINLY URGE AN EARLY RESUMPTION OF THE START TALKS, HE MAY ASK THAT VIENNA BE CONSIDERED AS THE SITE FOR A CHEMICAL WEAPONS MONITORING AGENCY, AND HE MAY HAVE SUGGESTIONS FOR CFE. ALTHOUGH AUSTRIA WOULD DEARLY LOVE TO HOST THE NEXT U.S.-SOVIET SUMMIT, VRANITZKY IS REALIST ENOUGH TO KNOW THAT WALDHEIM IS A DIFFICULT OBSTACLE TO A VISIT IN VIENNA BY PRESIDENT BUSH. (AN EFFORT EARLY IN THE NEW ADMINISTRATION TO FEEL US OUT ABOUT A CHANGE IN OUR POSITION TOWARD WALDHEIM SEEMS TO HAVE FADED.)
EUROPEAN INTEGRATION

11. AFTER A LONG AND DRAWN-OUT PROCESS, THE CABINET AGREED APRIL 17 TO SEND A REPORT TO PARLIAMENT INCLUDING A STATEMENT OF INTENT TO MAKE AN APPLICATION FOR EC MEMBERSHIP AND ASKING FOR PARLIAMENTARY CONCURRENCE (SEE VIENNA 4511). THE CABINET'S DECISION INCORPORATES THE PRINCIPAL RESERVATIONS ARTICULATED BY THE SPO LEADERSHIP (VIENNA 3965). IN ADDITION TO SAFEGUARDING AUSTRIA'S PERMANENT NEUTRALITY, THESE INCLUDE PRESERVING AUSTRIA'S FEDERAL STRUCTURE, SOCIAL AND ENVIRONMENTAL STANDARDS, AND SUPPORT FOR THE AGRICULTURAL SECTOR. (NOTE: THE GOA BELIEVES THAT PERMANENT NEUTRALITY CAN BE MADE CONSISTENT WITH EC MEMBERSHIP (E.G., THROUGH GOA "DECLARATIONS" CONCERNING SANCTIONS AND BOYCOTTS). MANY EC MEMBERS ARE SKEPTICAL AND ARGUE THE BURDEN OF PROOF IS ON THE GOA.) TRANSIT TRAFFIC, AN ADDITIONAL CONCERN, WILL BE DISCUSSED WITH THE EC, INDEPENDENT OF THE APPLICATION. ALTHOUGH AUSTRIA WILL PAY MORE INTO EC COFFERS THAN IT WILL GET IN RETURN, THE EXPECTATION IS THAT THE DECLINE IN CONSUMER PRICES WILL OUTWEIGH THE DISADVANTAGES OF MEMBERSHIP. IN ADDITION, THERE IS CONCERN THAT IF IT REMAINS OUTSIDE THE POST-1992 EC, AUSTRIA WILL BE A LESS ATTRACTIVE PLACE FOR FOREIGN INVESTMENT.

12. SOME AUSTRIANS ARE ALSO WORRIED ABOUT THE POSSIBLE
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EFFECTS EC MEMBERSHIP MIGHT HAVE ON AUSTRIA'S TRADITIONALL PERCEIVED ROLE AS A BRIDGE BETWEEN WESTERN AND EASTERN EUROPE. THEY ARGUE THAT UPSETTING THE POSTWAR BALANCE (THROUGH EC MEMBERSHIP) MIGHT CONTRIBUTE TO RE-POLARIZATIO OF EUROPE AND WEAKEN VIENNA'S TRADITIONAL TIES WITH THE EAST. PROPONENTS OF EC MEMBERSHIP POINT TO THE EXPANDING DIRECT TIES BETWEEN THE EC AND HUNGARY AND OTHER CMEA COUNTRIES. VIENNA'S TRADITIONAL LINKS WITH EUROPEAN

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CMEA COUNTRIES MIGHT STRENGTHEN THE COMMUNITY'S HAND IN EASTERN EUROPE AND THE SOVIET UNION. IT IS NOTEWORTHY THAT AUSTRIA'S TRADE WITH THE EAST HAS BEEN DECLINING; IT NOW ACCOUNTS FOR ABOUT 9.0 PERCENT OF AUSTRIA'S TOTAL TRADE. DESPITE ITS EFFORTS TO REGAIN MARKET SHARE, AUSTRIA'S TRADE WITH THE EC-12 IS STILL MUCH MORE IMPORTANT. IN 1988 ABOUT 66 PERCENT OF TOTAL AUSTRIAN TRADE WAS WITH THE EUROPEAN COMMUNITY.

13. IN PREVIOUS DISCUSSIONS WITH THE AUSTRIANS INCLUDING SECRETARY BAKER'S MEETING WITH FOREIGN MINISTER MOCK MARCH 5, WE RESPONDED TO QUESTIONS ABOUT EC MEMBERSHIP BY NOTING THAT, WHILE THE U.S. FUNDAMENTALLY FAVORS AUSTRIAN ADMISSION TO THE EC, IT IS A MATTER WHICH AUSTRIA AND THE COMMUNITY MUST ADDRESS. REGARDING THE NEUTRALITY QUESTION, WE AGREE WITH THE GOA THAT IT SHOULD BE FREE TO INTERPRET ITS NEUTRALITY AS IT SEES FIT. WE DO NOT BELIEVE THERE IS AN INHERENT CONTRADICTION BETWEEN AUSTRIA'S PERMANENT NEUTRALITY AND EC MEMBERSHIP. WE HAVE MAINTAINED A POLICY OF QUIETLY SUPPORTING AUSTRIAN EC MEMBERSHIP WHILE AVOIDING PUBLIC COMMENT IN THE BELIEF THAT THIS COURSE IS THE WAY WE CAN BEST HELP THE GOA ACHIEVE ITS GOAL. DURING THE MEETINGS WITH THE PRESIDENT, WE MAY WISH TO REITERATE THIS POSITION.

MIDDLE EAST

14. DURING THE 1971-83 PERIOD OF BRUNO KREISKY'S RULE, AUSTRIA WAS DEEPLY INVOLVED IN THE MIDDLE EAST, LARGELY ON THE BASIS OF KREISKY'S OWN INTEREST AND PERSONAL RELATIONSHIPS WITH MAJOR ARAB FIGURES, INCLUDING ARAFAT AND QADHAFI. THIS INTEREST BEGAN TO FADE AFTER KREISKY LEFT THE POLITICAL SCENE IN 1983, AND IT WENT INTO ECLIPSE WHEN THE CONSERVATIVE PEOPLE'S PARTY (OVP) TOOK OVER THE FOREIGN MINISTRY IN 1987. IN RECENT MONTHS, HOWEVER, AUSTRIA HAS BEGUN TO REASSERT AN INTEREST IN THE ARAB-ISRAELI PEACE PROCESS. AUSTRIA UPGRADED ITS RELATIONS WITH THE PLO LATE LAST YEAR, BUT HAS NOT RECOGNIZED THE PALESTINIAN "STATE". ARAFAT VISITED VIENNA IN DECEMBER AND A GOA DELEGATION, LED BY MFA SECRETARY GENERAL KLESTIL, MET WITH HIM IN TUNIS EARLY THIS MONTH. VIENNA WAS TO HAVE HOSTED A MEETING BETWEEN ARAFAT AND AN ISRAELI PARLIAMENTARY GROUP LAST WEEK, BUT THE MEETING WAS CALLED OFF AT THE LAST MINUTE BECAUSE OF A DISAGREEMENT BETWEEN THE TWO DELGATIONS. AUSTRIAN RELATIONS WITH ISRAEL ARE SOMEWHAT TENSE, IN PART BECAUSE ISRAEL REFUSES TO ASSIGN AN AMBASSADOR HERE BECAUSE OF WALDHEIM.

15. VRANITZKY WILL BE VERY INTERESTED IN OUR PLANS FOR MOVING THE PEACE PROCESS FORWARD. HE WILL LIKELY URGE THAT WE QUICKEN THE PACE BECAUSE ARAFAT AND THE MODERATES IN THE PLO HAVE ONLY A LIMITED TIME TO PROVE

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THAT THEIR NEW OPENNESS TO THE U.S. AND ISRAEL IS
PAYING DIVIDENDS. AUSTRIA HAS LONG FAVORED AN
INTERNATIONAL CONFERENCE ON THE MIDDLE EAST, AND,
ALTHOUGH VRANITZKY HEARD IN MARCH FROM SECRETARY
BAKER OUR RATIONALE FOR PROCEEDING CAREFULLY WITH
SMALL CONCRETE STEPS, HE MAY WELL URGE AN EARLY
CONFERENCE. ALTHOUGH WE HAVE HEARD NOTHING SPECIFIC
FROM THE AUSTRIANS IN RECENT MONTHS, VRANITZKY COULD
CONCEIVABLY MAKE SOME KIND OF OFFER TO ACT AS AN
INTERMEDIARY IN THE MIDDLE EAST. GRUNWALD

ADMIN
END OF MESSAGE

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