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NSC FOR WALKER AND LEBOURGEOIS

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SUBJECT: VRANITZKY VISIT: SCENESETTER

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY. WITH THE NEGOTIATIONS ON EU ENTRY COMPLETED SUCCESSFULLY, AUSTRIAN CHANCELLOR FRANZ VRANITZKY WILL USE HIS MEETING WITH PRESIDENT CLINTON APRIL 20 TO REAFFIRM STRONG U.S.-AUSTRIAN TIES AND TO BOLSTER HIS ROLE AS AUSTRIA'S SENIOR POLICYMAKER IN THE RUN-UP TO NATIONAL ELECTIONS IN OCTOBER. VRANITZKY MAY WANT TO DISCUSS DEVELOPMENTS IN CENTRAL AND EASTERN EUROPE, THE BALKANS, RUSSIA AND THE NIS, AND THE MIDDLE EAST. WHILE WE DOUBT VRANITZKY WILL RAISE ANY BILATERAL ISSUES, THE PRESIDENT SHOULD BE PREPARED IN THE EVENT HE MENTIONS THE WALDHEIM VISA OR TEMELIN. END SUMMARY.

VRANITZKY COMING AS AN OLD FRIEND

3. VRANITZKY KNOWS THE U.S. VERY WELL, HAVING VISITED IT BEFORE AND AFTER HE BECAME CHANCELLOR IN 1986. VRANITZKY MET WITH

NAZI WAR CRIMES DISCLOSURE ACT
2000

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PRESIDENT BUSH SEVERAL TIMES DURING WALDHEIM'S PRESIDENCY, THUS MAINTAINING HIGH-LEVEL CONTACT DURING A DIFFICULT ERA IN OUR BILATERAL RELATIONSHIP. VRANITZKY MET CLINTON AT EUROPEAN "BILDEBURG" MEETINGS WHEN THE PRESIDENT WAS GOVERNOR OF ARKANSAS. THE TWO LEADERS FOUND EACH OTHER PERSONALLY AND PHILOSOPHICALLY COMPATIBLE, AND ESTABLISHED A SOLID WORKING RELATIONSHIP.

REAFFIRMING VRANITZKY'S PRIMACY IN FOREIGN POLICY

4. FOR THE CHANCELLOR, A MEETING WITH PRESIDENT CLINTON AFFORDS AN OPPORTUNITY TO DEMONSTRATE TO HIS DOMESTIC AUDIENCE THAT VRANITZKY, AND NOT PRESIDENT THOMAS KLESTIL, WILL REMAIN THE SENIOR AUSTRIAN INTERLOCUTOR WHEN AUSTRIA JOINS THE EU. KLESTIL HAD TRIED TO ASSUME THIS MANTLE AFTER HIS ELECTION IN 1992, CITING AMBIGUOUS PROVISIONS OF THE AUSTRIAN CONSTITUTION WHICH ENVISAGE THE PRESIDENT REPRESENTING THE COUNTRY ABROAD, BUT NOT ACTING AS A POLICYMAKER. THERE HAS BEEN LITTLE SUPPORT FOR KLESTIL'S SALLY IN AUSTRIA, ESPECIALLY SINCE HIS MARITAL DIFFICULTIES SURFACED IN THE MEDIA. WHILE THE USG SHOULD NOT BECOME INVOLVED IN THIS DOMESTIC AUSTRIAN ISSUE, THE FACT REMAINS THAT VRANITZKY, AS HEAD OF GOVERNMENT, AND NOT KLESTIL, IS CHARGED WITH FORMULATING AUSTRIAN FOREIGN AND DOMESTIC POLICIES, ALONG WITH HIS COALITION PARTNERS.

THE EU REFERENDUM AND ELECTIONS BEYOND

5. ALL EYES IN AUSTRIA ARE NOW FOCUSED ON JUNE 12, WHEN THE AUSTRIAN PUBLIC WILL VOTE ON ACCESSION TO THE EU. ALONG WITH HEIDE SCHMIDT'S SMALL LIBERAL FORUM, VRANITZKY'S SOCIAL DEMOCRATIC PARTY (SPO) HAS BEEN THE ONLY PARTY SO FAR TO COME OUT WITH A RECOMMENDATION TO ITS VOTERS TO SUPPORT THE REFERENDUM, ALTHOUGH THE COALITION PEOPLE'S PARTY (OVP) ALSO STRONGLY SUPPORTS EU MEMBERSHIP. THE OPPOSITION GREENS AND JOERG HAIDER, LEADER OF THE POPULIST FREEDOM PARTY, HAVE TAKEN POSITIONS AGAINST MEMBERSHIP. RECENT POLLS SHOW ABOUT HALF THE POPULATION FAVORING THE EU, SOME ABOUT ONE-THIRD OPPOSED, AND THE REST UNDECIDED. WHILE THESE NUMBERS GIVE CONSIDERABLE GROUNDS FOR OPTIMISM, SOME ANALYSTS ARE STILL SKEPTICAL, RECALLING PAST SURPRISES IN AUSTRIAN REFERENDA.

4. VRANITZKY IS ALSO EYEING THE REFERENDUM NERVOUSLY, FOLLOWING ELECTORAL SETBACKS HIS PARTY SUFFERED IN PROVINCIAL ELECTIONS THIS MARCH. THE SPO HAS BEEN WEAKENED BY THE RECENT RECESSION AND STILL VERY MODEST RECOVERY AS WELL AS BY ITS GENERALLY LACKLUSTER CANDIDATES. NATIONAL ELECTIONS WILL TAKE PLACE IN OCTOBER, AND THE SPO IS EXPECTED TO SLIP FURTHER, ALTHOUGH TO RETAIN ITS POSITION AS AUSTRIA'S SINGLE LARGEST PARTY. VRANITZKY'S PERSONAL POPULARITY REMAINS HIGH, AND THE CURRENT GRAND COALITION WITH THE OVP IS LIKELY TO CONTINUE AFTER THE ELECTIONS.

FPF, NATO AND AUSTRIA'S FUTURE SECURITY POSTURE

5. LARGELY BECAUSE OF ELECTORAL CONSIDERATIONS, VRANITZKY AND THE SPO HAVE BEEN RELUCTANT TO MOVE AUSTRIA QUICKLY AWAY FROM TRADITIONAL NEUTRALITY. SPO VOTERS HAVE STRONGLY BACKED NEUTRALITY AS A WAY OF AVOIDING ENTANGLEMENT IN ARMED CONFLICTS AND STAYING

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OUT OF THE POLITICAL TENSIONS OF THE COLD WAR. WHILE SUCH ATTITUDES ARE CHANGING, VRANITZKY FEELS HE CANNOT AFFORD TO ALIENATE THIS ELEMENT OF THE PARTY FAITHFUL BEFORE THE EU REFERENDUM, AND PREFERABLY NOT UNTIL AFTER THE ELECTIONS THIS FALL. AS A RESULT, VRANITZKY AND THE GOA ARE PROCEEDING CAUTIOUSLY TOWARD MEMBERSHIP IN EUROPEAN SECURITY STRUCTURES, INCLUDING PFP AND NATO. PRIVATELY, ALONG WITH THE OVP LEADERSHIP, VRANITZKY UNDERSTANDS THAT NEUTRALITY MAKES LITTLE SENSE AS A SECURITY STRATEGY FOR AUSTRIA AND THAT THE COUNTRY NEEDS TO BECOME A PARTICIPANT IN WESTERN SECURITY INSTITUTIONS. HIS GAMEPLAN IS TO MOVE STEP-BY-STEP, BEGINNING WITH THE EU, FOLLOWED BY THE WEU, AND ONLY THEN CONSIDER A FORMAL RELATIONSHIP WITH NATO.

6. VRANITZKY CONSIDERS PFP TO BE AN INSPIRED ANSWER TO THE SECURITY DILEMMAS FACING EUROPE, ESPECIALLY THE NEED TO BRING ALONG THE RUSSIANS, BUT SEES LITTLE IN IT FOR AUSTRIA NOW. FOR THE TIME BEING, THERE IS THUS LITTLE TO BE GAINED BY PRESSING THE GOA TO JOIN. INDEED, VRANITZKY GREATLY APPRECIATES NATO AND USG PATIENCE IN NOT MAKING PFP AN ISSUE WHILE THE AUSTRIANS SORT OUT THEIR OBJECTIVES. THE DEBATE BETWEEN THE MAJOR PARTIES ON NEUTRALITY AND FUTURE SECURITY ARRANGEMENTS MAY REVIVE AFTER THE REFERENDUM, WITH THE OVP PRESSING FOR A FASTER PACE.

CEE AND THE BALKANS

7. THE WAR IN THE FORMER YUGOSLAVIA HAS BEEN A SOBERING EXPERIENCE FOR MOST AUSTRIANS, MANY OF WHOM, LIKE FOREIGN MINISTER ALOIS MOCK (OVP), HAVE FAVORED A MORE FORCEFUL INTERNATIONAL POLICY. BUT CHANCELLOR VRANITZKY HAS BEEN CONSIDERABLY MORE CAUTIOUS AND PRAGMATIC, FAVORING THE DIPLOMATIC APPROACH TAKEN BY THE EU. VRANITZKY WILL COMPLIMENT U.S. INVOLVEMENT IN THE PEACE PROCESS, AND WILL NOT BE LIKELY TO ECHO MOCK'S CALLS FOR GREATER MILITARY PRESSURE ON THE SERBS. AUSTRIA HAS BEEN HELPFUL IN FACILITATING NATO AND U.S. MILITARY OVERFLIGHTS AND LAND TRANSITS IN SUPPORT OF UN-AUTHORIZED ACTIONS IN THE FORMER YUGOSLAVIA.

8. AUSTRIA PLAYS A CONSIDERABLE ROLE IN FOSTERING ECONOMIC AND POLITICAL STABILITY IN EAST-CENTRAL EUROPE, PARTICULARLY IN HUNGARY, SLOVENIA, THE CZECH REPUBLIC, AND ESPECIALLY SLOVAKIA, WHERE AUSTRIA IS THE SINGLE LARGEST OUTSIDE INVESTOR. THE AUSTRIANS PLAY AN ACTIVE ROLE IN THE CENTRAL EUROPEAN INITIATIVE (CEI) AND ENCOURAGE REGIONAL COOPERATION. THE AUSTRIANS HAVE BEEN SOMEWHAT RELUCTANT TO OPEN THEIR MARKETS TO SOME CEE PRODUCTS LIKE STEEL AND CEMENT, EVEN THOUGH RECENT STUDIES SHOW THAT AUSTRIA HAS GAINED OVERALL IN EXPANDED TRADE WITH CEE COUNTRIES. THE PRESIDENT MIGHT ENCOURAGE VRANITZKY TO FURTHER OPEN AUSTRIAN MARKETS; THE PARALLEL WITH THE U.S. EXPERIENCE WITH MEXICO IS INSTRUCTIVE.

9. AUSTRIAN POLICIES AND INTERESTS IN RUSSIA AND THE NIS CLOSELY FOLLOW OUR OWN. THE PRESIDENT WILL FIND VRANITZKY CAUTIOUS ABOUT DEVELOPMENTS IN RUSSIA AND UKRAINE, BUT STILL WILLING TO CONTINUE SUPPORT FOR REFORMS.

THE MIDDLE EAST

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10. LIKE HIS PREDECESSORS, VRANITZKY HAS TAKEN A SPECIAL INTEREST IN THE MIDDLE EAST. HE VISITED SYRIA AND ISRAEL LAST YEAR, WHERE HE ENCOURAGED THE PEACE PROCESS. VRANITZKY MAY REITERATE HIS OFFER OF AUSTRIA'S GOOD OFFICES IN FACILITATING THE NEGOTIATIONS. AUSTRIA HAS ALREADY HOSTED TWO MULTILATERAL CONFERENCES INVOLVING THE PARTIES. VRANITZKY TOOK SPECIAL PAINS TO REPAIR AUSTRIA'S RELATIONS WITH ISRAEL, WHICH HAD SUFFERED DURING THE WALDHEIM PERIOD. HIS STATEMENTS THERE WENT A LONG WAY TO EASE ISRAELI DOUBTS ABOUT AUSTRIA'S WILLINGNESS TO COME TO TERMS WITH THE NAZI PERIOD.

BILATERAL ISSUES

11. THE CHANCELLOR WANTS HIS WHITE HOUSE MEETING TO BE A SUCCESS AND IS UNLIKELY TO RAISE BILATERAL ISSUES. NONETHELESS, TWO MIGHT CONCEIVABLY ARISE, TEMELIN AND THE WATCHLIST:

-- TEMELIN. THE GOA, AND THE CHANCELLOR PERSONALLY, RECENTLY CAME UNDER DOMESTIC POLITICAL PRESSURE TO HEAD OFF MODERNIZATION OF THE SOVIET-DESIGNED NUCLEAR PLANT AT TEMELIN, IN THE CZECH REPUBLIC, WHICH IS TO BE ACCOMPLISHED WITH THE HELP OF EX-IM BANK CREDIT GUARANTEES TO WESTINGHOUSE. THE AUSTRIAN PEOPLE ARE SOLIDLY ANTI-NUCLEAR, AND THE GOA HAS CALLED FOR A NUCLEAR-PLANT FREE ZONE IN CENTRAL EUROPE. WHILE THE ISSUE HAS BEEN PRIMARILY BETWEEN AUSTRIA AND THE CZECH REPUBLIC, THE GOA LOBBIED THE USG AND THE CONGRESS AGAINST THE PROJECT, WITHOUT SUCCESS. PRIVATELY, THE CHANCELLOR HAS AVOIDED MAKING THIS A MAJOR BILATERAL ISSUE. IF HE RAISES THE SUBJECT, IT WILL BE FOR AUSTRIAN DOMESTIC CONSUMPTION.

--WALDHEIM VISA. FORMER AUSTRIAN PRESIDENT **KURT WALDHEIM** HAS INDICATED HE MAY SEEK A U.S. VISA TO ATTEND 50TH ANNIVERSARY CELEBRATIONS IN CONNECTION WITH THE FOUNDING OF THE UNITED NATIONS, OF WHICH HE IS ONE OF TWO LIVING FORMER SECRETARIES GENERAL. AS FAR AS WE ARE AWARE, WALDHEIM HAS NOT YET BEEN INVITED TO ANY SUCH EVENT. NOR HAS HE APPLIED FOR A VISA. WALDHEIM WAS FOUND INELIGIBLE TO RECEIVE A VISA UNDER THE "HOLTZMAN AMENDMENT" TO THE IMMIGRATION AND NATIONALITY ACT, THE SO-CALLED "WATCHLIST" DECISION OF 1987. VRANITZKY HOLDS NO BRIEF FOR WALDHEIM, WHO WAS ELECTED PRESIDENT ON THE RIVAL OVP TICKET. SHOULD THE CHANCELLOR RAISE THE ISSUE, IT WOULD MOST LIKELY BE PRO-FORMA.

SWIHART

ADMIN
END OF MESSAGE

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