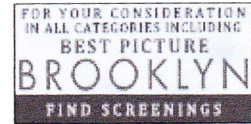


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International Report; Austria and Hungary Seek Reunion in '95 Fair

By HENRY KAMM, Special to the New York Times

BUDAPEST— Vienna and Budapest, joined until 70 years ago in the Austro-Hungarian empire, are planning a six-month reunion in 1995 that they hope will bring glory to both.

Last May, the Ambassadors in Paris of both Austria and Hungary asked the International Bureau of Expositions for authorization to stage the first World's Fair to be held in two cities. If the international body approved it, the exhibition would also be the first to span two countries with opposing political systems.

Austria, although neutral under the 1955 state treaty that restored its sovereignty after it had been annexed by Germany and occupied by Western and Soviet armies, is resolutely Western and capitalist. Hungary, although priding itself at being one of the most open Communist nations, is a faithful member of the Warsaw Pact and other Soviet-dominated institutions. 'East-West Cooperation'

"Austria and Hungary represent one of the best examples of East-West cooperation," said Peter Balazs, a senior Hungarian trade official who heads the Budapest preparatory group. "We've abolished

the need for visas for people of both countries, and nobody thinks anymore about the bad points of the Austro-Hungarian empire."

Gerhard Feltl, an executive of the International Business Machines Corporation in Vienna who is deputy secretary general of the Austrian preparatory team, views the proposed joint venture as an outgrowth of glasnost, the policy of openness that Mikhail S. Gorbachev is implanting in the Soviet Union, and as an opportunity for drawing closer the opposing blocs.

The Vienna organizers have asked a unit of Bechtel Group, the American engineering concern, to prepare a feasibility study.

"It's not enough to destroy weapons," said Ernst Stock, secretary general in Vienna and head of the Vienna Congress Center. "We must give a basic content to the goals of East-West detente." Fashionable 'Mitteleuropa'

In both capitals, which are 170 miles apart by road, officials noted that the idea arose at a time in which the cultural notion of "Mitteleuropa" - a complex, multilingual entity that existed when Vienna, Prague and Budapest, along with Cracow, Poland; Zagreb, Yugoslavia, and Trieste, Italy, were linked under the Habsburg crown - has become a fashionable subject of intellectual discussion, often tinged with nostalgia.

"We don't reject everything of the past," Mr. Balazs said. "Our cultural links should be emphasized."

In both cities, officials deny any dream of a rebirth of an empire, which throughout central Europe is known by the German initials "k. und k." They stand for "kaiserlich und koniglich," meaning "imperial and royal," an allusion to the position of the head of the House of Habsburg as both Emperor of Austria and King of Hungary.

"For me, 'k. und k.' means 'Kalman and Lehar,' " said Mr. Stock, referring to Emmerich Kalman and Franz Lehar, two principal composers of operettas who delighted the people of Vienna and Budapest in the last period of their union and consoled them in the early stages of divorce.

"Here k. und k. means "Kadar and Kreisky," Mr. Balazs said. He referred to Janos Kadar, former secretary general of the Hungarian Communist Party, and Bruno Kreisky, former Chancellor of Austria, under whose leadership relations reached the warmth that makes the World's Fair project thinkable. 'Bridges to the Future'

In both capitals, the proposed theme of "bridges to the future" -one of many under study - has found favor. The "bridges" suggest the Danube, which links the cities, although with local pride Mr. Balazs noted that the river was much more majestically present in Budapest than in Vienna.

As a symbol, it is also thought to suggest the idea that the two cities could serve as a link between the two major political systems. And finally, the Hungarian and Austrian organizers like the notion of a symbolic bridge between the present, rapidly changing industrial world and the future of high technology.

Beyond the symbolic, Hungary and Austria look toward considerable economic gain from a trade exhibition, which would strongly increase their important tourism industries and stimulate infrastructure projects that have been slow moving. Superhighway Projected

The organizers take for granted that, if the exhibition were approved, both countries would give priority to linking their capitals by a superhighway. At present, divided highways end a few miles outside each capital. Similarly, both cities expect to accelerate progress in extending their subway networks.

Vienna and eastern Austria, whose share in gross national product are on the decline, see in a World's Fair a chance of stimulating higher activity and the creation of jobs.

For the reform-conscious economic leadership of Hungary, mired in austerity and stagnation, the project represents a stimulus for badly needed modernization, because visitors to the fair would inevitably draw comparisons. Need to Improve Communications

"Our services should be on the same level as Austria's," Mr. Balazs said. He acknowledged that Hungary was a long way from this goal. For instance, Budapest can be dialed on an Austrian telephone as easily as Vienna, but Westerners and Hungarians complain increasingly that the antiquated and overburdened Hungarian telephone system inhibits communications.

While Vienna news vendors offer the full range of the world's press mainly on the day of issue, Western newspapers reach Budapest in small quantities and after undue delays, and are available only at selected points, mainly the major hotels.

"We still have seven years before 1995," said Mr. Balazs, in acknowledging Hungary's drawbacks. "We have to improve, and we should do it more quickly."

Map of Central Europe highlighting Austria and Hungary (NYT)