TRADING POLICY REVIEW MECHANISM

AUSTRIA

Report by the Secretariat

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on Austria. Volume B (Tables and Appendices) is presented in document C/RM/S/19B.

The report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by Austria. As required by the Decision, in preparing its report the Secretariat has sought clarification from Austria on its trade policies and practices.

Document C/RM/G/19 contains the report submitted by the Government of Austria.

NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.

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(1) Austria in World Trade

1. Modern Austria's economic development, based on the remarkable stability of its society, has been spectacular. While in the late 1940s Austria ranked far below the income level of other developed countries, in 1990, with about US$21,000 GDP per capita, it was in the middle income category in the OECD area. The Austrian economy has grown steadily in recent years following fiscal reforms introduced in 1978. Between 1988 and 1990, annual growth of real output exceeded 4 per cent, inflationary pressures were moderate and unemployment remained relatively low. Growth of productivity in most industrial sectors was high, almost 7 per cent per annum over the last three years. However, estimates for 1991 and 1992 forecast slower growth rates for both output and foreign trade, while inflation and unemployment are expected to be slightly higher than in recent years.

2. Austria has traditionally followed a Europe-oriented foreign economic policy. The country's largest partner in both foreign trade and investment is the EC, accounting for almost 70 per cent of Austria's merchandise trade; Austria has agreed to the recently concluded treaty establishing the European Economic Area and seeks full membership of the European Communities by the mid-1990s. Within the EC, Austria's most important partner is Germany, whose share exceeds 40 per cent in merchandise trade and which accounts for 55 per cent of tourist revenue. This is the main reason why Austria has pegged its currency to the German mark. Austria's other main trading partners include Italy, Switzerland, France, the United States, the United Kingdom and Japan. Developing countries account for about 8 per cent of Austria's imports; some 40 per cent of Austria's imports from developing countries were made under GSP treatment.

3. Due to its neutral policy and central geographical location in Europe, Austria has played a key rôle in East-West trade. The recent radical political and economic reforms in eastern European countries should provide a basis for the re-intensification of Austria's traditionally close trade and economic relations with these countries.

4. Austria lacks natural resources. Most raw materials and energy sources must be imported and paid for by exports of processed and semi-processed goods and services. Exports and imports of merchandise account for 26 and 31 per cent of GDP. Exports of services also play an important part, reaching $17 billion (11 per cent of GDP) in 1989.
Austria's share in world trade has increased over the last decades. In 1990, it ranked the 22nd largest exporter, representing one per cent of world merchandise exports.

5. Exports of services - particularly tourism - play an important rôle in Austria's economy. Its excellent physical endowments have made the country one of the world's most visited tourist centres. The current account was in surplus in the last two years, due to a positive balance in services.

(2) Institutional Framework

6. Austria is a federal republic composed of nine Länder. Most trade policy competence lies with the federal authorities. Parliament is ultimately responsible for adopting trade policy legislation, while trade policy is mainly implemented and administered by the Federal Government. Trade policy powers of the Länder include the formulation of their own procurement policy and the implementation of limited, delegated powers in export and import licensing. They also dispose of funds for the support of regional economic activities.

7. Trade policy is conducted on the basis of the Austrian Foreign Trade Law and many other, mainly sectoral or product specific laws. According to the Austrian Constitution, administrative actions must be based on explicit authorisation given by law (the Rule of Law principle). However, Government bodies enjoy a substantial degree of discretionary power in trade policy instruments such as licensing and import price surveillance. The activities of the administration are controlled by Parliament, the Administrative Court, the Constitutional Court, the Commission for Complaints from the Public and the Central Auditing Authority.

8. A particular feature of the Austrian institutional system, which stems from the country's history, is the influential "Social Partnership". The social partners include the Government and four major interest groups (economic chambers and trade unions). The primary institution of the social partnership is the Parity Commission and its three committees, the Sub-committees for Wages, Prices and the Advisory Committee for Economic and Social Questions.

9. The main powers of the Social Partnership include influence on wage bargaining and consideration of applications by enterprises for price increases. Decisions taken by the social partners are largely followed on a voluntary basis. However, under the Austrian Price Law, provision is made for the possibility of provisional administrative price setting in cases where the social partners' decisions are not observed. Price controls are applied to about 200 basic product groups, with the
exception of imported products, under the aegis of the Sub-Committee for Prices.

10. In a sharp contrast to the closely regulated and strictly controlled public administration, the business of the social partnership is largely conducted informally, without specific legal constraints. In practice, many important issues, including trade-related matters, are effectively decided by the social partners in consultation and consensus. This is usually formalised by parliamentary or Government actions. In practice, the responsibilities of Government bodies and those of the Social Partnership are often intertwined, and the system lacks transparency.

11. The system of Social Partnership has made a significant contribution to Austria's social stability and dynamic economic development over the last decades. However, its functioning has restricted the play of market forces and has resulted in the protection of some sectors at the expense of others. It may be expected that Austria's accession to the EC and the increasing internationalisation of the Austrian economy will diminish the rôle of the Social Partnership in trade matters.

12. State-owned enterprises in Austria account for 14 per cent of total domestic industrial sales. Since the mid-1980s, increasing political emphasis has been placed on making large state-owned enterprises more responsible to market developments. With an injection of new State capital, nationalised industries were restructured, decentralised and placed largely outside the domain of political influence. As a result, by 1989, most nationalised industries became profitable. The Government has recently announced a partial privatization programme.

13. In Austria, there are no independent review or advisory bodies with the aim of monitoring and analysing economic and trade developments. However, the social partners and the various economic chambers carry out certain advisory functions. The Austrian Institute for Economic Research (WIFO) also regularly surveys economic developments in the country.

(3) Trade Policy Features and Trends

14. Austria became a contracting party to GATT in 1951. It has signed all Tokyo Round Agreements and the MFA. In 1985, it withdrew from the International Dairy Agreement.

(i) Recent evolution

15. Since 1960, an increasing share of Austria's trade has been conducted under preferential rules. At present, about three quarters of Austrian imports originate in preferential, mainly EC/EFTA sources. The application of m.f.n. treatment is therefore the exception, rather than the rule.
16. As a result of wide-ranging liberalization introduced by Austria since its accession to the General Agreement, imports of many products which were originally subject to non-automatic licensing, are now liable only to automatic import licensing. Some agricultural items and manufactures, which together account for about 3 per cent of tariff headings, are still subject to non-automatic licensing. In contrast to this relatively liberal import licensing practice, the Austrian Foreign Trade Law continues to list products falling under nearly three-quarters of HS headings as restricted items. This situation, preserves the possibility under law for Austria to reverse, wholly or partially, trade liberalization already introduced.

17. The Austrian import régime reflects an approach towards non-EC and non-EFTA members which is based on a differentiation among contracting parties. Austria still maintains quotas on certain goods originating in Japan and continues to apply, in respect of some products, its import licensing and import price surveillance system in a discriminatory way to imports originating in some central and eastern European contracting parties.

18. According to Austrian estimates, EC membership will result in more competition from EC sources in a number of sectors, including the food, chemical, electrical and electronic industries. At present, these sectors are protected even vis-a-vis European exports through trade barriers such as technical norms, public procurement policies, border formalities, different taxes and other administrative trade barriers.

19. In formulating and implementing economic and trade policy, Austria has given a high priority to protection of the environment. This policy has been reflected in a number of carefully considered domestic trade-related environmental measures and the active rôle Austria plays in GATT in developing multilateral fora for handling trade-related environmental matters.

20. Austria has never had trade disputes under Article XXIII of the GATT or the Tokyo Round Agreement. It has two Article XXII consultations, one of them with Germany in the subject of transit traffic, the other one with the United States concerning Austria's signature of the European Convention on Transfrontier Television.

(ii) Type and incidence of trade-policy instruments

21. Similarly to many other EFTA countries, Austria also follows very different approaches as between industry and agriculture. While in most industrial sectors competition between domestic and foreign products is present, agriculture is heavily protected and largely insulated from international market signals.
22. Austria does not maintain any stated sector-specific industrial policies. The policy of the Government is to enhance industrial competitiveness mainly through strengthening industry-oriented infrastructure. Nevertheless, as a combined effect of trade measures, some industries are to a substantial degree sheltered from foreign competition. These sectors include textiles and clothing, footwear, transport equipment, furniture, and the food industry.

23. Agriculture is supported by internal aid programmes which include federal and regional production subsidies, marketing aids and production quotas. These are supported by a wide variety of restrictive border measures which include import and export licensing, import quotas, variable import levies, high (mainly specific) tariffs, minimum import price requirements, seasonal restrictions and export subsidies. Certain measures, especially on products such as fruit and vegetables in season, amount virtually to import prohibition.

24. As a result, domestic agricultural prices are much higher than international prices. In 1991, price differentials exceeded 100 per cent for wheat, course grain, sugar, milk and eggs, while for beef, veal, pigmeat and poultry they ranged between 50 and 100 per cent. Total assistance as measured by producer subsidy equivalent, was estimated by the OECD at $27 billion or 46 per cent in 1990, a little above the OECD average, somewhat lower than average figures for the EC and well below other EFTA countries. About 85 per cent of the overall support given to agriculture was paid by Austrian consumers, while the rest was borne by taxpayers.

25. The protection given to Austrian agriculture has contributed to increasing the country's self-sufficiency ratio from about 100 per cent in the 1970s to over 110 per cent in 1989.

26. While agricultural protection mainly relies on non-tariff related restrictions, tariffs were the principal instruments regulating import flows of industrial products from non-preferential sources.

27. In 1988, the simple average tariff on m.f.n. imports of industrial products was 10 per cent, a higher level than that prevailing in most developed countries. This relatively high level of tariff protection places non-preferential supplies at a considerable disadvantage relative to imports from the EC/EFTA area. However, recent provisional tariff reductions of about 30 per cent on products covering more than one-third of imports of manufactures have reduced this disparity.

28. Tariffs on industrial products are mostly ad valorem. Tariff peaks exist on foodstuffs, textiles, clothing, motor vehicles and other transport equipment, electrical machines and apparatus, telecommunication, organic chemicals and the footwear sectors. In some industrial sectors
such as textiles and foodstuffs specific tariffs tend to shelter the economy from cheap imports.

29. Under Austria's GSP system, nearly all industrial imports from least-developed countries enter duty free. For most imports from other beneficiaries, the tariff reduction is 50 per cent. Product groups considered to be sensitive, like certain chemicals, clothing items and vehicles, and most agricultural items, are not included in the Austrian GSP. Suspension of benefits under the specific escape clause, has rarely happened. Recently, central and eastern European countries, the newest beneficiaries of Austria's GSP scheme, have become the largest exporters under the country's GSP system.

30. Under its Protocol of Accession, Austria maintains import licensing for commercial policy reasons on imports. It is understood that licensing does not apply to imports from EFTA or EC sources. Out of of 1241 HS tariff headings at the four digit level, 943 headings include at least one tariff line which is subject to either automatic or non-automatic import licensing. Most licences, especially in manufactures, can be obtained under a simplified procedure. Many agricultural items and some industrial products like coal, petroleum, aircraft and arms are also subject to discretionary licensing. In import licensing decisions, the competent Federal Ministries are assisted by an Advisory Board in which social partners are also included.

31. To several products, including a number of agricultural items, cement, pvc, fibreboard, paper, certain textile and clothing products, several iron and steel products, aluminium, electrical motors, electric lamps and bicycles, simplified import licensing is applicable only if Austria has extended liberalization to both the country of origin and the country of import or if the country of origin and the country of import are identical. Several contracting parties (the Czech and Slovak Federal Republic, Hungary, Poland and Romania), are not included in the list of liberalization, in contrast to some non-contracting parties, for example the Soviet Union.

32. A specific import price surveillance procedure ("Vidierung") is applied to these same product groups and countries. Customs authorities are entitled to use "simplified" import licence procedures only if import conditions have been endorsed by the competent Federal Ministry. The Federal Chamber of Economy and the Presidential Conference of the Austrian Chambers of Agriculture take part informally in the decision-making process.

33. Under the MFA, Austria has restraint agreements with eight members, and has concluded consultation and/or surveillance agreements with seven countries. Compared with restraint agreements concluded by other importing countries, Austria's agreements are generally less restrictive and their product coverage is very selective.
34. Austria maintains State trading in the sense of Article XVII of the GATT, for financial reasons, on tobacco, alcohol and salt. The monopoly extends to the importation of the products.

35. Countertrade agreements are widespread in the field of military equipment. Imports of cars from m.f.n. sources are subject to a counter-purchase system, under which a tariff reduction is available if car producers purchase Austrian automotive products. In earlier years Austria was the centre of barter trading with central and eastern Europe. Recently, the volume of countertrade with this area has declined.

36. Austria is a member of the GATT Government Procurement Code. Provisions of the Code are currently applicable to about 11 per cent of all Austrian public purchases. Provincial Governments and entities are not covered by the Code. In some Länder, local suppliers enjoy priority over others, including both foreign suppliers and those from other Länder.

37. In the field of standardisation, Austria plays an active role in multilateral and European cooperation. Most Austrian standards rules on labelling and marking largely follow international practices. With the possible exception of motor vehicles, where the current regulatory framework tends to discourage "gray market deliveries" and direct imports by individuals, the Secretariat is not aware of unduly trade restrictive effects of Austrian standards.

38. Austria maintains a tight regulatory system on the production, trade and use of materials and other products which may represent a danger for health, security or the environment. Rules in this reflect the great emphasis Austria puts on these issues.

39. In contrast to agriculture, public support given to Austrian industry is relatively low in absolute terms and by international comparison, and has fallen in the last few years. However, the budgetary burden of the nationalised industries is substantial and is expected to remain so during the next two years. In recent years, Austria has oriented its industrial support policy away from general investment promotion towards aid to environmental protection, R&D and innovative activities. In 1989, the share of regional aid to industry accounted for about 20 per cent of total aids accorded to this sector.

40. In addition to export restrictions maintained for reasons of national security, public health and environmental protection, Austria applies export licensing to a wide variety of agricultural and manufactured products. Austria is not a member of the COCOM; however, it implements COCOM rules autonomously through its export licensing system. Export restraint agreements on steel (United States) and cheese (United States and EC) are also implemented by the export licensing system.
41. Austria applies a sophisticated system of entry regulations regarding many business sectors. Certain activities are subject to licensing and certificates of qualification. The coverage of supply-needs testing has fallen in recent years. However, in a few cases it has been replaced by ceilings on the number of persons or firms allowed to operate on a given market. Agriculture, forestry, arts, liberal professions, education, banking, transport and electricity production are subject to their own specific legal provisions. Chambers of liberal professions issue guidelines for the conduct of activities of their members. In the field of energy production, postal services, railways and telecommunication, public monopolies restrict access to markets.

42. Cartel practices, including private market segmentation agreements restricting parallel imports, appear to be widespread in Austria. The existence of cartels seems to have been facilitated by the "soft" approach implicit in the Austrian Cartel Law vis-a-vis cartel practices and mergers.

43. The Austrian Cartel Law does not prohibit cartels as such; but cartels must be registered with the Cartel Office. Mergers are also subject to registration, but not to scrutiny by the Cartel Office. Substantial areas, including cooperatives, banking, insurance and State monopolies are largely excluded from the coverage of the Law. Certain collusive agreements are encouraged by the Price Act, which declares price differences of more than 5 per cent inadmissible for identical products at a given location. The Local Supply Law and the Rebates Law, both of which limit the freedom of enterprises to establish prices have similar effects. Legal action against a cartel can only be taken by the Public Prosecutor, and any of the three major Chambers (participating in the system of Social Partnership) and some free professional associations, and not by parties directly effected by the cartel.

44. The rôle played by the Social Partnership may also contribute to a lenient approach to cartels. The decisive economic regulatory rôle fulfilled by social bargaining seems to work to the detriment of the regulatory rôle of competition.

45. As a result of the complicated import régime of the country, the widespread use of cartels and the substantial discretionary power in the operation of some import-related institutions, competition between domestic and foreign products is restricted and transparency suffers.

46. Studies available to the Secretariat indicate that Austria is a high-price country compared to its EC neighbours. High Austrian prices reflect, the comparatively low intensity of competition, resulting from market barriers, underdeveloped regulation on competition, State intervention in economic life and the corporatist nature of Austrian society.
(iii) Temporary measures

47. Austria has used anti-dumping and safeguard actions sparingly and it has never made recourse to countervailing duty actions. In the last decade Austria has initiated two anti-dumping proceedings. They have not led to actions.

48. In the last five years, three safeguard actions have been taken under Article XIX of the GATT; two concerning agricultural products and the third covering cement and preparations containing cement. A number of contracting parties have challenged the GATT legality of the latter measure, which excludes imports originating in EC and EFTA sources.

49. Austria has rarely used voluntary export restraints for the protection of its domestic market. The only products concerned are cheeses (EC) and clothing items under the MFA. Austria's exports of steel and cheeses to the United States and EC respectively are subject to voluntary export restraints.

50. Relatively scarce use of temporary import relief measures may be considered as evidence that Austria's basic trade policy relies essentially on stable and predictable access. Yet the trade measures mentioned above, combined with the existence of cartels and other arrangements among industries or traders may substitute for the lack of formal trade policy actions.

(iv) New initiatives

51. Since Austria's application for EC membership in 1989, the alignment of the country's trade-related regulations with those of the EC has intensified. Taking into account this objective, the Austrian Government has recently announced several economic liberalization programmes, including the reform of competitive legislation and business law; tightening of subsidisation; improved consumer protection; the reduction of the State's influence on nationalised industries and banks; the liberalization of currency exchange laws and a continuation of reforms with respect to taxation system.

52. Austria's planned accession to the EC and the introduction of common external tariffs will reduce substantially the level of Austria's m.f.n. tariff protection, as the EC simple tariff average is more than 3 percentage points lower than that of Austria. However, the economic impact of these tariff changes is likely to be decreased by a multitude of regulatory and institutional changes that are also liable to impinge on market access one way or the other.

53. Acceptance of trade and trade-related EC institutions, will bring about deep changes, inter alia, also in instruments such as import and export licensing; import price surveillance; import quotas; State
trading; anti-dumping and safeguard measures; public procurement, standards, subsidies, business entry regulations and competition law and practices. The integration of the Austrian agriculture in the Common Agricultural Policy is expected to change trade conditions for most product areas.

54. For Austria, the adoption of the European Economic Area Treaty cannot replace membership in the EC. However, it is viewed as an important stepping stone.

(4) Trade Policies and Foreign Trading Partners

55. Austria, as a small trading country, has traditionally supported a rule-based, multilateral trading system. Austria has been an active supporter of the Uruguay Round, stressing the necessity of strengthening the GATT system and taking steps to re-establish confidence in it. It is one of the countries which has actively promoted the inclusion of non-traditional GATT subjects in the Uruguay Round.

56. At the same time, Austria, like a number of other industrialised countries, applies a restrictive agricultural trade system, which contrasts with its relatively liberal policy on imports of manufactures. This restrictive régime puts a heavy burden on domestic consumers and taxpayers, and on some of Austria's traditional trading partners, the reforming countries in central and eastern Europe and other efficient producers, including developing countries.

57. At this stage, it is difficult to assess the impact of Austria's accession to the EC on the multilateral trading system. This will be influenced by the results of the Uruguay Round and by the implementation of the EC internal market programme. There is no doubt that Austria's consistent policy towards European integration has provided a predictable framework for trade and investment, and that Austria's accession to the Communities will result in a further opening up of the country's market to other EC members. However, the further integration of Austria into the European market should not inhibit the development of open trading links with the rest of the world through reductions in trade barriers on a most-favoured nation basis.
I. THE ECONOMIC ENVIRONMENT

(1) Major features of the Austrian Economy

1. Austria, a land-locked country, is situated in Central Europe and has a population of some 7.6 million. Austria's total area covers 83,800 square km, and has a wide variety of landscape, vegetation and climate. More than 60 per cent of the country belongs to the Alpine area; 44 per cent of its territory is covered by forests. The central geographical location of the country in Europe, has made it a junction in communications links between the trade and cultural centres of the continent.

2. Austria's most substantial natural resources are hydro-energy, some minerals, such as iron and zinc ore, salt and magnesite. The country also has some oil and natural gas resources. About half of Austria's geographical area qualifies for agricultural use. Large parts of the country are mountainous land, unfavourable for farming. Its excellent natural endowments have made Austria one of the world's most visited tourist centres. Austria's workforce is well-trained and has developed a high degree of cooperation with employers. In the decades after the Second World War, major social and economic problems of the country have been solved through negotiations between the interested groups within the framework of a specific Austrian institution called "Social Partnership" (see Chapter II).

3. In terms of per capita income (at current prices and current purchasing power parities), Austria occupied the 17th place among the OECD countries in 1989. In 1990, GDP per capita in Austria was US$20,980. In terms of broad sectoral composition of GDP and employment, services are the main economic activity, followed by industry and agriculture (Table I.1).

4. Most raw materials and energy sources must be imported and paid for by exports of processed and semi-processed products. Production and trade are widely diversified, covering a wide range of industrial and agricultural products, which includes chemicals, electrical goods, iron and metal products, engineering and steel construction, vehicles, timber processing, paper products, stone and ceramics and foodstuffs.

5. Foreign trade in goods and services plays an important rôle in Austria's economic life. In 1990, its merchandise trade to GDP ratio amounted to 56 per cent, similar to figures for Sweden or Switzerland; the

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\(^1\)OECD (1990), National Accounts, Vol.1.
overall ratio for trade in goods and services to GDP was 73 per cent. In 1990, the value of Austria's merchandise exports reached almost US$41 billion, while exports of commercial services exceeded US$17 billion (Table 1.1).

(2) Recent Economic Performance

6. Modern Austria came to existence after the dissolution of the Austro-Hungarian Monarchy in 1918. At that time, the Austrian economy became separated from its traditional markets - a number of Central and Eastern European countries - which then raised high barriers against all imports, including those which originated in former constituent parts of the Monarchy. Austria was largely dependent on imports of food, raw materials and fuels but import needs were not offset by sufficient export resources. The resulting large trade deficits had to be financed by foreign loans. The years of the Great Depression between 1929 and 1933 further aggravated Austria's economic and trade difficulties. In 1938, Austria lost its national independence and its economy was integrated into the German economy.

7. After the end of the Second World War, Austria ranked far below the level of other developed countries in per capita income. In this period Austria chose an economic growth policy which focused on foreign trade. Exports became the driving force of the country's economy. The particular Austrian approach to economic management, combining an active fiscal policy with a hard currency policy and social partnership, took root at this time. Between 1960 and 1973, Austria's real GDP developed by a remarkable yearly average of 4.7 per cent, while real exports grew by 8.3 per cent annually and the external position of the country remained stable (Table I.2). In the period 1968-1980, Austria's growth rate was still somewhat higher than that of other Western European countries. However, the growth rate declined after 1973, mainly as a result of the oil price shock.

8. From 1983 to 1987, Austria's growth rate was lower than the average of other developed countries in Western Europe. The decline resulted from structural rigidities and the reduced ability of many sectors, especially the nationalized industries, to the external shocks caused by the two oil price rises and recessions experienced in the middle of 1970s and early 1980s. In 1987, with the objective of ending the years of stagnation, the new coalition Government set fresh policy priorities, which included in particular the acceleration of structural adjustment, restructuring of the nationalized industries, a tax reform, a reduction of the Federal Government deficit, and the maintenance of a link between the Austrian Schilling and the German mark.

9. Austria's economic performance has improved significantly since mid-1987. Between 1988 and 1990, the yearly growth of real output exceeded 4 per cent, ahead of other Western European countries. Inflationary
pressures have been moderate, although rising slightly in 1990 to 3.2 per cent. Since 1989, unemployment has grown, mainly due to increased immigration. Its present level (5.4 per cent in 1990), is not high by international comparison (Table I.3). Growth of productivity in Austrian industry has been high, almost 7 per cent per annum over the last three years.

10. In 1987, the Government announced a budget consolidation programme which aimed at reducing the net federal deficit from 5.2 per cent of GDP in 1986 to 2.5 per cent by 1992. The intermediate targets of the programme have been met (Table I.4).

11. In 1989, Austria introduced a comprehensive tax reform. Both direct personal and corporate rates were lowered. As a result, disposable income has increased, contributing to higher saving and investment ratios (Table I.5).

(3) Trade Performance

(i) Commodity pattern of trade

12. In the years of reconstruction after the Second World War, Austria's commodity pattern of trade was similar to that of a developing country. Even in 1960, the share of primary products in Austria's exports represented almost 40 per cent. In the following decades, the share of industrial products in Austria's exports has continuously increased, to exceed 90 per cent in 1990. In this period, the export share of machinery and transport equipment more than doubled, from 16 to 38 per cent. The proportion of chemicals and industrial consumer goods also increased, while that of textiles, iron and steel shrank (Chart I.1).

13. In 1990, the leading product group in Austria's exports was paper and paperboard, representing almost 5 per cent of total exports. This was followed by internal combustion piston engines, iron and steel universals, wood products and machines for special industries. Among these products, machines for special industries registered the highest growth rate (Table I.6 and Table AI.1).

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For personal income taxation, the top marginal rate has been lowered from 62 per cent to 50 per cent and the bottom rate from 21 per cent to 10 per cent, significantly reducing progressiveness. At the same time, the number of tax brackets has been reduced from ten to five, and tax credits have been scaled back.
Chart I.1
Structure of Austrian merchandise trade, 1960-90

Imports

1960
1973
1980
1990

Exports

1960
1973
1980
1990

Percentage share of total imports

Percentage share of total exports

14. Austria's import structure has also undergone substantial changes in the last decades. Between 1960 and 1990, the proportion of primary products fell from 38 to 16 per cent, while the share of industrial products increased from 62 to 84 per cent. In the last few years, iron and steel products, machinery, vehicles and processed goods registered the highest import growth rates (Chart I.1). As Austria does not produce passenger motor vehicles, this product group takes the leading place in the country's imports. In 1990, the value of imported passenger cars amounted to US$ 3.5 billion, 7 per cent of total imports. This product group was followed by crude petroleum (2.6 per cent), non-electrical machine parts (2 per cent), automatic data processing machines (2 per cent) and furniture (1.9 per cent) (Table A1.1 and Table I.7).

15. Despite these changes in Austria's export pattern, the main product areas in which the country is a net exporter are goods with high resource content, such as simple steel manufactures, chemical fertilizers, non-ferrous metals, paper, glass and yarn - where value is added mainly by capital-intensive industries to principally imported materials. In high and medium-technology items, Austria is a net importer, although in 1990 exports of products with a high technical content grew more rapidly than other goods.

(ii) Regional pattern of trade

16. Austrian foreign trade traditionally concentrates on Europe. In 1990, the share of the EC exceeded 65 per cent in exports and 68 per cent in imports. The share of EFTA countries has been declining; in 1990, its share was 10 per cent in exports and 7 per cent in imports. The proportion of trade with developing countries declined from 11.5 per cent to 7.6 per cent between 1980 and 1990. However, Austrian exports to these countries grew by more than 12 per cent in 1990 compared to the previous year. The share of Eastern European countries, including the Soviet Union, in Austria's trade has always represented a relatively high proportion, due to the central rôle Austria played in East-West trade. In recent years, however, trade with these countries has declined, as a consequence of the


5In 1980, the share of the Eastern Trading Area in Austria's exports accounted for 12 per cent. In 1990 it was 7.7 per cent. In imports, the share of the Eastern Trading area dropped from 9.7 to 5.7 per cent.
economic problems experienced by the countries of the region (Table I.8 and Table AI.2).

17. For Austria, the most important single trading partner by far is Germany. In 1990, Germany's share in Austria's total exports accounted for more than 37 per cent, and in imports for 44 per cent. Austria, making use of the increased demand potential created by German unification, increased its exports by more than 14 per cent to Germany in 1990, which accounted for more than half of Austria's export growth in that year. Buoyant German demand was the most significant factor supporting the high economic growth rate achieved by Austria in 1990.

18. Trade links with Germany have had a positive impact on Austria's technological development. Austrian companies are under pressure to compete with German enterprises and adjust their production to German requirements and standards. In addition, Austria imports machinery and transport equipment in increasing quantity from Germany. At the end of 1988, German direct investments accounted for about 52 per cent of all foreign investment in Austria. Austria's links with Germany are still more pronounced in the field of tourism than in commodity transactions. In 1990, 55 per cent of all Austria's tourist revenue came from Germany. Austria's close economic links with Germany provide a basis for the hard currency policy which Austria has been followed since the early 1980s (see Chapter III).

19. In 1990, Austria's second largest export market was Italy, followed by Switzerland, France, the United Kingdom and the United States. In imports, the second largest share was taken by Italy, before Japan, Switzerland, France and the United States.

(4) Outlook

20. Austria's high GDP growth rates in the last few years result primarily from net income gains of private households from the 1989 tax reform and the increased potential demand created by German unification. However, according to OECD and WIFO estimations, internal consumer demand, fuelled by the 1989 tax reform, reached its peak in 1990 which is likely to diminish consumption. Decline in consumption and slackening growth

6 In the product category, "machinery and transport equipment", Germany's share in the Austrian market was 33 per cent in 1980. In 1990, its share accounted for 43 per cent. J. Maurer and K. Schestauber (1991), Federal Republic of Germany-Austria: important aspects of the bilateral trade relations. CA-Quarterly, 1/1991, pp.22.

7 The number of German companies in Austria was 1,468 in 1988, with an aggregate annual turnover of DM 36.4 billion, and a total staff of 129,000. Op. cit., p.24.

abroad are expected to be only partially offset by the continued strong German import demands. As a result, the OECD has forecast lower growth (2.9 per cent) for both 1991 and 1992 and also lower export and import growth. WIFO (Austrian Institute of Economic Research) also forecast a similar growth in GDP, 3.0 and 2.8 per cent in 1991 and 1992.

21. The labour market remains unbalanced. The rate of unemployment, according to Government estimate, will be about 5.5 per cent. The continuing inflow of foreigners is expected to lower labour costs and this is likely to result in a lower growth in productivity. According to WIFO, wage increases may reach 6.5 and 5.3 per cent respectively in 1991 and 1992.

22. The OECD has forecast that Austrian inflation will be 4.5 per cent in 1991 and 1992. According to WIFO estimates, inflation will be lower, in both years only 3.3 per cent. The current account is expected to remain broadly balanced in the next two years.

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11In 1988 and 1989 wages increased by 4.8 and 5.6 per cent respectively.
II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) General Framework

23. Austria is a republic with a representative democratic form of government. The present Second Republic was founded after the liberation of Austria in April 1945. For ten years after the Second World War, Austria was occupied by the four allied powers (France, the United Kingdom, the Soviet Union and the United States). Austria's full sovereignty was restored in 1955 when the four powers and Austria signed the Austrian State Treaty. In October 1955, the Austrian Parliament declared the permanent neutrality of the country.

24. Austria is a federal State composed of nine autonomous provinces (Länder) of Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tirol, Upper Austria, Vienna and Vorarlberg. Each of the Länder is administered by its own Government, headed by a Governor elected by the provincial Parliament. Legislative and executive powers are divided between the Federation and the Länder. In most matters, especially in the field of trade policy and administration, the Federation has both the legislative and the executive powers. There are a small number of matters for which legislative and executive powers are vested in the Länder. The Länder are responsible for their own procurement policy; have some limited delegated powers in export and import licensing; and dispose of funds for the support of regional economic activities (for details see Chapter IV). In the construction sector, the Länder issue independent rules regarding the use of construction materials and equipment. On some issues unrelated to trade, such as nationality, housing or road and traffic regulations, legislative power is vested in the Federation, while executive power lies with the Länder.

(2) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government

25. The head of the Austrian State is the Federal President, elected directly by the people for a six-year term. The Federal President represents the Republic internationally and signs international agreements; he convokes and prorogues Parliament, appoints the Federal Chancellor and, at the latter's proposal, the members of the Government.

1These matters include: zoning law, regional planning, hunting law, law on land transfer, preservation of natural beauty and local police.
26. The Federal Government receives its authority from Parliament. Austria's present Government is a coalition of the Social-Democratic Party of Austria and the Austrian People's Party. Government Ministers, usually not Members of Parliament, may attend all meetings of the Nationalrat or the Bundesrat as well as sessions of their Committees. The number of ministries and their responsibilities is determined by the Federal Ministries Act of 1987.

27. Federal legislation is the responsibility of the Nationalrat and the Bundesrat, the two chambers of the Austrian Parliament. The Nationalrat contains 183 representatives, elected for a four year period. The 63 members of the Bundesrat are delegated by the Parliaments of the Länder, their number being in proportion to the population of the individual Länder. In very exceptional cases - in fact, only for swearing in the Federal President and the members of the two houses of Parliament - the members of the two houses of Parliament sit jointly as the Federal Assembly.

28. The Nationalrat is the principal law-making body; it passes federal legislation. Any fundamental change in the Constitution is subject to popular referendum. In the Nationalrat, draft legislation is handled first by special committees responsible for the matter involved; then the full assembly acts in accordance with the committees' recommendations. The Bundesrat may object to any legislation approved by the Nationalrat, but the objection has only delaying effect; if the Nationalrat once again carries its original resolution, this is then passed into law (Chart II.1). Legislative or executive competence of the Länder can be restricted only by the approval of the Bundesrat. International treaties which amend or supplement Austrian Laws or which are of a political nature must be approved by Parliament.
Chart II.1
Legislative procedure in Austria

Pre-Bill Status

Government 8 Members of National Council Federal Council People's Initiative

BILL

First Reading before National Council Committee

Second Reading before National Council (General and Special Debate)

Third Reading before National Council (Voting)

Federal Council

Rejects the Bill Approves the Bill Remains Inactive for 8 Weeks

Persisting Vote of the National Council

Verification and Promulgation

APPROVED BILL

Verified by Federal President

Promulgated by Federal Chancellor in the Federal Law Gazette

FEDERAL LAW

29. Under the Austrian Constitution, Parliament is ultimately responsible for adopting trade policy legislation. Trade policy is implemented and administered by the Federal Government. At present, the following federal ministries have major responsibilities in trade policy or trade policy related matters:

- Federal Ministry of Economic Affairs;
- Federal Ministry of Agriculture and Forestry;
- Federal Ministry of Foreign Affairs;
- Federal Ministry of Finance;
- Federal Ministry of Public Economy and Transport;
- Federal Ministry of Labour and Social Affairs;
- Federal Ministry of Science and Research;
- Federal Ministry of the Environment, Youth and Family Affairs; and
- Federal Ministry of Justice.

30. The Office of the Federal Chancellor is responsible for the general co-ordination of the Federal Administration, where a specific matter does not fall under the competence of a Federal Ministry. Matters concerning international trade fall mainly under the responsibility of the Federal Ministry of Economic Affairs. This Ministry is also responsible for a number of economic issues such as industrial and structural policy, economic policy regarding small- and medium-sized firms, price and competition policy, tourism, and energy and mining policy. The Federal Ministry of Agriculture and Forestry is responsible for matters regarding food, agriculture and forestry, including a number of trade related issues like export and import licensing. Other agencies which play an important rôle in administering agricultural policies are the Livestock and Meat Commission, the Dairy Board and the Grain Board.  

31. Article 18 of the Austrian Constitution specifies that "the entire public administration shall be based on law" (the Rule of Law principle). No administrative actions can take place without explicit authorization given by the law. The Constitutional Court has interpreted this principle very strictly, declaring laws unconstitutional if they use such vague language that it is impossible to determine whether certain acts of the administration are in conformity with the law. However, as the Constitutional Court has pointed out, the Rule of Law principle should not be exaggerated in foreign trade related administrative actions. The reason for this is that the behaviour of the authorities in these matters depends,

2Their main functions include the determination of export-import quotas and levies, licensing and administration of marketing. (For details see Chapter V.)
to a large extent, on rapidly changing factors in the area of foreign trade relations and economic life.

32. In principle, administrative bodies are bound by any instructions from a superior authority. Thus, Federal Ministers are personally answerable to the Nationalrat for everything which happens within the sphere of their Ministries and other offices subject to their authority. Ministers are, in turn, authorized to issue binding instructions to officials at any lower level. This also permits Federal Ministers to override actions of provincial governors in matters of federal authority.

33. The activities of the administration, in addition to control by Parliament, are checked by the Administrative Court, the Constitutional Court and the Central Auditing Authority. The Administrative Court supervises the legality of all (including trade-related) acts of public administration. A citizen (or a legal entity), who feels that his rights have been violated by any particular act, may refer the matter to the Administrative Court. If the rights in question are guaranteed by the Constitution, the matter may be referred to the Constitutional Court, which is charged with ensuring that the State bodies do not violate the terms of the Constitution. The Central Auditing Authority, _inter alia_, keeps a check on administrative expenditure, ensuring that accounts are in order and that they are in accordance with current regulations. It draws up an annual account of federal expenditure which is presented for the approval of the Nationalrat.

34. In 1977, legislation was approved providing for the establishment of a Commission for Complaints from the Public ("Volksanwaltschaft"), the Austrian equivalent of the Scandinavian "Ombudsman". The Commission is an autonomous institution accountable only to the Nationalrat. Anyone who considers himself affected by the ineffective implementation or abuse of the federal administrative system, including trade related issues, and has no other legal means at his disposal, may turn to the Commission.

(ii) **Social partnership in Austria**

35. A particular feature of the Austrian political and economic system is the "Social Partnership" (see Note II.1 and Chart II.2). Many important matters are effectively decided by the social partners before formal discussion in Parliament. Social partnership decisions must be formalized by the State in laws and/or administrative decisions. Therefore the system of social partnership requires formal cooperation between the State and the social partners. In trade-related matters, cooperation with social partners is institutionalized in certain cases, while in others it remains...
Note II.1

The "Social Partnership" in Austria

The "Social Partnership" was established in Austria after the Second World War. It reflected the need to achieve national consensus on major issues and, at the time, to put an end to the four-Power occupation of the country. Although the Social Partnership has no legal or constitutional basis, it functions as a fundamental consultative and pre-decision making element in the Austrian political system. For example, without the agreement of the social partners, no major Bills can be sent to Parliament. According to Austrian legislation, chambers like the Chambers of Doctors, Pharmacists and Lawyers etc. which do not belong to the system of social partnership should also be given the opportunity to comment on draft laws relating to their area of activity.

The Social Partnership in its present form came into being in 1957, when the Parity Commission for Wages and Prices was formed by an exchange of letters between the Federal Chancellor and the Federal Chamber of Commerce, Trade and Industry and the Austrian Trade Union Federation.

The Parity Commission consists of four members of the Government (the Chancellor, the Federal Ministers of Economic Affairs, Labour and Social Affairs and Agriculture and Forestry) and representatives of the four major economic organizations - the Federal Chamber of Economy, the Presidential Conference of the Austrian Chambers of Agriculture, the Council of Austrian Chambers of Labour and the Austrian Trade Union Federation - which represent, in different ways, all economic operators. Before any major Government Bill is presented to Parliament, it must be sent for appraisal by the Social Partnership. Decisions of the Parity Commission and of its sub-committees must be unanimous. This puts a major emphasis on consensus in the decision-making process.

The Parity Commission has three sub-committees:

- the Sub-Committee for Wages (consisting of representatives of the four social partners) whose principal task is to approve or refuse negotiations on new collective sectoral wage agreements.

- the Sub-Committee for Prices (consisting of representatives of the four organizations, the Federal Ministry of Finance and the Federal Ministry of Economic Affairs) whose main task is to approve or reject applications for price increases. Prices for some 200 product groups (including those of the food, glass, machinery, paper,
Construction material and some products of the mineral oil industries are subject to Sub-committee approval. Presentation of proposed price increases to the Sub-committee is voluntary. In recent years, the activity of the Sub-Committee has become less intensive due to the liberalization of a number of prices. Imported goods are not subject to scrutiny: nor are goods, increases in whose prices have to be approved by federal, provincial or district authorities or by the official Price Commission. (On administered prices see Chapter IV.)

- The Advisory Committee for Economic and Social Questions consists of twelve experts, three appointed by each of the four group interest organizations. Its main responsibility is to provide the basis for an objective approach to economic policies. To this end, it conducts studies into particular economic policy questions (such as wage, price, employment and industrial policy issues) and prepares recommendations for the Parity Commission.

The influence of the system of economic and social partnership is not restricted to the Parity Commission and its sub-committees. It is felt in virtually all fields of public administration as an advisory mechanism with a great political impact on economic life in Austria. By ensuring that all major economic and social questions are settled through negotiation and consensus among the social partners, the system has made a major contribution to Austria’s notable economic stability.

However, criticism has been addressed to some constitutional issues stressing that in a democratic State the Parliament is supposed to be the only body empowered to take decisions. The relatively closed and "club-like" nature of the institution in the context of a democratic State has also been criticized. It has been said that the decision making procedures of the social partnership lack transparency; that there is an overconcentration of influence in the hands of a few leading officials; and that the functioning of the system may, by limiting the impact of market forces in the Austrian economy, have contributed to postponing structural adjustment.

The social partners have, however, also recognized that changes may have to be made in the system, in particular in the event of Austria’s membership of the EC. This would transfer a number of major national decision-making powers to EC institutions and remove the rôle of the social partnership in these cases. The Austrian social partners have supported Austria’s application to join the Communities. Furthermore, in a position paper on Austria and European Economic Integration, issued on 1 March 1989, they have taken the view that, although the thrust of their activities would have to be redirected towards contributing to Austria’s national position in EC fora, notably the Council, national decision making in a number of key areas (such as collective wage bargaining) would remain intact and the rôle of the Social Partnership in these contexts would be unaffected.
Chart II.2
The institutional framework of the social partnership in Austria

1. Procedures of consultation as to legislation but not in respect of wage bargaining.
2. Demand for opening new wage negotiations.
3. After authorizing the start of negotiation.

Source: OECD (1990), Economic Surveys, Austria, p. 42.
informal. In contrast to the strict rules to which the State administration is subjected (for example, the "rule of law" principle), dealings of the social partners are informal and are not subject to the same legal controls and administrative procedures.

(iii) Advisory and review bodies

36. In Austria, the Social Partnership and the various chambers carry out also advisory and review functions. Representatives of different economic sectors are involved in both rule-making and implementation. Issues relating to consumers' policy belong to the competence of the Federal Ministry of Health, Sport and Consumer Protection. Consumers' interests are represented by the "Österreichische Arbeiterkammertag". There are also a number of associations for the information of consumers. The Austrian Institute for Economic Research (WIFO), which has been established as an independent organization, has no official review functions, but it regularly surveys economic developments in the country.

(3) Trade Policy Objectives

(i) General trade policy objectives

37. Austria's trade policy situation has undergone great changes in this century. As a consequence of the dissolution of the Austro-Hungarian Empire (in effect a large common market) in 1918, the country's industry lost its protected positions in its traditional markets. The reconstruction of Austria's economy was undertaken under difficult circumstances, with shortage of major commodities and deep social tensions. Austria was forced to intervene in foreign trade with a high number of administrative measures. In 1938, Austria's foreign trade was integrated in the German economic régime, which was also strictly State-regulated. Following the end of the Second World War, Austria, due to the extraordinary economic conditions, maintained its whole foreign trade under strict administrative control until 1948.

38. The Foreign Trade Law of 1948 codified the principle of the freedom of foreign trade, which became a basic principle of Austria's foreign trade régime. Foreign trade has been gradually liberalized and the coverage of State intervention limited. At present, the basic objective of the

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3 According to Article 15 of the Foreign Trade Law, the representatives of the Federal Chamber of Trade and Industry, the Austrian Chamber of Labour and the Association of Presidents of the Chambers of Agriculture of Austria are members of the Advisory Board which plays an advisory rôle in import licensing.

4 The Foreign Trade Law was accordingly amended in 1951, 1956, 1958, 1968, 1974, 1983, (Footnote Continued)
Austrian trade policy is to contribute to the maintenance of a stable home market. The export or import of goods are subject to restrictions only when this is seen as justified by specific State interests, market control or protection considerations.

39. In the last four decades Austria has been following an increasingly open foreign trade policy. One of the major objectives of the Austrian trade policy has been to promote Austria's integration in the world economy. The country was a founder member of the OEEC, the predecessor of OECD; it acceded to the GATT in 1951 under the Torquay Protocol; it was also a founder member of the EFTA in 1960 and signed a Free Trade Agreement with the EEC in 1972. Following from Austria's neutrality policy and the geopolitical situation of the country, it has maintained traditionally good relations with countries of Central and Eastern Europe, members of the former CMEA. For a long period, Austria played the rôle of a centre for East-West trade. In recent years, Austria's most important political and trade policy objective is to become a member of the EC. In July 1989, based on a Government decision and with approval by the Parliament, Austria submitted its application for membership of the EC's three constituent organizations.

(ii) Sectoral trade policy objectives

40. Some sectors of Austria's economy enjoy, in agreement with the social partners, substantial protection. The most protected sector is agriculture. Austria's traditional policy concerning agriculture is that this sector plays a multifunctional rôle based on small-scale family farming and that due attention should be given to environmental aspects. That is why in agriculture the free play of market forces is restricted through subsidies and detailed market regulations, including import restrictions. (See Chapter V.)

41. In a number of other sectors, market forces can only partially determine the behaviour of economic units. In retail trade, the railways, the postal and telecommunication sector, the housing sector, small businesses and liberal professions, different market access barriers and subsidies distort competition and economic structures. Structural policies in nationalized industries were also decisively influenced by the Government (see next Section). Austria does not follow strict structural policy objectives in respect of private industries; most industries are export and import competing and supply and demand act as principal regulating factors. The Government has recently announced that it would

(Footnote Continued)

1988 and 1989. The amendment of 1988 introduced a new discipline on exports of technology. In 1989, exports of chemicals suitable for production of chemical weapons were subjected to export licensing.
implement several measures designed to liberalize sectors hitherto protected, most notably in the areas of competition legislation and business law. The Government has recently finished the preparation of a draft law on the deregulation of the Austrian Competition law. Similar drafts are in preparation regarding the Price Law and the "Gewerbeordnung" (the law regulating the operation of small and medium enterprises. For details see Chapter IV).

(iii) **Austria's nationalized industries**

42. In 1946, many industrial enterprises, accounting for about one-fifth of Austria's industrial production, were nationalized. In the period of post-war reconstruction, nationalized industries focused their activities on primary products, such as iron and steel, non-ferrous metals, oil, basic chemical raw materials and coal. Over the years, the nationalized industries became subject to varying degrees and types of political influence and management. As a result, business efficiency suffered. In 1970, the property rights of the nationalized sector were transferred to a newly established holding company, the Österreichische Industrieverwaltungs Aktiengesellschaft (ÖIAG), remaining wholly owned by the Republic.

43. The ÖIAG was required to satisfy not only managerial but also national economic needs such as employment policy. In 1985 the ÖIAG registered S 15 billion loss. In 1986, the Nationalrat passed the ÖIAG Act, which provided for the ÖIAG's subsidiaries and their participating companies to be converted into a concern in compliance with paragraph 15 of the Austrian Company Law of 1965. These measures ensured that the ÖIAG was given the power to function effectively as a holding company. The nationalized industries were thus placed outside the range of political influence. A substantial restructuring and decentralization of the nationalized industries took place with the injection of State money. The ÖIAG reduced its total employment by about 20,000 and the management was reorganized on a profit-making basis. Productivity has been raised and

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5 Government Statement delivered to the Nationalrat, 18 December 1990.

6 Most of these companies had originally been in Austrian hands and were confiscated as "German property" by the Allied Powers after the end of the Second World War on the basis of the Potsdam Agreement.

7 The Austrian Company Law of 1965 regulates the legal status of public limited companies (Aktiengesellschaft). Provisions on concerns include the possibility for the holding company to influence policies and strategies of the companies belonging to the group.

8 The ÖIAG Financing Act of 1987 has empowered the Federal Ministry of Finance to reimburse ÖIAG in the amount of S 12.3 billion interest and redemption payments on the loans that had been contracted by the time of adoption of the Law as well as on further loans in the amount of S 20.6 billion. This amount was dedicated for the financial reconstruction of the group.
unit labour costs have been decreased. By 1988, the losses were reduced to S 3 billion and by 1989 the ÖIAG became profitable.

44. The ÖIAG group remains a dominant feature of the Austrian economy. In 1990, the share of ÖIAG group companies was about 12 per cent of total industrial employment and about 14 per cent of total domestic industrial sales. In 1990, its exports amounted to S 52 billion, 11.2 per cent of Austria's total exports. The Government has expressed the medium term objective of partially privatizing the Group with the declared aim of preserving it as an Austrian industrial Group.

(iv) Objectives in the Uruguay Round

45. During the preparatory negotiations, Austria was one of the supporters of the new Round, stressing the necessity of strengthening the GATT system and taking steps to re-establish confidence in it. Austria emphasised that negotiations must comprise not only traditional subjects such as tariffs, quantitative restrictions, agriculture, textiles, safeguard, dispute settlement, but also non-traditional issues. Regarding agriculture, Austria stressed that, due to the special position of the country in both economic and geographical respects, Austrian agricultural policy must take into account social and regional considerations as well as the necessity to maintain a degree of self-sufficiency.

46. Austria participates actively in the Uruguay Round negotiations. It has offered tariff reductions according to a formula covering a high number of sectors. As Austria declared, "Particular attention has been paid to products of special export interest to developing countries". 11 Austria has tabled an offer regarding agriculture, comprising reductions in all three areas under negotiation, namely internal support, border protection and export subsidies. In December 1990, Austria announced different liberalization measures within the framework of the market access negotiations. The measures, which already entered into force, include the abolition of export licensing regarding some forestry products, and freeing from import licensing some cut flowers, penicillin and antibiotics. 12

47. Austria supports the creation of a legal framework on trade in services. Regarding the application of the m.f.n. principle in the

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10GATT document, MIN(86)/ST/65, 18 September 1986.

11GATT document, MTN.TNC/MIN(90)/ST/52, 4 December 1990.

12GATT document, MTN.GNG/NG1/W/63, etc, 23 November 1990.
services area, Austria declared that this principle "will have to be adjusted to specific country situations". Austria also submitted a preliminary conditional offer concerning initial commitments in trade in services. At the Brussels Meeting in December 1990, it was stated by the representative of Austria that "We must do everything possible to avoid the formation of inward-looking economic trading blocs at a time when the traditional political and military blocs are undergoing a decisive transformation and are changing their nature".

48. Following from the central geographical position of Austria in Europe, environmental problems linked to transit traffic are of great importance to the country. That is the reason why Austria has stressed the need of accepting environmental concerns in a special annotation on road transport services. Regarding the relationship between trade and environment, Austria, with other EFTA countries, submitted a "Statement on Trade and the Environment" at the GATT Meeting in Brussels. At the request of the EFTA members, initiated by Austria, the GATT Working Group on Trade and Environment will be convened in the near future.

(4) Trade Laws and Regulations

49. The basic rules and principles of Austria's foreign trade and its administration are laid down in the Foreign Trade Act of 1984. Austria's trade policy measures are based on acts or regulations issued by the administration. There are, however, a high number of specific laws on particular sectors, products or product groups which also include foreign trade rules such as import licensing obligations or the imposition of specific import levies. These rules are applied together with, or instead of, the rules of the Foreign Trade Act. These special legislations, which mostly cover agricultural products, include the Sugar Law, the Starch Law, the Compensatory Amount Law, the Market Regulations Law, the Livestock Industry Act, the Poultry Farming Law and the Wine Law. According to the Scrap Management and Waste Material Laws, special rules are applied to trade in these products. The rules of State operation in the field of military items are codified in the Military Materials Law. Laws on

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13 GATT document, MTN.TNC/MIN(90)/ST/52, 4 December 1990.
15 GATT document, MTN.TNC/MIN/90)7ST/52, 4 December 1990.
16 In this document, the EFTA countries declared that "priority attention should be devoted to interlinkages between trade policy and environmental policy" and made specific suggestions in the subject. GATT document, MTN.TNC/W/147, 3 December 1990.
17 Administrative authorities may issue regulations (Verordnungen) only on the basis of statutes and within their competence. The compliance with this rule is examined by the Constitutional Court.
Pharmaceuticals, Chemicals and Poisons include special rules regarding production and trade in these products.

50. Customs duties on imports are assessed according to the general rates laid down in the Customs Tariff (Customs Tariff Law). The Austrian Working Customs Tariff indicates the existence of other export- or import-related measures in addition to customs duties. There is a specific law in force on customs preferences (Customs Preference Law).

51. The market behaviour of enterprises is mainly regulated by the Trade Regulations Law (Gewerbeordnung), which provides a legal framework for small- and medium sized enterprises; the Cartel Law; the Price Law; the Law Against Unfair Competition; the Rebates Law; the Local Supply Law and the Consumer Protection Law (for details see Chapter IV).

(5) Trade Agreements and Arrangements

(i) Multilateral agreements

52. Austria acceded to the GATT in 1951, in the framework of the Torquay Protocol. The General Agreement was approved by the Austrian Parliament as a law amending treaty. Its legal force, therefore, is identical with that of federal laws. Some Austrian foreign trade measures such as export-import licensing, import quotas and State-trading are maintained under the country's Protocol of Accession to the GATT. Provisions of the General Agreement and the Tokyo Round Codes have been part of the Austrian legal system since they have become binding on Austria.

53. In Austria, provisions of a treaty, in lack of an implementing regulation, are considered as directly applicable if they are sufficiently detailed and precise to be taken as a basis for judicial and administrative decisions. Up to present, no decision of an administrative body or a court has been based directly on a GATT provision. In November 1990, the Constitutional Court ruled in a specific case that the GATT Subsidy Code was considered directly applicable. The Court based its ruling on Article 2 of the Code and declared a levy illegal which was imposed by the Federal Ministry of Agriculture and Forestry under the Poultry Farming Law and its implementing rules. In Austria, enterprises or individuals may file petitions in courts against administrative decisions taken in any trade or trade related matters.

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18 For details see Chapters IV and V.

19 Austria is a party to all Tokyo Round Codes, the GATT Arrangement Regarding Bovine Meat and the MFA. In 1985, it withdrew from the International Dairy Arrangement.

20 Case No. V 78/90-15
(ii) Regional agreements

(a) Stockholm Convention (EFTA)

54. Austria is a founding member of the European Free Trade Association (EFTA), established by the Stockholm Convention in 1960. At present, the other members of the EFTA are Finland, Iceland, Liechtenstein (since 1 September 1991), Norway, Sweden and Switzerland.

55. The Convention provides for free trade in industrial products originating in the EFTA area. Member States are obliged to eliminate among themselves quantitative trade restrictions, customs duties and charges with equivalent effect, and any protective elements contained in revenue duties and internal taxes. Trade in agricultural products is not covered by the Convention, with the exception of a limited range of products such as chocolates or lemonade.

56. According to Article 2(b) of the Convention, trade between members shall take place "in conditions of fair competition". The Convention prescribes that Member States shall not maintain or introduce trade distorting measures such as direct export subsidies, export-related tax concessions, subsidized export credit guarantees and credits.

57. The EFTA Council is the supreme decision making body under the Convention. Each member State has one vote in the Council. As a general rule, decisions must be taken unanimously. Safeguard measures by member States must be authorised by majority vote.

58. In 1978, a Joint EFTA-Yugoslavia Committee was set up to function as a forum for intensified cooperation. In June 1990, Joint Committees were established with the Czech and Slovak Federal Republic, Hungary and Poland. Special Working Groups explore ways and means of improved technical collaboration in areas such as customs formalities, non-tariff barriers to trade, information seminars and fairs. Negotiations on free trade agreements have already started. The agreements are scheduled to enter into force on 1 January 1992. For a transition period of ten years, tariff reductions by the EFTA members are envisaged to proceed more rapidly than those by other participants. Negotiations on free trade agreements have also started with Turkey and Israel.

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21 The Stockholm Convention was examined by a GATT Working Party whose report was adopted by the GATT Council in June 1960. For details see GATT (1961), Basic Instruments and Selected Documents, Ninth Supplement, p. 21 and GATT (1991), Trade Policy Review - Switzerland, Chapter II.
(b) Free trade agreement with the European Communities

59. In 1972, Austria and the other EFTA members signed bilateral free trade agreements with the European Communities (EEC and ECSC). The agreement between Austria and the EEC entered into force on 1 January 1973. All the free trade agreements are similar in structure and content. They only cover industrial products; agriculture is formally excluded.

60. Each agreement set up a timetable for the progressive abolition of import duties until July 1977. With a few exceptions, the target date for the abolition of export duties and equivalent charges was 1 January 1974. While also being committed to eliminate customs duties of a fiscal nature, signatories were allowed to raise internal taxes instead. Quantitative import restrictions were to be abolished by 1 January 1974; no such provisions, however, were made for export restraints. Until 1 January 1993, certain transitional provisions remain in force with respect to Spain and Portugal, the most recent entrants to the EC.

61. The agreements stipulate certain rules of conduct concerning the competitive behaviour of enterprises, the granting of State aid, and the recourse to safeguard measures and to anti-dumping actions. Also, no restrictions must be imposed on trade-related payments and on short- and medium-term credits for commercial transactions.

62. A bilateral Joint Committee is established to monitor the application of each agreement; the Committee acts by consensus. In the absence of mutual accord, for example to abolish distortive subsidization, the importing country is entitled to enact safeguard measures, in particular by withdrawing tariff concessions.

(c) Negotiations on a European Economic Area

63. The concept of a "Dynamic European Economic Area" was first proposed in 1984 by a joint Ministerial meeting of EC and EFTA countries. The first meeting laid down the objectives of the intensified cooperation. The Luxembourg Declaration of 9 April 1984 addressed the following areas of cooperation: standards, border formalities, rules of origin, State aid, Government procurement, and research and development. Subsequently, 25 expert groups were established to deal with specific issues. Several agreements have been reached to facilitate administrative procedures, for

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22 The Agreement with the ECSC entered into force on 1 January 1974.

23 For more details regarding these free-trade agreements see GATT (1991), Trade Policy Review - Switzerland.
example by introducing a single administrative customs document and simplifying the rules of origin, to increase transparency in public procurement and in the standards area, and to eliminate export restrictions.

64. An EC-EFTA Ministerial meeting on 19 December 1990 agreed to deepen existing relations further and "to seek jointly to define a more structured framework of cooperation between the EC and all of the EFTA countries together." This framework aims at achieving the free movement of goods, services, capital and persons on the basis of the "acquis communautaire" to be identified jointly; intensifying cooperation in the context of the Community's action in other areas such as research and development; and reducing economic and social disparities. Not included are the development of common policies in the economic and monetary sphere, or in agriculture.

65. The negotiations on the European Economic Area began formally on 20 June 1990. They take place within a High Level Negotiating Group which is assisted by five working groups. The EEA Treaty should enter into force on 1 January 1993, parallel to the completion of the European Communities' Internal Market programme.

66. By May 1991, Ministers had agreed in principle to create an independent court for EEA issues, comprising five judges from the European Court of Justice and three judges to be nominated by the EFTA countries. The EFTA members declared their readiness to introduce into their national legislation provisions securing that, in case of possible conflicts EEA rules will prevail over national law. An envisaged general safeguard provision should provide relief in cases of serious economic, social and/or ecological difficulties in sectors or regions. EEA decisions are to be taken by consensus between the EC and the EFTA countries, speaking with one voice. Any difficulties should first be examined by the EC/EFTA Joint Committee with a view to arriving at mutually acceptable solutions without the parties resorting to safeguard measures. The EC concede the participation of EFTA experts, as widely as possible, in the preparatory process for EC legislation. In drawing up proposals, the EC Commission would refer to EFTA experts on the same basis as to those from member States.

24 The EEA-relevant "acquis communautaire" includes about 1,400 legal acts.

25 The most important subjects of the EEA negotiations are the "Four Freedoms" (free movement of goods, persons, services and capital) and a number of related institutional aspects.
67. Common ground was also established or expanded in areas such as competition policy (including State aid), standards, free movement of capital and services, and transport. As for agriculture, participants agreed in principle to provide for an "evolutionary clause" in the EEA Treaty with a view to achieving a higher degree of liberalization, in the framework of the respective agricultural policies.

68. Negotiations on the outstanding issues, which included fisheries, free movement of persons and the modalities of a regional and/or social development fund, were finalized in October 1991. At the same time, bilateral agreements were signed between Austria, Switzerland and the EC on the transit transport issue.

69. Since Austria's application to EC membership in July 1989, the number one political and economic objective of the country is to become member of the EC. For Austria the EEA Treaty can not replace membership, because it would only offer a participation with limited rights in the Internal Market. The EEA will not be a customs union, therefore certificates of origin will remain necessary. The Common Agricultural Policy will not be part of the EEA. In the EEA border controls will be maintained. The EEA law, in practical terms, will be identical with the law of the EC, however, in its creation EEA members will not participate with decision-making power. Notwithstanding these problems, the speedy and successful end of the EEA negotiations is a priority for Austria, because the introduction of the "acquis communautaire" in the Austrian legal system is considered as a useful step towards EC membership.

(d) Austria's application for EC membership

70. Austria decided to apply for EC membership because it had come to the conclusion that non-membership would result in disadvantages such as worsening terms of trade, the diversion of trade flows and diminished attractiveness of the country as a business location. According to a WIFO study, membership is expected to result in a 2.5 to 3.5 per cent increase of the country's GDP (growth rate) over a six year period, while staying out of the EC would have a less positive effect, i.e. of 1.5 per cent on GDP growth. Austrian officials are also aware of the fact that in some

\[26\] The issue of "free movements of persons" had largely been agreed upon by summer 1991.

\[27\] Austria, together with Switzerland, wanted to limit truck numbers and weight, while the EC proposed the reduction of pollution from trucks, without accepting limitations on truck numbers and weight.

\[28\] Some of the major concerns in case of non-membership: The costs of administrative paperwork involved in frontier formalities account for between 2 and 4 per cent of the the
sensitive and strongly protected sectors such as agriculture and to some extent services, the accession to the EC may cause certain sectoral problems and tensions. Social partners support Austria's application for EC membership.

71. The EC's opinion ("avis") on Austria's application, handed over to the Austrian authorities at the end of July 1991, is considered as basically positive regarding Austria's future membership. The opinion notes the positive features of the Austrian economy such as stability or low inflation, but it also underlines that agriculture and services have to be brought in line with EC rules. In the context of Austria's structural policies, the opinion takes the view that efforts should be continued on strengthening competition in the Austrian market and on increasing productivity. For the EC, the settlement of the transit traffic question in accordance with the EC's rules on the free circulation of services, was of fundamental importance. In the light of basic political changes which have taken place in East-West relations in recent years, Austria's neutrality is no longer considered neither by EC or by Austrian officials as a factor which could prevent Austria's EC membership. According to EC sources, Austria could be an EC member towards the end of 1995. Negotiations on Austria's EC accession, however, are not expected to start before 1993.

(iii) Bilateral agreements

72. Austria has concluded bilateral trade and trade related agreements with most of its trading partners. These instruments include, beyond trade agreements, agreements on economic, industrial and technical cooperation, and agreements with a number of developing countries on certificates of origin of handicraft products. Provisions of certain old treaties on trade and navigation are still in force formally, but have no practical effect. Agreements on trade and cooperation with Central and Eastern European countries have become outdated in the light of the latest political and economic developments in the area. Within the framework of the EFTA,

(Footnote Continued)

value of turnover. When the EC's internal frontiers are eliminated, these additional costs will remain for non-members. Non-inclusion in the system of reciprocal recognition of national norms and standards and of test certificates and testing authorities would likely have a detrimental impact on the Austrian economy. Foreign companies would probably be less inclined to invest in Austria. Austria's partial exclusion from EC research and development programmes would put Austria's economy and its scientific community at a disadvantage. Senior executives and qualified staff of Austrian companies seeking even only temporary residence in EC countries are already encountering difficulties in obtaining work permits. Austrian companies engaged in cross-frontier activities such as assembly, service and repair work, have to contend with similar discrimination. Exclusion as a non-member from the EC's educational and training programmes and obstacles would result in a deterioration of Austria's levels of vocational and technical training. (Position Paper by the Social Partners, "Austria and European Integration", 1 March 1989.)

Europe, 2 August 1991.
negotiations have started with the Czech and Slovak Federal Republic, Hungary and Poland in the subject of free trade agreements.

(iv) Other agreements or arrangements

73. Austria is a party to the international commodity agreements on coffee, tropical timber, wheat, sugar and cocoa.

(v) The Generalized System of Preferences (GSP)

74. Since 1972, Austria has granted tariff preferences autonomously to developing countries and a number of Central and Eastern European countries under its GSP scheme. Least-developed countries are granted duty free treatment for most products. Most temperate zone agricultural products and some industrial items like some clothing products, motor vehicles or a number of chemicals are excluded. Austria has a separate set of preferential measures for handmade/handicraft products originating in developing countries. In 1990, Austria's total preferential imports from GSP sources amounted to about S 16.3 billion. (For more details of the Austrian GSP system see Chapter IV.)
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

(1) Exchange Rate Movements and Trade

75. Since July 1976, the nominal exchange rate of the Austrian schilling has been pegged to the German mark. The main reason for this peg has been the close economic links with the German economy. In both foreign trade and tourism, Germany is by far Austria's most important partner (for details see Chapter I). The "hard currency policy" of pegging the schilling to the mark is also considered by Austria as a major step towards Austria's monetary integration in the EC. According to the National Bank of Austria, EC membership and Austrian participation in the EMS and the European System of central banks is not expected to cause any problems in the area of monetary policy.

76. Austria's exchange rate and monetary policy is aimed at holding the external nominal value of the schilling vis-a-vis the German Mark stable and keeping inflation down. Austria considers that pegging the national currency to the German mark has resulted in low price increases by international standards, steady improvement of economic competitiveness and a maximum degree of stabilization of expectations. It follows from the hard currency policy that the Austrian National Bank has, in practice, little autonomy in the field of interest rates and that it is required to follow more or less interest rate changes in Germany. In view of Austria's weaker current external position and slightly less favourable inflation record than in Germany (at least prior to German unification) and primarily in view of the less liquid financial markets, a positive premium has been maintained over most of the period on both short-term and long-term interest rates. For many years, policy-controlled interest rates (the Austrian National Bank's discount rate and Germany's Lombard rate) in the two countries have moved in tandem. However, in August 1991, when the German Bundesbank increased interest rates because of the higher inflation rate and the massive capital demand, Austria did not follow suit to the same extent. As a consequence of Austria's hard currency policy, a number of other economic indicators have also moved parallel to those in Germany, especially economic growth. Austria considers that the hard currency policy has proved to be successful and it has corresponded to Austrian economic interests. For this reason Austria does not contemplate any major changes in it.

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2OECD (1990), OECD Economic Surveys, Austria, pp. 29-31.
3The Austrian National Bank raised the discount rate only by half a percentage point to 7.5 per cent. The Lombard rate went up from 9.0 per cent to 9.25 per cent.
77. According to Austrian data, the real effective exchange rate of the schilling appreciated between 1985 and 1990 by some 8.5 per cent. Within this period, there were considerable fluctuations, mainly related to movements in the United States dollar/German mark rate. Due to the increasing price differential favouring Austria, the Austrian schilling depreciated in the first eight months in 1991.

78. Over the same period, Austria's international competitiveness appears to have improved considerably. OECD data show that Austria's domestic inflation rate has been consistently below that for the group as a whole, while productivity has increased more rapidly. Austria's export prices have thus fallen relative to its main competitors. This general improvement in competitiveness is reflected in Austria's share in total OECD exports, as well as imports into the EC (Chart III.1).

79. Austria has traditionally recorded a deficit in its trade balance. Since 1986, the deficit has tended to increase moderately, reaching S 84 billion in 1990. During the 1980s, the current account of the balance of payments was broadly in balance, mainly due to the substantial surplus in tourism. In 1990, the current account recorded a surplus of S 13.2 billion or 0.7 per cent of GDP. (Chart III.2). In the first seven months of 1991, Austria's current account registered a deficit of S 1.2 billion, a deterioration of S 8.9 billion against the corresponding survey period a year earlier. This is primarily due to the deterioration of the trade balance, while the surplus on services slightly increased.

The real effective exchange rate is calculated by Austria in relation to the following currencies (with a weight indicated in brackets): BF (1.825), DKR (0.728), F (5.974), DM (41.860), LIR (0.135), LIT (11.521), NLG (2.814), LSTG (5.347), DR (0.745), FIM (0.784), IKR (0.015), NOK (0.525), ESC (0.219), US$ (10.198), Y (2.422), S (0.217) and $NZ (0.046).

Changes in the effective exchange rates are not considered by the Austrian National Bank as the crucial variable for the development of Austrian foreign trade. Other essential contributory factors, deemed to be significant, include the cost and stabilization effects of the hard currency policy (e.g. dampening effects on the prices of imported primary products and energy, moderate wage increases, stable expectations).

The real effective depreciation recorded an annual rate of 2.2 per cent in July 1991, in August the nominal effective depreciation reached 0.7 per cent.
Chart III.1
Austria's competitive position in world exports and in the EC, 1960-90

Market share in total OECD exports

Market share in total EC imports

1990 = January through August 1990

Chart III.2
Austria's balance of payments, 1979-90

Austrian National Bank.

(2) Foreign Exchange Allocation

80. Before 1990, Austria's exchange control system was governed by Official Announcements of the Austrian National Bank based on the Foreign Exchange Law of 1946. All payments not specifically permitted were subject to restriction. Current payments for merchandise imports into and receipt of payments for exports from Austria have been completely free of restrictions since 1986. Capital movements have been gradually liberalized over time since 1962. Since 1986, Austria has adopted a number of liberalization measures affecting the system of exchange control.

81. On 1 November 1986, the duration of forward transactions was increased from 12 to 18 months, and major banks were permitted to borrow from non-residents foreign currency over the medium and long term. Free purchase of securities quoted on an official stock market was extended to
cover all securities quoted on a recognised securities exchange.\(^8\) Long-term borrowing from non-residents for investment purposes was further liberalized, and long-term borrowing by domestic enterprises from non-resident equity holders was permitted up to a loan/equity ratio of 3 to 1. Measures were taken to make the purchase of foreign currencies more liberal for travellers. Credit cards, like other means of payments could also be used for purchase of goods to be imported for the buyer's personal use.

82. As of 1 February 1989, the Austrian National Bank took further steps in dismantling exchange controls. From then on Austrian residents were permitted to make any type of long-term investment abroad. The Austrian National Bank automatically granted formal authorization. Financial institutions needed no authorization from the Austrian National Bank for nearly all business on their own account. Domestic entrepreneurs were free to borrow funds from domestic and foreign banks in Austrian schillings or foreign currencies, for a duration of three years or more. Domestic companies were also entitled to receive loans with a maturity of at least three years from their foreign shareholders. Buying and selling of foreign shares, bonds and investment certificates was also fully liberalized. Residents had to continue to deposit their foreign securities with an authorized resident agent (bank). Operations in real estate purchase or building abroad by residents were liberalized.

83. The present exchange control regulations, which came into force on 1 January 1990, are based on the principle that anything not explicitly forbidden is allowed. As a result of this new principle, the number of restrictions has decreased substantially and regulations have been simplified. At present, the following important areas remain subject to authorization by the Central Bank: domestic non-banks' accounts abroad and all related transactions; loans raised by domestic non-banks from non-residents (authorization is automatically granted on application); securities issued by non-residents in Austria and by residents abroad. Foreign securities are subject to the requirement of acquisition and depot at domestic banks. Every capital transfer has to be conducted through a domestic bank. As of November 1991, Austria will lift the remaining restrictions on capital movements.

\(^8\)Recognised securities exchange": a securities exchange or a securities market, including over-the-counter trading organised by a recognised association of securities traders: it must be officially recognised in the country in which it is organised, it must allow the public to purchase and sell, and trading must follow fixed rules. (Definition provided by the Austrian National Bank.)
84. Payments for imports from countries with which Austria makes settlements in convertible currencies do not require exchange licences. Payments which are settled in non-convertible currencies are generally licensed. Export proceeds may be deposited in accounts with authorized banks and may be used freely for authorized payments abroad.

85. At the centre of Austria's banking system is the Austrian National Bank, established in 1816. Its actual legal status was redefined by the National Bank Act of 1955, which was amended in 1984. According to it the Austrian National Bank is the country's note-issuing bank. Its primary objective is the maintenance of the stability of the country's currency. The National Bank enjoys extensive rights in relation with the various credit organizations. The National Bank is legally independent of Government control in the field of monetary policy. However, in determining the general monetary policy lines, regard has to be paid to the economic policy of the Federal Government. According to the National Bank Act, half of the capital of the National Bank is to be underwritten by the Federal Republic. Only Austrian citizens or legal persons and enterprises having their seat in Austria may be shareholders. Legal supervision over the activity of the National Bank is carried out by a State Commissioner, appointed by the Federal Minister of Finance.

86. A considerable part of the shares of Austria's two biggest joint stock banks, the Creditanstalt Bankverein and the Österreichische Länderbank is in the possession of the Republic of Austria, in accordance with the terms of the first Nationalization Act of 26 July 1946. The nationalized banks have a share in many other banks, industrial and trading firms. According to the latest Government programme, it is Austria's objective to reduce the State's influence on the banks through a limited privatization. Laws on banking and insurance will be reformed with a view to taking international standards (EC conformity) into account.

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9Recently, the Österreichische Länderbank and Zentralsparkasse have merged and the resulting new bank (Z-Länderbank) will be the country's largest financial institution. Financial Times, 16 September 1991.


11According to the Austrian authorities the draft of a new Banking Act should be completed by the end of 1991. The provisions of the Directives of the EC (i.e. basically the First Banking Directive No. 77/780 and the Second Banking Directive No. 89/646, the Directive No 89/647 on a solvency ratio and the Directive No. 89/299 on the own funds of credit institutions) will be incorporated into the draft.
(3) Foreign Direct Investment

87. Foreign enterprises can invest in Austria under equal conditions to Austrian companies, provided that the country of the investor accords national treatment for Austrian companies regarding investments. However, there are certain major exceptions. Non-residents are subject to partial restrictions with respect to or are not permitted to invest in the auditing, mining, energy, transport, or legal sectors, and they are not permitted to acquire a share of 25 per cent or more in ships registered in Austria. Investments by foreigners are subject to licensing only in the banking and insurance sector. The licensing authority is the Federal Ministry of Finance. Real estate investments for non-production purposes need to be licensed by local authorities. Foreign banks cannot establish branches in Austria, except through an enterprise incorporated in Austria. However, in banking these conditions for entry may be waived with reference to "the interests of the country" and "local needs" (banking).  

88. More than one third of Austrian employees in industry work in enterprises under foreign control. The share of foreign ownership is particularly high in the electrical, chemical, textiles, clothing and food industries. Foreign investments are also substantial in the trade, banking and insurance sectors. In 1988, Austria's total liabilities from foreign direct investments accounted for S 86 billion (nominal capital S 49 billion). The total nominal domestic investment capital was S 266 billion in 1989. In terms of total nominal capital, Germany's share has been by far the largest, reaching about 34 per cent. The second largest investor is Switzerland (about 22 per cent), followed by the United States (about 9 per cent). Since 1989, Austria has become a net capital exporter as concerns direct investments, reflecting the increasing direct investment in foreign countries by Austrian companies. However, the value of Austrian direct investments in foreign countries continues to be low by international comparison, accounting for about 1.6 per cent of GDP.  

89. Recently, Austrian companies have increased their investment activities in reforming eastern European countries, especially in Hungary,  

12 In insurance, the licensing of foreign and domestic enterprises has to be refused if the granting of the licence would have "detrimental effects" for the policy holders.  

13 In 1989, capital exports accounted for S 11.9 billion, while imports for S 7.3 billion.  

14 The same index for some other European countries: the Netherlands: 34.5 per cent, Switzerland: 22.2 per cent, Sweden: 11.5 per cent and Germany: 8.1 per cent.
where Austrian investors participate in about 1700 joint ventures; in 1990, the value of Austrian investments in Hungary reached about S 4.9 billion and accounted for 12 per cent of Austrian foreign direct investments (Hungary’s share was only 1 per cent in 1985) (Chart III.3).

Chart III.3
Regional distribution of Austria's outward foreign
direct investments (1981-1990)
(nominal capital, in percentage and in S billions)

Source: Austrian National Bank.
IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

90. Immediately after the Second World War, Austria's trade régime was strictly regulated. Over the following decades, it became more open. Tariffs were reduced as a result of Austria's participation in successive GATT rounds. The coverage of non-automatic import licensing also fell. Austria, as one of the founding members of the European Free Trade Association (EFTA) progressively dismantled its internal trade barriers vis-à-vis other member countries and concluded a free trade area agreement with the EEC. At present, Austria's main trade policy objective is to join the EC. Current changes in the country's trade policy institutions thus aim at achieving greater compatibility with the EC's trade régime.

91. Tariffs and trade reflect Austria's strong European orientation. Duty-free preferences cover all imports of industrial products from EFTA and EC members and some agricultural and processed goods. Duty reductions of 50 per cent are also accorded to most industrial products under GSP.

92. In a number of sectors, however, tariffs, other trade barriers, marketing interventions and subsidies are substantial. As a result, in some areas competition is restricted and certain sectors, especially agriculture, have become insulated from world market trends to a considerable extent.

(2) Measures Directly Affecting Imports

(i) General

93. All legal and natural persons, are entitled to import and export merchandise.

(ii) Tariffs

94. According to Article 4 of the Austrian Constitution, the territory of the Federal Republic forms a unified fiscal, economic and customs territory. Customs matters belong to the competence of the Federal Administration (Federal Ministry of Finance).

\[1\] See also Paragraph 1 of Article 1 of the Customs Law of 1988.
(a) Form of tariffs

95. Austria introduced the Harmonized System on 1 January 1988, replacing the previous CCCN based tariff, which had been in force since 1958. The introduction of the HS increased the number of individual tariff lines, from around 7,000 to 8,070.

96. In Austria, duties on imports are assessed according to the general rates in the Customs Tariff, unless preferential rates are agreed under international law or Austrian statutory provisions require otherwise. Ad valorem tariff rates are the most common form of tariff levied on imports into Austria. However, the the Austrian Customs Tariff includes a relatively high number of specific duties (goods dutiable by weight), as well as mixed, compound, and variable duties. Specific duties are generally levied on net weight. In 1988, 20 per cent of tariff lines received duty-free treatment; 57 per cent of Austrian tariff lines were subject to ad valorem m.f.n. duties; 14 per cent to specific rates; 5 per cent to mixed duties and 1 per cent to compound duties. Two per cent of tariff lines were subject to variable duties. (Chart IV.1) Non-ad valorem duties are widely used in the agricultural sector (HS Chapter 1-24). 59 per cent of agricultural tariff lines, representing 47 per cent of agricultural imports, were subject to non-ad valorem duties in 1988, while the share of imports under ad valorem duties was only 11 per cent. Regarding industrial imports (HS Chapters 25-97), by contrast, only 9 per cent of imports were subject to non-ad valorem tariffs. In addition, also in the agricultural sector, Austria applies seasonal tariffs to vegetables and fruits grown in the country. Austria does not plan to convert its non-ad valorem tariffs into ad valorem tariffs. However, after having joined the EC, Austria will have to change its tariffs by introducing the EC's common external tariff.

2 When the good is in the form of liquid or is packed for retail sale, the weight of the packing will also be taken into account. If the rate of the duty is $50 or less per 100 kg, then the duty is calculated on the gross weight.

3 Unless otherwise specified, calculations refer to effectively applied rates with a weighting factor based on total imports of Austria. Data from GATT Tariff Study.

4 Non-ad valorem specific tariffs, levied on the weight or volume of imports, progressively protect the domestic industry against cheaper imports. Therefore, imports of cheaper substitutes will be more heavily restricted compared with imports of more expensive alternatives. Consequently, consumption and production patterns will be distorted away from the cheaper product towards the more expensive substitute.
97. The Austrian Working Customs Tariff differentiates between normal (general) duties and GATT duties. Normal duties (N) are the autonomous duties set forth in the 1988 Customs Duty Law. GATT duties are defined as duties which have been bound in Austria's GATT Schedule XXXII (G) and duties that apply under provisional advance concessions within the framework of the Uruguay Round (U). GATT duties are applied to merchandise originating in GATT contracting parties (except EC and EFTA) and in other countries with which Austria has concluded bilateral m.f.n. agreements (Bulgaria, China, Ecuador and the Soviet Union). However, GATT duties are applied on the basis of a special national law to all imports. GATT bindings constitute the absolute maximum for the calculation of variable import levies for imports from GATT-contracting parties and the Soviet Union. For imports from other countries, or regarding items which are not subject to bound duties, the amount of the variable levy may exceed GATT bindings.

Source: GATT Tariff Study files.
98. Industrial goods originating in the EC or EFTA member countries may be imported duty free. These imports account for roughly 75 per cent of all imports.

(b) Average m.f.n. tariff level

99. Overall m.f.n. tariff levels in Austria are high compared to other OECD or EFTA countries. In 1988, the weighted average of tariff rates (excluding petroleum) was 11.5 per cent (simple average: 10.7 per cent). However, this tariff average indicated above, does not reflect the correct tariff burden, due to the fact that ad valorem equivalents of specific duties are not available to the Secretariat. (In case of mixed duties the ad valorem part of the duties has been used as ad valorem equivalents). Therefore, tariff lines with duties not available in percentage terms have been excluded from the calculation of tariff averages. There are a number of agricultural products which are subject to levies, compensatory amounts, import equalization taxes etc., instead of the customs duty. (See the following sections).

100. With effect from 1 January 1990, Austria implemented autonomous reductions of about 30 per cent across the board on a large number of tariff rates for manufactured products. These reductions were applied to imports of about S 140 billion (approximately US$10 billion), or between 37 and 38 per cent of overall imports of manufactures. These tariff reductions are limited in time; they will be in force until 31 December 1993. Austria is prepared to negotiate the inclusion of these tariff reductions in its GATT schedule XXXII and will claim credit for these reductions in the framework of the Uruguay Round.

(c) Tariff range

101. Austrian import duties vary greatly in level. About 24 per cent of tariff lines receive duty free entry. 75 per cent of tariff lines

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6Calculations prepared by the Secretariat are based on Austrian m.f.n. tariffs as in force in 1988. No GSP and other preferences or tariff concessions have been taken into account.

7In the same period according to calculations made by the GATT Secretariat, the simple average tariff in the EC was 7.3 per cent; Switzerland, 2.8 per cent; Sweden, 4.7 per cent; Norway, 5.7 per cent and Finland, 7.8 per cent.

8The number of tariff lines excluded from the calculations was 1,307, representing a trade volume of US$1.6 billion, 6 per cent of total Austrian imports.


10Weighting factor based on m.f.n. imports of Austria.
covering raw materials have a zero tariff rate. The same figure for agriculture is about 34 per cent and for finished manufactures some 12 per cent. In agriculture, the tariff does not indicate the true level of protection afforded by other measures used in combination with, or instead of, tariffs. (Provisional) calculations of tariff equivalents for these combined restrictions made by the Austrian authorities show a very high level of protection in some product groups.

102. In 1988, the tariff range between 5 and 10 per cent accounted for about 31 per cent of all tariff lines and 18 per cent of m.f.n. imports. Nine per cent of lines provide for rates between 0.1 and 5 per cent, covering about 18 per cent of imports. Rates over 25 per cent cover 10 per cent of tariff lines and 19 per cent of m.f.n. imports. The standard deviation of tariff levels in 1988 was relatively high at 10.8 per cent (Chart IV.2).

103. In 1988, 66 per cent of raw materials (excluding petroleum) were imported duty free. In this sector tariff ranges are narrow, the most representative tariffs were between 0.1 and 5 per cent in 1988.

104. There are a number of substantial tariff peaks on the finished manufactures. In 1988, the highest levels reached 52.5 per cent (some processed foodstuffs). Other product groups subject to high tariffs include textiles and clothing (39 per cent), glass manufactures (30 per cent), organic chemicals (30 per cent), electrical machines and apparatus (38 per cent), telecommunication apparatus (38 per cent), motor vehicles (41 per cent), other transport equipment (34 per cent) and footwear (30 per cent).

\[\text{Some examples of very high tariff equivalents: milk and cream 564 per cent; cheese between 327 and 400 per cent; wheat between 175 and 415 per cent. (For more discussion see Chapter V.)}\]

\[\text{12 The standard deviation is a statistical measure used to determine the dispersion of items within a frequency distribution. Expressed in percentage points, it measures how far from the average the items in a frequency distribution are located. The larger the dispersion amongst individual items, the larger the standard deviation. A tariff structure which has a low dispersion in tariff rates will distort domestic production and consumption decisions far less than a highly disparate tariff structure. In most developed countries standard deviation is below 10 per cent.}\]
Chart IV.2
MFN tariff ranges in Austria by sector, 1988

Source: GATT Tariff Study files.
(d) Tariff escalation

105. Calculations based on Austria's average tariffs on raw materials, semi-finished and finished manufactures show substantial tariff escalation. In 1988, the simple average tariff on raw materials was low (1 per cent), while on semi-finished and finished manufactures it was higher (8.7 and 12.1 per cent respectively), which indicated a progressive protection depending on the degree of processing. The degree of tariff escalation has been somewhat reduced by the tariff reductions introduced on 1 January 1990 (Chart IV.3).

Chart IV.3
Applied tariffs for agriculture and industry in Austria by stage of processing, 1988

<table>
<thead>
<tr>
<th>Simple average</th>
<th>Weighted average</th>
<th>Simple average</th>
<th>Weighted average (excluding petroluem)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
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<tr>
<td>Industry</td>
<td></td>
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</tr>
</tbody>
</table>

Note: Excludes specific duties.

Source: GATT Tariff Study files.

106. Tariff escalation was particularly pronounced in the textiles and clothing sector, which reflects high Austrian tariffs in this area. Tariff escalation was relatively low in the chemicals and mineral products product groups.
(e) Tariff bindings

107. Overall, some 93 per cent of total imports enter Austria under bound tariff rates. Approximately 5,300 tariff lines, representing about 81 per cent of total tariff lines, are bound. The percentage of tariff bindings is much lower for agricultural products than for industrial goods. In 1988, 65 per cent of agricultural products were imported under bound tariff rates, while in the industrial sector the same percentage was 95 per cent (Charts IV.4). In Austria the proportion of bound tariffs is somewhat lower than in most OECD countries.

(f) Tariff preferences

108. Austria's trade in industrial products (HS Chapter 25-97) is largely conducted on a preferential basis. All industrial imports from members of the European Free Trade Area (Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland) enter duty-free. The same is true for virtually all imports of industrial goods from EC members, under the Austrian-EC free trade agreement. Under Austria's GSP scheme nearly all industrial imports from least-developed countries enter duty-free; imports from other beneficiaries (except for casein, some enzymes, certain chemicals, and specific motor vehicles) generally receive a reduction of 50 per cent in the m.f.n. rate.\textsuperscript{14}

\textsuperscript{13} According to calculations made by the GATT Secretariat, in most other Western European countries the share of imports entered under bound rates was higher, for example: EC (99 per cent); Norway (92 per cent); Switzerland (90 per cent) and Sweden (96 per cent).

\textsuperscript{14} Exceptions to this treatment under GSP are as follows: textiles and clothing (HS Chapters 50-63 and 65) receive tariff cuts of only 35 per cent, and if imported from Hong Kong receive no preferential treatment; for "industrial tropical products" preferential margins may range up to 75 per cent. See GATT documents L/4108 and addenda.
Chart IV.4
Pre-Uruguay Round bound rates of tariffs in Austria, and imports under bound rates, 1988

Source: GATT Tariff Study files.
109. Trade in most agricultural products is not covered by preferential duty-free treatment under the EFTA convention. For such products, EFTA members are required to give each other treatment not less favourable than that extended to imports from other countries with which a free-trade agreement has been concluded. Similarly, free-trade treatment has not been extended to agriculture under the Austria-EC agreement, although it provides for imports at reduced rates of duty for several agricultural input products. Under the GSP, only 420 tariff lines (out of a total of 1750 dutiable lines in HS Chapters 1-24) are included for preferential treatment.

110. There are no quantitative limitations for GSP imports. However, Austria has reserved the right to suspend preferential tariff treatment for products included in the GSP scheme under certain conditions. The escape clause is generally based on the conditions of Article XIX of the GATT. However, this safeguard clause permits a guaranteed minimum annual increase of 25 per cent of imports from all beneficiaries, and 10 per cent from a single beneficiary. The safeguard mechanism has been invoked twice until now. The first suspension was made for calcium carbide from Romania for the period 1 January 1973 until 31 August 1974. The second case covers certain video recorders and TV apparatus from the Republic of Korea and has been applied since 1 September 1988.

111. Austria has a separate set of preferential measures for handmade/handicraft products originating in developing countries. According to these rules all developing countries and territories are potential beneficiaries. However, in order to be able to use the tariff advantages it is necessary for all interested developing countries to agree formally with the Austrian authorities on certificates of origin and of manual production of goods, as well as on certifying agencies. Until December 1989, Austria has signed such agreements with 36 developing countries. At present Austria is granting preferential tariff treatment for 338 handmade/handicraft products within 123 four-digit HS headings. The preferential tariff measures for handicraft products are not subject to any quantitative limitations. No special safeguard mechanisms are provided for.

15. Protocol 2 of the FTA lists products which may be subject to price compensation in Austria, taking account of the increased costs of agricultural inputs used in their production.

16. Until December 1989 such agreements have been concluded with the following developing countries: Afghanistan, Argentina, Bangladesh, Bolivia, Bulgaria, Chile, China, Costa Rica, Cuba, Cyprus, Ecuador, Egypt, India, Indonesia, Iraq, Israel, Kenya, Republic of Korea, Malawi, Malaysia, Malta, Mexico, Morocco, Nepal, Pakistan, Peru, Philippines, Romania, Rwanda, Singapore, Sri Lanka, Thailand, Tunisia, Turkey, Uruguay, Yugoslavia.
112. In 1990, Austria’s total GSP imports amounted to about S 16.3 billion, or 3.3 per cent of total imports. Imports of products falling within HS Chapters 1-24 represented about S 0.7 billion. In 1990, the share of the leading preference receiving countries in total preferential imports was the following: Hungary, which received preferential status in the middle of 1988, 20 per cent; Yugoslavia: 19 per cent; China: 15 per cent; Korea, Rep. of: 9 per cent; Taiwan: 8 per cent and Turkey: 4 per cent.  

(g) Tariff concessions

113. The annex to the Customs Tariff Law (1988) contains a list of goods for which tariff concessions can be given. There are two different groups of concessions. The first group covers a number of products for which a reduced duty rate is applied, usually under the condition that the products are used for the productions of certain goods. The second group covers products for which a concession can be given provided that the product is not produced in Austria, or the product is not produced in a sufficient quantity in Austria, or the concession is considered necessary for economic reasons.

114. In accordance with paragraph 6 of the Customs Tariff Law (1988), the Federal Minister of Finance may, for price or supply policy reasons, or with a view to avoiding temporary emergency measures, reduce or revoke, by decree, rates of customs duty in general or in particular. The main products covered are: fruit, coffee, spices, mineral oils, wood, machines, apparatus and vehicles.

115. Drawback on customs duties paid on importation may be allowed if goods for the production of which the imported or equivalent goods have been used are exported. According to the Austrian authorities, drawback is only rarely applied, the same economic effect being achieved through inward processing.

116. Under both the Stockholm Convention and the Austria-EC free trade agreement, the basic rule is that, if finished products are to benefit from the free trade rules of the treaties, duties on material used which are imported from third countries should not be refunded. Drawback can, however, be claimed if the materials incorporated in the product are

17 With effect from 1 July 1991, the Czech and Slovak Federal Republic was also included in the list of preference receiving countries (Group I). GATT document L/4108/Add.42, 30 May 1991.

18 The value of imports subject to tariff concessions and the estimated duty foregone in S millions was the following between 1988 and 1990: 1990: 49,790 (3223); 1989: 17,985 (1494); 1988: 16,095 (1334).

19 The Secretariat has no available data on the amount of customs duty refunded.
agricultural or fisheries materials, not subject to EFTA duty-free treatment.

(h) Rules of origin

117. Austria maintains rules of origin requirements on both contractual and autonomous bases. The contractual rules of origin are based on Austria's free-trade agreements, while the autonomous rules of origin requirements form part of the country's GSP system or are based on trade policy considerations. According to Austrian legal provisions, one of the preconditions of applying EC, EFTA, GSP or other preferential duties is that the importer is in possession of an appropriate certificate of origin.

118. EFTA rules of origin are based on the "wholly-produced" and the "sufficient working or processing" concepts. The criterion concerning "wholly-produced" products applies if no material from third countries is used in the manufacture of a certain product. This criterion mainly applies to basic materials, minerals and waste and waste products. Under the "sufficient working or processing" criterion, products are qualified as sufficiently worked or processed when the goods so produced receive a classification under a different tariff heading of the HS. This rule may, however, not be applicable in some cases; in order to take account of these, two lists are included in Annex B to the Stockholm Convention which lay down the rules for specific products.

119. The rules of origin in the Austria-EC free trade agreement are identical to those applied within EFTA. Taking into account that the EC and the EFTA countries form a large free trade area, rules of origin provisions in agreements between EFTA members and the EC provide for cumulative origin, i.e. to take into account the origin of products manufactured processing in another country in the area.

120. In order to qualify for preferential tariff treatment under Austria's GSP scheme, the products must, in general, be transported direct to Austria from the beneficiary country of exportation; and they must comply with the origin criteria specified for those goods by Austria. Austrian rules also provide for the possibility to use the cumulative acquisition of origin on a regional basis. Under that provision, a preference-receiving country exporting to Austria, for the purposes of the origin rules, may regard materials used in a production process, which have originated in other preference-receiving country with which the exporting country cooperates in a regional grouping, as if those materials had originated in the exporting country. At present, the member countries of ASEAN make use of this possibility.

121. Imports of some agricultural products (vegetable oils, vegetable preparations), cement clinkers, Portland cement, PVC and a number of textiles and clothing products) are subject to an autonomous certificate of
origin requirement (Table IV.1) For clothing, the origin requirements are linked to the conditions of the Multi-Fibre Arrangement

122. In addition to the rules of origin requirements specified above, petroleum and petroleum products are subject to an import notification (Meldeschein) requirement. The purpose of this requirement is to provide data to the Federal ministry of Economic Affairs on the available Austrian oil reserves. On importation, the importer must declare certain data to the customs authorities (Table IV.2). Iron and steel products are also liable to an import declaration (Einfuhrerklärung) (Table IV.3).

(i) Customs valuation

123. Austria is a signatory to the Agreement on Implementation of Article VII of the GATT and the provisions of the Agreement are incorporated within the Austrian legal system.

124. Goods may be brought into Austrian customs territory only on approved routes where a customs office is situated. As a main rule, all goods imported (or destined for export), have to be presented to a Customs Office. After presentation, goods can be assigned to customs procedure (customs transit, warehousing, temporary admission) or transferred into free circulation. Import duties and taxes become payable when goods are transferred into free circulation. Deferred payment is allowed. Imported and domestic goods stored and processed in free zones are treated as if they were situated outside the customs territory; they may also be stored and, subject to permission by the Customs authorities, processed in public or private customs warehouses without payment of import duties and taxes. "Bond" (i.e. guarantee for payment) may be requested in respect of imported goods not yet transferred into free circulation, or transferred under deferred payment, if the financial situation of the person concerned does not by itself offer sufficient security.

(iii) Tariff quotas

125. Austria maintains a system of tariff quotas for agricultural products, such as different frozen vegetables, sweet peppers, durum wheat, beers, wines, pet food, casein, some oils, rosin, as well as for pencils and crayons. Tariff quotas are fixed annually. Up to the amount of the quota, the products can be imported duty free or at reduced duties. Some

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20 These data include the HS number, quantity and description of the product, the country of origin, the country of export and the name and address of the Austrian importer.

21 The quotas are administered by the Federal Ministers of Agriculture and Forestry, Economic Affairs, Finance and by the "Getreidewirtschaftfonds".
of the quotas are open only for products of EC origin, while others are open for all exporters (Table IV.4). The total value of trade covered by tariff quotas was not available to the Secretariat.

(iv) Variable import levies

126. Instead of customs duties, Austria imposes the following taxes and levies on a number of agricultural products:

- Levy charged under the Sugar Law;
- Levy or compensatory amount charged under the Compensatory Amount Law;
- Levy or compensatory amount charged under the Starch Law;
- Import Equalization Tax under the Market Regulation Law;
- Import Equalization Tax under the Livestock Industry Act;
- Import Equalization Tax under the Poultry Farming Law.

127. The purpose of using variable import levies (and taxes) is, together with the other elements of the agricultural import régime, to provide protection to domestic agricultural production through restricting imports of processed and semi-processed agricultural products. High administered domestic prices are maintained by the imposition of variable import levies. In some cases variable levies are established at such high levels that they prohibit imports in practice. Import levies are imposed instead of tariffs. They correspond to the differences between the administered domestic prices and the free at frontier import prices per unit (normally calculated per 100 kg net weight). Levies are subject to constant changes and must be ascertained at short notice for each import transaction. The amount of variable levies may not exceed bound duties, however, the share of bound duties in the agricultural sector is low (see the Section on tariff bindings in this Chapter).

22 For the incidence of these levies see the relevant section in Chapter V.

23 Levies charged under the Compensatory Amount Law, the Sugar Law and the Starch Law are established quarterly. Under the Starch Law and the Sugar Law the rule only applies if there is a change of more than 5 per cent between the threshold (domestic) price and the free-at-frontier (world market) price. Established levies are published in the Official Gazette. Levies charged under the Market Regulation Law are not published for reasons of data protection (dairy products) or are published, as a rule, on a monthly basis (grain). Levies under the Livestock Industry Act are established for a period between one and six months. Under the Poultry Farming Law, levies are established for three months.

24 At present tariffs are bound on the following levy items: 0101 19 A (horses for slaughter); 0204 22 B, 0204 23 B, 0204 42 B, 0204 43 B, 0204 50 B (meat of goats); 0206 80 A, 0206 90 A (edible offal of sheep and goats); 0207 22 (turkeys); 0207 31 (fatty livers of geese or ducks); 0207 42 (poultry cuts of turkey); 0208 90 A1/2 (game); 0210 908 (livers of domestic fowls); 0210 90 C (meat of other animals); 0406 20 A/A1/A1a/A1b/A2/A2a/Ab, 0406 20 B1a, 0406 30 B1, 0406 40 B1a/b, 0406 40 B2, 0406 90 A1a/b/c/d/e, 0406 90 A2a/b/c/d/e, 0406 90 B1a/b, 0406 90 B2a (cheese); 0408 91 B1b (birds' (Footnote Continued)
(v) Other levies and charges

(a) Excise taxes

128. The following excise taxes are levied in addition to the customs duty: Alcoholic Beverages Tax; Beer Tax; Tax on Certain Starch Based Products; Monopoly Equalization Tax; Petroleum Oil Tax; Tax on Sparkling Wines; Special Tax on Petroleum Oils; and Tobacco Tax (Table IV.5). They are levied on domestic and imported goods equally. The taxes are included in the price basis for assessment of Import Turnover Tax. Beer and sparkling wines are liable both to the individual excise taxes and the Alcoholic Beverages Tax. Revenue collected from these duties in 1990 was equivalent to 5.7 per cent of total Government revenue.

129. The basis of assessment of the Alcoholic Beverages tax is the customs duty or, if the imported goods are not liable to ad valorem duty, the compensation due from the supplier in respect of the imported goods. If such compensation does not exist or cannot be established, the tax is to be calculated on the basis of the customs value. The import turnover tax and the Alcoholic Beverages Tax are not included in the basis of assessment.

130. Goods listed in Table IV.5/d, having an alcohol content by volume of more than 0.5 per cent, are liable to the Monopoly Equalization Tax, calculated on the basis of the ethyl alcohol content of the goods. Some products (listed under Subheading No. 22.07 10 and Heading No. 22.08) are subject to the Alcoholic Beverages Tax, in addition to Monopoly Equalization Tax. The Monopoly Equalization Tax is also included in the basis of assessment for Import Turnover Tax.

131. Certain products are also liable to the Special Tax on Petroleum Oils (Table IV.5/f). The basis of tax assessment is calculated by multiplying the net weight of the crude oil or other petroleum oil products by the threshold value. The average threshold value is calculated on the basis of imports of crude oil during one calendar quarter. The Special Tax on Petroleum Oils is not included in the basis of assessment for Import Turnover Tax.

(Footnote Continued)

eggs); 0713 0713 10 A (peas); 0713 20A (chickpeas); 0713 31 A, 0713 32 A, 0713 33 A, 0713 39 A, 0713 50 A (beans); 1006 40 A (broken rice); 1214 90 A (hay, clover, lupines or vetches); 1602 20 B/C (livers); 1602 30, 1602 90 B2 (meat, edible offal); 1702 90 B2 (maltose); 1806 20 A, 1806 31 A, 1806 32 A, 1806 90 A (chocolates); 2004 10 A, 2004 90 Al, 2005 10 A, 2005 20 A, 2005 90 B4a (potatoes); 2007 (jams, marmalades); 2106 90 Bibi (cheese fondues); 2203 00 11 2203 00 81 (beer).

25Revenue collected from the Alcoholic Beverage Tax reached S 2.7 billion in 1990.

26Revenue collected from the Monopoly Equalization Tax was S 0.14 billion in 1990.

27Revenue collected from the Special Tax on Petroleum Oils was S 0.5 billion in 1990.
132. Certain starch-based products are subject to a tax of S 500 per 100 kg/net (Table IV.5/g), which is once again included in the basis of assessment for Import Turnover Tax.

133. Manufactured tobacco products are liable to the Tobacco Tax (Table IV.5/h). The tax rate is based on the selling price. The term "selling price" shall be taken mean the price at which tobacco products are normally sold to consumers by licensed tobacconists. The Tobacco Tax is to be included in the basis of assessment for the Import Turnover Tax.

(a) Import Turnover Tax

134. All goods imported into Austria are subject to the payment of the import turnover tax. It is levied at the same rate as the value added tax for goods produced domestically. There are three rates of import turnover tax: 32 per cent for passenger cars, motor cycles, aircraft, boats and engines for motor vehicles; 20 per cent, which is considered as the "normal rate", on all other manufactured goods; and 10 per cent, the "reduced rate", on agricultural products, foodstuff, tobacco, fertilizers, books and art objects. In the case of domestic products, the basis of assessment of VAT is the selling price. The basis of assessment of the import turnover tax is the customs value, plus import duties, excise taxes or agricultural levies as well as the transportation costs to the first domestic place of destination.

(vi) Minimum import prices

135. Under a bilateral arrangement between Austria and the EC, trade in cheeses was subject to the application of minimum import prices on imports from the EC. A minimum price agreement is in force between Austria and Switzerland. According to this agreement, certain cheeses made from cows' milk, as well as cheese fondue originating in Switzerland, can only be imported if minimum prices provided for by the agreement are kept.

(vii) Import prohibitions and restrictions

136. Austria applies several import restrictions for reasons of national security, public health, environmental protection and the like. The
imports of products affected by these restrictions are usually subject not only to import licensing based on the Foreign Trade Law but also to other different forms of licensing or similar requirements (e.g. registration).

137. Importation of narcotics is prohibited without prior approval by the Federal Ministry for Health, Sports and Consumer Protection, in accordance with international obligations required by the relevant UN treaties. For imports of radioactive materials, a special licence is needed. Imports and transit of military goods and explosives are subject to specific licences in accordance with the provisions of relevant Austrian laws. Imports of chemicals have to be preceded by a declaration. Plant-protecting agents can only be imported if preconditions for their registration have been met.

138. Austria's only current import prohibitions on food products relate to raw meat, fish, crustaceans and molluscs, fruits and vegetables from Peru, to live cattle and certain beef products from the United Kingdom (in order to prevent the spread of cholera and, bovine spongiform encephalopathy (BSE or "mad cow disease").

139. Austria, as a signatory to the Convention on International Trade in Endangered Species of Wild Flora and Fauna, maintains import controls on a number of animals and plants, including their parts and derivatives.

140. At present, Austrian law does not provide legal means to act against counterfeit imports at the borders. However, also in this area Austria aims at aligning with EC law (EEC Council Regulation No. 3842/86).

141. Trade with Iraq and Kuwait was embargoed in 1990, at the time of the Gulf crisis. The embargo on Kuwait has since been lifted.

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32 Suchgiftgesetz (1951) as amended.
33 Strahlenschutzgesetz of 1969, as amended.
34 Kriegsmaterialgesetz of 1977 and Schieß- und Sprengmittelgesetz of 1935 as amended.
35 Chemiengiengesetz of 1987, as amended.
36 Planzenschutzgesetz of 1948 as amended.
37 In the Uruguay Round negotiations Austria supports the efforts to establish an international régime to suppress trade in counterfeit goods.
38 Regulation No. 3842/86 provides that the owner of a trade mark can apply for prohibiting the release for free circulation of allegedly counterfeit products in those EC member States where the trade mark is protected.
(viii) Import licensing

142. According to the principle of the freedom of foreign trade which is laid down in Article 1 of Austria's Foreign Trade Law of 1989, "The export and import of goods is not subject to any restrictions, unless otherwise provided for either in this Federal Act or in other regulations."

143. For importation of "liberalized goods" (Freiwaren) from all sources, no import licence is needed.

144. Annex B of the Austrian Foreign Trade Law lists products which can be made subject to administrative import restrictions, primarily to non-automatic licensing. According to this list, out of 1241 four digit HS tariff headings, 949 headings include at least one product which belongs to this potentially restricted category. However, under the authority given by paragraph 2 of Article 7 of the Foreign Trade Law, the Federal Minister of Economic Affairs has exempted, without changing the restricted legal status of these items, a large number of products from the list established by the Foreign Trade Law, by empowering customs offices to issue import licences in simplified procedure (automatic licensing).

145. As a result, presently about 97 per cent of tariff headings are either free of import licensing or are subject only to automatic licensing. A little more than 3 per cent of tariff headings include at least one or more, (mainly agricultural) tariff lines which are subject to non-automatic licensing (Table AIV.1). In 1990, about 3 per cent of Austria's total imports was covered by non-automatic import licensing. In this group, petroleum accounted for more than 40 per cent of imports, the share of agricultural products (HS 1-24 Chapters) was about one third, the

39 These data have been calculated by the GATT Secretariat.

40 Decree No. 630/1987, dated 15 October 1987, of the Federal Minister of Economic Affairs.

41 About 24 per cent of tariff headings are free from import licensing, 63 per cent of tariff headings are covered by automatic licensing and about 9 per cent of all tariff headings include both tariff lines which are free from import licensing and tariff lines which are subject to automatic licensing.

42 In the agricultural sector 380 tariff lines are subject to import licensing.

43 However, as described above, the application of automatic licensing, in case of certain countries and products, is subject to conditions which include import price surveillance, certificate of origin and import declaration requirement. If the prescribed conditions are not met, the rules on non-automatic licensing are to be applied. Therefore, the share of non-automatic licensing is somewhat higher than indicated above.
other major products of the group included certain chemicals and aircraft.  

146. It appears that goods which originate in countries with which Austria has free trade or border trade agreements are exempted from import licensing.  

147. Products which are subject to automatic import licensing without specific conditions are imported quasi-automatically from all countries of origin and trade. There is no form to be completed, nor is there any special fee or charge to be paid. Austria considers that the procedure is limited to a bare minimum and it is not a hindrance to trade from a point of view of licensing; it is not licensing in the proper sense. The system is used also for statistical purposes.  

148. There is a second group of products to which the simplified import licensing is applicable only if both the country of origin and the country of import are countries to which Austria has extended liberalization (Table IV.6) or the country of origin and the country of import are identical. The products concerned are the same as those subject to the price surveillance procedure described in Section (ix) below (Vidierungsverfahren) (Table IV.7).  

149. The list of countries included in Table IV.6 differentiates between contracting parties. A number of contracting parties are not included in the list, such as the Czech and Slovak Federal Republic, Hungary, Poland and Romania. These receive less favourable treatment than countries (contracting parties or not) included in the list. Products which do not qualify for the simplified licensing are subject to discretionary licensing.

44Non-automatic licenses are required for some agricultural products (live animals, some meat products including offal and lard), certain dairy products, processed gains and their residues, starches, sugar, pasta, certain vegetables, fruit juices, wine, vermouth) and for brown coal; certain oil products and chemicals, aircraft and certain arms (Table AIV.1).  

45Border trade agreements have been concluded with Italy, Germany, Switzerland and Yugoslavia.  


47The following non-contracting parties or de facto GATT applicants are included in the list: Algeria, Andorra, Angola, Bahamas, Bahrain, Cambodia, Cape Verde, Comores, Djibouti, Dominica, Ecuador, Equatorial Guinea, Fiji, Grenada, Guinea-Bissau, Kiribati, Mali, Mozambique, Namibia, Oman, Papua New Guinea, Qatar, Solomon Islands, Sao Tome and Principe, Saudi Arabia, Seychelles, Soviet Union, St. Christopher and Nevis, St. Lucia, St. Vincent and Grenadines, Swaziland, Tonga, Tuvalu, United Arab Emirates and Vanuatu.
150. Items which are subject to price surveillance (Vidierungsverfahren), import declaration, certificate of origin or import notification requirement, as indicated in Tables IV.1, 2, 3 and 7, can benefit from the simplified licensing procedure only if the requirements of these specific regulations have been met.

151. Certain iron and steel products are subject to import declaration (Table IV.3). Regarding these products, customs offices can issue import licences in simplified procedure only if the importer has at its disposal a copy of an import declaration which has been endorsed by the Federal Ministry of Economic Affairs.

152. Products such as certain cheeses, textiles and clothing originating in (or imported from) countries which have concluded bilateral export restraint agreements with Austria are excluded from simplified import licensing. The same rule applies to items originating in (or imported from) Japan and Taiwan which are subject to import quotas and to certain South African products.

153. Austria is a signatory to the GATT Agreement on Import Licensing Procedures. Eligibility of importers to apply for a licence is not limited. Applications for licences can be submitted at any time of the year. Licence applications are considered by a single administrative organ, in the case of industrial products the Federal Ministry of Economic Affairs, for agricultural products, the Federal Ministry for Agriculture and Forestry. Applications for imports of products falling under State monopoly, are considered by the Federal Ministry of Finance.

154. The Federal Ministries for Agriculture and Forestry and Economic Affairs are authorized by the Foreign Trade Law to delegate the licensing of imports of specifically determined products to some regional Governments, subject to the condition that the applicant has its residence in the corresponding Bundesland. At present, Burgenland, Oberösterreich, Salzburg, Steiermark, Tirol and Vorarlberg have been authorized to issue import licences regarding specified products which originate in Taiwan and the value of the transaction does not exceed 500,000.

155. Licence applications have to be made using an official form. A pro forma invoice in duplicate should be attached. In the application the following information has to be given: name of importer, supplier, value of the shipment, country of origin, supply and payment conditions. For 48

48 Import declarations should, inter alia, include the following data: name and country of the producer; place of destination; price and quality.
applications an administrative duty has to be paid, the amount of which ranges from S 120 to S 320, according to the import value.

156. Normally, import licences are established within one week but not later than three weeks. Licences under the simplified procedure are granted within 10 working days. In urgent cases, e.g. for perishable goods, licences can be granted immediately.

157. The period of validity of a licence is 6 months as a rule. This period can be extended by 3 months. Licences are not transferable between importers. Unused quota portions cannot be transferred automatically to the next quota year.

158. According to data provided by the Austrian authorities, in the period between 1988 and 1990, the value of goods covered by rejected licence applications amounted to S 52.1 million in the agricultural sector. Reasons for possible refusal of an application for a licence should be given in writing. Against refusals, an appeal to the Supreme Court of Administration is possible.

159. According to Paragraph 1 of Article 8 of the Foreign Trade Law, in licence decisions "particular consideration must be given to trade agreements as well as to other international obligations, the maintenance of the balance of trade in goods with foreign States as required, the avoidance of severe economic loss and the prevention of relief of an economic emergency". In the agricultural product area, the value and quantity of products which can be imported are established by different agricultural commissions and boards like the Livestock and Meat Commission, the Dairy Board and the Grain Board. Import licensing criteria regarding some major agricultural products have been established by the Market Regulation Law and the Livestock Industry Act. These criteria include the protection of domestic production, the stabilisation of domestic prices and the supply of high quality food to the population.

160. According to Subparagraph 1a of Article 10 of the Foreign Trade Law licences can be "... subject to such conditions or stipulations which are deemed to be necessary in the interests of the economy as a whole and especially to maintain Austrian exports or to implement bilateral trade". No information has been made available to the Secretariat regarding the implementation of this provision.

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49 The amount of the duty is S 120 under import value of S 15,000; S 240 between import value of S 15,000 and S 40,000 and S 320 above import value of S 40,000.

50 The following products were concerned: poultry in spices, fruit, vegetables and millet. No data are available regarding rejected licence applications in the industrial sector.
161. In import (and export) licensing decisions the Federal Ministries of Economic Affairs and Agriculture and Forestry are assisted by an Advisory Board set up by the Minister of Economic Affairs based on Paragraph 1 of Article 14 of the Foreign Trade Law. As a basic rule, import licensing matters are to be submitted to the Advisory Board if the import value is above \$500,000.\textsuperscript{51}

162. The Federal Minister of Economic Affairs is the Chairman of the Advisory Board. The Advisory Board is composed of two members of the Federal Ministry of Economic Affairs and one member of the Federal Chancellor's Office, the Federal Ministry of Foreign Affairs, Finance, Agriculture and Labour and Social and Social Services. The Federal Chamber of Economy, the Presidential Council of Austrian Chambers of Agriculture, the Austrian Trade Union Federation and the National Bank are also represented in the Advisory Board, by one representative each. A representative from each of the Länder is also a member of the Board, on a rotation basis. The administration of the Advisory Board is carried out by the Federal Ministry of Economic Affairs.

(ix) Import price surveillance ("Vidierungsverfahren")

163. Based on Paragraph 3 of Article 7 of the Foreign Trade Law, the grant of an import licence in simplified procedure or the exemption of goods from import licensing obligation can be made conditional on a specific price surveillance procedure (Vidierungsverfahren). (For the list of goods subject to Vidierungsverfahren see Table IV.7). In such cases customs authorities are only entitled to issue an import license if the importer is in possession of a copy of the invoice or pro-forma invoice which has been endorsed by the competent Federal Minister. According to the Law, "The endorsement is always to be granted unless it is thought the market will be disrupted by the import."

\textsuperscript{51} In cases where State Governors or customs offices have been empowered to grant licences, the submission of the matter to the Advisory Board is not required. Paragraph 2 of Article 14 of the Foreign Trade Law also lists other cases when the submission of the matter to the Advisory Board is not mandatory.

\textsuperscript{52} The text of paragraph 3 of Article 7 of the Foreign Trade Law is the following: "If it is necessary in the interests of the economy as a whole, in particular to prevent economic loss by disruption to the market, to supervise prices in this regard or to maintain Austrian exports, it is possible to decree in an ordinance issued under (2) that for the grant of a permit in simplified form or for the exemption from a permit for the import of certain goods, in particular from countries with which there are bilateral treaties containing safeguards or price agreements or other mechanisms to regulate certain types of goods, a copy of the invoice or pro-forma invoice for the imported goods is required which shows the endorsement of the competent Federal Minister. The endorsement is always to be granted unless it is thought the market will be disrupted by the import. It is, however, to be refused if commercial agreements are not observed by the country of origin of the goods or if there is no relevant commercial agreement in existence with this country, the refusal is necessary to prevent a disruption of the market or to maintain Austrian exports to this country."
164. This price surveillance procedure, implemented by Decree No. 630/1987 of the Federal Ministry of Economic Affairs, is currently only applied to imports from a certain number of countries. The discriminatory nature of this measure has been subject to criticism.

165. According to information available to the Secretariat, the relevant professional sections of the Federal Chamber of Economy and the Presidential Conference of the Austrian Chambers of Agriculture take part in the decision-making process. Before taking their decisions, the relevant Federal Ministries send the requests for "Vidierung" to these Chambers for comments.

(x) Import quotas

166. At present Austria maintains global quotas for wine, potato starch and maize starch, preserved meat and sugar loaves. The value of the quotas for preserved meat products is about S 10 million per year. Preserved meat quotas are distributed among importers based on earlier import data or, if there are no previous imports, equally among applicants. (No data were available regarding the quotas for other products than preserved meat and wine).

167. Annual wine imports are limited to 180,000 hectolitres which is about 6 per cent of total domestic production. Of the quota, 72 per cent is allocated to the EC (20 per cent for Spain, the rest for other EC members). Within the quota share of the EC, imports of quality wine in volume of 85,000 hectolitres (in bottles up to 2 litres) are free of duties.

168. In addition, some 75,000 to 80,000 hectolitres can be imported from Italian border regions in order to be marketed in the neighbouring Länder of Tirol and Vorarlberg.

169. Some 90 to 95 per cent of the wine-quota entitlements are allocated to established traders depending on their previous year's imports and purchases of domestic production. Both criteria carry equal weight. The remaining 5 to 10 per cent are reserved for newcomers.

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53 Currently the price surveillance (Vidierungsverfahren) is applied to imports from the following GATT contracting parties: Czech and Slovak Federal Republic, Hungary, Poland and Romania.


56 The GATT legal base for these quotas is Austria's Protocol of Accession to the GATT. Quotas and non-automatic licensing as on medicaments were abolished with effect from 1 January 1991.
170. Austria maintains specific quantitative restrictions (counted as "residual restrictions" under GATT) on some items originating in Japan and Taiwan. In the year ended on 31 March 1991, the quotas established for the imports of Japanese goods included the following product groups: PVC, different travel goods, articles of apparel and clothing accessories, ball or other bearings, electrical insulators, binoculars and similar optical instruments. The total value of the five separately established quotas amounted to about S 48 million. The quotas on products originating in Taiwan included travel goods, articles of apparel and clothing accessories, woven cotton fabrics and woven fabrics of synthetic filament yarns, some clothing articles, bed linen, curtains, some other furnishing articles and footwear. The total value of nine separately specified quotas amounted to about S 49 million.

(xi) Voluntary restraints and similar agreements

171. As from 1982, under an arrangement concluded with the EEC, Austria has maintained an export quota for EEC cheese of 5,000 tons a year.

172. At present, Austria has restraint agreements in force under the (extended) Arrangement Regarding International Trade in Textiles (the MFA) with China, Hong Kong, India, Korea, Macao, Thailand and Turkey. In addition, Austria has concluded consultation- and/or surveillance agreements with Brazil, Egypt, Japan, Malaysia, Pakistan, the Philippines and Singapore. Austria's restraint agreements, compared to many other importing signatories of the MFA, are very selective in product coverage (see Chapter V); restrictions under the agreements include only clothing items, such as shirts, blouses, trousers, overalls, anoraks, coats, suits and sportswear. Annual quota growth rates are generally higher than they were in Austria's earlier agreements; however, they continue to be lower than the 6 per cent generally provided for by the MFA. In certain cases base level increases result in higher compounded growth rates.

173. The Secretariat is not aware of any other import quotas in force in Austria.

(xii) State trading

174. According to Austria's notification to GATT, State trading (in the sense of Article XVII of the GATT) exists in the form of three financial

57 The quotas, on a yearly basis, are established by separate decrees of the Federal Ministry for Economic Affairs.
monopolies, namely the Tobacco Monopoly, the Alcohol Monopoly and the Salt Monopoly.

175. Tobacco, raw or manufactured, tobacco refuse, tobacco extracts, tobacco essences, tobacco substitutes and certain products thereof are subject to a state monopoly. The monopoly covers the production, processing and importation of monopoly goods and trade with such goods. The economic administration of the monopoly is carried out by the Austria Tabakwerke AG, a state-owned corporation. Retail trade is run by tobacco retailers. The monopoly authority is the Federal Ministry of Finance and its subordinated financial authorities. The power of the monopoly authority includes price fixing, granting monopoly licences and prosecution of violations of the regulations.

176. As a rule, the importation of tobacco products is reserved to the monopoly administration, imports by which are exempt from all import duties and taxes. Domestic selling prices are fixed by the Federal Ministry of Finance and must be approved by the Parliament. The mark-up on imported tobacco products consists of the total internal selling costs (especially all taxes, margin charged on the resale and other charges) plus the profit margin realised on domestically produced tobacco products of the same kind. Sale prices of imported tobacco products and those of domestically produced tobacco products are substantially on the same level, considering differences in quality and the mark-up on imported tobacco products. Austria's notification to GATT states that "imports are undertaken in accordance with commercial consideration and taking into considerations customers' tastes".

177. The aims of the Alcohol Monopoly, beyond fiscal purposes, are the restriction of consumption and minimising the negative effects on public health. The alcohol monopoly is also used to achieve agricultural purposes such as production of efficient feeding stuffs and fertilizers. Industrially produced raw alcohol has to be handed over to the production centre of the Alcohol Monopoly, which in turn refines this raw alcohol through private enterprises and finally sells the refined products. The importation of unmanufactured ethyl alcohol and brandy is reserved for the monopoly administration; however, apart from ethanol imports by the administration for its own requirements, imports are carried out by private enterprises. The monopoly administration grants licences to private firms for the importation of foreign brandies. No import licences are required for French cognac, overseas rum, arrack and liqueurs. On the importation


59 In 1990, the value of Austria's raw tobacco imports was $ 469 million. For trade data regarding monopoly goods see GATT document, L/6797/Add.9, 28 June 1991.
of alcohol and alcoholic goods a consumption tax ("Monopolausgleich") is levied, the rate of which is equivalent to the amount of the tax payable on domestically produced alcohol.

178. The salt monopoly covers the extraction, production and the importation of salt, both in pure state and mixed with other elements. Rock salt as a mineral raw material is the property of the Federation. The monopoly authority is the Federal Ministry for Finance. The economic administration of the salt monopoly is carried out by the State-owned Österreichische Salinen AG, which is required to operate in accordance with commercial considerations. The extraction, production and importation of salt by other persons than the Österreichische Salinen AG is subject to an authorization by the monopoly administration. Salt imports by the monopoly administration are free of duty and of other import charges.

(xiii) **Import cartels**

179. For some products (such as cars, photo-equipment, perfumes, computers, hi-fi equipment, records, books and news magazines) private market segmentation agreements are in force on the range and quality of products to be imported. These arrangements are normally established (by importers in consultation with) the relevant chamber associations. While parallel importation is in principle allowed, it has effectively been dissuaded by the threat of interruption from exclusive importers, and the refusal to provide after-sales service for products imported outside the arrangements. (See also the section dealing with competition policy.)

(xiv) **Countertrade**

180. Austria, at State level, has concluded countertrade agreements with 14 countries in the field of military equipment in the last ten years. The value of countertrade contracts with these countries amounted to about S 11.6 billion between 1978 and 1991.

181. Imports of passenger cars - regardless of their origin - may be subject to a customs duty reduction. This duty reduction is optional and it is up to the importer of cars to ask for this reduction. The current general tariff rate is 20 per cent (the tariff rate bound in GATT is 29 per cent). These tariff rates will be reduced to 4 per cent on the condition that the importer of the cars exports automotive products of Austrian origin to the country of origin of the cars. In order to qualify for the duty reduction,
the basic amount of these exports should reach 18 per cent of the dutiable value of the imported cars. If the number of the imported cars exceeds 8,000 within one year, the basic amount will be increased. The import values of the cars and the export values of the automotive products for the last three years in S millions were as follows. In 1988: 7 845 and 2 048; in 1989: 8 048 and 2 382; in 1990: 7 220 and 2 524.

182. In Austria, there are no specific legal rules concerning countertrade transactions of private enterprises; on countertrade transactions the general rules of civil law and international private law are applicable. Countertrade contracts between business operators are kept confidential, thus the Government has no information or data regarding such transactions. It is known, however, that Austria has been the centre of barter trading with countries of central and Eastern Europe. According to recent reports, the volume of countertrade with these countries has declined due to recent economic and trade reforms in this area.

(xv) Standards and other technical requirements

(a) Standards, testing and certification

183. As a rule, competence for issuing standards, technical regulations and type approval lies with the Federation. The only area within the competence of the Länder concerns regulations regarding the use of construction materials and construction machinery (including, for example, noise emission standards).

184. The legal basis for standardization is contained in the Austrian Standards Law (1971). The Austrian Standards Institute (Österreichisches Normeninstitut) has overall responsibility for the standards system. The Institute is under the surveillance of the Federal Ministry for Economic Affairs. A draft law on the Recognition of Testing, Surveillance and Certification Bodies is in preparation. The draft is based on the rules of the European Communities' Standards series EN 45000 and EN 29000.

185. The competent bodies for developing standards are the Austrian Standards Institute and, in the electrotechnical sphere, the Austrian Electro-technical Association. At present, the Standards Institute comprises 193 Technical Committees which are in charge of a wide range of standardization issues. The work of the Committees is based on contributions by experts from business, administration and research institutions.

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186. In principle, proposals for new standards or standardization areas may be submitted by any interested party (private persons, organizations, companies etc.). Proposals which, in the view of the Institute's administration, appear sufficiently substantiated are assigned to a Technical Committee. After being approved at Committee level, draft standards are made available for general comment. (The existence of new drafts is announced in the Official Journal of the Institute; interested parties may receive a copy of the draft on request). The final text is published as an Austrian standard (ÖNORM). The application of standards is voluntary.

187. Austria participates actively in multilateral and European information and cooperation arrangements regarding standardization, testing and certification. Austria is a signatory of the GATT Agreement on Technical Barriers to Trade. As members of CEN (European Organization for Standardization) and CENELEC (European Committee for Electro-technical Standardization), the Austrian Standards Institute and the Austrian Electro-technical Society are committed to implement all standards, including ISO standards, adopted by these common European bodies. In addition, ISO or foreign national standards are directly implemented in Austria if deemed appropriate.

188. Austria participates in various other European initiatives in the standards area such as the Pharmaceutical Inspection Convention and voluntary arrangements on the mutual recognition of evaluation reports on pharmaceutical products as well as tests and inspections (for pressure vessels, gas appliances, agricultural machinery etc.). The Tampere Convention of June 1988 aims at setting up an EFTA framework for the recognition of tests and certificates of conformity. The Convention was also intended as a stepping stone for further agreements with the EC. However, within a European Economic Area such agreements will no longer be necessary.

189. Austrian laboratories are required to test chemicals in compliance with the OECD decision/recommendation on good laboratory practices (GLP). In addition, there is a bilateral agreement with Germany on mutual recognition.

190. The current regulatory framework for motor vehicles, including type approval and registration requirements, tends to shield "official" distribution channels from "grey market deliveries" and parallel imports by

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63 For further information on EC/EFTA initiatives in the area of standardization, including notification requirements, see GATT (1991), Trade Policy Review - Switzerland, Geneva.
individual consumers. In addition, refusal by official agents to provide for maintenance or guarantee services may effectively discourage "grey" imports, even in product areas that are in principle free of standard-related impediments.

191. In Austria, the primary purpose of legal rules concerning production, trade and distribution of pharmaceutical products is to safeguard public health. According to these rules pharmaceuticals, including imported products may only be distributed after an official authorization procedure proving the quality, safety and efficacy of a given product has been conducted. Imports of non-authorized pharmaceutical products are subject to a special import licence, if the product is not hazardous to health and an Austrian physician certifies that no equivalent is available in Austria for the treatment of a certain disease.

192. Marketing of food products, with the exception of dietic products, and of cosmetics is, in principle, free. There are no general provisions, for example registration requirements, affecting admittance for sale. However, food products prior to their marketing, should be notified to the Federal Ministry of Health, Sports and Consumer Protection. Imports of most food products must be declared to the same Ministry. Agricultural products must only be sold if certified in official quality classes (Qualitätssklassengesetz, 1967). For food products, Austria maintains standard recipes, set down in the Austrian Food Book (Österreichisches Lebensmittelbuch); set up and regularly up-dated, by a special body, the so-called Code Commission.

193. Austria does not maintain detailed labelling or packaging requirements, except for packings of fruit and vegetables, chocolate and margarine. On packaged food items, the following data must be indicated: name of the product; name and address of the producer, packer or trade enterprise. In the case of foreign products, the country of production; net quantity; ingredients and additives.

64 In the EEA-negotiations, the EFTA countries agreed to admit free circulation of motor vehicles, on the basis of the EC "acquis", as from 1 January 1995. However, if the EC fails to introduce new rules in this area, in accordance with EEA-provisions, the EFTA countries would be entitled to continue their present legislation.

65 The main rules are contained in the Medicines Act (1983) as amended and in its implementing regulations. (For further details see Chapter V).

66 The products which are subject to declaration are specified in Decree No 575 of 1988 of the Federal Ministry for Health and Public Service.

67 In the Code Commission interested Federal Ministries, economic chambers, trade unions, the Association for Consumer Information and State Food Inspection Institutes are represented. Each of the represented economic chambers, trade unions and the Federation of Austrian Industrialists also appoint an expert to the Commission.
194. According to Austrian officials, registration and classification requirements for chemicals are largely in line with EC provisions. As in the EC, all new chemicals are to be registered. However, current Austrian labelling obligations are more comprehensive than those of the Communities; packings must also specify countermeasures in the event of accidents and possible actions for repairing damage.

195. On the basis of Austria's new Law on Plant Protecting Agents of 1990 (Pflanzenschutzmittelgesetz), the use of insecticides can be allowed only for a maximum period of 10 years. The licence can be withdrawn or modified if the original conditions included in the licence regarding health and protection of environment have not been fulfilled. For the protection of domestic plant life, import or transit restrictions may be introduced.

196. The Law of Fertilizers of 1985 (Düngemittelgesetz) regulates the conditions for trade in fertilizers. The Fodder Law of 1952 (Futtermittelgesetz) lays down rules regarding production and trade in animal feed.

197. Specific safety regulations apply to electrical equipment (Electrotechnical Law of 1983).

198. In the case of certain hazardous machinery and equipment, special testing requirements are in force. Testing procedures are applied before first use of these products (Abnahmeprüfung) as well as during the whole period of usage of these products, in regular time intervals (wiederkehrende Prüfungen). At present, in Austria, there is no legal basis for the recognition of foreign testing procedures. Austrian regulations regarding workers' protection (other than most electrotechnical standards) have not been harmonized with other EFTA countries or the EEC up to now. In future, Austria will implement the relevant directives of the EEC. Complementing the EEC regulations, which are regarded as minimum standards, Austria will continue to apply its own policy of workers protection.

(b) Sanitary and phytosanitary regulations

199. The primary foreign trade-related task of Austria's phytosanitary system is to prevent the introduction of any harmful organism into the country's territory or to prevent its passing to the territory of other countries.

200. A range of import prohibitions and controls has been implemented for phytosanitary reasons. For example, importation of certain host plants which might carry parasites or diseases is prohibited (carnations, oaks, chestnuts etc.) or subject to restrictions (most fruit and deciduous trees,
vines etc.), irrespective of the origin. Unlike the EC, however, Austria is at present not prepared to rely on random checks, in practice all consignments are checked. Regarding improvements in phytosanitary controls at the border, bilateral negotiations are currently underway between Austria and the EC in the framework of the EEA negotiations.

201. For exports of pinewood, if it is required by the importer, a separate phytosanitary certificate can be issued by one Federal Ministry for Agriculture and Forestry.


203. Imports of live animals are subject to veterinary clearing at the border and to inspection at the place of destination. Quarantine is, in general, carried out at the place of destination.

204. Sanitary requirements for slaughterhouses are identical with those of the EC. Austria does not carry out its own inspections in third country establishments, except in Hungary, but relies on clearing by the EC veterinary services.

(xvi) **Government procurement**

205. Public purchases in Austria (roughly S 200 billion in 1990) represent some 13 per cent of GDP. The share of Federal authorities in public purchases amounts to about 40 per cent, 30 per cent is purchased by villages ("Gemeinden") and the rest by the Länder and social insurance institutions. Fifteen per cent of purchases are contracted with foreign suppliers.

206. Austria is a signatory to the GATT Agreement on Government Procurement. The rules of this Agreement have become part of the Austrian legal system.

68 Imports for personal use are in general unrestricted. Also, the import of plants that are in principle subject to prohibition may be permitted, on individual request, by the Ministry of Agriculture and Forestry provided that existing conditions rule out bringing in parasites. In certain cases, the permit is linked to importation via quarantine stations.


70 Entities covered include the Federal Chancellery, Federal Ministries, various Federal Offices (including the Headquarters of the Postal and Telegraph Administration) and their procurement offices. (GATT document GPR/57/Add.5, 20 March 1991).
207. Austria has no federal legal regulation covering Government procurement. In 1978 the Government issued "Regulations to cover the Placing of Orders for Federal Entities" in the form of recommendations. The recommendations issued by the Government provide that foreign and domestic bidders should be given equal treatment and Austria's international obligations should be taken into account. These recommendations are legally binding only for the federal authorities.

208. In 1989, 28 per cent of the purchases made by the federal authorities were above the threshold value of SDR 130,000 established by the Government Procurement Code. The provisions of the Code were applicable to about 11 per cent of all Austrian public purchases. Provincial Governments and entities, which are not bound by the GATT Code, have been informed of the existence of the Code and a circular was prepared in order to draw attention to the objectives, principles and rules of the Code in conformity with Article I, paragraph 2.

209. Local entities follow, in their public procurement activities, the provisions of ÖNORM A 2050, which includes detailed rules of non-mandatory nature on substantive and procedural aspects of public purchases. According this standard, domestic suppliers enjoy priority if they offer equal conditions compared with foreign suppliers. However, in some Länder (Burgenland, Salzburg and Steiermark) local suppliers enjoy priority over others if their price is not more than 5 per cent higher. No data were available to the Secretariat regarding the trade impact of these privileges.

210. In a recent study some restrictive and inefficient aspects of Austrian public purchase practices have been criticized. The importance of liberalization and introduction of more competition has been emphasized, especially in the light of the expected results of the EEA negotiations in this field.

211. According to the Austrian authorities, in case of Austria's participation in the EEA, the "acquis communautaire" in the field of government procurement will be implemented at both federal and local level by new formal laws.

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71 Article 14 of the Stockholm Convention requires EFTA members to ensure that their public enterprises, including procurement entities, accord national treatment to EFTA suppliers. This obligation, however, refers only to central Government entities. Regional bodies are subject to a best efforts clause.

72 Die Presse, 23 May 1991.
(xvii) Local content requirements

212. The GATT Secretariat is not aware of any local content requirements in force in Austria.

(xviii) Anti-dumping and countervailing duty actions

213. Austria is a signatory to the Agreement on Implementation of Article VI of the GATT (Anti-Dumping Code). It has also signed the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the GATT (Subsidies Code).

214. According to the Austrian legislation, "When importing products which are subject to dumping, an anti-dumping duty shall be levied if the importation of these products causes or threatens to cause material injury to an established industry or materially retards the establishment of an industry the forthcoming establishment of which is envisaged." A product is to be considered as being dumped, if its export price is less than its normal value. The administration of the anti-dumping legislation is the responsibility of the Federal Ministry of Economic Affairs. Anti-dumping investigations can be started upon request lodged by the Federal Chamber of Economy, the Austrian Chamber of Labour or the Presidential Conference of the Austrian Chambers of Agriculture. In particularly urgent cases, when the Ministry has at its disposal evidence of dumping and injury, investigations can be initiated officially. The initiation of investigations is published in the official gazette. The Austrian legislation does not determine a specific time-limit for the conclusion of the procedure, however it provides that investigations shall be conducted and concluded with due respect for utmost expediency, quickness, simplicity and saving of costs.

215. If the investigation proves that dumping or injury exists, after a hearing by the Advisory Board, an anti-dumping duty is to be levied if this does not have adverse effects on important interests of the economy as a whole. Investigations can be concluded by accepting voluntary undertakings by exporters. Anti-dumping duties remain in effect at least

73 Federal law on measures concerning imported products which are subject to dumping or for which in a foreign customs territory premiums or subsidies have been granted. (Anti-dumping Law, 1985).

74 The responsibility of the Advisory Board is to examine measures taken under the Anti-dumping Law. The Advisory board includes the representatives of the Ministry of Economic Affairs and one representative of the Federal Ministry of Interior, the Federal Ministry for Social Administration, the Federal Ministry for Finance, the Federal Ministry for Agriculture and Forestry, the Federal Chamber of Economy, the Council of Austrian Chambers of Labour, the Presidential Conference of the Austrian Chambers of Agriculture and the Austrian Trade Union Federation respectively.
one year after their publication. They are to be annulled immediately if the circumstances upon which they were based have ceased to exist, and must be changed immediately if the circumstances upon which they were based have changed substantially.

216. When determination is made that a premium or subsidy is granted for a product whose importation causes or threatens to cause material injury to an established industry or materially retards the establishment of an industry, a countervailing duty is to be levied if this does not have adverse affects on important interests of the economy as a whole. The procedural rules to be followed in countervailing duty investigations are the same as those established for anti-dumping actions. The responsibility for the collection of anti-dumping or countervailing duties lies with the customs offices.

217. Until now, Austria has used anti-dumping actions sparingly. Since 1980, two anti-dumping investigations have been initiated, the last one in 1984. No anti-dumping measures have been taken. Austria has never made recourse to countervailing duty actions.

(xix) **Safeguard actions**

218. Austria has taken three safeguard actions under Article XIX of the GATT in the last five years. In 1987, Austria introduced quotas on imports of broken rice. The safeguard measure was justified by Austria by a 39.3 per cent increase of imports from 1985 to 1986 and a 34.2 per cent increase in prices. The largest supplier was Italy. The measure expired on 1 November 1991. In March 1990, Austria introduced a quota of 1,100 metric tonnes on prepared fowls, following a sharp increase of imports which, according to Austria, had seriously jeopardized the marketing of similar Austrian products, thus causing serious injury to producers. The measure has been extended until 31 December 1991.

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75 The internal legal base for safeguard actions is Article 13 of the Foreign Trade Act which allows the determination of quotas regarding goods which are subject to licensing. ("The determination of goods quotas for the export or import of goods as a result of legal transactions or actions which require a permit, is to be made in particular taking into consideration the maintenance of the balance of trade in goods with foreign states as required, the promotion of Austrian exports, the avoidance of severe economic loss and the prevention or relief of an economic state of emergency by the Federal Minister of Economic Affairs; in regard to the goods listed in schedules A2 and B2, by the Federal Minister for Agriculture with the agreement of the Federal Minister of Economic Affairs ".)


77 The quotas were established for periods of six months.

219. On 1 September 1991, Austria introduced a global quota for 12 months on the imports of certain types of cement and certain preparations containing cement. The purpose of the measure, as stated by Austria, is "to prevent imports at price levels lower than those for similar products obtained in Austria as well as such increased quantities, causing serious injury to domestic producers and disturbances on the Austrian market". Imports originating in the EC or the EFTA-member States are exempted from the measure. As stated in the Austrian notification, one contracting party is primarily affected by the measure.

(xx) Other measures

220. In May 1986, following the accident in the Chernobyl nuclear power station, Austria prohibited, under Article XX(b) of the GATT, the imports of some agricultural products originating in Albania, Bulgaria, Czechoslovakia, Greece, Italy, Poland, Romania, Turkey, the USSR and Yugoslavia. The prohibition was removed after two weeks.

(3) Measures Directly Affecting Exports

(i) Export taxes, charges and levies

221. Some dairy, meat and fodder products are subject to export levies if world market prices rise above domestic levels. For example, exports of almost all grains and milling products, with the exception of sorghum, oat flakes and wheat gluten are subject to equalization levies if world market prices rise above domestic prices. This situation has seldom occurred.

222. Austria does not impose duties on exports.

(ii) Minimum prices

223. Austria was a member of the International Dairy Agreement until 1985 and had applied, until that date, minimum export prices to all dairy products covered by the three protocols of the Agreement.

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80 Recently, the legality of these exemptions under Articles XIX and XXIV of the GATT, have been questioned by a number of contracting parties. In the two other Article XIX actions the EC and EFTA countries had not been exempted because the products concerned are not covered by the free trade agreements.


224. The agreement concluded by Austria with the EC on reciprocal trade in cheeses contained a common discipline for trading cheese. Up to 1982, the agreement included a system of minimum export prices. Since that date Austrian cheese exports are subject to a yearly quota of 5,000 tons.

225. Between 1983 and 1988, Austria undertook to subject its kraftliner and board exports to the EC to a minimum price undertaking obligation.

226. The Austrian-EC steel arrangement of 1989 provides for a consultation mechanism to deal with market disturbances.

227. In an exchange of letters between Austria and the EEC in 1970, Austria undertook that Austrian cheese exporters would not undercut the EEC reference prices.

228. According to a recent arrangement between the EC and Austria, the EC will open in favour of Austria an annual tariff quota of 63,500 tonnes for beef and veal with a levy equal to 13 per cent of the normal level applicable to imports from third countries. Austria, for its part, undertakes to ensure that the prices practised by its exporters do not cause any disturbances on the Community market.

(iii) **Export prohibitions**

229. Austria applies export restrictions for a number of reasons such as national security, public health and environmental protection. Goods are generally liable to export licensing and also to other different licences under other laws and regulations. (For restrictions which are implemented only through the foreign trade legislation see the next Section).

230. For example, export of used radioactive fuel from nuclear reactors may only be approved, "if evidence is brought to show that the required permits have been granted for an appropriate storage of radioactive waste in Austria ... or that suitable storage is guaranteed in the foreign State".

231. Exports of military goods, explosives and narcotics (like their importation) need specific permission. Exports of waste materials are subject to a licence of the Federal Ministry for Environment, Youth and

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83 For more details see the section dealing with voluntary export restraints in this Chapter.

84 *Europe*, 4 October 1991.

85 Article 8, Paragraph 3 of Foreign Trade Law.

86 For the legal basis see the section dealing with import restrictions in this Chapter.
Family. The licence can only be given if the country of importation does not object to the transaction. Exports of certain animals and plants are liable to specific permission under the Convention on International Trade in Endangered Species of Wild Flora and Fauna. Export of objects of historical, artistic or other cultural significance are prohibited for the protection of public interest. In justified cases the Federal Art Protection Office (Bundesdenkmalamt) can authorize the exportation of these objects.

(iv) **Export licensing**

232. Goods which are subject to export licensing under the Foreign Trade Law of Austria include a wide variety of agricultural and manufactured products. Annex C of the Foreign Trade Law lists a number of high technology items or products of strategic importance, the export and transit of which is also subject to licensing. Austria is not a member of COCOM, but, through Annex C, implements COCOM rules in an autonomous way. In addition, the export of some chemicals (Annex D to the Foreign Trade Law) which can be used for the production of chemical weapons, are also subject to export licensing. According to para 1 of Article 8 of the Foreign trade Law at export (and import) licensing decision "particular consideration must be given to trade agreements as well as to other international obligations the maintenance of the balance of trade in goods with foreign states as required, the avoidance of severe economic loss and the prevention of relief of an economic emergency."

233. The licensing authority is either the Federal Ministry of Economic Affairs for manufacturers or the Federal Ministry for Agriculture and Forestry for primary agricultural products. The right to license exports of specific products may be delegated to the regional Governments, subject to the condition that the applicant has its residence in the corresponding Bundesland. At present, Burgenland, Oberösterreich, Salzburg, Steiermark, Sonderabfallgesetz of 1983 as amended.

88 Ausfuhrverbotsgesetz für Kulturgut of 1918.

89 These include live animals and animal products, meat and meat products, dairy products, vegetables, cereals, products of the milling industry, oilseeds, animal fats, some meat preparations, sugar; as well as certain minerals and ores, energy products, chemicals, mineral and chemical fertilizers, explosives, rubber, raw hides and skins, wood and wood articles, waste paper, precious metals, coins, a number of iron and steel products, copper, nickel, aluminium, lead, zinc, tin, tungsten and a number of other base metals, products thereof and their waste, military goods, different electric and non-electric machinery products, some vehicles, aircraft parts, ships and different measuring instruments.

90 In the agricultural product area (HS Chapters 1-24), 249 tariff lines are subject to export licensing. Altogether more than one third of HS four digit tariff headings include tariff lines which are wholly or partially subject to export licensing. Regarding the trade coverage of the Austrian export licensing, no date were available to the Secretariat.
Tirol and Voralberg have been authorized by the Federal Ministry of Economic Affairs to licence in simplified form the exportation of a high number of goods. On agricultural products, the authorization covers only mushrooms and truffles.  

234. A Decree of the Federal Minister of Economic Affairs specifies a number of products included in Annex C of the Foreign Trade Law, which are covered instead of non-automatic by automatic export licensing, independently from the country of destination. The rest of the products included in Annex C are subject to automatic export licensing only if the place of destination is in one of the following countries: EC or EFTA member states, Australia, Canada, Japan, Turkey and the United States. (Automatic and non-automatic export licensing requirements are indicated in Tables AV2-19). Criteria for decisions, as laid down in Paragraph 1 of Article 8 of the Foreign Trade Law are identical to those relating to import licensing decisions. No specific information was available to the Secretariat on Austria's export licensing practice.  

235. The procedural rules for export licensing correspond to those for import licensing.  

(v) **Export cartels**  

236. Austrian cartel law does not prohibit the formation of export cartels. No information was available to the Secretariat on Austrian export cartels.  

(vi) **Voluntary restraints, surveillance and similar measures**  

237. Austria has concluded voluntary restraint arrangements on certain steel products with the United States and the EEC. The US-Austrian arrangement (first concluded in 1985, and in 1989 extended to 1992) provides that export licenses and certificates shall be required for products covered by the arrangement. Licenses and certificates can be issued to Austrian exporters in quantities no greater than determined by the arrangement. For the implementation of the arrangement, Austria established quantitative export quotas, justified under paragraph 13 of the  

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92 Other products, the export of which can be licensed by the Länder include petroleum, certain containers, different boilers, mechanical and electrical machinery, mechanical appliances and vehicles.  

93 Decree BGB No. 630/1987.
Foreign Trade Law. In the first 6 months of 1991 the quota covered, in 7 product groups, 136,000 tonnes of iron and steel items.

238. The first EEC-Austria steel arrangement, in force between 1978 and 1989, included delivery quotas and a consultation mechanism to deal with market disturbances. Since 1989, reflecting improvements in the market situation, the arrangement no longer contains quantitative targets or any other legal commitments. Consultations may be held in the event of market distortions. Price complaints, if any, are usually raised in regular meetings of the ECSC/Austria (and other EFTA members) Committee.

239. Since 1980 Austria has maintained a bilateral arrangement with the United States on imports of high-quality beef (Hilton beef). According to the arrangement, Austria has the right to export certain cheeses to the United States either without quantitative limitation or within an annual quota of 7850 tons in exchange for imports of high-quality beef within an annual quota of 600 tons.

240. The Austrian-EEC arrangement on cheeses mentioned under the section dealing with import related measures also includes export quotas on different cheeses, the volume of which is 5000 tonnes per year.

(vii) Export subsidies

241. Administered Austrian agricultural prices are generally higher than world market prices. Export subsidies are paid to cover price differences between exports and domestic sales.

242. Until the end of 1990, exports of milk and dairy products were supported from funds which were provided by the Federal Ministry for Agriculture to exporting agencies, namely OMEX (Austrian Dairy Products Export Promotion Company) and the OHEG (Austrian Hard Cheese Export Association). The funds available amounted to $1.96 billion in 1988, $1.92 billion in 1989 and $1.85 billion in 1990.

243. On 1 January 1991, a new export support scheme was introduced by Austria. Under the new system, the amount of support is included in published guidelines established by the Federal Ministry for Agriculture and Forestry. Exporters who meet the requirements set by the guidelines

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95 In earlier years the following sums had been provided at the disposal of the exporting companies: 1984: $2.58 billion; 1985: $2.8 billion; 1986: $2.9 billion; 1987: $2.99 billion. GATT document, L/6630/Add.12, 11 February 1991 and L/6805/Add.4, 4 September 1991.
can demand export support corresponding to their export performances. Coordination and administration of the export support has been entrusted to the AMEA ("Austro-Milchexportabwicklungsgesellschaft m.b.H") established and financed by the Federal Government.

244. For livestock and meat exports, contributions are paid from the national budget and budgets of the Länder. They aim to balance different regional marketing costs and maintain the competitiveness of Austrian meat in foreign markets. The contributions amounted to S 1.72 billion in 1989 and S 2 billion in 1990.

245. Export subsidies are also paid to dispose of surplus grain. Half of the export subsidy is covered by the producers, who pay a product-specific contribution under the Market Regulation Law. Export subsidies paid in 1989 amounted to S 3.05 billion, in 1990 to S 2.42 billion.

246. Since 1990, Austria pays export subsidies for quality wine in bottles. Table and quality wine in casks also receive subsidies at a reduced rate. Supports do not cover exports to the EC. (Similar subsidies were in force between 1978 and 1985).

(viii) Duty and tax concessions

247. In recent years, Austria, similar to other EFTA countries, has not made extensive use of tax concessions. In Austria the following tax concessions exist:

- between 12 and 18 per cent of expenditures on R&D can be deducted as costs if they are certified as being of overall economic significance. In 1990, these concessions amounted to ECU 30 million (S 440 million);

- up to 10 per cent of profits can be used as temporary tax free investment reserves;

- 20 per cent of investment costs may be deducted - in addition to normal depreciation - as costs if the equipment remains in use for at least 4 years (investment allowance);

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96Earlier data: S 2.01 billion (1987); S 2.16 billion (1988); GATT documents, L/6630/Add.12, 11 February 1991 and L/6805/Add.4, 4 September 1991.

97Earlier data: S 3.01 billion (1987); S 3.83 billion (1988); GATT document, L/6630/Add.12, 11 February 1991 and L/6805/Add.4, 4 September 1991.

There is a lump sum deduction of 15 per cent for export claims. For 1990, the cost of this concession was estimated at about S 500 million.

Foreign direct investment holdings can, under certain circumstances, be entered into the balance sheet at only 90 per cent of their value.

(ix) Export finance

248. Austria is a member of the Group on Export Credits and Credit Guarantees (ECG) of the OECD Trade Committee and also participates in the Arrangement on Guidelines for Officially Supported Export Credits.

249. Since 1960, the Austrian Control Bank has operated a scheme (the "Statutory Export Financing Scheme"), for financing exports of goods and services - primarily on a medium and long-term basis - giving special consideration to the export of Austrian capital goods. This is intended to provide refinancing facilities to Austrian commercial banks on the basis of guarantees under the Export Promotion Act of 1981. The banks, in turn, extend credits to Austrian exporters or to foreign buyers (or to their bank) for the purchase of Austrian goods and services or for investments in foreign countries by Austrian enterprises.

250. The credits require a Federal guarantee as defined in the Export Promotion Act 1981. In general, up to 85 per cent of the total contract price of the export project is eligible for refinancing. Down payments are required amounting to a minimum of generally 15 per cent of the total contract price.

251. The Austrian Control Bank charges both fixed and floating interest rates on its refinancing credits at rates sufficient to earn a positive spread over the cost of funds. The Austrian Control Bank funds its refinancing operations by borrowing on national and international capital and money markets. The interest rates of export credits reflect the prevailing average cost of borrowing. These rates are not subject to Arrangement guidelines. Each credit is made available in two tranches at floating and fixed interest rates. The relative size of each tranche depends on the length of the repayment period. The credit portion granted at floating rates (floating rate position = tranche A) is repaid first; the credit portion granted at fixed interest rates (fixed rated position = tranche B) is repaid thereafter.

252. Concessional export credits, drawn from special funds, are extended by the Austrian Control Bank as part of the official export credit scheme. An interest rate subsidy from the Federal budget enables the Austrian Control Bank to extend the credits at below market rates. Projects to be financed by these concessional export credits are appraised by the Export Financing Committee, chaired by the Ministry of Finance. The main products benefiting from export promotional activities: consumer goods, raw materials, investment goods and plants.

253. Credits not exceeding S 10 million, are provided from the resources of the Federal Economic Chamber (50 per cent), the rest being provided by the Control Bank. In credits over S 10 million, the share of the Economic Chamber is limited to S 5 million.

254. For the promotion of export activities of Austrian companies in developing countries, a "start fund" has been established from the sources of the Federal Economic Chamber and the ERP fund. Participation in the "start fund" facilitates the granting of concessional credits by the Austrian Control Bank. Credits accorded within the framework of this programme can be used for acquisition and retaining of markets in developing countries, including establishment of trade representation, service points, assembly lines for Austrian products, etc. Credits under this scheme can be granted for a maximum period of 20 years for overseas projects and for 10 years for projects in European developing countries (Malta, Portugal, Turkey and Yugoslavia). In 1990, the average concessional interest rate was 5.1 per cent. The granting of this credit is subject to the participation by the borrower in the export credit guarantee scheme.

(x) **Export insurance and guarantees**

255. The Federal Ministry of Finance is authorized to issue guarantees under the Export Promotion Act of 1981. The guarantee covers due performance of contracts by foreign contracting parties as well as the integrity of rights of export enterprises that serve directly or indirectly the improvement of Austria's current account. The Austrian Control Bank administers the official Austrian Export Credit Guarantee Scheme. The scheme is intended to operate on a self-supporting basis. Since 1 July 1991, a guarantee ceiling of S 330 billion has been in force.

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100 The ERP (European Recovery Programme) was founded in 1962 with the remaining funds of the Marshall Plan as a budget-independent agency to support investment projects. Since then, the ERP funds have supported the Austrian economy, especially companies of the manufacturing sector, with low interest loans.
256. Criteria for accepting cover include: a creditworthiness assessment on the basis of exporter's report and the Austrian Control Bank's investigation; satisfactory country and buyer assessment. Guarantees are available for enterprises, domiciled in Austria or abroad, exporting products of Austrian origin (supplier credits) or investing abroad; credit institutions domiciled in Austria or abroad, provided that the contracts serve to finance Austrian exports (buyer credits or acquisition of export receivables). Foreign content should not exceed 25 per cent. If the foreign content exceeds 25 per cent, decisions on the applications for guarantee are made on a case by case basis.

257. Guarantees can cover both political and commercial risks. At present, companies pay a fee for handling the application of 1 per cent (S 150 as a minimum and S 10,000 as a maximum), and until 1 July 1991, premiums ranged between 0.125 per cent and 0.5 per cent for commercial risks and at 0.125 per cent as a minimum for political risks. Actual rates range between 0.5 and 2 per cent for commercial risks and a minimum of 0.5 per cent p.a. for political risks.

258. The examination of applications from the point of view of the economy in general and the conditions of guarantee contract in the case of guarantee applications not exceeding S 10 million is entrusted to an Advisory Council at the Federal Ministry of Finance. An enlarged Advisory Council is competent for amounts exceeding S 10 million.

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101 The scheme comprises the following types of guarantees:
- G1 - Guarantee for direct deliveries and services with special types of guarantee (lease and work contracts, licence agreements and agreements on the exploitation of patents, know-how or copyrights).
- G2 - Guarantee for indirect deliveries and services.
- G3 - Guarantee (for banks) for tied financial credits and debt rescheduling agreements.
- G4 - Investment guarantee.
- G5 - Turnover guarantee (one foreign customer).
- G6 - Country turnover guarantee of comprehensive guarantee (all customers in one country or in several countries).
- G7 - Guarantee for stock on commission, equipment guarantee, advance guarantee.
- G8 - Reinsurance of contract of an export guarantee institution (reinsurance guarantee).
- G9 - Guarantee (for banks) for the acquisition of accounts receivable from export transactions by domestic or foreign credit institutions.
- G10 - Exchange risk guarantee (at present no cover is accepted under this scheme).
- W - Guarantee by aval on bills of exchange (export acceptance credits).

102 Members of the Advisory Council are a representative of the Federal Ministry for Public Economy and Transport, the Federal Ministry for Economic Affairs, the Federal Economic Chamber, the Austrian Chamber of Labour and a non-voting representative of the Austrian Control Bank.

103 This body comprises, in addition, further representatives from the Federal Ministries of Social Affairs, of Agriculture and Forestry and of Foreign Affairs, a representative each of the Presidential Conference of the Austrian Chambers of Agriculture; the Austrian Trade Union Federation and the Austrian National Bank.
259. In 1989, the balance of the scheme showed a surplus of S 1.47 billion, while in 1988 it registered a loss of S 90 million. In 1987, the surplus amounted to S 2.72 billion. The operating expenditures of the scheme (S 121 million in 1989) are covered through the State budget. In the last few years, Austria has had by far the highest level of outstanding export credits among EFTA countries, amounting to double that of the other EFTA countries combined. In 1989, total outstanding claims for indemnifications amounted to S 12.4 billion. (The reasons for the high outstanding claims are not known to the Secretariat.)

(xi) **Export promotion, marketing assistance**

260. The promotion of Austrian foreign trade is one of the major responsibilities of the Federal Chamber of Economy. The services offered by the Chamber include the provision of information, counselling and training, as well as practical assistance regarding exports.

261. The Chamber maintains a worldwide network of some 90 foreign trade delegations. These delegates, generally without diplomatic status, give practical help to Austrian exporters in foreign markets. They inform and advise Austrian firms on questions relating to the creation of new business ties and market developments, e.g. marketing channels, foreign trade rulings, tariff burdens, legal issues, competitive situation, invitations to tender, etc., and assist them in their business efforts. They help Austrian firms in preparing individual business trips and in solving problems encountered in the course of business by intervention at authorities or firms. It is also the task of the trade delegates to prepare and organize trade events abroad, such as participation in trade fairs, trade missions, symposia etc. They also keep foreign countries informed about the Austrian economy and trade. Their other important duty is the observation of market trends and reporting them to the Federal Economic Chamber, which issues this information in the form of various communications and publications.

262. The costs of the foreign trade organization of the Federal Chamber of Economy are funded by money contributed by Austrian exporting and importing companies under the Foreign Trade Promotion Act of 1954. Under the Act, 0.3 per cent of the invoice value of all imported or exported goods is collected, 0.275 per cent being allocated to the Federal Chamber of Economy, the remainder going to the Federal Government as collection charges and for the Government's own export promotion activities. The money thus contributed to foreign trade promotion is handled by the

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Federal Chamber of Economy and may be used only for trade promotion purposes. The use of the money is subject to control by the Federal Court of Audit.

263. The Federal Chamber of Economy, in the framework of its trade promotion activities, provides financial support to a number of trade-related activities of Austrian companies. It contributes to travel and transport costs relating to trade fairs, conferences and symposia which are held in foreign countries. Under certain conditions, it also contributes to registration costs of Austrian trade marks.

(xii) Free-trade zones, export-processing zones

264. There are no special free-trade or export processing zones in Austria. Inward processing and, to a small extent, drawback and free zones, mentioned in the section dealing with customs valuation, offer comparable customs facilities.

(4) Measures Affecting Production and Trade

(i) Overview

265. A specific feature of Austria's economic régime is its strictly regulated nature. Sophisticated entry regulations together with relatively underdeveloped legislation on competition, still widespread price controls and the substantial influence of social partners on the whole economic environment restrict the play of market forces and diminish competition. As a result, Austria has become a "high-price" country compared to most of its neighbours.

266. In Austria, subsidies have mainly been concentrated in sectors where international competitive pressures threatened employment. The most prominent examples have been agriculture, steel and mining. Subsidies to all sectors, as recorded in the national accounts, declined somewhat in 1988 to 2.9 per cent of GDP and are not exceptionally high by international comparison. Direct subsidies to the business sector (outside nationalized industries), have been scaled down in real terms in recent years, and indirect subsidies, mainly in the form of tax exemptions, have also been reduced. Over the last few years, aid to industry has been reduced to 0.89 per cent of value added in industry in 1989, as against

3.84 per cent in 1987. However, the budgetary burden of the nationalized industries will increase to around S 6 billion over the next two years.

267. Subsidy to agriculture remains high. Total PSE is estimated by OECD at S 27 billion in 1990, up 19 per cent from 1989 and amounted to 1½ per cent of GDP. The rate of assistance as measured by the percentage PSE eased from 48 per cent in 1988 to 39 per cent in 1989, but increased to 46 per cent in 1990; 1.05 times the OECD average. Assistance to agriculture is mostly in the form of market price support born by consumers. The consumer transfers, as represented by the total CSE, are estimated to have been S 24 billion in 1990.

(ii) Entry regulations

268. Entry regulations establish conditions of entry into many business sectors. According to the specific legal framework for small businesses, the Gewerbeordnung of 1973, certain activities are subject to an announcement by the enterprise. Some activities can only be exercised in the possession of a certificate of qualification (e.g. crafts), while other activities can be undertaken without any special certificates. The stated objective of the system of certificates of qualification is to ensure a certain quality standard of the services and products specified.

269. Certain activities are subject to licensing. These include a wide variety of professions, such as tourist guides, hoteliers, transportation, certain producers and traders of pharmaceuticals including biological products, producers of chemical products, some professions related to construction, etc.

270. Supply-needs testing is still used for pharmacies and notaries, while for some other professions (for example for the transportation business), it has been declared unconstitutional. However, according to OECD, "the scope of indirect restrictions to access is still fairly large. In a few cases, formal supply-needs testing has been replaced by ceilings on the number of persons or firms allowed to operate on a given market."

271. Some businesses, such as agriculture and forestry, arts, liberal professions (doctors, lawyers), education, banking, transport and electricity production, are subject to their own specific legal provisions. Chambers of liberal professions issue guidelines for the conduct of activities of their members (including prices) and they supervise their business behaviour. In the fields of energy production, postal services,

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railways, and telecommunication, public monopolies restrict access to the Austrian markets.

272. It is estimated that firms covered by the Gewerbeordnung and similar regulations account for 40 per cent of total value added and investment, and 45 per cent of total employment (Table IV.8).

(iii) Competition policy

273. The Austrian Cartel Law of 1988 does not prohibit cartels as such. Accordingly, cartels are deemed acceptable as long as they do not run counter to the overall economic interests of the country. The Cartel Law does not apply to export cartels.

274. However, Austria's free trade agreements explicitly refer to restrictive business practices (Article 15 of the Stockholm Convention) and to restraints of competition which may affect trade (Article 23 of the agreement with the EC). Offended parties may bring complaints to the EFTA Council or to the Joint Committee under the EC/Austria free trade agreement.

275. The EFTA Council has no competence to launch its own investigations and to initiate remedial actions; Article 15 of the Convention primarily relies on the disciplinary effect of its own existence. Under the free trade agreement with the EC, the offended party is entitled, if no satisfactory solution has been reached in the Joint Committee, to resort to any safeguard measure considered necessary. This includes in particular the withdrawal of tariff concessions. According to the Austrian authorities, Austria has thus far not been involved in any such complaints.

276. The competition rules of the free trade agreement and the Stockholm Convention are not self-executing under Austrian law; they cannot be directly invoked by private parties.

277. Austria has specifically adapted its Cartel Act in view of Article 23 of its free trade agreement with the EC. The Act now relates to restraints of competition that are liable to impinge on trade with the EC (Article 5(2)) and it establishes that cartels contravening the agreement cannot be tolerated, irrespective of their effects on the national economy

108 In air traffic, access is open via bilateral agreements.

109 OECD, op. cit., p.44.

110 In 1965, EFTA Ministers agreed on a sequence of steps, from bilateral informal consultations up to multilateral discussions, to be normally envisaged in this context. For more details see GATT (1991), Trade Policy Review - Switzerland, Geneva.
(Article 24(2)). The same rule is applicable for trade with EFTA countries.

278. Agriculture, forestry and consumer cooperatives, banking and insurance (insofar as they are subject to Ministry of Finance supervision) and certain transportation enterprises (insofar as they are under the control of the Federal Ministry for Public Economy and Transport) are excluded from the coverage of the Cartel Law. In addition, State monopolies are under the jurisdiction of the Cartel Law only when they extend their activity beyond their traditional fields (salt, telephones, tobacco and alcohol).

279. Cartel agreements and exclusive sales arrangements must be registered with the Cartel Office. The number of cartels amounted to 61 in 1988 (18 price cartels, 25 quota cartels, 12 rationalization cartels and 6 minor cartels). Since June 1988, 57 distribution restrictions have been registered with the Cartel Court.

280. The number of existing cartels has been declining as a result of reconsideration of business strategy by Austrian enterprises in the light of a possible membership of the EC. Although a cartel of Austrian ski manufacturers ended in 1988, a new "Top Ski Promotion Agreement" includes a price fixing clause and a ban on equipment-set sales for goods covered by the agreement in the upper price bracket. A distribution arrangement also exists for the entire range of goods covered.

281. Cartel practices also exist on books, cement and pharmaceuticals. In addition, it has been argued that certain collusive arrangements, in particular among retailers, hotel and restaurant proprietors, are encouraged by a provision of the Price Act (see following Section) which declares price differences of more than 5 per cent inadmissible (for identical products, between comparable establishments at a given location). Originally intended to prevent excessive pricing practices, this provision apparently proved an incentive to fix common prices in order to avoid fines. However, in certain other cases the provision is also reputed to have encouraged temporary price undercutting by strong suppliers with the aim of inducing smaller competitors to retire.

282. Exclusive supply contracts between foreign suppliers and sole agents in Austria are permitted. However, the producer (or his licensee or agent) does not dispose of legal means to prevent parallel deliveries by "unauthorized" traders, with the exception of certain products under copyright law. Videos, books and newspapers are subject to the principle

\[111\] OECD (1989), *Competition Policy in OECD Countries*, p.49.

of "national exhaustion", enabling the copyright owner to enforce by law his exclusive position on the Austrian market. For phonograms, the exhaustion principle covers the entire EC/EFTA area; there is thus no possibility of preventing imports when the product is in free circulation in any EC or EFTA country.

283. Mergers in Austria, provided that they result in a total market share exceeding 5 per cent of the country's market, are subject to registration with the Cartel Court. However, mergers are not subject to an obligatory scrutiny by the authorities.

284. Under most countries' cartel law, legal action against a cartel before a court can be initiated by anyone concerned or affected by the cartel. In Austria, however, complaints to the Cartel Court can be taken only by the Public Prosecutor, three major Chambers (the Federal Chamber of Economy, the Presidential Conference of the Austrian Chambers of Agriculture and the Council of Austrian Chambers of Labour) and some free professional associations. The complaint, before being submitted to the Court, is considered by the Joint Commission for Cartel Matters, where both business and labour chambers are represented. The purpose of this procedure is to settle cases informally. If a case proceeds to the Court, the Committee has the right formally to advise the Cartel Court.

285. The Austrian Government recently announced that it "will implement several measures designed to liberalize sectors hitherto protected, most notably the reform of competitive legislation and business law." An amendment to the Cartel Law has been foreseen to cover the scrutiny of mergers and to facilitate access to the courts.

(iv) Price controls

286. Official price control, covering virtually all prices, was introduced after the Second World War when the Austrian economy was characterized by serious commodity shortages. In the following decades, many prices have been gradually decontrolled, but a high number of prices still remain subject to official price discipline. At present, legal rules relating to prices are laid down in the Price Law of 1976. This legislation covers about 220 commodities for which official prices can be fixed.

113 OECD (1990), Economic Surveys, Austria, p.52.
114 Government statement delivered to the Nationalrat, 18 December 1990.
116 The main commodity groups covered by price control include agriculture, energy, housing and public transportation.
287. In addition to these products, official prices can be established for goods subject to special marketing measures. For a period of 6 months, at the proposal of the three major economic Chambers, administered prices can be established for all goods and services when prices have been increased in a whole economic sector or by a market dominating enterprise and the economic Chambers referred to agree on the necessity of introducing an administered price. Prices can be established ex officio if one or more enterprises increase prices without economic justification or if they do not pass decreases in raw material prices on to consumers.

288. Price authorities, in general, establish maximum prices but they also have the right to establish fixed or minimum prices.

289. Recently, the Government has used its powers to control prices only to a limited extent. At present, official price controls exist for electricity, gas, district heating and pharmaceuticals.

290. The authority with general price setting powers is the Federal Ministry for Economic Affairs. Regarding pharmaceuticals, the Federal Ministry of Health, Sports and Consumer Protection exercises this authority. Governors of Länder can be given the power to implement price measures regarding specified goods and services locally. For the establishment of prices for agricultural goods, the consent of the Federal Ministry of Agriculture and Forestry is needed. The Federal Ministry of Finance has the same powers concerning administered price setting of goods subsidized by the State.

291. The procedure for official price setting can be initiated by an enterprise or by the price authorities, ex officio. In the procedure, the three major economic Chambers and the Federal Ministries for Agriculture and Forestry and Finance have the right to make comments. They are also represented in the Price Committee under the Ministry for Economic Affairs. The Committee gives its opinion on all price matters referred to it. (In the case of pharmaceuticals, the Price Committee is headed by the Federal Minister of Health, Sports and Consumer Protection or his representative.)

292. The Price Law obliges retailers to display prices for consumers. It is prohibited to display, demand or accept unjustifiably high prices for basic necessities. Entrepreneurs are obliged by the Price Law to pass on to consumers all advantages which result from reduced customs duties or levies in respect of imported food products.\footnote{In case of violation of this rule, a fine up to S 50,000 can be imposed.}
293. Adherence to price rules is regularly controlled by the price authorities. For example, in 1989, 47,500 enterprises were controlled in the framework of monthly price checks.

294. Railway, post and telephone tariffs, as well as prices of goods subject to State monopoly are not under the coverage of the Price Law. These prices are determined by the Nationalrat.

295. In addition to the provision of the Price Law referred to in the previous Section, which prohibits price differences of more than 5 per cent at a given location, there are some other laws which restrict price making powers of enterprises. The stated purpose of the Local Supply Law is to protect small firms against dumping practices by prohibiting price fixing below purchase prices. As it was raised by an OECD study, "the important problem for the regulatory authority is to distinguish predatory pricing from decreases in prices that reflect efficiency and competitive strength". The Rebates Law prohibits the granting of discounts of more than 3 per cent to final consumers. In recent years, in order to strengthen competition, a number of modifications have been made to the price rules in force, mainly through the rulings of the Constitutional Court.

296. Another form of price control covering a wide range of products is made within the framework of social partnership. According to the Price Law, when the four interest representing organisations, members of the Parity Committee for Wages and Prices, are in agreement "economically justified" prices can be established through the price authorities on products which otherwise would not be subject to administrative price setting. The purpose of this provision is to prevent price rises which would be contrary to the decision of the Parity Commission. (For details see Chapter II of the report.)

(v) International price differences

297. All studies available to the Secretariat show that Austria is a "high-price country". As quoted by an OECD study, price surveys by the Austrian Chamber of Labour suggest that VAT-rate-adjusted price levels for high-value consumer goods may be as much as 20 to 30 per cent higher than in Germany. According to another analysis, in Austria in 1986-87, the decline in prices of imported raw materials and energy was only a little

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118 Österreichisches Jahrbuch 1989, Wien, p.381.
119 OECD (1990), Economic Surveys, Austria, p.50.
120 OECD (1990), Economic Surveys, Austria, pp.60-61.
less than half of that recorded in Germany. Retail price data on fuel and electricity indicate that the pass-through of lower import prices to final consumers has been smaller and slower than in Germany.

298. A Eurostat study on retail prices for cars and various household products in 1988 suggests that, while Austrian prices for motor vehicles were considerably below the EC average (up to 20 per cent for cars of more than 1,700 cc), other durables were more expensive in Austria. The price differentials were largest, between 20 to 28 per cent, for kitchen appliances; audio hi-fi equipment; toys, games and dolls; and photographic films.

299. According to a recent study prepared by the Chamber of Workers and Employees of Vienna, average Austrian consumer prices (VAT-rate adjusted) for electrical household appliances were 11.5 per cent higher than in Munich. The price difference for articles of consumer electronics was 18.1 per cent, while for cameras and photographic equipment, 12.1 per cent. The study suggests that the reason for higher Austrian prices is, inter alia, the existence of "numerous illegal price-cartels of importers which induce retailers to charge high and equal prices." Similar conclusions have been drawn by another recent study, which also identifies Austria, together with some other EFTA countries, as a "high-price country". This is the main driving force behind the substantial "private imports" effected by Austrian shopping tourism to Germany (industrial products) and more recently to Hungary (food).

300. Most studies referred to above suggest that higher Austrian prices may indicate, inter alia, a comparatively low intensity of competition, resulting from market barriers, State intervention in economic life and the corporatist nature of Austrian society.


122 In the context of the Eurostat study, price observations for a range of consumer durables were aggregated to the following groups: refrigerators, freezers; washers, dryers, dishwashers; cookers; heaters and water heaters (not available for Austria); vacuum cleaners; kitchen appliances; radios; televisions and video recorders; audio hi-fi equipment; cameras (and equipment); domestic electrical appliances; records and cassettes; sporting goods; toys, games and dolls; photographic films; razors and hairdryers; bicycles, motorcycles and four categories of passenger cars. See Eurostat (1990), Consumer Prices in the EEC - 1988, Luxembourg.


125 International differences in retail prices may reflect a variety of additional factors, including differences in indirect taxation distribution costs. However, high distribution costs may be attributable, as in the case of Austria, to barriers of entry into wholesale and retail trade.
(vi) **Adjustment assistance**

(a) **Assistance to industry**

301. Recently, Austria has sharply reduced its aid to industry and has one of the lowest ratios of the EFTA countries. The aid constituted 0.89 per cent of value added in industry in 1989, down from 1.27 per cent in 1988 and from 3.84 in 1987. Relative to GDP, aid in 1989 constituted 0.27 per cent, down from 0.39 per cent in 1988 and 1.16 per cent in 1987. Firm specific aids have been halved to ECU 80 million, mainly due to reductions in support schemes for nationalized industries. Austria has changed its aid policy away from general investment promotion towards aid to environmental protection, R&D and innovative activities. (For the amount of aid see Table IV.9).

302. In the framework of the investment scheme for the acceleration of structural change (the "Top-scheme"), S 400 million support is given annually in the form of concessional credits. Since the beginning of the programme (1981) until the end of 1990, 773 projects were supported with a credit volume of more than S 22 billion. The total investment value of these projects accounts for S 56 billion.

303. Since 1989, the "Top-scheme" has focused on two main actions. The first provides support for research, development, change in production pattern and production and marketing start-up credits for these purposes may range between S 2.5 billion and S 70 million. Repayment of loans can be postponed for five years. The concessional interest rate is 4 per cent per year for the first five years. The other mainly supports company planning, control and information systems, industrial design, marketing and software development. The interest rate is set at 6.5 per cent per year. Credits can be given for a maximum period of five years, with a grace period of two years. The volume of credits which can be supported may range between S 2.5 and 30 million.

304. Under the Financial Guarantee Act, bridging support aid is provided to firms which are in temporary difficulties. In 1989, the amount of support was S 17 million. Under the scheme, grants may be given for elaborating or evaluating restructuring concepts or for controlling their implementation. The other form of support is bridging loans at an interest rate between 0 and 5 per cent to enterprises for elaborating restructuring concepts.

305. Sector-specific Government support in industry made up S 291 million in 1989. The pulp and paper industry was granted S 59 million, while aid

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to mining and quarrying amounted to S 232 million. Under the restructuring scheme for the textile, clothing and leather industry, the last payment was made in 1986 (S 26 million).

306. In Austria, a number of firm specific subsidies are paid in the industrial sector. In 1989, the amount paid under the firm specific subsidies’ scheme was S 1.2 billion, from this sum, S 1 billion was granted under the Support scheme for national industries. The following other firm-specific schemes are also available: grants for the location of new industries; grants for the reconstruction of enterprises and Support scheme for the establishment of enterprises.

307. Under the "Labour Market Promotions Law" of 1969, there are two programmes which involve support to business activities. The Support scheme of the Labour Market Administration aims at creating jobs, either in existing enterprises or by establishing new ones. If the supported activities are of special macroeconomic importance, this scheme is applied to support restructuring measures. The scheme entered into effect in 1983. Under present legislation, it will expire at the end of 1991. The amount of subsidy in the form of grants, loans and guarantees accorded is as follows: in 1987: S 540 million; in 1988: S 493 million; in 1989: S 273 million; and in 1990: S 88 million.

308. The Employment Programme by the Labour Market Administration is applied to offset short-term employment fluctuations and to avoid long-term unemployment in regions with structural unemployment. It focuses on supporting the creation of new jobs via grants, loans or guarantees. Grants are calculated on the basis of the hypothetical equivalent of unemployment assistance. Loans carry an interest rate of 0 or to 7 per cent (average approximately 6 per cent) for no more than 30 per cent of project costs. This aid scheme was set up in 1969. The amount of subsidy in the form of grants, loans and guarantees accorded is as follows: in 1987: S 129 million; in 1988: S 51 million; in 1989: S 61 million; and in 1990: S 184 million.

309. There are a number of other aid schemes of general nature in place for the industrial sector. They include the Interest Rate Subsidy scheme; the Investment Support scheme; Guarantees under the Financial Guarantee Act; the Fund for Water Supply and Sewage systems; the Fund for Environmental Protection and the Aid Scheme for small power stations. In 1989, S 552 million support was granted under these headings (Table IV.9).

(b) Assistance to agriculture

310. Austria's basic structural policy objectives regarding agriculture are determined by the Agricultural Act of 1976. They include the maintenance both of the various functions of the agriculture and forestry sector and
also of farming in all regions of the country. Emphasis is placed on economic, regional, social, structural and ecological objectives. The ecological aims are to protect the soil and groundwater, maintain population settlement throughout Austrian territory, and prevent avalanches and disaster caused by flooding. Aids for structural policy reasons are provided in the form of grants, interest rate subsidies and direct income payments. The importance of direct income payments has increased in recent years, partly reflecting the impact of negotiations in the framework of the Uruguay Round. Federal expenditures are often supplemented by payments from the Länder budgets. Most of the structural expenditures are allocated to the mountain and border areas.

311. Since 1961, the main instrument for structural improvement has been the "Green Plan", which is still in operation. Between 1970 and 1989, a total amount of S 4.2 billion was paid for structural improvements within the framework of the Green Plan. Structural measures in the field of agriculture and forestry consist of aids for improving production conditions; structural improvement aids of infrastructural nature or aids to individual farms in less-favoured areas; contributions to market structure and sales promotion and interest rate subsidies on a substantial volume of interest loans. Austria was among the first countries which introduced direct transfer payments for mountain farmers, thus easing the pressures on price policy as the only form for income support.

- Aids for improving production conditions

312. The programme "Aids for improving production conditions", includes aid in the field of advisory services, education, research, crop production, livestock production, land levelling, rational use of techniques and water management. In the framework of the crop production scheme, the production of certain crops (such as tobacco, oilseeds and horticultural crops) is encouraged. Subsidies and soft loans are also available for encouraging certain horticultural investments. Under the livestock scheme, effort is being made to improve the quality of milk production. (Table IV.10 summarizes budgetary support given to agriculture.)

- Structural improvement aids

313. Under the heading "Structural improvements aids", emphasis is placed on investments in mountain areas. In addition to capital grants,


128 In 1991, the amount of direct payments is expected to exceed S 1 billion.

129 The subject of internal agricultural support measures is on the agenda of the Uruguay Round negotiations on agriculture.
agricultural investment loans may be obtained to help finance the programmes.

314. Under the "Regional Farm Improvements" programme, farmers are encouraged to stay on their farms by offering them compensation for certain handicaps in the form of financial aids at raising farming productivity and incomes. Investments under this programme are partly financed with grants from the Federal budget and the Länder, usually supplemented with agricultural investment loans.

315. Under the "Infrastructure in Rural Areas" programme building and improvements of access roads and small bridges is supported mainly in the mountain and border areas. These works benefit from grants from the Federal budget and the Länder as well as from soft loans. Structural aid is also provided for the installation of electricity and telephones on farms.

316. The aim of the "Rural Constructions" programme is land consolidation. Other activities include the distribution of common land and the removal of legal impediments to agricultural land use. The programme is financed by both the Federal budget and the Länder.

317. The "Establishment and Enlargement" programme provides financial aids for improving the structure of full-time and part-time farms. Both capital grants and agricultural investment loans are used. Under the farm enlargement scheme agricultural investment loans are made for purchasing land for farm enlargement. The Farm structure Fund was set up in 1969 to facilitate the transfer of land for urgent structural improvement.

- Market structure and sales promotion

318. Under the "Market structure and sales promotion" programme the Ministry of Agriculture and Forestry provides a financial contribution for improving market structures and promoting the sales of agricultural products. Apart from improving storage and technical facilities, intensive advertising campaigns are being conducted. The programme is mainly financed through agricultural investment credits.

- Credit policy measures

319. For agricultural structural policy purposes, different credit schemes are available. The most important among these credits is the Agricultural Investment Credit (AIK) which was introduced in 1959, in order to assist farmers who are unable to finance necessary investments with savings and commercial credit. In 1983, a floating interest rate system was introduced; the normal interest rate is subsidized by 50 per cent for farm investment loans in mountain and border areas. Farms with a unit value of up to $800,000 qualify for these loans. The loans are granted
predominantly for periods of between 9 and 20 years. The annual volume of new loans has been kept unchanged at S 2.5 billion since 1978. In 1991, S 2.7 billion is available for AIK credits.

320. The Special Agricultural Credit (ASK) offers farmers medium-term credits up to four years with a fixed interest rate subsidy of 2 per cent. The scheme is limited to farms with a unit value of up to S 1.1 million. The Counterpart Fund Credit (ERP) is the source of investment credit to agriculture and forestry. Beneficiaries of the soft, long term loans are predominantly communities of interest, such as farmers' cooperatives. The agricultural credits are mainly used for various installations in the grain and dairy sectors, feed mixing plants, machinery repair shops, etc.

- Mountain farmers' assistance

321. The objective of the "Special mountain farmers' programme" is the maintenance of a satisfactory socio-economic situation in the mountain area. Under different mountain farmers' programmes, financial aid has been provided to mountain farmers to encourage them to continue their farms in spite of difficult farming conditions. The programme has mainly three aspects: aid for improving production conditions such as land levelling; structural improvement aids comprising infrastructural works; and regional promotion schemes and direct income payments to mountain farmers. For the direct payments only smaller farms are eligible which are situated in the more difficult areas. In addition to payments from the Federal budget, payments are also made by the Länder to farms who farm under difficult conditions.

- Other support measures

322. Under the Fuel Tax Act of 1981, farmers are granted a tax refund on agricultural fuel used. In 1990, S 965 million was reimbursed to farmers.

323. "Special border areas programmes" exist in the Länder of Kärnten, Oberösterreich, Burgenland and Steiermark. The agricultural part of the programme aims at enhancing agriculture's contribution to general development. To this effect investment grants are made by the Federation and the Länder in equal shares. The cost of interest rate subsidies on loans is borne by the Federal budget alone. The emphasis has been made on subsidizing investments in farm buildings, access roads, land consolidation, land levelling, etc.
(vii) Assistance for research and development

324. In Austria, Government-financed expenditure on R&D in the enterprise sector is not particularly high. In 1985, it represented 7.1 per cent of total R&D expenditure. However, it shows a rising trend.

325. In Austria two funds are established for the promotion of research: the Research and Development Fund for the Manufacturing Industry and the Innovation and Technology Fund. The R&D Fund has been created to stimulate industrial R&D and raise it to international standards. The R&D Fund is administered by the Federal Ministry of Science and Research. It supports R&D-related expenditures on investment and personnel. Up to 50 per cent of project costs may be financed by grants and/or loans, the percentage depending on the risk and degree of pre-competitiveness. The rest has to be covered by the enterprise itself. In 1989, on average such assistance amounted to about 17 per cent of total project costs. In 1989, the amount of subsidy was S 416 million. (In 1988 S 395 million, and in 1987, S 392 million).

326. The Innovation and Technology Fund (ITF) was set up at the end of 1988. Its interest earnings (approximately S 500 million per year) are earmarked for promoting industrial R&D and the introduction of new technology. Particular importance is attached to close cooperation between enterprises and research institutes. The R&D section of the ITF may give grants between 30 and 50 per cent of costs of industrial R&D projects (mainly EC and EUREKA). The grant element depends on the degree of innovation and on the level of risk involved. International R&D project participation is generally promoted at a rate of 50 per cent. The technology section of the Fund is designated to accelerate the introduction of R&D results and new technology. The grant element amounts from 10 per cent to 30 per cent of project costs. In 1989, the subsidy provided amounted to S 198 million, in 1988, to S 214 million. The Fund is administered by the Ministry of Science and Research and of Public Economy and Transport.

327. The Austrian National Bank has been making additional funds available, in cooperation with the Research and Development Fund for the Manufacturing Sector and the Innovation and Technology Fund since 1982.

130 OECD (1990), OECD Economic Studies No. 15, Autumn 1990, Table 9. According to the same source, Government financed R&D expenditure made up 7.7 per cent in Finland, 11.6 per cent in Sweden, 15.3 per cent in Germany, 1.6 per cent in Japan and 33.9 per cent in the United States.


The purpose is to increase the assistance given to projects designed to bring structural and balance-of-payments improvements in a relatively short time. Until 1987, the two Funds received S 609 million for 375 projects from the National Bank. Within the framework of the "Jubilee Fund for the Promotion of the Research and Teaching Tasks of Science" the National Bank contributed over S 700 million to Austrian research between 1966 and 1987. Indirect research promotion is given in the form of tax alleviations. Between 12 and 18 per cent of expenditures to R&D can be deducted as costs if they are certified as being of overall economic significance. In 1988, these concessions amounted to ECU 25 million.

Research promotion by the Länder includes assistance for regional scientific institutions, research contracts serving the interests of the particular Land and the award of prizes and scholarships. The value of R&D assistance by the Länder is equivalent to about 13 per cent of the Federal Government research funding.

(viii) Production subsidies, tax concessions

328. In Austria, assistance can be given to enterprises for waste-water cleaning of manufacturing industry and the reduction of air pollution, noise and hazardous waste from the Fund for Environmental Protection. Available forms of assistance include grants, interest rate subsidies and loans. In 1989, the amount of subsidy was S 711 million, in 1988 and 1987 S 821 million and S 345 million respectively (Table IV.9).

(ix) Regional assistance

329. In Austria, as has been demonstrated earlier in this Chapter, a number of regional support programmes are in place which affect production and trade. Table IV.9 clearly shows that while aid to industry at Federal level has been declining, the amount of aid provided by the Länder has remained almost unchanged in the last few years. For this reason, the share of aid provided by the Länder to the industry increased from 8 per cent to 22 per cent between 1986 and 1989.

330. For strengthening regional economic structures and creating new jobs in eight disadvantaged areas a "Joint regional special investment scheme" was introduced in 1980 which was in force until 1990. The scheme was jointly financed by the Federal Ministry of Public Economy and Transport and the Federal State in which the recipient was located. Between 1986 and

133 OECD (1988), Reviews of National Science and Technology Policy, Austria, p.17.
135 OECD (1988), Reviews of National Science and Technology Policy, Austria p.45.
1988, subsidies under this scheme amounted to 8.4 per cent of total project costs and about 6,800 new jobs were created, of which about 40 per cent in small new enterprises. (For the amount of subsidy granted, see Table IV.9.)
V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Introduction

331. This Chapter seeks to give a picture of trade policies as they affect individual sectors of Austria's economy. It is structured by product categories according to the GATT Tariff Study format, which permits an assessment of tariffs (and other measures) by stages of processing within each section. Broadly, they are divided into agriculture and industry.

(2) Agriculture

332. Austria's agriculture has undergone deep changes in the last decades. While in 1960, 22.5 per cent of the active population was employed in agriculture and forestry, by 1990 this share declined to 6.3 per cent. The contribution of agriculture and forestry to GDP now represents about 3 per cent, while in 1960 it amounted to about 11 per cent.

333. Basic agricultural policy objectives, as stipulated in the Agricultural Act of 1976, are to maintain an economically healthy agricultural population; to raise farm productivity in all parts of the country; to ensure agriculture's and farmers' share in Austria's economic growth and to enable agriculture, with due regard to the economy as a whole and consumer interests, to overcome certain natural handicaps and adjust to economic change, thus improving the economic situation of the farming population. Furthermore, the agricultural sector should assure the supply of high quality food to the population to the best of its ability and contribute to the preservation of the cultivated landscape and natural environment.

334. A specific feature of Austria's agriculture is the high share of mountain areas. About 109 thousand farms (representing 37 per cent of all farms) are classified as mountain farms, the assistance of which has been a priority for both Federal and local authorities.

335. Austria's farm sector is heavily protected. The Market Regulation Law of 1985 and the Livestock Industry Act lay down rules for marketing arrangements for the commodities concerned. The implementation of the marketing policies is carried out by different marketing boards. Their task is to safeguard domestic production, stabilize the internal market and

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1The Market Regulation Law and the Livestock Industry Act existed prior to the accession of Austria to the GATT and they have been amended several times.
assure the supply of high quality products. Import and export licensing, a system of import levies and export restitution as well as intervention storage, enable the boards to stabilize the domestic market for several farm products at price levels which are usually much higher than prices in international markets. The Sugar Act and Starch Act together with the Compensatory Amount Law provide for import protection via levies for the products concerned. Other products are subject to tariffs, in certain cases combined with a licensing system. For structural improvements and incomes, budgetary support is given. As a consequence of the agricultural policy followed, large parts of Austrian agriculture have been substantially insulated from foreign competitions.

336. As described in Chapter IV, 59 per cent of agricultural tariff lines are subject to non-ad valorem, mostly specific duties. Trade in most agricultural products is not covered by preferential duty free treatment within the EFTA or under the EC-EFTA free trade agreements. Accordingly, m.f.n. rates are applied to most agricultural imports originating in EC and EFTA sources. However, based on the free trade agreements, reduced rates have been established for several agricultural input products originating in EFTA and EC members. Under Austria's GSP, out of a total of 1,750 dutiable lines in HS Chapters 1-24, only 420 tariff lines benefit from preferential treatment.

337. As a result of the combined effects of price-related measures, Austrian prices of major temperate zone agricultural commodities are well above world market levels. As indicated in Chart V.1, price differentials in 1990 and 1991, compared to world market prices, were well over 100 per cent for a number of commodities.

338. Table V.1 shows the rates of assistance provided for certain products through variable import levies in the period between 1988 and 1990. Potato starch and sugar had very high nominal rates within the range of 150 and 550 per cent. For most other products like oats, dairy products, livestock, eggs and products of eggs, nominal rates usually fluctuated between 10 and 50 per cent.

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2 According to an agreement reached in the final stage of the EEA negotiations on processed agricultural products "the licensing system in Austria will be liberalized and licenses granted automatically as from 1 January 1993".

3 Nominal rate is expressed as a percentage of the domestic price that would apply without assistance.
Chart V.1
Price differences for agricultural commodities in Austria in percent above world prices*

* According to the calculation method used by the OECD.

Source: Federal Ministry for Agriculture and Forestry.
339. The support given to agriculture has contributed significantly to increases in Austria's self-sufficiency for many agricultural products in the last few decades (Chart V.2). As a result, Austria produces surpluses in a number of agricultural products and has become an exporter of several basic temperate zone agricultural commodities, such as dairy products, beef, cereals and sugar. Austria's trade balance in the food sector has traditionally recorded a deficit; however, the proportion of imports covered by exports has shown an increasing trend.

Chart V.2

Source: Federal Ministry for Agriculture and Forestry.

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4 In 1989 the overall self-sufficiency rate, in percentage of domestic consumption, amounted to 112 per cent (on calorie basis to 100 per cent). In the last two decades, self-sufficiency rates have increased in the grain, oil seed, beef, pork, poultry and cheese sectors. They have not changed regarding sugar and milk. Ratios for vegetables, fruits, veal and butter have declined.

5 In 1989 the deficit reached $16.6 billion. In 1980, 43.5 per cent of imports were covered by exports. In 1989, this ratio amounted to 49.5 per cent. Austria is a net importer of some fruits and vegetables, oils, fats, veal, poultry, eggs, tropical products and wine.
340. As indicated in Chapter IV, producer and consumer subsidy equivalents, as estimated by the OECD, show the high level of assistance provided to agriculture, which has been financed by Austrian consumers and taxpayers (Table V.2). Total assistance as measured by PSE is estimated at SFr 27 billion in 1990, up 19 per cent from the previous year (SFr 23 billion); it was SFr 27 billion in 1988. The rate of assistance as measured by the percentage PSE decreased from 47 per cent in 1988 to 39 per cent in 1989, but increased to 46 per cent in 1990. Consumer transfers, as measured by the total CSE, are estimated to have been SFr 24 billion in 1990, SFr 21 billion in 1989 and SFr 26 billion in 1988. In 1990, the Austrian PSE was 1.05 times the OECD average. The implicit rate of consumer tax, measured by the percentage CSE, was 1.25 times the OECD average. In 1990, the Austrian percentage PSE was 2 percentage points lower than in the EC, while the percentage CSE was 4 percentage points higher. Assistance is projected to rise again in 1991, in response to higher direct payments and producer prices and reductions in world prices.

341. Austria's agricultural budget had increased nominally until 1987, although, its share within the total national budget remained about unchanged. In 1987, the understanding was reached that expenditure for promotion measures, price support and market regulation would not exceed the actual level until 1990. For 1991, the nominal value of the agricultural budget has been increased. However, its share within the total national budget has remained similar (2.72 per cent) to earlier years.

342. The basic objectives of Austria's agricultural policy have not changed substantially in the last few decades. Recently, however, the Government announced that in the light of the Uruguay Round trade negotiations and the country's application for EC membership, "...we will need to subject this country's agricultural system to a critical review." The Government intends to continue its support to agriculture and expects the regional authorities to make a greater contribution to the preservation of rurally based agriculture and forestry. A new subsidisation system will be created envisaging an enlargement of the scope of direct subsidies to farmers, incentives to reallocate production and thus reduce surpluses, and incentives for ecological production methods. The Government statement also includes the widening of the play of market forces and narrowing the

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7In the 1980s Austria's budgetary expenditure on agriculture and forestry (Chapter 60 of the Budget) represented about 2.7 per cent of the total.

8Government Statement delivered to the Nationalrat, 18 December 1990.
It is also Austria's objective to bring the country's market regulations into line with the EC's market regulations.

(i) Foodstuffs

343. This category includes a large number of product categories such as fruits, vegetables, tropical products, sugar, flours, preparations of cereals, honey and eggs (Table AV.2).

344. Imports in this product category are subject to a wide range of different tariff and non-tariff measures. These include ad valorem, specific, compound, mixed and seasonal duties, tariff quotas, tariff peaks, as high as 52.5 per cent, variable levies and import licensing. The simple average of effectively applied m.f.n. duties was 19.6 per cent in this category in 1988.

(a) Fruit and edible nuts

345. Austria is a net importer of products falling into this category. Home production of dessert grapes, apples, peas, apricots, cherries, peaches, plums and strawberries is often protected by seasonal specific tariffs during the Austrian production season. Import licensing, administered by the Federal Ministry of Agriculture and Forestry, is also widely used in this product group. Importation of certain fruits mentioned above (dessert grapes, pears, apricots, cherries, peaches) is subject to automatic licensing only in off-season periods. Otherwise, imports need non-automatic licences. Apples are subject to non-automatic licensing during the whole year.

346. For products subject to periodic licensing, Austria applies a three-phase system. Imports are available early and late in the domestic production season. During the peak production season licenses are accorded depending on the market situation. Outside the non-automatic licensing periods imports are effectively liberalized through automatic licensing. The licensing periods do not change from year to year (Table V.3).

347. Imports of tropical fruits are not subject to import licensing and they are mostly duty free. Imports of edible nuts do not bear import licensing, but are subject to specific duties if they are not duty free. Many tropical fruits and nuts are covered by Austria's GSP scheme, mostly on a duty free basis. Imports of some products such as oranges, mandarins and pine nuts from the EC are also duty free. Some fruit preparations are

subject to substantial m.f.n. tariffs, automatic import licensing and import price surveillance, while benefiting from duty reductions under EC, EFTA and GSP provisions.

348. As far as non-automatic licensing is applied for imports of fresh fruits, the Federal Ministry of Agriculture and Forestry is the competent authority.

(b) Vegetables, fresh or dried

349. Imports of vegetables are subject to similar protective measures as applied to fruits, such as specific and seasonal tariffs and import licensing. Imports of certain vegetables are subject to price surveillance (Vidierung) and certificate of origin requirements.

350. Preferential tariff quotas for frozen vegetables have been established for EC member countries: peas (400 t); beans (1,480 t); spinach (150 t); sweet peppers (80 t); carrots (1,260 t) and mixtures of vegetables containing peas, beans or carrots (370 t). The quantities indicated may be imported at reduced duties of 20 per cent (Table IV.4). Seasonal tariffs (on a specific basis) are applied for fresh vegetables; outside the production periods duty free access is provided. (Ad valorem equivalents were not available for the Secretariat). Vegetables, with few exceptions, are not included in Austria’s GSP scheme.

351. Imports of most fresh vegetables are subject to licensing (Table V.3). Seed potatoes and some mushrooms are subject to price surveillance (Vidierung) and for frozen vegetables certificate or origin are required.

352. Variable levies are imposed on sweet corn, frozen and dried potatoes, certain vegetable mixtures and dried peas, and dried beans.

353. In 1988, in Austria, the price index for dried fruits, fresh vegetables, frozen fruits, tomatoes and cucumbers was about 20-30 percentage points lower than in the EC. However, dried vegetables and frozen vegetables, potatoes and potato products were sold at prices 17-57 per cent higher than internal EC prices.  

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10 Products imported from extra-Community sources are subject to substantially higher seasonal, ad valorem and mixed tariffs.

(c) Sugar and confectionery

354. Production and trade is strictly controlled in this group. Sugar beet production is limited by a quota system based on an agreement between the beet producers and the sugar industry. Individual quotas may be exceeded by not more than 15 per cent, but excess deliveries are deducted from the next year's quota. When the export outlook is favourable, a supplementary acreage may be contracted for which a relatively low minimum price is offered, the actual price depending on the export results. The area contracted for growing sugar beet was reduced from 58,600 ha (1981) to 39,100 ha (1987). Until 1989, domestic sugar prices were controlled under the Price Act of 1976.

355. According to OECD data, the sugar sector was one of the most highly assisted sectors in 1990. The average PSE in 1990 was estimated to be 61 per cent, and some 97 per cent of this assistance was provided to producers by consumers paying higher prices for their products. (Consumer subsidy equivalent in 1990: -59 per cent.) Non-automatic import licensing applies to raw and refined sugar, glucose and glucose syrup. Global quotas are maintained for sugar loaves.

356. Most duties in this product group are specific and unbound in the GATT. Imports of sugar beet, solid beet and cane sugar, certain other sugar products and sugar confectionery are subject to equalization levies either under the Sugar Law, the Starch Law, or the Compensatory Amount Law. Estimated tariff equivalents are high; for cane and beet sugar 430 per cent. Exports of sugar are also subject to licensing. According to available statistics, sugar prices for consumers were the highest (except Denmark) among countries covered by the Eurostat study but those prices were reduced by 8.5 per cent in 1989. Austria is a member of the International Sugar Agreement.

(d) Other foodstuffs

357. Austria is a substantial importer of coffee, tea and cocoa. Imports of these products are subject to tariffs, no import licensing is required. In case of coffee and tea extracts, the tariff burden is substantial. In 1988, the simple m.f.n. tariff average was 21.7 per cent which indicates a substantial tariff escalation as tariffs on raw coffee and tea were significantly lower (simple average 13.6 and 7.5 per cent respectively). Imports of raw coffee and tea from GSP sources are duty free. Imports of

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13 In 1990, total Austrian imports of coffee extracts amounted to S 173 million. Of these, S 130 million was imported from Switzerland duty free.
roasted coffee are subject to tariffs, from all sources except least developed countries. On chocolate preparations, import levies are imposed under the Compensatory Amount Law. Imports of spices are also subject to relatively high tariffs. The tariff for pepper, crushed or ground, in immediate packings of a content of 1 kg. or less reaches a peak of 52.5 per cent. Within the Uruguay Round, this tariff has been reduced to 31.5 per cent. Furthermore GSP tariffs are applied for this product.

358. The Austrian bakery and pasta industry has been protected by high m.f.n. tariffs, a system of import levies and automatic and non-automatic licensing. Import price surveillance is also used in this product group. Internal Austrian prices are high by international comparison.

359. Imports of eggs are subject to levies. No import licensing is required. Internal prices are administered and are kept at a level which helps to avoid a structural surplus of eggs in shell.

(ii) Grains

360. Production and trade of grains is regulated by a series of measures. Marketing rules relating to grains are embodied in the Market Regulation Law of 1985. High quality wheat and durum wheat are grown under contract in the best production areas (Table AV.3).

361. The basic producer grain target prices are determined by the Federal Ministry of Agriculture and Forestry. These target prices generally exceed world market prices by more than 100 per cent (Chart V.1). Under the Market Regulation Law, the grain market is regulated by the Grain Board. The main objective of the Board is to safeguard domestic grain production, stabilize prices of bread and flour and to secure an adequate supply of bread and feed grains as well as milling products. Foreign trade in grain products is regulated by an annual export-import programme, the implementation of which is secured by a discretionary import and export licensing operated by the Board. Imports of most grains and milling products are subject to levies instead of customs duties. The amount of import levies varies according to the difference between domestic and free-at-frontier prices. Exports of most grains and milling products are subject to export levies, when world market prices are higher than domestic

14 In 1988, prices for pastries and cakes were 15 percentage points higher than in the EC. Eurostat (1990), op. cit.

15 Prices for the crop year 1990/91 were the following: milling wheat: S 363 to S 370.30/100 kg; milling rye: S 354 to S 363.60/100 kg; fodder wheat: S 295 to S 302.30/100 kg; fodder rye: S 290 to S 297.30/100 kg. Prices are graduated monthly during the course of the crop year. The basic price for durum wheat has been fixed at S 513.50 per 100 kg. GATT document L/6805/Add.4, 4 September 1991.
prices. Exports of grains are subsidized; half of export subsidies are financed by contributions paid by producers.

362. Imports of almost all cereals and milling products, except, for example, rice, buckwheat, canary seed, oat flakes, wheat gluten and husked bran, are subject to non-automatic import licensing. Ad valorem equivalents of different import burdens, as calculated by the Austrian authorities, can be as high as 415 per cent for fodder wheat, wheat flour, cereal groats, and different cereal grains. On imports of starches, similar border measures apply. Their tariff equivalents range between 303 and 396 per cent. Imports of most grains have been negligible in the last few years.

363. In 1990, the producer and consumer subsidy equivalents for wheat and coarse grains were estimated at 62, 31, -54 and -30 per cent respectively. Internal Austrian prices of this product group are generally high by international comparison. For example, in 1988, flour prices in Austria were 47 percentage points higher than in the EC. However, Austrian internal prices for rice, a product the importation of which is free of licensing and other border measures, with a tariff rate of 0 per cent, are one of the lowest in Western Europe; in 1988 they were 23 percentage points lower than in the EC.

(iii) Animals and animal products

364. Market regulations concerning livestock and meat are laid down in the Livestock Industry Act of 1983. The law provides, inter alia, for the stabilization of prices for slaughter animals and animal products and for measures to secure the domestic supply. The implementation of policy has been entrusted to the Austrian Meat and Livestock Commission. The Commission has been entrusted, inter alia, with monitoring of the market situation and foreign trade. The expansion of intensive livestock production is restrained by a number of administrative or market measures. Intensive production units need a licence from the Federal Ministry of Agriculture and Forestry whenever they raise the number of their livestock above specified limits. Other market stabilization measures for livestock include cattle, calves, oxen and heifers fattening schemes, freight subsidy for calves, mountain farm subsidies for female breeding cattle, transportation aids for sheep fattening, support for horse breeding and direct payments to cattle breeders in mountain areas (Table AV.4).

365. The Commission has the capacity to set for each calendar year price bands for some slaughter animals and for calf and pig carcasses. The price

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16 Eurostat (1990), op. cit., 1988
bands have remained unchanged since 1989. For market relief purposes intervention measures are applied. Domestic prices in this sector are stabilized by the Commission mainly by import and export controls.

366. Foreign trade in the sector is controlled mainly by discretionary export and import licensing, specific unbound tariffs, levies which are applied instead of customs duties, some bound ad valorem tariffs, and export subsidies. The importation of most animals and animal products is controlled by sanitary measures. Austria has concluded a bilateral agreement with the United States concerning agricultural products (see Chapter IV).

367. The average producer and consumer subsidy equivalents for beef and veal in 1990 were 51 and -50 per cent, corresponding to S 6,497 million and S -4,218 million. For pigmeat and poultry, PSEs and CSEs amounted to 22, 49, -31 and -55 per cent respectively. The level of assistance to beef and veal has increased, while assistance to pigmeat declined between 1986 and 1989, but increased again in 1990. Assistance to poultry recorded significant increases between 1986 and 1990. These changes are mainly due to fluctuations in the exchange rates of the US dollar and the schilling.

368. Estimated tariff equivalents of border measures reach 102 per cent on meat products. Levies are imposed on fresh, chilled or frozen meat and on meat products. In 1990, Austria introduced a quota of 2,200 tonnes on prepared fowls under Article XIX. The measure has been extended for 1991. Under its Protocol of Accession to the GATT, Austria maintains a quota on preserved meat. (The value of the quota is about S 10 million per year.)

369. In 1988, Austrian consumer prices for beef and veal were somewhat higher, while prices for pork and poultry were at lower levels than in the EC. However, prices for some meat preparations, such as sausages, salami, processed or preserved meat were much higher than in the EC.

370. Exports of most meat products are subject to non-automatic export licensing. Export levies may be imposed when international prices are higher than internal prices. However, this has never occurred. Export promotion programmes, as described in Chapter IV, are carried out by the Federal Ministry of Agriculture and Forestry.

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18 Eurostat (1990), op. cit.
(iv) Oilseeds, fats and oils and their products

371. In Austria support is granted for the cultivation of rape and sunflower seeds and soya beans.

372. No tariffs apply to imports of oilseeds. No import levies are applicable. For most oils, tariffs are ad valorem and are relatively low. Oilcakes can be imported duty free. Most products are free from import licensing (Table AV.5).

(v) Beverages and spirits

373. Non-alcoholic beverages such as fruit juices are subject to specific, mixed or ad valorem duties. On juices containing sugar, levies are imposed under the Compensatory Amount Law. Imports of juices and concentrated juices of apples and grapes are subject to non-automatic licensing. In 1988, the simple tariff average of effectively applied duties on fruit and vegetable juices was 12.4 per cent (Table AV.6).

374. In Austria, support for the wine sector is mainly based on quantitative import restrictions. Annual imports at the national level are limited to 180,000 hectolitres, which is about 6 per cent of total domestic production; 72 per cent of the quota is allocated to the EC and imported duty free (tariff quota). (For more details about the wine quota, see Chapter IV.)

375. Subsidies may be granted in the context of a general support scheme for investments in border regions or under a specific programme for wine growing under difficult topographic conditions (in analogy to the support measures for farming in mountain areas). The latter programme covers considerably less than 1 per cent of the total vineyard area.

376. The zones destined for wine growing are delimited by the Länder. Setting up new vineyards is in principle prohibited.

377. Imports of vermouth, not in bottles, are subject to non-automatic import licensing. On beer, a levy is imposed under the Compensatory Amount Law and it is liable to simplified import licensing. In addition, imported and home produced alcoholic drinks are also subject to different excise taxes like the Alcoholic Beverages Tax, Beer Tax, Monopoly Equalization Tax.

In 1990, the amount of support was the following: rape seed: S 507 million; sunflower seed: S 323 million; soya beans: S 108 million. GATT document, L/6805/Add.4, 4 September 1991.
and Tax on Sparkling Wines as appropriate (see Chapter IV). Most tariffs in this product group are specific ones; ad valorem tariff equivalents were not available to the Secretariat. A large number of products imported from EC or EFTA members enjoy tariff preferences. No GSP preferences are available. Many alcoholic beverages such as whisky, rum, gin, arrack and cherry brandy are subject to import price surveillance.

378. In Austria, the importation of unmanufactured ethyl alcohol and brandy for human consumption is reserved for the monopoly administration. Apart from ethanol imports by the administration for its own requirements, imports are carried out by private enterprises on the basis of a specific licence from the monopoly administration (Chapter IV).

379. Internal prices of alcoholic drinks, with the exception of beer, are much higher in Austria than average prices in the EC, while soft drink prices are at the same level.

(vi) Dairy products

380. The market for milk and dairy products is currently regulated by the Market Regulation Law of 1985. Production quotas are allocated by law to milk producers. A base levy is imposed for every kilogramme of milk delivered to dairies, and an additional levy is imposed for those quantities of milk that exceed the individual quota. Under the Market Regulation Law, the Austrian Milk Marketing Board has the task of securing rational supply, processing, and distribution of milk and dairy products within the given price levels. Therefore, the Board is entrusted, inter alia, with the monitoring of production and the equalization of prices and transport costs. Various compensation systems, based on the Market Regulation Law, bring about uniform producer prices (for milk delivered within the individual quota) and consumer prices.

381. Official regulation of wholesale and retail prices of milk and dairy products has been eliminated since 1 July 1988. Since then, wholesale and retail prices have been recommended by the Parity Commission. (For the

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20 These taxes are levied in addition to the customs duty. According to an agreement reached within the framework of the EEA negotiations, "Austria will progressively eliminate during the period 1 January 1993 to 1 January 1996 the tax on alcoholic beverages and the duties levied at the border".

21 According to an agreement reached at the end of the EEA negotiations "for tariff heading CN 2208, the provisions of the present Agreement on monopolies shall apply to Austria on 1 January 1996".

22 Wine prices 60, wine based aperitifs are 60 and 30 per cent more expensive, than EC average prices. Eurostat (1990), op. cit.

23 The market for milk and dairy products has been regulated in Austria since the 1930s.
status of the Parity Commission see Chapter II). For social and economic reasons, sales campaigns are undertaken by reducing the prices of butter and Emmenthal cheese. Expenditures on those campaigns amounted to S 564 (1988), S 225 (1989) million and S 252 (1990) million respectively.

382. According to OECD calculations, in 1990, the average PSE for milk was 61 per cent, while the CSE amounted to -64 per cent. Austrian consumer prices of milk and dairy products are high by international comparison. In 1988, Austrian milk prices were 43 per cent higher than average EC prices. Cheese and butter prices were 26 and 29 per cent higher.

383. Foreign trade in this product group is regulated by the Dairy Board through non-automatic import and export licensing, variable levies and bound duties. Some cheeses and curd are subject to import price surveillance. Imports of most milk and dairy products are subject to import licensing. On products made of cow's milk, levies are imposed instead of customs duties. On products containing sugar, a further levy is charged under the Compensatory Amount Law instead of duties. Calculated tariff equivalents of border measures are very high. (For example for cow's milk and cream, for milk powder 399 per cent, for butter 416 per cent and for different cheeses 327 or 401 per cent). (Table AV.7).

384. Exports of fresh milk, cream, butter and in some cases cheese and curd are subject to licensing. Export levies may be imposed if export prices exceed domestic prices. Exports of dairy products are supported by subsidies which cover the differences between higher domestic Austrian and export prices. In case of certain cheeses, Austria has concluded bilateral export restraint agreements (see Chapter IV). Exports of dairy products are supervised by the "Austria-Milchexportabwicklungsgesellschaft m.b.h." (AMEA).

(vii) Fish, shellfish and products

385. About half the tariff lines covering fish and fish products imports to Austria enter at zero tariff rates, with 93 per cent of tariff lines bound. Imports of seafood are not subject to licensing. Imports of carp, which are produced domestically, are subject to high tariffs (25 per cent subject to a minimum of S 1200/100 kg; however, imports from EFTA members, are duty free), import licensing and import price surveillance (Vidierung) (Table AV.8).

25 Eurostat (1990), Consumer Prices in the EEC, 1988
(viii) Tobacco

386. Imports of unmanufactured and manufactured tobacco into Austria are subject to State trading (see Chapter IV). Products belonging to this group are liable to specific duties. The specific GATT-bound tariff rate for unmanufactured tobacco is S 400/100 kg (in special cases S 750/100 kg), while for cigars and cigarettes tariffs range between S 23,300 and S 26,600/100 kg. No GSP preferences are available. Imports of manufactured tobacco from EFTA countries are duty free. On certain tobacco products such as cigars, cigarettes and smoking tobacco, a tobacco tax is imposed, ranging between 13 and 55 per cent of the selling price (Table IV.5/h). In 1988, the EEC, the United States and Bulgaria were Austria's major suppliers in this product category (Table AV.9).

(ix) Other agricultural products

387. These categories include cut flowers and other agricultural products of animal and vegetable origin. Austrian cut flower producers are protected by seasonal tariffs, non-automatic import licensing and, regarding some fresh flowers, import price surveillance. Other products of animal and vegetable origin which are not elsewhere specified in Austria's customs tariff, are subject to low tariffs and do not require import licences (Table AV.10).

(x) Forestry

388. Over 44 per cent of Austria's area (3.8 million hectares) is covered by forests. Some 65 per cent of forests are privately owned, the rest by the Länder, municipalities, cooperatives and religious communities. Felling wood is subject to approval; the user is required to provide for reforestation.

389. Austria envisages sustainable use of its wood resources. Forestry policy is geared to maintaining and cultivating forests also in view of their protective effects (against avalanches, landslides etc.) and their use as recreation zones. The principal regulatory functions are conferred on the federal authorities by the Forestry Act of 1975, while the Länder are in general entrusted with executing and implementing the Act and are competent to regulate specified aspects such as fighting fires or limiting forest utilization.

390. Subsidies are granted for purposes such as fire insurance premia, setting up recreation facilities, converting agricultural areas into forests or firewood plantations, and carrying out forestry measures such as the haulage and handling of timber. Subsidies for afforestation and for improving protection forests at high altitudes may cover up to 90 per cent of the costs involved (two thirds are from the federal Government, one third from the Länder).
391. Contrary to agriculture, trade in wood is fully covered by the Stockholm Convention and the free trade agreement with the EC. Imports are unrestricted; m.f.n. imports are either duty-free or subject to low tariffs. Some processed wood articles, such as wood based panels are liable to relatively high tariffs (their simple average was 15.7 per cent in 1988) and are subject to "simplified" import licensing (Table AV.11). Wood fibreboard is subject to import price surveillance. GSP tariff preferences are available, including on handicraft products.

392. Imports of pinewood are liable to a separate phytosanitary certificate and are subject to simplified licensing.

(3) Industry

393. In 1990, the secondary sector in Austria accounted for 35 per cent of value added and employed 35 per cent of the workforce. In Austria, the weight of industry in total GDP is greater than in most other OECD countries. However, the share of industry in both value added and employment has continuously declined in the last decades, while that of the services sector has grown. Twelve per cent of industrial wage-earners are employed by nationalized industries; more than one third of industrial enterprises are under direct foreign control.

394. In terms of total production value, the largest industrial sector in Austria is chemicals (14 per cent), followed by machinery and metal construction (12 per cent), food processing (11 per cent), electrical and electronics (10 per cent), iron and non-ferrous metals (8 per cent) vehicle (6 per cent) and paper (6 per cent). The share of industrial goods in Austria’s exports has been growing, and in 1990 reached almost 91 per cent, while industrial goods represented 84 per cent of imports in the same year. The share of intra-industry foreign trade reached about 69 per cent, one percentage point above the average for the European Communities.

395. In Austria, certain industrial and service sectors receive substantial protection from foreign competition. According to an OECD estimate, "sectors accounting for about half of total output are either by nature or design fully or partially sheltered from foreign competition." According to a recent Austrian estimate, Austria’s EC membership will

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26 Industrial production in Austria has recorded a higher than average growth in Europe in the last two decades. In 1990, the growth rate exceeded 7 per cent and was the highest in Europe.


result in stronger competition from Community sources - although not from outside - in sectors which represent about 41 per cent of industrial production. At present, these sectors are sheltered, even from EC supplies, by different trade barriers, such as technical norms, public procurement policies, border formalities, different taxes and other administrative trade barriers. Sectors which are expected to be exposed to the strongest EC competition include the food, chemical, electric and electronic industries. In addition, most Austrian companies are considered too small to be able to compete in the EC internal market. Therefore, it has been suggested that fusion of Austrian companies should be facilitated through appropriate cartel regulations.

396. Despite considerable tariff reductions over the past decades, Austria still provides substantial tariff protection on an m.f.n. basis to its textile, clothing, footwear, transport equipment, furniture and foodstuffs industries. On 1 January 1990, Austria introduced autonomous tariff reductions covering 37 to 38 per cent of manufactures imports. On average, the tariff incidence was lowered by about 30 per cent regarding items covered by this measure. Reductions will be in force provisionally until 31 December 1993 (see Chapter IV).

397. Regarding textiles and clothing, Austria also applies certain import restrictions under the MFA. As shown in Chapter IV, Austria also maintains quotas on certain industrial goods originating in Japan and Taiwan. Non-automatic import licensing covers only a small number of industrial products, while the imports of many industrial goods are subject to "simplified" automatic import licensing. In addition, an import price surveillance system is also operated regarding a number of products which include cement, PVC, paper and paperboard, textiles and clothing items, iron and steel, electric motors and bicycles (Table IV.7). This measure applies only to imports originating in some contracting parties (see Chapter IV).

398. The Government does not maintain stated sector-specific industrial policies. The industrial objective declared by the Government is to enhance competitiveness through strengthening industry-oriented infrastructure and to create a favourable economic environment which makes Austria a more attractive place for foreign and domestic investments.

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29 Die Presse, 24 May 1991.

30 As indicated in Chapter IV, imports of almost all industrial products originating in the EC or EFTA countries are duty-free. As a result, there is a substantial tariff advantage in most areas for finished products from these sources. These imports account from about 75 per cent of Austria's total imports. The rest of imports are subject to m.f.n. or GSP tariffs.
399. As described in Chapter IV, Government aid to industry has continuously declined in recent years. In 1989, it amounted to 0.27 per cent of Austria's total GDP. The average support to manufacturing was 3.0 per cent of sectoral value added between 1984 and 1987, which was below the EC average (4.1 per cent between 1986 and 1988), although higher than the EFTA average (1.8 per cent). According to an OECD study, 68 per cent of the support to manufacturing was given in the form of equity participation in State holding companies, 11 per cent as soft loans and 21 per cent in form of grants.

400. Measures currently affecting trade and production in individual Austrian industries together with import data and tariff rates are summarised in Tables AV.11-19.

(i) Coal, petroleum, natural gas

401. In Austria, hydro-electric power is the main indigenous energy source, covering 72 per cent of electricity output. Oil covers 41 per cent of the final energy consumption, natural gas 16 per cent and coal 19 per cent; all are mainly imported. The country has practically no coal production (except brown coal), while oil and natural gas production covers about 11 and 20 per cent of the total supply.* Austria has a significant oil refinery capacity.

402. In Austria, in the field of grid-bound energy supplies (electricity and gas), a sole agent and exclusive right system exists. Transport and distribution are structured by a system of territorial licences (Gebietskonzessionen), complemented by supply obligations (for the utility) and the obligation to contract with the utility in place. In the electricity sector, every import or export contract negotiated by utilities is subject to approval by the nation-wide operating "Verbundgesellschaft". This utility also operates all the high-voltage, long-distance transmission grids. 94 per cent of Austria's natural gas imports are handled by ÖMV-AG, using pipelines which are their property. However, other importers (e.g. Austria Ferngas) are progressively entering the market and the ÖMVs dominant position will diminish. It is the stated aim of Austria's Government to introduce more market-oriented competitive elements in the electricity and gas sectors.

403. At present, price controls exist for electricity, gas and district heating. Price controls for diesel oil and gasoline were lifted in 1979 and 1981.

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404. Imports in this product category are either duty free or subject to low m.f.n. tariff rates. In 1988, the simple tariff average of effectively applied duties on coal and natural gas products was 2.5 per cent, tariff rates being higher (average of 6.4 per cent) on products derived from coal or gas and manufactured articles (tariff escalation). Tariff average on petroleum and petroleum products are relatively high, 6.25 per cent in 1988. Petroleum oils are covered by Austria’s GSP system. A high number of products in this group are subject to import licensing. They include coal, briquettes, coke, coal gas, petroleum, gas oils, fuel oils, spindle-oils and lubricating oils, and propane gas. Import licenses, except for lignite, whether or not pulverised and some oil products, can be obtained in a simplified procedure. Some products are subject to import notification ("Meldeschein") requirement (Table IV.2). Exports of natural gas are subject to licensing under the simplified procedure (Table AV.12).

(ii) Ores and metals

405. In Austria, mining of ores and the production of metals, primarily the manufacturing of iron and steel, have long traditions. In 1989, about 2.4 million tons of iron ore were mined in Austria and a further 4.2 million tons were imported. Some other ores mined in Austria include lead, zinc and antimony ore. Out of 11 Austrian ore mining companies, 6 are State owned. In most ores and metals Austria is a net importer; it is an iron and steel exporter. Austria has concluded export restraint agreements on steel with the United States and the EC. The Austrian-EC agreement, since 1989, no longer contains quantitative export targets. The U.S. agreement provides for a quota under which 136,000 tonnes of Austrian steel products could be exported to the United States in the first six months in 1991 (see Chapter IV).

406. Austrian production of iron and steel has been increasing over a longer period. In 1990, the share of iron and steel products in Austria’s total exports was 6.7 per cent, while imports reached 3.1 per cent (Table AV.13).

407. Imports of ores are duty-free, while imports of intermediate (semi-manufactured) and final (processed) metal products were subject to m.f.n. tariff rates of 3.9 and 11.3 per cent (applied tariff average in 1988), which indicates a substantial tariff escalation. Imports of ores and a high number of base metals and products thereof require simplified

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32 In 1989, Austria produced 3.8 million tons of pig iron, 4.7 million tons of raw steel and 3.7 million tons of rolled steel. These production data represent an increase of about 3.5 per cent compared to 1980.

33 In 1985, the share of iron and steel products in Austrian total exports was 8.9 per cent.
import licensing. A high number of iron and steel products imported from or originating in South Africa are exempted from the simplified import licensing procedure. Import price surveillance is also widely used on base metals and articles thereof. GSP tariff preferences are available.

408. In the ores and metals category Austria's major suppliers are the EC, Switzerland, Sweden and Yugoslavia. Ores and a number of base metals and products thereof, such as pig iron, ferro-alloys, certain ferrous products, ferrous waste and scrap, iron and non-alloy steel, stainless steel, other alloy steel, hollow bars and rods of alloy or non-alloy steel and articles of iron and steel are subject to automatic export licensing.

409. Since the end of the Second World War, Austria has maintained a specific regulatory framework for trade in scrap metals (Scrap Metal Act of 1985). The objective of the specific administrative regulation is to secure scrap metal needs of the Austrian industry. At present, both import and exports of scrap metals are subject to automatic licensing. The Scrap Metal Act will expire in 1992 and the Austrian Government has no intention to renew it.

(iii) Raw hides and skins, leather and furskins, footwear and travel goods

410. Austria has a substantial leather and leather manufacturing industry; however, production in most product categories has declined in recent years. In 1990, Austria was a net exporter in this product group. About 80 per cent of Austria's footwear consumption is covered by imports, and a similar share of Austria's footwear production is exported.

411. Imports of most raw hides and skins are duty free. About 62 per cent of imports were free of duties in 1988 and all tariff lines were bound in the product group. About 21 per cent of imports were conducted under tariff rates not exceeding 5 per cent. In the same year, the simple average of effectively applied m.f.n. tariffs on intermediate and final products was 3.3 and 11.2 per cent respectively, showing substantial tariff escalation. About 43 per cent of imports falling under this product category were processed products in 1988, while the share of unprocessed and semi processed items amounted to 19 and 37 per cent. Austria's most important suppliers are the EC, Korea, Turkey, China and India (Table AV.11 and 14).

412. Imports of certain leathers, such as bovine leather, sheep and lamb skin leather, goat or kid skin leather, leather of other animals, chamois leather, parings and other waste of leather and composition of leather are subject to automatic licensing. A number of manufactured leather articles are also liable to automatic import licensing. Footwear and travel goods imported from non-EC or EFTA sources are subject to relatively high m.f.n. tariffs (in 1988, the simple average of effectively applied tariff rates was 21.8 per cent on footwear and 15.8 per cent on travel goods). On some leather articles (saddlery and harness, travel goods, handbags and other articles in HS Chapter 42), Austria has reduced its tariff in the context of the Uruguay Round. Many leather articles are subject to preferential GSP rates. Import quotas on goods originating in Japan and Taiwan cover also travel goods and footwear (Chapter IV). Exports of bovine, sheep, lamb and other raw hides and skins also require simplified licensing.

(iv) **Pulp, paper and paper board**

413. The paper industry is one of Austria's fastest growing sectors. It provides more than 5 per cent of the country's exports. The industry has undergone deep structural changes in the last decade, involving a large scale modernization and capacity increase. More than 70 per cent of the production is exported, mainly to the EC.

414. The simple average of effectively applied m.f.n. duties was 10 per cent in 1988. About 72 per cent of dutiable imports were conducted under tariff rates between 0.1 and 5 per cent, about 14 per cent of imports being duty free. All tariff lines are bound (Table AV.15). Regarding most products in this group, GSP tariff rates are applicable. Significant provisional tariff reductions have been made during the Uruguay Round. Most products in this category are subject to import licensing under the simplified procedure. Import price surveillance is also used regarding paperboards (Table IV.7)

(v) **Textiles and clothing**

415. The Austrian textiles and clothing industry employs more than 10 per cent of the industrial workforce and its production value represents about 7 per cent of the production value of Austrian industry. Production in both industries has been declining. The decline between 1973 and 1988 reached 15 percentage points in the textiles industry and about 10 percentage points in clothing. The decline in the number of textile and clothing establishments was 263 in the same period. Until 1986, the Government had a restructuring scheme for the textile, clothing and leather

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36 GATT document, COM.TEX/64 and 65, 18 July 1990.
industry as one of the sectoral aids programmes. Since 1986, no support has been provided to the textiles and clothing sector under the scheme.

416. As described in Chapter IV, Austria maintains import restrictions under the MFA. Agreements concluded by Austria under MFA IV cover a limited number of clothing products and the number of restraint agreements, as compared to MFA III, have been reduced. Most of Austria's textile and clothing trade remains with the developed members of the MFA, mainly the EC, whose share of imports however declined over the 1978-1988 period to 86 per cent for textiles and to 79 per cent for clothing. In the meantime, the share of imports from developing countries increased. Austria's balance of trade in textiles and clothing has usually been negative, basically because of the substantial deficit in its clothing trade.

417. Austria applies high m.f.n. tariffs to imports of textile and clothing products. According to the GATT tariff study, tariff average of effectively applied duties in 1988 was 21.5 per cent for products belonging to this category. In addition to ad valorem duties, a number of tariff lines are covered by mixed, specific and compound tariffs. In 1988, tariff rates ranged between 0 and 39 per cent, about 50 per cent of imports were duty free, otherwise the most representative rate being between 25 and 39 per cent (33 per cent of imports). Textile and clothing products receive tariff cuts of 35 per cent under Austria's GSP scheme, while the general GSP tariff reduction amounts to 50 per cent. 85 per cent of tariff lines is bound. There is a pronounced tariff escalation, because imports of raw materials are practically duty free, while imports of semi-processed and processed items are subject to high tariffs (12.6 and 24.4 per cent respectively, in 1988). The provisional Austrian autonomous tariff reduction programme includes cuts on textiles and clothing items (Table AV.14).

418. The majority of textile and clothing items are subject to import licensing. Import licences can be obtained under simplified procedures. However, products the import of which has been restricted under the MFA or which are subject to quotas, such as textile and clothing products originating in Japan or Taiwan, are excluded from the simplified treatment. Many clothing items are liable to import price surveillance and certificate of origin requirements.

37 Austria's deficit in clothing trade was US$ 669 million in 1988 and US$ 739 million in 1989. In 1990, Austrian textiles exports accounted for 5 per cent for the country's merchandise exports. The share of clothing products in Austrian exports was 2.8 per cent.

38 The following products are affected by MFA restraints in Austria: shirts, blouses, trousers, overalls, anoraks, coats, suits and sportswear (see also Chapter IV).
419. This product group covers a wide range of products, such as stones, sands, crude fertilisers, other crude minerals, manufactured fertilisers, lime, cements, glass, glassware, flat glass and glass manufactures. Austria's imports under this product group amounted to US$842 million in 1988. In most products Austria has a substantial domestic industry and in respect of some items is a net exporter (e.g. sands and stones, some fertilisers, building ceramics, glassware). In the cement sector, cartel practices have been observed.

420. 68 per cent of tariff lines are subject to ad valorem duties when imported from extra-EC or EFTA sources. 26 per cent of lines are duty-free. 13 per cent are subject to specific or mixed duties. All tariff lines are bound. In 1988, m.f.n. tariffs ranged between 0 and 30 per cent. The most representative rates were between 5.1 and 10 per cent, the simple tariff average of effectively applied duties was 6.2 per cent. Tariff escalation is evident; m.f.n. tariff averages in the processed and semi-processed product groups (11.5 and 3.7 per cent) substantially exceed tariff rates on raw materials (0.1 per cent, 1988 data) (Table AV.16). This escalation does not apply to imports from preferential sources. Provisional Uruguay Round tariff reductions concern a high number of items in this group. Preferential GSP tariffs are also widely available in this product area.

421. The majority of raw materials can be imported free of import licenses, except some marbles and building stones. Most cement and cement clinkers are subject to import licensing, import price surveillance and certificate of origin requirements. Superphosphates and some other mineral (and chemical) fertilisers are also liable to import licensing. Most articles of stone, plaster, cement, asbestos, mica, ceramic products, glass and glassware are covered by import licensing obligation. Import licenses can be obtained in simplified procedure. The State salt monopoly covers the extraction, production and the importation of salt (see Chapter IV).

422. On 1 September 1991, Austria introduced a "global" quota for 12 months on the imports of certain types of cement and certain preparations containing cement (see Chapter IV). Imports of products subject to the quota are limited to 200,000 tonnes. Imports from the EC or EFTA members have been exempted from the measure. As was stated in the Austrian notification to the GATT, only one contracting party is primarily affected by the quota.

(vii) Chemicals

423. The chemical industry, with about 10 per cent of all industrial employees and 14 per cent of total industrial production, is one of Austria's most important and rapidly developing industrial sectors. The
most significant product groups include plastic products (raw materials and manufactured plastics); inorganic and organic chemicals; pharmaceuticals; asbestos; synthetic fibres; lacquers and paints; soaps and detergents. The Austrian chemical industry has close trading and investment relations with the EC. In 1989, the production value of the Austrian chemical industry reached almost S 92 billion, while export and import values amounted to S 63 and S 80 billion respectively. After the EC, the country's most important import sources included Switzerland, the United States, Sweden, the Czech and Slovak FR, Hungary and Japan.

424. Regarding pharmaceuticals, specific rules also apply. Like all other EFTA members, Austria is signatory to the Pharmaceutical Inspection Convention. Applicants filing for approval are thus allowed to submit foreign test documents which, depending on their scientific reliability, may be accepted in full (see also Chapter IV).

425. Some 6,500 to 7,000 pharmaceuticals, including veterinary medicines, are at present admitted for sale in Austrian pharmacies (some products may also be marketed via drugstores). Of these, about three fifths are eligible for refunds by the health insurances. The main criterion for the social security bodies in specifying these products is their "price adequacy". Refunds for additional products may be granted on a case-by-case basis.

426. Pharmacies are required to keep on stock medicines covering the full range of possible indications. According to the Austrian authorities, there are, however, no specified product lists to this effect.

427. Pharmaceuticals are subject to official price controls under the Price Law of 1976. Correspondingly, domestic producers are required to document their calculation in order to have prices approved. Imports must not be more expensive than the relevant ex-factory price in the country of origin (converted on the basis of average exchange rates).

428. In 1988, the simple tariff average of effectively applied duties was 5.1 per cent. (Some tariff lines were covered by mixed and specific rates). 95 per cent of tariff lines are bound under the GATT. 46 per cent of m.f.n. imports are duty free; about 36 per cent of such imports are subject to tariff rates between 5.1 and 10 per cent (Table AV.12).
429. Most products are free of import licensing. Certain are subject to simplified import licensing procedures, imports of chlorine and calcined disodium carbonate are also subject to price surveillance.

(viii) Non-electrical machinery

430. This category includes the following main industrial sectors: power generating machinery; agricultural machinery; office machines; metal working machinery; textile and leather machinery; construction and mining machinery; other machine tools; pumps; heating and cooling equipment; pulp and paper machinery; bookbinding and printing machinery; and other machines. The Austrian machine and steel construction industry accounts for about 13 per cent of industrial employment and for 12 per cent of the industry's production value. Imports of goods falling under this product group amounted to US$4.76 billion in 1988, about 16.5 per cent of Austria's total imports. Austria is substantial net exporter in these products. Austria imports non-electric machinery in significant quantities from the EC, the United States, Japan, Switzerland and Sweden.

431. Non-electrical machinery products are subject to relatively low m.f.n. ad valorem tariff rates. However, imports of some items from non-EC or EFTA sources are subject to significant tariff barriers as compared to EC and EFTA countries. Their simple average was 5.6 per cent (effectively applied duty) in 1988, the maximum tariff rate was 24 per cent; 18 per cent of m.f.n. imports were duty free. Most products (62 per cent of imports) fell in the tariff range between 5.1 and 10 per cent. All tariff lines are bound (Table AV.17).

432. Many non-electric machinery products are subject to simplified import licensing and import price surveillance.

(ix) Electrical machines and apparatus

433. The Austrian electric industry employs 70,000 persons and produces more than 11 per cent of the the country's total industrial output. Austria is a net importer in products belonging this product group. The value of Austria's imports in 1988 amounted to US$ 2.43 billion. The most substantial sources were the EC, Japan, Switzerland, Korea and the United States.

434. This product category includes telecommunications apparatus. The Austrian Postal and Telegraph Administration is mandated to administer and

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39 Since 1 January 1991, a number of pharmaceuticals (HS 3004, 3004.10, 3004.20) have been freed from import licensing and quota restrictions (GATT document MTN.GNG/MA/W/5, 14 August 1991).
perform a wide range of postal, telecommunications and transport services. Charges for all services are subject to parliamentary approval, on the proposal of the Minister of Public Economy and Transport. The charges are required to be cost- and market-oriented (according to the "Basic policy principles" of the Postal Administration). On the whole, however, telephoning in Austria seems to be more expensive than on average in the OECD countries.

435. In its procurement activities, the Postal and Telegraph Administration is required to pursue a technology-oriented approach and cooperate intensively with private business and research institutions. Its investment policy should aim at injecting innovative impulses into the Austrian economy. As far as possible, domestic product developments should be encouraged; at least, however, a maximum degree of domestic value added or a comprehensive transfer of technical know-how should be aimed at. Purchases in the postal area, as distinct from telecommunications or transport, are covered by the GATT Code on Government Procurement.

436. Barriers to entry into the Austrian market for telecommunications terminal equipment, as far as type approval procedures are concerned, appear to be moderate. While approval costs rank seven among 20 OECD countries (less than US$ 4,000 per application, 1983-88), both the delays for processing and the rates of non-acceptance of applications (0.4 per cent) are considerably below the OECD average.

437. The telephone grid is under public monopoly. All telephone installations are in principle carried out by the Postal and Telegraph Administration, usually by way of sub-contracting private firms. Fixed lines between individual participants may be established upon approval by

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40 The Directorate General of the Postal and Telegraph Administration is a sub-section of the Ministry of Public Economy and Transport (Bundesministerium für Öffentliche Wirtschaft und Verkehr). The budgets for the telecommunications, bus and postal services of the Postal Administration are in principle kept separately. In the telecommunications area, 32 per cent of total revenues are to be reserved for investment, any remaining surplus is to be credited to central Government budget. Correspondingly, deficits incurred by the two other services are offset by public transfers. In 1990, a surplus of S 10.7 billion in the telecommunications sector, out of total revenues of S 32.7 billion, compared with deficits of S 4 billion and S 1 billion in the postal and bus sectors, respectively.

41 See Generaldirektion für die Post- und Fernmeldeverwaltung, Geschäftsbericht 1990, Wien.

42 This applies to a representative basket of national telephone charges (in November 1989) for the business and residential sector. (According to OECD (1990), Telecommunications Outlook, Paris).

43 See Generaldirektion für die Post- und Fernmeldeverwaltung, op. cit.

44 See Geschäftsbericht 1990, op. cit.

45 According to OECD (1990), op. cit.
the Administration. The supply of value-added services has also to be approved; applicants are required to specify their envisaged supplies. While the scope of the telecommunications monopoly does not in principle extend to terminal equipment, all customers are required to take their first telephone set from the Postal Administration. Moreover, the Administration has reserved (and, in fact, uses) the right to compete in non-monopoly areas.

438. According to the Austrian Government, no major changes would be required in the context of implementing the EC's "acquis communautaire" in telecommunications.

439. Products in the electrical machines and apparatus category, imported from non-preferential sources, are subject almost exclusively to ad valorem tariffs. The simple m.f.n. tariff average of effectively applied duties was 10.6 per cent in 1988. About 12 per cent of m.f.n. imports were duty free, while 42 per cent of imports were subject to tariff rates between 5.1 and 10 per cent. The highest tariff rates reached 38 per cent. High tariffs are imposed on telecommunications apparatus (1988, simple average 16.7 per cent). Seven per cent of imports in this whole category were subject to tariff rates higher than 25 per cent (Table AV.17).

440. The overwhelming majority of electrical machines and apparatus items are subject to simplified import licensing. Most electrical motors and generators are subject to import price surveillance. Imported electrical products must satisfy the electrical safety requirements prescribed by the Electrotechnical Law. Most electric consumer goods prices in Austria are higher than average EC prices. 46 A high number of electrical items are subject to export licensing in order to comply with COCOM export rules (see Chapter IV).

(x) Transport equipment

441. Since 1960, there has been no production of passenger cars in Austria. Since then, Austrian industry has specialised in heavy vehicles such as lorries, buses, traction engines, four-wheel-drive vehicles and components. Austria's motor vehicle industry employs about 31,000 persons. The main enterprises cooperate principally with German companies. There are also some other significant cooperative efforts in place with United States', Canadian and Chinese enterprises. In transport equipment Austria is a net importer; in 1988, the country's imports amounted to

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46 For example, Austrian prices for refrigerators and freezers were 14, and for washers, dryers and dishwashers 10 per cent higher than average EC prices. Eurostat (1990), Consumer Prices in the EEC, 1988.
US$ 3.8 billion. The largest exporters of transport equipment to Austria include the EC, Japan, Sweden, the United States and Switzerland.

442. The simple average of effectively applied m.f.n. tariff rates in the transport equipment sector was 12.4 per cent in 1988. Tariffs ranged between 0 and 41 per cent. 99 per cent of tariffs are bound. 83 per cent of transport equipment was imported under tariff rates over 25 per cent. Especially high tariffs were applied in the motor vehicles sector (simple average: 17.9 per cent, trade weighted average: 24 per cent). Imports of civil aircraft are duty-free, on ships and boats relatively low tariffs apply (Table AV.18).

443. Imports of most transport equipment items are subject to simplified licensing. Imports of gliders, hang gliders and other aircraft are liable to non-automatic import licensing. Bicycles are subject to import surveillance. In respect of car imports, the Federal Ministry of Finance introduced a counterpurchase system. According to this system, if Austrian car importers export Austrian automotive products to the country of origin of the cars, a tariff reduction to a rate of 4 per cent is available (see Chapter IV). In Austria, car prices are 5 to 20 per cent lower than in the EC.

(xi) Other products

444. This category includes a number of product groups such as rubber items, precious stones and precious metals, professional and scientific instruments, photographic and optical goods, clocks and watches, photographic and cinematographic supplies, furniture, musical instruments, sound recording or reproduction apparatus, toys, works of arts, firearms, office and stationery supplies and manufactured articles not elsewhere specified. In 1988, imports under these product categories accounted for about 12 per cent of Austria's total imports.

445. In most of these product categories, m.f.n. tariff averages are moderate, except in sectors where Austria has substantial production like furniture (15.5 per cent) or office and stationery supplies (14.8 per cent). For similar reasons, significant tariff escalation can be observed in the rubber sector. Imports of raw rubber are duty-free, while tariffs on semi-processed and processed rubber goods are 7 and 14.6 per cent respectively. For example, high duties are in force on

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rubber types in order to give protection to the substantial domestic tyre industry (Tables AV.11, 16 and 19).

446. Most items are either free of import licensing or import licences can be obtained in simplified procedure. Imports of revolvers and pistols are subject to non-automatic licensing.

48 Normal duty on rubber tyres used on motor cars is 35 per cent, the GATT duty is 20 per cent, the Uruguay Round duty 12.9 per cent.

49 For other rules regarding imports of military goods see Chapter IV.
VI. TRADE DISPUTES AND CONSULTATIONS

(1) GATT Dispute Settlement

447. Austria has never to date made use of the dispute settlement procedures of Article XXIII of the General Agreement or the Tokyo Round Agreements. It has never been subject to a complaint under Article XXIII.

448. At present, Austria is involved in two consultations under Article XXII of the GATT. In September 1989, the United States requested consultations with Austria in connection with Austria's signature of the European Convention on Transfrontier Television. The U.S. request stated "Article 10 of the Convention contains language that could obligate your country to take action that would violate the GATT and nullify and impair benefits accruing to the United States."\(^1\)

449. With effect from 1 December 1989, under Article XX(b) of the General Agreement, Austria has limited traffic of certain heavy trucks during night hours on certain Austrian transit roads. The measure applied to trucks of all nationalities, including Austrian trucks. In reaction to this measure, with effect from 1 January 1990, Germany banned the circulation of Austrian lorries during night hours in Germany. Austria considered that the German measure violated several GATT provisions, in particular Articles I, III:4, V and XI and therefore requested consultations with Germany under paragraph 1 of Article XXII of the GATT.\(^2\)

(2) Other Disputes

450. Under Article 31 of the Stockholm Convention establishing the European Free Trade Association, a complaint may be formally submitted to the Council if a participant feels that benefits conferred on it by the Convention are being, or may be, frustrated. The Council makes recommendations, by majority vote, on the actions deemed appropriate. If a party fails to comply with these recommendations, the other party may be authorized, on request, to suspend specific obligations under the Convention towards the offending party.

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\(^1\)GATT document, DS4/1, 11 September 1989. In the same matter, the United States also requested consultations with Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom.

\(^2\)According to the Austrian notification, "This measure has become unavoidable due to the intolerable increase in heavy traffic on certain transit routes causing extreme noise and pollution seriously endangering the health of the adjacent Austrian population." GATT document, DS14/1, 28 February 1990.

\(^3\)GATT document, DS14/1, 28 February 1990.
451. Under Austria's free trade agreement with the EC, the Joint Committee is the appropriate forum to tackle issues of mutual concern. If no solution can be found within three months of the matter being referred to the Committee or if a party fails to implement agreed solutions, the other party may adopt any safeguard measures "it considers necessary to deal with the serious difficulties resulting from the practice in question" (Article 27). In particular, tariff concessions can be withdrawn. These provisions have not yet been resorted to by either side.