GENERAL AGREEMENT ON TARIFFS AND TRADE

Meeting of Ministers

STATEMENT MADE BY DR. FRITZ BOCK, AUSTRIAN FEDERAL MINISTER FOR TRADE AND RECONSTRUCTION, ON 27 NOVEMBER 1961

First of all I should like to associate myself with the words of the previous speakers in thanking the secretariat for its careful and difficult work in preparing this Conference.

The item on the Agenda of this meeting of the Council of Ministers under discussion deals with the possibility of further tariff reductions. This is a problem particularly significant for Austria. A relatively high share of Austria's total production is sold on foreign markets, and the gradual removal of tariff barriers is therefore of outstanding importance for Austria. The significance of customs tariffs has lately increased considerably as a consequence of the progress made in the reduction of quantitative restrictions. I welcome, on principle, the suggestion of the Executive Secretary to try to shift to general tariff reductions, should a tariff reduction on a selective item-by-item basis meet with too great difficulties. To give a clearer picture of the possibilities Austria has in this field, I should like to point out some specific economic features that will have to be taken into account with regard to Austria's attitude.

The last two years have been characterized by a general economic upswing. Though Austria has participated in this general development, her standard of living is still lagging behind that of other European countries. The reason for this is that Austria was hit particularly hard by World War II, and especially in its aftermath. It is a well-known fact that, after lengthy negotiations, the State Treaty with Austria was signed only in 1955, by which the country regained its full sovereignty. Up to that time, the occupation had gravely impaired the economic development of the country. As a result Austria's economy has actually had only five years for overcoming post-war difficulties, whereas most other GATT Member countries had been able to start normalizing their economic life, particularly their foreign trade, immediately after the end of hostilities. The obligations resulting under the State Treaty have been a further heavy burden on the country's national economy for the last few years, a burden that Austria's economy will have to bear up to 1963.

Austria's geographical central position is a serious handicap for overseas trade as the country has no sea ports. This was the reason for the country's former relatively close trade relations with East-European and South-East-European countries. Austria's foreign trade with the south-east of Europe was always more intense than that of other European countries; this high share in Austria's foreign trade has diminished considerably after World War II.
During the last few years international trade relations have been increasingly influenced by the creation of regional economic groupings. I should like to mention in this connexion the European economic integration which is a serious problem for Austria. I welcome the creation of bigger markets, because it contributes towards intensifying production and increases the division of labour through liberal trade policies thus making possible a further expansion of the economy and world trade. However, the economic integration of EEC countries, with which Austria is closely linked by traditional trade ties, might cause grave difficulties for Austria, unless a satisfactory agreement will be reached in time.

However, until now the economic integration of Europe has not yet advanced as far.

In this connexion I should like to refer to the fact that an increasingly big share of the capital investments in Austria during the last few years has been financed by foreign loans, owing to the lack of sufficient national capital. The present Austrian balance-of-payment surplus is largely due to the proceeds of these foreign loans as well as the high foreign exchange earnings in tourist trade. However, it must be stated that Austria's trade deficit has risen year after year, and that in 1960 imports totalled roughly 36.8 billion AS, as against about 29.1 billion AS resulting from exports. The trade deficit, which in 1959 had amounted to 4.6 billion AS, thus rose to 7.7 billion AS in 1960. I am of the opinion that a further deterioration of the ratio between exports and imports might lead to grave economic and social difficulties.

Without underrating the importance of the monetary situation for the national economy and though fully appreciating the influence of the balance of payments on the overall situation, I may point out that, apart from these factors the trade situation as well as the general economic situation of a country must be duly taken into account. Considering this you will realize that I have to emphasize my Government's commitment to maintain the level of employment even by immediate trade measures.

Although detrimental consequences were to be expected for some branches, my country has liberalized its foreign trade to a high degree, in conformity with the positive attitude of the Austrian government towards a liberal economic policy. As a first step, trade with OECD countries was freed to a high degree from quantitative restrictions. Differences in treatment of other GATT countries have been abolished to a high extent. A further increase in the GATT liberalization rate from 50 to 70 per cent is scheduled for the beginning of 1962. This will bring the level of liberalization for these countries nearer to that of OECD countries. It is envisaged to continue, with the exception of hardship cases, liberalization for contracting parties in 1963, on the basis of the experiences to be gained during the next few months, with the final aim of eliminating differential treatment. Referring to my former statement concerning Austria's sovereignty, may I point out that we were obliged to carry out liberalization relatively quickly. We began with a GATT-wide liberalization in July last year, and shall reach 70 per cent already on 1 January 1962. The procedure to be adopted for the still remaining restrictions will have to take into account the competitiveness of
Austria's economy. Heavy damages to some branches of production, and set-backs to the country's national economy as a whole, inevitably involving a deterioration of the balance of payments would be the result, if all restrictions were immediately to be lifted.

In the field of tariffs, the Austrian Government is considering steps which would even more improve the possibilities to export to Austria, compared with the present situation. On the industrial sector, with certain exceptions, I am able to offer a general 10 per cent tariff reduction.

This offer is made on principle in addition to the offers submitted by Austria in the current Dillon negotiations. With this offer it is intended to keep in line with the international efforts for a general reduction of tariffs. In spite of the difficulties resulting for the Austrian economy, as they have been outlined above, Austria is thus offering an adequate equivalent for the lowering of the tariff level of other Contracting parties.

I hope that my words have contributed to give you a clear picture of the present situation of Austria's economy and of the intentions of the Austrian Government as far as the trade measures envisaged for the near future are concerned.

I don't think I am saying too much by stating that Austria complies to the highest possible extent with the intentions of GATT by the following three offers:

1. expansion of liberalization from 50 per cent to 70 per cent, i.e. increase of the volume of liberalized goods by 40 per cent;
2. general 10 per cent tariff reduction;
3. our assurance to pursue effectively this liberal trade policy in 1963, taking into account the result of the economic development.

In view of Austria's economic situation, the short lapse of time since 1955 and my country's wish to participate in international aid to less-developed countries, I consider these offers to be a loyal contribution to the aims of the Contracting Parties. In conclusion let me express my Government's good wishes for the continued success of GATT's beneficial and welcome activity also in the future.

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