Committee on Balance-of-Payments Restrictions

1959 CONSULTATIONS UNDER ARTICLE XII:4(b) WITH

A U S T R I A

II. EFFECTS ON TRADE

Statement by the Austrian Authorities

The commercial policy of Austria is based on the External Trade Law 1956 which has confirmed again the principle of free exchange of goods to which Austria has adhered since the conclusion of the immediate postwar period during which her weak position in international trade and payments had imposed on her a transitional system of unlimited import control. The External Trade Law 1956 establishes that importations as well as exportations are not subject to any restriction unless otherwise provided for by the Law itself or by other regulations. A list appended to the Law indicates the goods which are subject, as an exception to the general rule of free exchange, to a licensing obligation at their importation or exportation.

The position of Austria in the field of commercial policy limits the scope of unconditional application of the principle of unrestricted trade as laid down by the External Trade Law 1956. In 1958, the deficit of the trade balance continued to increase and totalled about four billion Austrian Schillings, unrequited deliveries to the USSR under the State Treaty not being taken into account. This deficit represents more than 17 per cent of Austrian exports. Moreover, it should be noted in this connection that in 1958 the general tendency of price decline for raw materials has reduced the average level of import prices by nearly 7 per cent when compared with price levels of the previous year while the export prices declined, also as an average, only by 2 per cent during the same period. Therefore, it must be expected that a recovery in the markets of raw materials would lead, in 1959, to an even higher deficit of the balance of trade. The danger arising to the equilibrium of the balance of payments from the adverse results of the trade balance has become even more acute by the recent implementation of the European Economic Community. The progressive elimination of customs duties and quantitative restrictions put into effect by the EEC member countries as between themselves with a view to establishing a customs union
creates an extremely critical situation to Austria's exporting economy in general as the share of Austrian exports directed to the member countries of EEC represents more than 60 per cent of her total exports; this is a percentage not equalled in the world by any other country trading with the EEC.

The difficulties resulting to the Austrian economy from the unfavourable ratio between export and import values are all the more important as Austrian imports have reached an amount representing about 25 per cent of Austria's net national income; therefore, the need for further expanding Austria's export trade in the interest of a sound development of her economy should be underlined. The danger of an adverse change in Austria's balance of payments position is shown by the widening of the gap between the values of exports and imports. This gap is now being covered mainly by incomes from tourism which are very sensitive to recessions and depend on numerous factors of a non-economic nature.

The events which have taken place so far in the field of commercial policy as well as the uncertainties existing as to the possibility of further maintaining the normal trade relations did not permit the Austrian Government to put fully into effect the principle of free exchange of goods. However, Austria has taken measures in order to diminish the incidental protective effects of existing quantitative restrictions, for instance by the progressive implementation of global quotas, especially in the agricultural sector. Total import prohibitions aiming at protecting determined branches of economy are unknown in Austria; the admittance of imports in all sectors of economy tends to remind the domestic producer of the transitional character of present restricting import regulations.

Austria endeavours to apply to all contracting parties of the General Agreement a policy which takes into account their legitimate commercial interests as well as the particular position resulting to Austria from her economic situation between the Western and Eastern countries and from her status of neutrality. Important reasons of economic policy in both the international and domestic areas call for a close relationship with the contracting parties as well as for intensive trade relations with the countries not members to the General Agreement including the countries of Eastern Europe. Trade relations with the countries of Eastern Europe provide with export possibilities especially those enterprises which being located in Eastern Austria depend traditionally on outlets in Eastern countries. The non-convertibility of surpluses resulting from bilateral exchanges with the Eastern countries brings about the necessity to cover these Austrian surpluses by import deliveries which consist mainly of agricultural products. On the other hand, the need for maintaining those imports, limits the freedom of action for Austria's commercial policy in other areas.
By reducing progressively during the past years the scope of restrictions, Austria has freed from the licensing obligation important industrial and agricultural raw materials. Their unrestricted marketing is of considerable interest to under-developed countries. Imports from OEEC countries had been liberalized to the extent of 93.3 per cent already in 1956. Liberalization in favour of imports from the United States and Canada has been enlarged, again, by the inclusion of a number of industrial items; therefore, it comprises now virtually all industrial commodities which are covered by liberalization vis-à-vis OEEC countries. Moreover, bilateral quotas are established under trade agreements whenever care must be taken of a particular commercial interest of a country. In the absence of trade agreements import policies are applied in a liberal way such as to exclude any discrimination of supplying countries. By all these measures the objective is pursued to increase constantly Austria's foreign trade and to apply the restrictions which are still necessary in an absolutely non-discriminatory way.