The following statement on the general policy on the use of import restrictions for balance-of-payments reasons and their effects on trade, has been supplied by the Government of Austria. It constitutes part of the basic document circulated in MT(60)28.

Statement by the Government of Austria on the use of balance-of-payments import restrictions and their effects on trade

The principle of a free goods exchange régime as laid down in the External Trade Law of 1956 after the strict import prohibition of the immediate post-war period, was upheld by Austria in the External Trade Law Amendment 1959 passed on 17 December 1959. According to this principle imports and exports of commodities into and from the Austrian customs territory are not subject to any restrictions, unless otherwise provided by the aforementioned Law and by other legal regulations. Exceptions from this fundamental rule are specified in the Commodity Lists attached to the External Trade Law and the External Trade Law Amendment 1959, in which all commodities are listed exports and imports of which are subject to licensing. While, in compliance with this principle, a high degree of liberalization of the goods exchange régime has been achieved during the last few years, the complete realization of the principle depends on a number of elements founded on the economic and trade policy situation of the country.

As far as the country's situation in the field of trade policy is concerned, Austria has repeatedly emphasized - among other last year during the consultations under Article XII - the dangers which would threaten Austria's exports and therefore Austria's balance of payments as a consequence of the discrimination on the country's main export markets in EEC countries. The dangers which this situation would entail for Austria's exports as a whole are of great significance since these markets have absorbed up to now about 50 per cent of the country's exports. In view of the measures envisaged by EEC to speed up tariff reductions within the Community and adapting tariff rates to the common external tariff, a serious discrimination of exports to EEC countries is to be expected, which, it is to be feared, will lead to a considerable drop in exports to those markets. Austria had already to experience the grave consequences of similar measures in the iron and steel sector where, in many cases, Austrian exports to the countries of the European Coal and Steel Community are no longer competitive owing to tariff discrimination. In view of the dependency of Austria's
economy upon exports, an analogous development in the field of exports of semi- and finished goods to Common Market countries would entail serious repercussions on the country's entire economy and would seriously impair Austria's industry, since it is at present not to be foreseen to what extent it will be possible to compensate losses in exports to Common Market countries by higher exports to other markets. Heavy repercussions on Austria's trade balance and consequently on the country's balance of payments would become unavoidable.

Since the last consultations under Article XII of GATT in July 1959 the situation of Austria's balance of payments has deteriorated. During the second half of 1959 foreign currency reserves decreased by $80.3 million and during the first quarter of 1960 by more than $37 million. In 1959 the trade balance deficit - including the gratuitous shipments to the USSR - increased from $155.7 million in 1958 to a total of $176.8 million, i.e., by nearly 14 per cent. This retrograde development continued throughout the first quarter of 1960 which ended with a deficit of $74.1 million, as against $24 million registered for the same period of 1959. Under these circumstances the surplus of the services balances cannot be expected to suffice to balance the steadily growing trade deficit. One of the reasons for this unfavourable development of the trade balance is the fact that Austria's goods exchange with Common Market countries has already begun to show an unfavourable trend. This development is apt to justify the misgivings voiced by Austria on former occasions as to the repercussions of the failure of all endeavours made hitherto to arrive at an economic integration of Europe.

While the situation as outlined above makes it understandable that Austria has not yet been able to fully realize the principle of a free goods exchange régime, the country is nevertheless endeavouring to reduce as far as possible incidental protectionist consequences that might result from existing restrictions. With this aim in view Austria has constantly admitted imports in all sectors in which import restrictions are still applied to demonstrate to Austrian manufacturers the temporary character of the present import régime. Austria has always endeavoured to take into account the interests of her trade partners when laying down her import policy.

The same spirit has been responsible for the freeing of important industrial and agricultural basic materials from the licensing procedure during the last few years by which substantial exports from industrially less-developed countries to Austria have been facilitated. By quotas established within the framework of trade agreements the interests of Austria's trade partners have moreover been taken into account. In cases where no trade agreements exist, Austria has moreover handled still existing restrictions along the lines of an as far as possible liberal import policy, as it goes hand in hand with the endeavours to arrive at an as far as possible liberal trade policy.

During the last few years Austria has taken important steps towards the liberalization of imports by freeing up to a high degree imports from the United States and Canada as well as from OEEC countries from quantitative import restrictions. As far as OEEC countries are concerned, the liberalization quota had already surpassed 90 per cent in 1956.
Since the liberalization stage of 15 October 1958 quantitative restrictions on imports of all industrial products liberalized for the OEEC area have been lifted also for the United States and Canada, with the only exception of a few textile sub-items of the Austrian Customs Tariff. The liberalization of these sub-items is foreseen for the near future so that any difference in treatment - especially of industrial products - between the United States and Canada on the one side and OEEC countries on the other will be eliminated.

In the agricultural sector where up to then a difference in treatment of the United States and Canada had existed against the OEEC liberalization for some grain species and some foodstuffs, an Amendment of the Austrian Market Regulation Law has brought about a regulation according to which grain imports are to be carried out by the State whereby such imports come under Article XVII of GATT.

At present Austria is studying all possibilities of a GATT-wide expansion of liberalization measures while taking into consideration the economic and geographic situation of the country and existing hard-core cases on the basis of present conditions in some branches of Austria's industry. Such steps will be taken with a view to comply with the recommendations of the International Monetary Fund of 23 October 1959 concerning the application of quantitative import restrictions for balance-of-payments reasons by countries with convertible currencies. The conclusions arrived at by the International Monetary Fund that, in cases where such restrictions have been applied for a long time, their abolition would require an adequate lapse of time, is particularly applicable to Austria since several branches of Austria's industry were seriously hampered in their development until 1938 when the country regained its sovereignty. Although this specific Austrian situation must be taken into account whenever steps are being taken aiming at expanding liberalization measures to all GATT countries and although it must never be forgotten that at present Austria possesses no legal instrument preventing imports at dumping prices, Austria is willing to take adequate measures as speedily as possible. Therefore regulations are foreseen for the near future pursuing the aim of expanding liberalization measures to all GATT countries.