

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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Working Party on Structural Adjustment
and Trade Policy

RECORD OF DISCUSSION ON COUNTRY CONTRIBUTIONS
RELATING TO EXPERIENCE WITH STRUCTURAL ADJUSTMENT

Austria
(Spec(82)6/Add.13)

1. The representative of Austria stated that his delegation's relatively short submission reflected the limited extent to which his government intervened in the adjustment process. He referred to the statistical annexes which clearly brought out the changes which had taken place in the Austrian economy. The decline in value-added and employment in the textiles and apparel industries, for instance, showed the strong international competition in this area.

2. One member sought information on government measures undertaken in support of poor regions in the mountains and how these measures were designed to achieve an economic advancement of the regions in question.

3. In reply the representative of Austria stated that the basic objectives for Austrian agriculture and the implementation of the main actions were laid down in the Agricultural Act of 1976. Some of these main objectives were:

- to improve the income situation of the farm population to ensure that rural areas remained populated and attractive as recreation areas;
- to supply the population with high quality foodstuffs;
- to ensure that the farm population shared in general economic growth and social progress;
- to assist agriculture to adjust to the changes in the national economy.

The Agricultural Act stated explicitly that, in pursuing these objectives, the needs of agriculture in the mountain areas were in particular to be taken into account.

4. Within the framework of the objectives mentioned above, the application of a modern policy for mountain farmers constituted also a central issue of Austrian agricultural policy. This special consideration resulted from the great importance of the mountain areas within the national economy. The following data were significant in this respect:

- the mountain area represented about 30 per cent of the total population and accounted for more than 50 per cent of the total active population in agriculture and forestry;
- about 125,000 mountain farms (more than one third of all agricultural holdings) accounted for about 50 per cent of the areas used for agricultural purposes, for 60 per cent of Austrian woodland, and represented 60 per cent of the national cattle herd. Mountain farms provided about 30 per cent of the Gross Agricultural Product (including forestry). The mountain areas accounted for about two-thirds of tourist activity in Austria.

5. The policy for mountain areas aimed at sustaining activities in these regions through appropriate measures so that, in the future, the economies of these regions could develop and progress further. At the same time, the Alpine regions should be kept as close as possible to their natural state. In this way the basic interests of the population were to be secured. According to the Austrian authorities this required in particular:

- preservation of population density and land utilization adapted to regional conditions;
- securing as far as possible income and existence of mountain farm families in a permanent manner;
- accelerated improvement of economic and social infrastructures.

6. In order to realise these objectives, a set of investment aids was being applied providing for reduced interest rates and grants to promote mountain farming. These aids were given for a large variety of measures, such as:

- improvement of production conditions and construction of facilities in the infrastructural field (rural road construction, electrification, installation of telephone, drinking water supplies, improvement of farm layout);
- the modernization and rationalization of holdings (improvements of homesteads and farm buildings, technical installations and equipment);
- improvement of productivity in arable and livestock production;
- development of off-farm employment (e.g. creation of accommodation on farms to receive tourists).

7. Off-farm income played an important part in determining the financial strength of Austrian farmers. Over 57 per cent of all farm owners and their wives dedicated more than half of their total working time to an off-farm activity. Thus, the majority of farmers were more closely tied to the general economy than to the agricultural economy as measured by net farm income statistics. Off-farm income was an important source of financial stability for farm enterprises during periods of reduced net farm income. On the other hand, a downturn in the business cycle might cut deeply into off-farm income, resulting in greater instability.

8. It was considered unlikely in Austria that through price-market-structural-and -investment policies, the existence of a sufficient number of holdings required for maintaining the necessary population density in mountain areas could be assured. Unfavourable production conditions made farming more costly and also limited the area of land that could be farmed efficiently per labour unit. Consequently, a direct payments scheme (Bergbauernzuschuss) for mountain farms had been introduced by the Federal Government in 1971. This system of income transfers reflected also the recognition of mountain farmers for their performance in the general interest. In 1981 an amount of AS 327.5 million on direct payments was allocated to approximately 57,000 mountain farms. In the framework of the "Special Mountain Farm Programme" the Federal Government granted contributions of about AS 272 million, 252 million of which for rural road construction.

9. The same member also asked whether the Austrian government or Austrian industries had undertaken any special programmes to facilitate the expansion of certain industries or sectors and whether the self-sufficiency ratio in different agricultural products could be supplied. The representative of Austria stated that the mandate of the Working Party covered government policies and not industry programmes. As regards the data on agricultural products he referred to the statistical material furnished by the Austrian delegation in the Annex to this report.

10. Another member asked whether, in the agricultural sector, Austria could list specific support and protection measures, describing their extent and rationale and provide a brief assessment of their cost effectiveness in terms of their objectives and of their efficacy in terms of adjustment. In his reply the Austrian representative referred to the following notifications: DPC/INV/1/Add.11 (Dairy Products), IMC/INV/16 (Meat), L/5104/Add.17 (Subsidies), L/4910, L/5111 (Licences), L/5265 (NTM), and the Protocol of Accession of Austria to the GATT. He stated furthermore that there were no calculations on the cost effectiveness of the above mentioned measures in terms of their objectives and of their efficacy in terms of adjustment. An exact or even an approximative quantification of those measures was not possible.

11. The same member also sought a brief assessment of the importance of the agricultural sector to the total Austrian economy in terms other than its share of GDP or employment. The representative of Austria referred to the "general policy statement" provided by his government in document AG/DOC/2/AUT/1.

12. The same member was also interested in information on fundamental indicators of change and adjustment in the agricultural sector. In response the Austrian representative stated that employment in the agricultural sector in relation to total employment was in 1950 30.7 per cent, in 1960 22.5 per cent, in 1970 14.5 per cent, in 1972 12.6 per cent, in 1974 11.4 per cent, in 1976 10.6 per cent, in 1978 9.5 per cent, in 1980 9.0 per cent, and in 1981 8.8 per cent. He went on to say that output per unit, e.g. productivity of labour, net value added per employee in agriculture and forestry, was in 1972 107.0, in 1973 117.2, in 1974 124.3, in 1975 134.2, in 1976 142.6, in 1977 145.9, in 1978 161.9, in 1979 173.5, in 1980 it was estimated at 184.9, and in 1981 at 180.6. As to the amount exported

in per cent of the market the Austrian representative referred to the statistical material furnished in the Annex to this report. He added that imports accounted for 29.1 per cent and exports for 23.3 per cent of GNP (Austrian GNP: AS 1,143 billion; imports: AS 332.55 billion; exports: AS 266.86 billion).

13. One member noted that the data given on domestic production were not of particular relevance to the Working Party. Only if corresponding trade statistics were supplied could he accept the assertion that employment changes in the textile sector and in agriculture were caused by imports. He agreed that domestic policies fell outside the objectives and competence of the Working Party.

Home production in per cent of the total consumption of some important agricultural products

Products	∅ 1972/73 to 1975/76	∅ 1976/77 to 1979/80	1976/77	1977/78	1978/79	1979/80	1980/81
Vegetable products							
Wheat	104	111	107	109	124	102	150
Rye	104	103	106	96	115	94	130
Barley	95	102	101	103	107	95	100
Oats	96	95	89	94	98	97	99
Maize	94	98	95	105	92	99	97
Cereals total	98	102	101	101	106	98	110
Potatoes	99	98	99	95	98	98	99
Sugar	116	114	118	134	96	107	117
Vegetables	86	84	80	86	85	83	88
Fruits	68	68	70	64	68	69	71
Wine	87	105	105	98	113	102	100
Vegetable oils	4	3	3	3	3	3	4
Animal products							
Beef	107	110	106	104	112	116	112
Veal	87	74	75	69	78	75	83
Pork	94	100	101	97	101	101	93
Poultry	80	85	83	84	84	87	87
Meat total	95	99	98	96	100	102	97
Slaughter fat	102	110	111	110	110	110	103
Whole drinkmilk	101	100	101	100	100	100	101
Cheese	169	174	162	182	174	177	178
Butter	105	104	112	105	98	102	101
Eggs	80	82	78	81	84	84	85

Exports in per cent of the market of some important agricultural products

	Market tons 1977	Export	Market tons 1978	Export	Market tons 1979	Export	Market tons 1980	Export	Market tons 1981	Export
Cattle for slaughtering incl. meat and products thereof	559,300	7.2	562,900	4.3	616,900	16.3	610,500	7.9	594,300	6.4
Butter	39,179	6.5	38,100	5.0	36,729	3.5	39,629	6.3	38,141	6.5
Cheese	64,054	48.2	71,300	45.0	72,362	52.8	73,620	55.6	77,200	56.5
Whole milkpowder	22,803	131.8	23,977	79.2	18,455	81.6	15,925	66.5	19,022	69.8
Timber (soft wood)	5,841,283	63.8	5,526,235	67.3	6,108,000	69.2	6,300,966	67.4	6,063,800	62.8