Gerhard Pschor, Austria and the EC (November 1979)

Caption: In November 1979, in an article for the monthly publication EFTA Bulletin, Gerhard Pschor, member of the Federation of Austrian Industrialists (VÖI), provides a statistical assessment of trade relations between Austria and the nine Member States of the European Economic Community (EEC) since the signing, in July 1972, of the Free Trade Agreements.

Source: EFTA Bulletin. November 1979, No 7; Vol XX. Geneva: Press and Information Service of the European Free Trade Association. "Austria and the EC", auteur:Pschor, Gerhard , p. 4-8.

URL: http://www.cvce.eu/obj/gerhard_pschor_austria_and_the_ec_november_1979-en-5274b261-e150-4cc5-8346-bdd8240ed94b.html

Last updated: 13/06/2014

Austria and the EC

By Gerhard Pschor, Federation of Austrian Industrialists

The Austrian objective of being able to trade with the EC without tariffs and other obstacles to the free movement of goods was realised on 22nd July 1972, after years of efforts, when Bruno Kreisky, the Austrian Chancellor, and Josef Staribacher, Austria's Trade Minister, signed in Brussels the agreements which established a free trade zone between Austria and the Common Market from 1st January 1973.

The essential character of Austria's free trade arrangement was determined by the fact that membership of the EC was ruled out for Austria by its status as a neutral country. Similar considerations were equally valid for the other neutral EFTA countries, Finland, Sweden and Switzerland. Membership was not a possibility for Iceland for economic reasons, nor for Portugal for both economic and political reasons; and in the case of Norway it was rejected in a referendum.

Nevertheless, in Austria and the other countries there remained a positive desire to enter into closer economic ties with the original Community countries – Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands – and to cooperate with them in a form of free trade that would further integration in Europe after the EC was enlarged by the accession of the United Kingdom and Denmark – both former members of EFTA – and of Ireland.

Within EFTA Austria had always led the way in urging the idea that the EFTA countries should enter into a free trade relationship with the EC. When the free trade arrangements were being worked out in 1972, Austria accordingly was able at an early stage – from 1st October in that year – to put into force an interim agreement with the EC. The effect was that the first step in the tariff cuts – a 30 per cent reduction – was put into effect, in relations between Austria and the EC, six months earlier than the first cuts in the agreements of the other EFTA countries.

Now Austria can look back on a period of more than six years of free trade with the EC, and a thoroughly favourable balance sheet can be drawn up on the basis of the development of its trade with the EC.

Favourable growth in trade 1973-78

Austria's exports to the EC in 1973 amounted to 50,142 million Schillings and represented 49.1 per cent of its total exports. In 1978 its exports to the EC had risen to 92,342 million Schillings or 52.9 per cent of its total exports. There was an even greater expansion in its imports from the EC: in 1973 they had totalled 88,979 million Schillings (64.6 per cent of the country's total exports) but had grown to 151,672 million Schillings (65.5 per cent of total imports) in 1978. If this growth is considered in relation to the development of Austria's trade as a whole, the results are generally favourable. Last year Austria's total exports rose by 8.8 per cent and its total imports fell by 1.9 per cent. Its exports to the EC increased by 15.6 per cent and its imports from the EC declined by 1.4 per cent.

The same conclusion is indicated by the annual integration report (for 1978) presented by parliament to the Austrian Foreign Minister. This records that Austrian exporters increased their market shares in the EC. Thus the statistics for the first nine months of 1978 show that Austria's share of all imports into the six original EC countries increased from 1.414 per cent to 1.537 per cent, a rise of 11.7 per cent.

In the case of Austria's most important trading partner in the EC, the Federal Republic of Germany, Austria's share of its total imports went up from 2.611 per cent to 2.90 per cent, a rise of 13.5 per cent. Austria's position as a supplier to France also improved, its share of the volume of imports into France rising from 0.429 to 0.567 per cent, a gain of 36.7 per cent. In Britain Austria began again to win market shares for the first time since 1972. Its share of the import market rose from 0.734 to 0.772 per cent, an increase of 7.7 per cent.

The integration report reveals a setback in Italy where Austria's share of the import market went down from

1.893 to 1.775 per cent, a fall of about 5 per cent. There was a decline of 11.3 per cent in the case Denmark where Austria's share of the import market dropped from 1.373 to 1.248 per cent. But taking the nine countries of the EC together Austria's position as a supplier expanded, its share of the total import volume going from 1.284 to 1.374 per cent in 1978. Thus Austria's share of the market grew by 9.8 per cent.

As these figures show, Austria's exports to the EC increased faster than its total exports in 1978. This confirms the assumption that it takes a longer time for a small country like Austria to reap the benefits of a larger free trade area than it does for a large economic unit. It is only in the last two years that Austrian exporters have been able to expand their share of the EC market. But this is to be seen in connection with the "dynamic effects" of integration which first took the form of a greater breakthrough on the (Austrian) import side, and only after a longer phase of adjustment led to a fuller use of the advantages of integration for exporters, on the basis of the progressive removal of customs duties between 1972 and 1977.

While there has thus been a satisfactory development in Austria's exports to the EC, there had also been the impact of a strong and continuous increase ever since 1972 in Austria's imports from the EC. This is the main reason why the share of Austrian manufactures in the domestic market once again fell in 1978 – from 53.7 to 53.2 per cent, although the fall of 0.5 per cent was less than the 2 per cent decline in 1977. The effect of integration on Austrian imports, if one considers the whole of the period from 1970 to 1978, has naturally been the decisive factor in the drop from 61.3 per cent to 53.2 per cent in Austrian industry's share of the domestic market. It therefore seems desirable from the point of view of Austrian producers, and especially of manufacturing industry in Austria, that in the long run there should be a balance between the loss of market shares within Austria and the securing of new sales possibilities in the EC.

Sensitive products

The duties on almost all manufactured goods were abolished in 1977 but there remains a considerable obstacle which makes it difficult to sell to the EC some of the most important Austrian export products. These are the high grade products which are considered "sensitive", particularly paper and board, special steels, aluminium, ferro-alloys and artificial fibres. On these sensitive products the final removal of tariffs and tariff quotas will not take place until 1980 or, in some cases 1984.

On the other hand, if one looks at the categories of products on which the tariffs have already been completely removed, the producers of basic materials and manufactures in Austria have been more successful in the EC market than the consumer goods industries.

In terms of domestic market shares (domestic products as a proportion of total sales in the domestic market) and of coverage (domestic production in relation to domestic consumption) the Austrian machinery and chemical industries have fared best while the wood processing industry and the textile and clothing manufacturers have lost ground.

Difficult problem in the agricultural sector

There is a considerable problem concerning Austria's trade with the EC in agricultural products since, as is well known, the whole of the agricultural sector is outside the scope of its free trade agreement with the EC and there are special regulations for processed agricultural products. In 1973 Austria's exports of agricultural products to the EC were worth 3,310 million Schillings and its imports of agricultural products from the EC totalled 5,660 million Schillings, with a consequent Austrian deficit of 2,350 million Schillings. And the situation has continued to deteriorate since then. Agricultural imports from the EC in 1978 to the EC amounted to 8,670 million Schillings against Austria's exports to the EC of 4,180 million Schillings so that the Austrian agricultural deficit had grown to 4,490 million Schillings. If it were possible to work out accords with the EC in the agricultural sector – particularly for cattle and meat, milk products and processed agricultural foodstuffs – which would supplement the free trade agreement, this would greatly help to bring about a more even balance between the industrial and the agricultural sectors in the trade with the EC.

The views of Austrian firms

Austrian firms strongly favour the developments that have taken place in European integration and are searching for new ways that go beyond the mere trade in goods in order to be integrated more fully within the framework of the EC market. This conclusion emerged from an enquiry among Austrian firms on their judgment of the phase of integration in 1973 to 1978 and of the prospects for the future.

Kurt Zuckerman, a partner in the firm Maschinenfabrik Zuckermann KG who is also director of the Association of Austrian machinery and steel construction industry within the Federal Chamber of Economy and chairman of the Committee for foreign trade problems in the Association of Austrian Industrialists, says on the part of his own firm: “In addition to supplying special machines directly to the wood-working industry we have begun to put more emphasis on the designing of complete factory equipment and turn-key factories for the furniture industry and the wood-processing sector. The designing of factories in third countries in collaboration with firms in the EC has in particular become more important. There has been an increase in cooperation and in the purchase from each other of machinery, transport equipment and components for projects in EC and EFTA countries and in third countries. In recent years the Federal Republic of Germany, the UK, Italy and France have particularly been sources of growth. If the EC is enlarged through the entry of new members, especially Greece, this should not have the consequence that Austria experiences tariff discrimination in relation to the members of the EC.”

In the metallurgical sector the leading Austrian firm Metallwerk Plansee AG has been able to increase the EC’s share of its total turnover in the years 1973 to 1978. According to board spokesman Franz Hosp the EC share was 50 per cent in 1973 but 54 per cent in 1977-78 and 52 per cent in 1978-79. “A further increase of the EC share to about 55 per cent is expected for the year 1979-80. In terms of company policy this presupposes that the company either has already established its own branches in the EC countries or plans to set up new ones. Our company anticipates that the EC will account for a still larger proportion of our turnover on the basis of an increased effort in research and development.”

For Hans Haindl, director of Elin-Union AG, the prospects in the electrical sector, now that the EFTA countries and the EC form a free trade area, can be put in this way. “Both in EFTA and in the EC there have for a long time been very strong national electrical industries. Consequently there is no longer any appreciable additional growth to be achieved in the direct trade in goods. But it is still possible to obtain a better foothold in the market within the EFTA-EC area for high-quality special products and equipment or at least to maintain market shares. For Elin-Union significant examples worth mentioning in this domain are sources of welding current for special welding operations where the quality requirements are extremely high, and equipment for testing vibration for the car, lorry and aircraft industries and for space flights and satellite programmes.”

As for consumer goods, the manufacture of winter sports equipment is a characteristic Austrian industry, and one which is very strongly oriented towards exports to the EC. Arthur Hagg, spokesman of Fischer G.m.b.H, an Austrian manufacturer of skis and other sports equipment, describes the situation thus: “Of our turnover of 640 million schillings in the year 1978-79 about 85 per cent consisted of exports. The markets in the EC, especially the Federal Republic of Germany and Italy, have already overtaken the domestic market. To cultivate the markets in the EFTA-EC region Fischer has set up its own trading companies or representatives with the task of keeping a close watch for sales possibilities. Because of the very keen international competition in the ski sector our firm has pressed ahead with the rationalisation of our manufacturing facilities.”

Steyr-Daimler Puch AG, the Austrian manufacturer of utility road vehicles, tractors, mopeds and bicycles, has successfully gone in for cooperation in the joint development of new products with firms in the EC. The new cross-country utility vehicle, developed in collaboration with the German firm Mercedes Benz AG and already in production, is evidence that cooperation between Austrian and EC enterprises can generate new high quality products for the markets of the world.