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# INFORMATION

EXTERNAL RELATIONS

AUSTRIA AND THE EUROPEAN COMMUNITY

130/76

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## 1. THE AGREEMENTS BETWEEN AUSTRIA AND THE EUROPEAN COMMUNITY

Austria's request for the negotiation of an association agreement with the Community dates back to 15 December 1961, four months after the United Kingdom had made its first application for adhesion.

Negotiations between Austria and the European Community for a commercial arrangement were temporarily suspended in 1967.

On 5 November 1969, the Austrian government repeated its request for an agreement with the Community, irrespective of the latter's enlargement.

A few weeks later, on 2 December 1969, after the conference of Heads of State or Government of the six countries, the question of preferential agreements with countries belonging to the European Free Trade Association, which were not candidates for membership of the EEC, was raised afresh on a more general basis. The conference resolved to open discussions not only with the candidates for membership, but also with such other members of EFTA as might so desire.

After this the negotiations between Austria and the Community for an interim agreement and a trade agreement continued concurrently. They led to the signature on 22 July 1972 of interim agreements between Austria and the European Communities (the Common Market and the European Coal and Steel Community) which came into force on 1st October 1972<sup>(1)</sup> and agreements of unlimited duration<sup>(2)</sup> timed to come into force on 1st January 1973. In the case of the Coal and Steel Community, however, the date of entry into force was deferred by a year.

Like the other bilateral agreements with the non-candidate EFTA countries, the agreements between Austria and the European Community envisage the progressive setting up of a free trade area for industrial goods and certain processed agricultural products.

The agreements provide for the elimination of customs duties between Austria

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(1) Official Journal of the European Communities (O.J.) No. L 223 (29.9.72)

(2) EEC : O.J. No. L 300 (31.12.72)  
ECSC: O.J. No. L 350 (19.12.73)

of the first part and the six original members of the Community and Ireland of the second, and for the maintenance between Austria, the United Kingdom and Denmark of the customs franchise already in operation under the EFTA arrangements.

The interim agreement made it possible for the removal of customs duties and taxes of equivalent effect between Austria and the Community to begin earlier and proceed faster. Those on imports of industrial goods were lowered by 30% as from 1st October 1972, whereas for the other EFTA countries the first reduction was only of 20% and did not occur till 1st April following.

A final 20% reduction is timed for 1st July 1977. As from this date, there will be complete industrial free trade under most of the relative headings between Austria and the European Community.

In respect of a few sensitive products under the steel and paper headings, in respect of which the position of the austrian industry was particularly strong, indicative ceilings were fixed in advance and the liberalisation timetable continued until 1st January 1980 in the former case and 1st January 1984 in the latter.

The agreement does not seek to set up a customs union (which would involve a joint external tariff) nor any requirement to bring the respective legislations into line with one another. The contracting parties nevertheless undertake to avoid unfair competitive practices which might affect the trade between them. Under the agreement between Austria and the ECSC Austria agreed to apply the same price rules as the Community.

Joint rules of origin were adopted by the Community and the EFTA countries. The effect is that an article processed in several different EFTA countries may be regarded as eligible for the customs franchise, even though the successive processings may not suffice individually to give the product the status of originating from any one of the processing countries.

The free trade arrangements do not extend to the agricultural sector which, incidentally, represented only about 7% of the trade in 1968-70 between the two partners. A special system was set up to allow for differences in the cost of agricultural products incorporated in various categories of processed goods. Both parties, too, put on record their willingness to promote the smooth development of the trade within the limits of their respective agricultural policies. Just before the agreements were signed, too, Austria and the Community agreed to certain autonomous reciprocal concessions in this sector -- revised arrangements for importing austrian beef-cattle into the Community and concessions by Austria in regard to fruit and vegetables and wine.

The agreements include an evolution clause enabling either partner to put forward documented requests for extending the scope of the agreement into fields not initially covered.

On the institutional side, the agreements set up a joint Committee, which is to meet in normal circumstances twice a year. It is responsible for the administration and due execution of the agreements, with special regard to customs matters and the rules of origin. Its job also includes the examination of any requests for extending the scope of the agreements.

## 2. AUSTRIA'S EXTERNAL TRADE

Austria's total imports in 1974 were equivalent to 27.4% of the gross internal product and the exports to 21.7%. These ratios approximate to the EEC average.

In 1975 the Community supplied some 62% of Austria's imports, and was the destination for 44% of the exports. The austrian trade deficit with the Community is bigger than its total deficit with the world as a whole, but more than half of it is covered by the net tourist revenue, which is 90% of Community origin. In the first half of 1975, there was a rise of about 20% in austrian imports, both from the Community and from the world as a whole; but it was only to the Community that there was a corresponding rise in austrian exports.

1. Austria's total external trade (th.million shilling) (1)

	Austrian imports		Austrian exports		Trade balance	
	Value	Year's rise or fall	Value	Year's rise or fall	Value	Year's rise or fall
1972	121		90		- 31	
1973	138	+ 14%	102	+ 13%	- 36	+ 16%
1974	168	+ 22%	133	+ 31%	- 35	- 3%
1975	163	- 3%	131	- 2%	- 32	- 10%
1975 (Jan-June)	81		63		- 17	
1976 (Jan-June)	97	+ 20%	71	+ 12%	- 26	+ 49%

Source : Austrian statistics

2. Sources and destinations of Austrian imports and exports (% of total)

	Austrian imports from :			Austrian exports to :		
	EEC	EFTA	Eastern countries	EEC	EFTA	Eastern countries
1973	64.5	12	8	49.2	18.2	10
1974	61.5	10.9	9	44.3	17.4	11.5
1975	62.3	10.6	10.2	44.2	15.3	17.1

Source : Austrian statistics

3. Trade between Austria and the European Community (th.million shilling)

	Austrian imports		Austrian exports		Balance	
	Value	Year's rise or fall	Value	Year's rise or fall	Value	Year's rise or fall
1972	70		35		- 35	
1973	89	+ 27%	50	+ 44%	- 39	+ 11%
1974	104	+ 16%	59	+ 18%	- 45	+ 14%
1975	102	- 2%	58	- 2%	- 44	- 1%
1975 (Jan-June)	48		27		- 21	
1976 (Jan-June)	61	+ 21%	34	+ 22%	- 27	+ 29%

Source : Austrian statistics

(1) \$US = c. 18 sch. = c.40 BF = c.0.80 U.A. (1975)

### 3. ECONOMIC RELATIONS BETWEEN AUSTRIA AND THE EEC SINCE THE AGREEMENTS

The EEC-Austria joint Committee has been meeting regularly every six months. The seventh meeting was held in Brussels on 11 June 1976.

The Committee has settled a number of arrangements to facilitate administrative cooperation between the partners, the simplification of customs formalities applicable to the trade in goods and the adaptation of the rules of origin.

In regard to trade in industrial goods, Austria laid down, in December 1975, a minimum price for adhesives imported from the Community. The latter has challenged the propriety of this measure, which is currently under discussion at expert level.

In virtue of specific provisions of the agreement, the Community made no increase in 1975 in the indicative ceilings applicable to two items in the paper sector, in respect of which the Community industry was in a particularly difficult position. On the austrian side the wish has been expressed that the rate of liberalisation of the trade in sensitive products should be quickened. The agreement provides for a further examination of these problems after 1st July 1976.

The agricultural sector has been the subject of many austrian requests in the joint Committee, though it does not strictly fall within the province of the free trade agreement. The Austrians are particularly concerned at the deficit in their agricultural trade, and would like the Community to take their interests more closely into account, especially in relation to beef and veal, which accounts for a large part of Austria's agricultural revenue. The Community is insisting on maintaining its freedom of decision in matters of agricultural policy and finds it difficult to make concessions in respect of products of which it already has a surplus. Moreover, this is a field in which Austria has the advantage of specific concessions made by the Community on an autonomous basis, just before the signature of the free-trade agreements.

There have already been discussions between the austrian authorities and Commission experts on these problems of the trade in agricultural produce. In the course of October this year, there are to be talks on beef and veal and wine.

Cooperation between Austria and the EEC in other fields.

Austria's geographical position justifies some degree of coordination in transport and the corresponding infrastructure. These problems were raised in the European Parliament in June 1973 and again in April 1976.

The following agreements have been made with a view to regulating the transit of Community goods across Austria :

- protocol of 10 October 1974, completing the agreement of 26 July 1957 on freight rates for rail transport of coal and steel products ;
- agreement of 30 November 1972, replacing an arrangement dating from 1962, seeking to simplify customs procedures affecting the transit of Community goods;<sup>(1)</sup>
- agreement of 11 June 1975 on the transit of goods between the Community on the one hand and Greece and Turkey on the other.<sup>(2)</sup>

Meetings of experts are held every six months to examine developments in the iron and steel industries. Austria is also a participant in exchanges of information on environmental research.

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(1) O.J. No. L 294 (29.12.72) ; see also O.J. No. L 58 (28.2.74).

(2) O.J. No. L 288 (19.7.75).

APPENDIX

THE AUSTRIAN ECONOMY

Austria covers an area of 83,900 sq. km., and has a population of 7,531,000, which is expected to be over 8 million by 1985. The average density of population is 90 inhabitants per sq. km; but one Austrian in every four lives in Vienna.

In 1974 the population engaged in agriculture was 16.1% of the total active population. The corresponding figure for the European Community was 8.9%.

Industry provides the jobs for 40.1% of the employed manpower, and the service trades 43.8%.

Immediately after the second world war, standards of living in Austria were comparatively low. This continued until the early sixties, but by now Austria has almost caught up the Community average. The gross internal product (GIP) per head in 1974 was Eur. 3,494. For the EEC as a whole it was Eur. 3,561.

In the same year, the national GIP was Eur. 26,300 million, an increase since 1970 of 24% (against 16% for the Community) in volume.

The current economic position of the country is comparatively good. There is little labour trouble and the rate of unemployment fluctuates around 1%. Some 70,000 foreign workers, however, went back to their home countries in 1975.

The annual inflation rate has been successfully kept down to about 7.5%. The austrian schilling is one of the world's strongest currencies and since 1971 its rate of appreciation has been somewhat greater than that of the Deutschmark.

The gross national product showed a 2% fall in 1975, but is expected to increase in 1976 by about 4%.