

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

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### STATE TRADING

#### Notifications Pursuant to Article XVII:4(a)

#### AUSTRIA

The following communication, dated 7 May 1991, has been received from the Permanent Representation of Austria.

#### Financial Monopolies

##### I. Enumeration of state-trading enterprises

In Austria there exists state trading in the form of three financial monopolies:

- (a) Tobacco (raw and manufactured), tobacco substitutes and certain products thereof (Tobacco Monopoly)
- (b) Ethylalcohol (Alcohol Monopoly)
- (c) Salt (= sodium chloride) (Salt Monopoly)

Though constituting institutions sui generis, these monopolies are to be considered as state-trading enterprises, in accordance with the provisions of Article XVII.

##### II. Reason and purpose for introducing and maintaining state-trading enterprises

The principal purpose of the Austrian monopolies is of fiscal nature. Additionally, the monopolies as market regulations have to fulfil significant tasks in the field of economic, agricultural, social and public health policies.

The Tobacco Monopoly, apart from its fiscal purposes, has social functions insofar as shops for tobacco products (wholesale and retail shops) are reserved mainly for war and civil invalids and for victims of the fight for a free and democratic Austria.

The Alcohol Monopoly, apart from its fiscal purposes, by means of taxation of alcohol also aims at a restriction of the consumption and minimizing its serious effects on public health. In addition, the alcohol monopoly serves to achieve agricultural purposes (production of efficient feeding stuffs and fertilizers). Owing to the geographical situation of Austria - wide agricultural areas have unfavourable soil and climate conditions - these agricultural purposes are of special importance. In order to maintain the fertility and productivity of these areas and therewith to enable an established position to the farms in these areas, adequate cultivation of hoed crop - especially potatoes - is necessary. Agricultural distilleries have been established to commercialize these agricultural products from the above-mentioned areas, which are in an extremely unfavourable traffic situation. Additionally, the residues of these distilleries form an important basis for feeding stuffs and enable intensive cattle breeding. Furthermore, the Alcohol Monopoly has to fulfil important social and public health tasks owing to the fact that it has to supervise the production and the quality.

The Salt Monopoly, apart from its fiscal purposes, fulfils the task to guarantee the supply of the necessary salt to consumers. With regard to the neutrality of Austria and to the necessity of sufficient supply to the population, even in the case of a world crisis the Salt Monopoly serves national defence purposes as well. At the same time public health aspects (iodizing) have to be taken into consideration.

### III. Description of the functioning of the state-trading enterprises

(a) Tobacco, raw or manufactured, tobacco refuse, tobacco extracts, tobacco essences, tobacco substitutes and certain products thereof are subject to the Tobacco Monopoly. The Tobacco Monopoly covers the production, the processing, the importation and the use of monopoly goods and trade with such goods. The monopoly authority is the Federal Ministry for Finance and its subordinated financial authorities. Among others the monopoly authority is competent for price fixing, for granting monopoly licences and for prosecution of violations of the monopoly regulations. The administration of the monopoly is carried out by the Austrian Tabakwerke AG (formerly Oesterreichische Tabakregie), the only shareholder of which is the Federal Republic of Austria.

The production, the processing and use of monopoly goods as well as the trade with such goods are undertaken by the Austrian Tabakwerke AG. Insofar as the trade with monopoly goods is not carried out by the Austrian Tabakwerke AG, it is carried out by tobacco retailers contractually bound to the Austrian Tabakwerke AG. The necessary monopoly licence in this respect is to be granted by the Federal Ministry for Finance.

Insofar as the tobacco monopoly provisions do not provide for exemptions, the importation of monopoly products is reserved to the monopoly administration. The monopoly administration's imports of monopoly goods are exempt from all import duties and taxes. However, there are general exemptions especially for limited imports in the framework of tourist traffic, of traffic in frontier areas and of postal traffic for gifts. Furthermore, the Federal Ministry for Finance is authorized to permit in individual cases the import of monopoly goods which are for personal use and not destined for trade.

The domestic selling prices of monopoly goods are fixed by the Federal Ministry for Finance. These prices have to be approved by the Main Committee of the Parliament.

The export prices of tobacco products are determined by the costs of production and the conditions prevailing on markets abroad. The mark-up on imported tobacco products consists of the total internal selling costs (especially all taxes, margin charged on the resale and other charges) plus the profit margin realized on domestically-produced tobacco products of this kind. The relation between sale prices of imported tobacco products and the sale prices of domestically-produced tobacco products equals the relation between the cost prices of the imports and the production costs of domestically-produced products. They are substantially on the same level considering existing differences in quality and the above-mentioned mark-up.

The Austrian Tabakwerke AG as monopoly administration in principle does not conclude long-term contracts with the suppliers of tobacco. Orders are placed according to the requirements. Purchases from abroad are undertaken in accordance with commercial considerations and taking into account customers' tastes. Bearing in mind Austria's character as a country of tourism, high-quality foreign tobacco products are imported in order to satisfy demand of foreign tourists.

As a principle it is not incumbent on the Austrian Tabakwerke AG to fulfil contractual obligations undergone by the Government. Quotas sometimes granted within the framework of trade arrangements, mainly for raw and manufactured tobacco, do not constitute a strict obligation to purchase those quantities.

(b) The Alcohol Monopoly is not a "full" monopoly. As a part of the taxation levied on consumption of spirits it covers the domestically - and industrially - produced raw alcohol. Only the latter has to be handed over to the production centre of the Alcohol Monopoly which in turn refines this raw alcohol through private enterprises and finally sells the refined products. The domestic production of brandy and liqueurs for human consumption and the trade with these products are not subject to the monopoly. With regard to imports the monopoly goes somewhat further.

The importation of unmanufactured ethylalcohol and of brandy for human consumption is reserved for the monopoly administration. Apart from ethanol imports by the administration for its own requirements, imports are carried out by private enterprises. In accordance with the domestic requirements and bearing in mind Austria's character as a country of tourism, the monopoly administration grants licences to private firms for the importation of foreign brandies for human consumption in a liberal manner. No import licences are required for French cognac, overseas rum, arrack and liqueurs.

On the importation of alcohol and alcoholic goods a consumption tax ("Monopolausgleich") is levied, the rate of which is equivalent to the amount of the tax payable on domestically-produced alcohol.

(c) The Salt Monopoly covers the extraction, production and the importation of salt (sodium chloride) both in pure state and mixed up with other elements. Stone salt as a mineral raw material is the property of the Federation.

The Federal Ministry for Finance and its subordinated finance authorities are competent for all matters of monopoly law, for the handling of legal provisions concerning imports of salt and for the prosecution of violations of the monopoly regulations.

All matters of the economic administration of the salt monopoly, especially the production of salt and the distribution to wholesale trade and to large-scale consumers, are carried out by the "Oesterreichische Salinen AG", a shareholder company the shares of which are held by the Federation.

The "Oesterreichische Salinen AG" has to fulfil the tasks delegated to it according to commercial principles and in such a way that the domestic requirements for salt is secured. It has to carry out the administration of the monopoly in accordance with commercial considerations. The "Oesterreichische Salinen AG" is capable to meet all the Austrian requirements for salt for human consumption, for cattle salt, for industrial salt and for salt in its fluid state. Chemically pure sodium chloride for medical purposes and for analyses are mainly imported. Such importations are not carried out by the monopoly administration but by private enterprises.

The extraction, production and importation of salt by somebody else than the "Oesterreichische Salinen AG" are subject to an authorization by the monopoly administration. There are exceptions to this rule, and in particular salt which is imported by travellers, on board or by diplomats is exempt from all import duties and import charges. Salt imports by the monopoly administration are also imported free of duty and of other import charges.

IV. Statistical information

See Annex I.

V. Reasons why no foreign trade has taken place in products affected

Concerning salt see point III(c).

VI. Additional information

None.

ANNEX I

TARIFF ITEM (HS)	STATE TRADING COMMODITY		IMPORTS 1989
2207	Ethyl alcohol	hl	20,680
		1,000 S	15,188
ex 2208	Spirits	hl	34,434*
		1,000 S	296,529*
2401	Tobacco, raw	100 kg	93,603
		1,000 S	502,237
2402	Cigars	100 kg	92
		1,000 S	3,979
	Cigarettes	100 kg	4,038
		1,000 S	77,184
2403	Other tobacco products	100 kg	887
		1,000 S	17,904
2501	Table salt	100 kg	724
		1,000 S	163
	Cattle and rock salt	100 kg	-
		1,000 S	
	Salt for commerce	100 kg	-
		1,000 S	
	Industrial salt	100 kg	-
		1,000 S	
	Salt for road maintenance	100 kg	-
		1,000 S	
	Sea salt	100 kg	175
		1,000 S	90
	Salt liquors	m <sup>3</sup> brine	-
		1,000 S	

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\*The figures cover also products not subject to monopoly import licensing (e.g. French cognac and certain liqueurs).

TARIFF ITEM (HS)	STATE TRADING COMMODITY		EXPORTS 1989
2207	Ethyl alcohol	hl 1,000 S	207 199
ex 2208	Spirits	hl 1,000 S	23,816 139,525
2401	Tobacco, raw	100 kg 1,000 S	2,031 11,950
2402	Cigars	100 kg 1,000 S	293 6,770
	Cigarettes	100 kg 1,000 S	5,993 139,475
2403	Other tobacco products	100 kg 1,000 S	8 164
2501	Salt	100 kg 1,000 S	123,625* 10,857*

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\* Single data for cattle and rock salt, salt for commerce, industrial salt, salt for road maintenance, salt liquors are not available.

TARIFF ITEM (HS)	STATE TRADING COMMODITY		DOMESTIC SALES 1989
2207	Ethyl alcohol	hl	201,531
		1,000 S	859,543
ex 2208	Spirits	hl	1
		1,000 S	1
2401	Tobacco, raw	100 kg	2
		1,000 S	
2402	Cigars	100 kg	1,780
		1,000 S	141,582
	Cigarettes	100 kg	141,204
		1,000 S	19,675,952
2403	Other tobacco products	100 kg	2,759
		1,000 S	246,302
2501 <sup>3</sup>	Table salt	100 kg	435,416
		1,000 S	273,064
	Cattle and rock salt	100 kg	274,093
		1,000 S	58,589
	Salt for commerce	100 kg	611,774
		1,000 S	117,038
	Industrial salt	100 kg	1,911,876
		1,000 S	81,900
	Salt for road maintenance	100 kg	638,704
		1,000 S	112,550
	Salt liquors	m <sup>3</sup> brine	759,982
		1,000 S	18,199

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<sup>1</sup>Data are not available.

<sup>2</sup>Domestic production of tobacco, raw 100 kg, 1989: 7,195.

<sup>3</sup>The figures include also the export data.