

# GENERAL AGREEMENT ON

C/RM/M/19  
22 May 1992

## TARIFFS AND TRADE

Limited Distribution

---

COUNCIL  
23-24 March 1992

TRADE POLICY REVIEW MECHANISM  
AUSTRIA  
MINUTES OF MEETING

Chairman: Mr. B.K. Zutshi (India)

	<u>Page</u>
I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL	2
II. INTRODUCTORY STATEMENT BY THE REPRESENTATIVE OF AUSTRIA	3
III. STATEMENT BY THE FIRST DISCUSSANT	8
IV. STATEMENT BY THE SECOND DISCUSSANT	11
V. STATEMENTS AND QUESTIONS BY MEMBERS OF THE COUNCIL	14
VI. COMMENTS AND RESPONSES BY THE REPRESENTATIVE OF AUSTRIA	25
VII. SUPPLEMENTARY REMARKS	30
VIII. CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL	33

I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. The Chairman introduced the Trade Policy Review of Austria, noting that the review would be based on reports prepared by the Government of Austria (document C/RM/G/19) and the Secretariat (documents C/RM/S/19A and 19B). The Government report had followed the agreed outline format and the Secretariat had sought clarification from Austria on factual information contained in its report. The procedures for the meeting were set out in document C/RM/9 and Add.1.

2. Participants were invited to address two main themes during the review. Austria's general objectives of trade policies, including approaches to trade liberalization which should be followed by a discussion of the major trade policy instruments used for achieving its industrial policy objectives, including sectoral plans.

3. Two contracting parties (Australia and Canada) had given advance notice in writing of points they wished to raise during the meeting. The Austrian delegation have been informed of these points. It was understood that these questions should not limit in any way the scope of discussion in the meeting.

4. The Chairman thanked H.E. Mr. Jesús Seade (first discussant) and Mr. Finn Theilgaard (second discussant) for agreeing to contribute, in their personal capacity, as discussants at the meeting. He invited the representative of Austria to make his introductory statement.

## II. INTRODUCTORY REMARKS BY THE REPRESENTATIVE OF AUSTRIA

5. It is for the first time that the Council is carrying out the Trade Policy Review with respect to Austria. In Austria's view, the establishment of the Trade Policy Review Mechanism was an important step for improving multilateral cooperation in the framework of GATT. Austria, therefore, fully supported the introductions of this instrument as an additional source for information on the various aspects of economic and trade policies of contracting parties. Thus, the TPRM is an important contribution to increasing transparency in international trade policies and strengthening multilateral discipline.

6. The Austrian economy depends to a very high degree on foreign trade. This Trade Policy Review takes place in the overall framework of substantial changes in the economic and political environment worldwide. In the last two years, fundamental changes occurred in political and social structures, particularly in Europe. Due to these changes, in order to meet new challenges, adaptations are necessary in the international economic system at both multinational and regional levels. A well functioning economy is a precondition to promote a positive and stable political development. GATT plays a dominant rôle in creating the necessary framework for a prosperous economic development. Austria is therefore convinced that a successful conclusion of the Uruguay Round is of utmost importance.

7. As regards the economic development in Austria, I would like to make the following remarks. In the light of the painful experience in the 1930s, the reconstruction of Austria after World War II was based on a new political co-operation among all political, social and economic forces. This new co-operation, on which social and political peace was based, was particularly important during a time characterized by East-West confrontation and a precarious geopolitical situation of Austria.

8. The report devotes ample space to the social partnership and finds expressions of severe criticism. It should be stated, however, that this social partnership has contributed to social and economic development which has avoided conflicts in the bargaining process of the partners involved. In such an atmosphere, the economy experienced a dynamic growth accompanied by relatively modest unemployment rates and controlled inflation. Furthermore, it assisted in passing periods of world-wide economic recession. Austria was able to overcome economic difficulties by mere domestic measures instead of resorting to trade restrictions. Even in this critical period, the "Lohn-und Preiskommission" intervened only in single actions by price-fixing in order to dampen the inflation. Since 1965, this Commission has a more or less symbolic and psychological rôle, but its existence guaranties a moderate price and wage policy.

9. Immediately after World War II, Austria's trade régime was strictly regulated. It was the aim of Austria to liberalize its foreign trade as soon as possible. Consequently, already in 1948, Austria promulgated its "Aussenhandelsgesetz" which foresaw a general liberalization. In pursuance of this policy, Austria played an active rôle in the attempt to establish a free-trade system in Europe.

10. In the last years, since the new coalition government was established in 1987, further important steps for deregulation of economic activities in different sectors have been implemented. The most comprehensive and far-reaching changes since World War II are now in preparation in the field of competition policy, in particular in the Price Law and the law on restrictive business practices and the "Gewerbeordnung" (the law regulating the operation of small and medium enterprises). The Rebates Law, which restricted the granting of discount in retail sale, has been abolished. The law regulating closing hours ("Ladenschlussgesetz") has been liberalized. In this connection I would also like to mention the tax reform from 1989 which was an important step for an overall economic growth by decreasing tax burden and contributing to an increase in disposable income. By all these measures, competition in the Austrian market will be increased and market opportunities for foreign suppliers will be improved.

11. Trade with European countries and in particular with the EC plays a very important rôle for Austria. In particular, the share of Austrian exports to the European Economic Community increased from 56.2 per cent in 1980 to 66 per cent in 1991. The share of the Community in Austria's imports was already 63.1 per cent in 1980 and increased to 68 per cent in 1991. The total trade with European countries in 1991 had a share of 84.0 per cent in exports and 81 per cent in imports. This strong dependence on trade with European countries is due to a certain extent to the geographical position of Austria, i.e. a small, landlocked country, now in the centre of Europe. Improvements in the framework of the multilateral trading system and also the development of European integration will hopefully contribute to further promotion of Austria's trade relations, in Europe, but also worldwide.

12. The above-mentioned figures clearly demonstrate the importance of European markets for Austria. Therefore, Austria has actively participated in the movements for European economic integration. Austria was a founding member of EFTA. Since 1973, we have a Free-Trade Arrangement with the EC. Austria participated actively in the negotiations on the EEA Treaty. We regard this Treaty as an important step for further integration into the European market. Austria submitted in July 1989 an application for full membership in the EC.

13. Austria, as an EFTA member, in the framework of EFTA, participates actively in the ongoing negotiations on free trade agreements with certain countries in Central and Eastern Europe. On 20 March 1992, a Free Trade Agreement between the EFTA countries and the CSFR was signed and will probably enter into force on 1 July 1992. Negotiations with Hungary and Poland are going on. A Free Trade Agreement between the EFTA countries and Turkey was signed on December 1991 and it will probably enter into force on 1 April this year. Negotiations are taking place on a Free Trade Agreement between EFTA countries and Israel. Contacts between the EFTA countries and the Gulf Co-operation Council were established for a better economic co-operation.

14. In the course of 1991, Austria was also affected by the slowdown in international economic activities, although to a relatively moderate extent. Austria's economy is expected to grow by 3 per cent per year on average during the period from 1991 to 1996. Dependent employment is forecast to rise by 1.2 per cent. Inflation is expected to be moderate. Consumer prices are likely to increase by 3.2 per cent per year. The current account will be balanced.

15. The Austrian monetary and exchange rate policy, which is characterized by a stable exchange rate relative to its main trading partner, provides for the stabilization of economic decision makers' expectations. This promoted - through comparatively low price increases and steady improvement of economic competitiveness - international trade in goods and services. The strong growth of Austrian exports at constant prices during the last decade - 74 per cent on the average compared to 55 per cent in the OECD area - underlines this fact clearly. In 1991, important steps towards further liberalization of capital movement were taken. By 4 November 1991, a full liberalization of the Austrian foreign exchange regulations was achieved.

16. Developments in Austrian foreign trade in 1991 corresponded to the general trends of economic development I have mentioned above. The value of imports increased by 6.5 per cent in 1991 in relation to the imports in 1990, whereas the value of Austrian exports increased only by 2.8 per cent. In 1991, the traditional Austrian trade deficit reached a peak amounting to nearly 10 billion US dollars. This deficit in the Foreign Trade Balance was partly offset by the traditional surplus on travel income. As a result of growing receipts from international tourism, the travel surplus increased to some US\$6 billion. Our deficit in intra-European trade reached nearly US\$6 billion, and with our second largest overseas supplier, Japan, US\$1.6 billion. Austrian exports to Central and East European countries increased by one fifth. Due to historical and geographical reasons, trade with these countries always played and still plays an important rôle for Austria.

17. Because of greater geographic distances, wide variety of eligible partners with diverging legal systems and trading customs, language difficulties, but often also climatic conditions, foreign trade with developing countries is more difficult than with industrialized countries. There are usually also more risks involved. Figures for imports from developing countries can be misleading. Experience has shown that many exports from overseas to Austria are attributed statistically to the transit countries and not to Austria which does not have any maritime port.

18. I have already mentioned Austria's vital interest in a successful conclusion of the negotiations in the Uruguay Round. The world economy needs strong impulses which will be generated by further liberalization of international trade in goods and services. At the session of the TNC on 13 January 1992, Austria emphasized its readiness to support the Draft Final Act as a basis for the conclusion of these negotiations.

19. Austria has taken an active part in the negotiations of the Uruguay Round to improve its trading relations with all contracting parties. Nearly three years ago Austria put into effect comprehensive tariff reductions prior to the outcome of the Uruguay Round as an advanced contribution, on a preliminary basis. This measure has substantially reduced the level of the Austrian Customs tariff. In this context, I also want to mention that Austria has already implemented its offer for tariff reductions in the field of tropical products to support a satisfying outcome of the Uruguay Round for developing countries.

20. In the report of the GATT Secretariat, problems in relation to some trade restrictions in the agricultural sector are mentioned. The factual analysis in the report is quite correct. In considering this part of the report it should be taken note of the fact that the agricultural sector in Austria, like in many other countries, has its basis in family farms. At the same time, it is subject to substantial changes, inter alia, on grounds of new technological developments, increasing importance of environmental problems, and also, last but not least, changes in international trade relations. I hope that the results which will be achieved during the negotiations shall meet the basic principles of the Ministerial Declaration of Montreal, that "agricultural policies should be more responsive to international market signals in order to meet the objective of liberalization of international trade and that support and protection should be progressively reduced and provided in a less trade distorting manner".

21. In the report prepared by the Government of Austria, as well as in the documents drawn up by the Secretariat, a large part deals with Austrian environmental policy. The Austrian initiatives aiming at an intensified consideration of environmental problems in the GATT are known. In the view

of Austria it is not possible to limit relevant regulations only to national level, solutions for existing environmental problems must be found on a global, multilateral basis. A strong co-operation between all countries, developed as well as developing, is necessary to elaborate adequate solutions for the increasing problems we are all faced with. Therefore, Austria welcomes the reactivation of the Working Group on Environmental Measures and International Trade. This group has an important task by starting GATT-activities in an important field for the future, where the principles of free international trade and ecological concerns have to be balanced, while avoiding ecoprotectionism. I hope that GATT will be able to deliver important inputs to UNCED 92.

22. Before I finish my intervention, I want to thank the GATT Secretariat for the effective work done for the realisation of Austria's Trade Policy Review.

III. STATEMENT BY THE FIRST DISCUSSANT

23. The first discussant said that Austria's geographical features had played a decisive part in shaping its economic and trade policies. Austria as a central European country, had an important rôle in trade relations between Western Europe and the former members of the CMEA and the Soviet Union.

24. In view of Austria's application for EC membership, the Council might address the possible effects of such membership, the expected effects of the adoption of the Common External Tariff and the ensuing changes, and their effect on third countries; as well as the effects of adoption of the common agricultural policy, harmonization of competition regulations, the generalized system of preferences and rules of origin. The question of whether membership would create or divert trade was another issue to be examined.

25. The system of "social partnership" had promoted economic and social stability. He asked the Austrian delegation to comment on the compatibility of this system with EC membership, as well as on the future rôle of the social partners in matters relating to trade.

26. For historical reasons, the number of nationalized enterprises in Austria's economy was high. It was not clear why, despite the large budgetary support these industries required, the Austrian Government wished to carry out only a limited privatization of this sector.

27. All industrial products already entered Austria duty-free from both the EC and EFTA. However, agriculture was one of the sectors in which trade liberalization had lagged and which was, isolated from world market signals.

28. In 1988, Austria's weighted average tariff stood at around 11.5 per cent. Tariff peaks continued to exist, especially in agriculture, textiles and clothing, glass, chemicals, electrical machinery and equipment, telecommunications equipment, motor vehicles and other transport equipment. Considerable tariff escalation had been somewhat reduced by the tariff cuts implemented since 1 January 1990. What were the reasons behind the share of non-ad valorem tariffs?

29. Over the last four decades, Austria had gradually liberalized its import system. Nevertheless, there was a sharp contrast between the protectionist system applied to agriculture and the relatively liberal policies for industrial products. He asked the Austrian delegation to comment on the expected trade policy implications, and also on the sectoral impact of policy changes to be undertaken in connection with EC membership.

30. Austria applied rules of origin contractually and autonomously. Given the number of trade agreements to which it was a party, and the fact that some agricultural products, cement, textiles and other products were subject to autonomous regulations, he asked Austria to enlarge on this issue especially in light of its EC membership application and the Uruguay Round negotiations. A group of countries was using cumulative origin on a regional basis. Did this apply to any country entitled to GSP? Were additional procedures necessary to qualify for such treatment?

31. Tariff quotas were applied by Austria to a number of industrial and agricultural products. Some of these quotas were applied for imports from all sources, while other applied only to imports from the EC. In the case of agricultural products, variable levies were applied instead of customs duties. In some cases the variable levies amounted to an import prohibition.

32. Austria's Foreign Trade Act, established a list of products that could be subjected to import licensing. Further criteria were established by a number of laws for the granting of import licences in the case of major agricultural products. He asked the Austrian delegation to comment on the criteria applied under Austrian legislation for the granting of import licences.

33. Austria had reduced the coverage of its non-automatic import licensing to about 3 per cent of imports. However, it was not clear why over 60 per cent of tariff items remained subject to automatic import licensing. He asked the Austrian delegation to explain why these procedures remained necessary. The import licensing and price monitoring systems were applied in a discriminatory manner against a number of countries. These practices did not appear to be consistent with Austria's obligations under the GATT. He asked whether Austria had any plans to remedy this situation.

34. Regarding the official quality certificate which was required to sell agricultural products in Austria, he asked to what extent did this discourage, or perhaps in some cases facilitate, imports of agricultural products.

35. Regarding the implementation of the GATT Government Procurement Code by Austria, he asked how far sub-national entities, such as the Länder, followed the provisions of the Agreement.

36. As regards measures affecting exports, a positive factor was that Austria only authorized exports of radioactive materials when adequate storage of the radioactive wastes was guaranteed in Austria or in the foreign State. However, it was not clear whether Austria applied its

licensing system to all radioactive waste, toxic waste or other merchandise prohibited in Austria when exported abroad, or whether, apart from licensing, there was an explicit prohibition of exports of all goods whose use was prohibited in Austria.

37. With respect to Austria's status as a "high-price country" he asked about the changes to be expected in the light of Austria's probable membership of the EC and the EEA. He also asked Austria to provide information on the review of the country's agricultural system announced in December 1990 and on future changes in Austria's trade régime, including liberalization of trade barriers vis-a-vis non-European contracting parties, resulting from the country's EC membership.

IV. STATEMENT BY THE SECOND DISCUSSANT

38. The second discussant noted Austria's prosperity in the post war period and asked what rôle had trade policy played in this impressive development. What had been, in the view of the Austrian authorities, the crucial trade policy decisions - accession to the GATT, membership in EFTA or the free-trade agreement with the EEC? What were the trade policy advantages of Austria's participation in the EEA and how was EC membership expected to influence the country's foreign trade?

39. For decades, a special feature of Austria's position in international trade had been its geographical location at the very borderline between the western and eastern blocs. Location, neutrality, and knowledge of the specific trading conditions of the eastern bloc had been valuable advantages. Austria had a central rôle in the field of East-West trade. However, with the recent changes in the former USSR, the concept of East-West trade had changed. As a result, Austria had lost considerable trade.

40. Austria was no longer on the margins of the market-oriented sphere, but centrally placed for communication with a number of new and interesting market economies. He asked whether this new situation would be reflected at the level of trade policy. If so, what policy initiatives might be envisaged in the period until membership of the European Communities? And would policy implications be a natural topic for the negotiations on accession to the Communities?

41. More than 80 per cent of Austria's foreign trade was with its immediate neighbours. In view of the scope of Austria's free-trade agreements, he asked Austria to express its views on the impacts of these preferential agreements on trade diversion and trade creation.

42. Social partnership seemed to involve a considerable transfer of power from the elected organs with their carefully tuned system of checks and balances, to a non-transparent, unofficial decision-making process, governed by selected political interest groups. In economic policy terms this might imply a lower rôle for efficiency through market forces and competition.

43. A main objective of the Austrian social system established in the post-war period was consensus-building. The question was whether the interest groups who participated in social partnership, were still representative of the key economic segments of Austrian society today. For example, how far were consumers involved in price setting as a counter-balance to producers?

44. He noted that Austria had gone against accepted recipes for economic efficiency and growth, and still prospered. In this respect he asked whether this was due to particular Austrian circumstances: or were there flaws in the text-books?

45. The basic objective of Austrian trade policy, as described in the Secretariat documentation, was "to contribute to the maintenance of a stable home market." This implied a tightly regulated market and a strong rôle for the Government. In 1945, when Austria was in a state of devastation caused by the war, this policy objective was a natural choice. He wondered whether this policy objective was as natural in 1992 as it was decades ago.

46. According to the documentation nearly all industrial imports from least-developed countries entered Austria duty free under the GSP system. Most agricultural products were, however, not included. In 1990, the leading beneficiaries of Austria's GSP system were Hungary, Yugoslavia, China, Korea, Taiwan and Turkey. It would be interesting to hear the Austrian view of the policy rationale for its GSP scheme. What type of country should benefit? What types of products should it cover?

47. The Secretariat documentation mentioned that in Austria some activities could only be exercised in possession of a certificate of qualification. This seemed to involve hints of a suspicion that certificates of qualification were a tool of protectionism. It could be argued, however, that the question was not one of requiring a certificate, but one of recognizing certificates issued in other countries. How did the Austrian delegation view this?

48. The aims of Austrian agricultural policy were to maintain an economically-sound and efficient farming population in a well functioning environment, including the preservation of rural settlements, improved productivity and competitiveness of agriculture and a fair share in social and economic progress of all those engaged in farming.

49. Many countries saw the mix of aims as a dilemma. They asked themselves to what extent consumers and taxpayers were able to and willing to pay the price.

50. The Austrian view seemed to be different. Page 27 of the Austrian report spoke of "an Austrian approach of balancing economic, ecological and social aspects, which seems to take the lead over strategies of pure market economy". Did the Austrian delegation agree that there was a difference of assessment? If so, what was the difference and how could it be explained? Could one, for example, say that Austrian agriculture as a source of revenue had a different stature from agriculture in some other countries?

Was Austria's tourist balance linked to preservation of the landscape through farming? In other words: was farming in Austria not the strain on the economy that it appeared to be at first sight?

51. Austria had played an important part in getting the debate on trade and environment off the ground. This meeting was a suitable occasion to acknowledge that fact. In this connection, the Austrian delegation should be commended for having included in their report a chapter on economy and environment. Doubt had been expressed regarding the usefulness of the national TPRM reports, as they sometimes added little in terms of information or opinion. The Austrian report was relevant to the Council's considerations of this aspect.

52. The concluding paragraph of the Austrian report spoke of the need to reconcile on the one hand economic development and trade promotion and, on the other hand, a sound and viable environment. A need to reconcile two concepts pre-supposes that they were in conflict with each other. At the recent TPRM review of Finland, the Finnish delegation had said "Trade and environment are not conflicting priorities. It is necessary to protect the environment, including natural resources, simply because a continued and lasting economic growth and creation of wealth is impossible if the environment is exploited beyond what it can sustain". Did the Austrian delegation see a difference of opinion here, or did the two statements deal with two different aspects of the topic? Did Austria maintain its present agricultural policy because it was considered useful for the economy as a whole, including tourism?

V. STATEMENTS AND QUESTIONS BY MEMBERS OF THE COUNCIL

53. Members of the Council thanked the Austrian Government and the Secretariat for their reports, and the discussants for their valuable comments. Members of the Council recognised Austria's long-term social and economic stability and its strong economic performance in recent years. Austria's support for a rule-based multilateral trading system and its active participation in the Uruguay Round was emphasised. Participants recognized the particular attention Austria devoted to issues of environmental protection.

54. The representative of Norway, speaking on behalf of the Nordic countries, expressed the hope that Austria's future membership of the European Communities would contribute to increased trade and would thereby strengthen the multilateral trading system. The Nordic countries cooperated closely with Austria through the European Free Trade Association and in current trade policy negotiations in Europe.

55. Austria's import régime, in practice, led to a differentiation among contracting parties outside the EC and EFTA. Examples of this practice were quotas on certain goods from particular countries, and import licensing and import price surveillance systems which were applied in a discriminatory manner. He assumed that this practice was a transitory and that either a successful conclusion of the Uruguay Round, or an Austrian EC-membership, would change it.

56. He noted the assessment made by the Secretariat on the difference between Austria's relatively liberal policy on imports of manufactures and its restrictive agricultural trade system. He welcomed the announcement made by Austria that its agricultural system would be subject to critical review in the light of the Uruguay Round negotiations and the country's application for EC membership. A multilateral agreement in this matter would, however, demand politically difficult internal concessions and a possible change in domestic policies by most parties.

57. Austria had close economic relations with eastern Europe. In this connection he asked Austria to provide an evaluation of its future rôle in trade relations between East and West following recent developments in Europe, particularly in the light of Austria's application for EC membership.

58. The representative of the European Communities noted that Austria's trade was largely concentrated on Europe, reflecting close geographical and historical links with its neighbours. In terms of foreign trade, Austria had been integrated in the EC for many years. Sixty eight per cent of

Austrian imports originated in the EC, while 65 per cent of its exports were destined to it.

59. Commenting on paragraph 57 of the Secretariat report (Summary Observations), he noted that as a result of Austria's accession to the EC, far from being uninhibited, Austria's trade with the rest of the world would be increased due to the positive effects of the accession on Austria's GDP.

60. In respect of tariff protection, tariff bindings, automatic licensing and recourse to Article XIX actions, the level of trade barriers maintained by Austria on m.f.n basis stood comparison with other countries. However, Austria's anti-trust rules would have to be adapted to control mergers more efficiently and the present double system which made the formation of some cartels subject to authorisation by the Cartel Court while other anti-competitive practices were condemned only at the request of the social partners, would have to be changed. He welcomed the recent changes in this field announced by Austria at this meeting. Transparency in State support should be increased to clarify its objectives and conditions. For example, the European Recovery Programme could be used both for export support and regional purposes or to promote energy savings. He hoped that Austrian monopolies on imports and exports of salt, tobacco, alcohol and some services would be abolished as well as discrimination based on the nationality of distributors.

61. Regarding paragraphs 43 (Summary Observations) and 278 of the Secretariat report, the representative of the European Communities stated that according to a recent decision by the Cartel Office, banks were no longer outside the jurisdiction of the cartel law, despite the fact that they were supervised by the Ministry of Finance.

62. The view contained in paragraph 71 of the Secretariat report concerning the rôle of Austria's neutrality in its accession to the EC was that of the Commission and not of the EC as such. As to the possible date of Austria's accession, the Community had not yet adopted a formal stand.

63. In February 1991, the Community invoked Articles 23 and 27 of the Austria - EC free-trade agreement concerning aid given by Austria to the automobile industry. In the absence of an agreement between the parties, the Community was entitled to take safeguard measures. The question was still under study.

64. The representative of Hungary stated that relations between Austria and Hungary relied on a number of important underlying factors, like geographical neighbourhood, excellent political relations, common

historical ties, cultural heritage and a long tradition of cooperation in economic and trade matters.

65. Austria was an important trading partner for Hungary, with a continuously increasing rôle. In 1991 Austria became Hungary's second most important trading partner, while Hungary became the 7th most important outlet for Austrian exports.

66. Some elements of Austrian trade policies had facilitated the increase in bilateral trade between the two countries. The openness of a number of industrial sectors and, in particular, the extension of the Austrian GSP scheme to Hungary had made an important contribution in this regard. However, Hungary's trade deficit with Austria had virtually doubled each year since 1988, reaching S 3 billion at the end of 1991. While Austrian firms could benefit from the far-reaching import liberalization measures implemented in Hungary and thus take advantage of their competitive positions in trade in industrial products, Hungarian exporters were unable to make full use of their comparative advantage, above all in agricultural products and food.

67. Agriculture was highly supported and protected, and largely isolated from international market signals. The experiences of Hungarian exporters confirmed the view of the Secretariat that the different trade policy instruments, used sometimes in combination, amounted in a number of cases virtually to import prohibition. He hoped that an early, successful conclusion of the Uruguay Round would bring about major progress in reducing barriers to imports of agricultural products and foodstuffs.

68. Parallel to negotiations on a free-trade agreement with EFTA countries, Hungary had started bilateral discussions with all EFTA countries, including Austria, with a view to achieving substantial improvements in the respective trade régimes applied to agricultural products. The Hungarian authorities would have to assess the outcome of EFTA-level and bilateral negotiations together before pronouncing themselves on the final acceptability of the package.

69. A specific price surveillance procedure (the so called Vidierungsverfahren) was applied by Austria in respect of imports of goods from a limited number of sources, including Hungary. The maintenance of this procedure was closely linked to the fact that while a number of non-contracting parties of the GATT were included in a list of countries subject to liberalization in Austria, some contracting parties, like Hungary, were excluded from the same list. Hungary had long urged the Austrian authorities to abandon the application of this price monitoring procedure vis-a-vis Hungarian products. In the absence of early action, Hungary would be forced to seek a multilateral settlement. In his view,

there was no doubt concerning the outcome of a possible GATT procedure regarding this clearly discriminatory measure.

70. The Austrian notification to the GATT had stated that one contracting party was primarily affected by safeguard actions on cement. Hungarian exports were also affected, despite the fact that their delivery terms and export levels could not cause injury or threat thereof to Austrian producers. He expressed concern that, in response to the price policies followed by firms in a limited number of contracting parties, Austria might again be tempted in the future to take similar safeguard actions which harm export opportunities for countries whose firms had not contributed to the possible market disruption. Other appropriate procedures and actions should be taken, penalising only those parties which had followed distortive and unjustifiable price policies.

71. The representative of Canada expressed concern over the scale of cartel activity in Austria and the limits on legal action by private partners in this area. He asked for information on the progress made in reforming competition laws in Austria. He also sought any assessments of the impact of cartel activity on output, employment, and prices in Austria, notably in the manufacturing sector, and asked why the competition in banking and access to capital markets was still limited.

72. He asked Austria to outline its timetable for the lifting of price controls. In this connection, he sought information on Austria's experience regarding the impact of price controls on innovation and flexibility in the economy.

73. The representative of Canada noted and shared the importance attached by Austria to environmental protection. He sought information concerning the objectives, date of implementation, and time-frame for the "Green Plan". He asked how Austria integrated environmental concerns with its economic policy making and whether there were any assessments or analyses of the trade impacts of "Green Plan" expenditures?

74. Canada was concerned by Austria's emphasis on self-sufficiency as the guiding principle for agricultural policy. The extensive array of protectionist measures created had negative effects on international trade, together with high support levels, inflationary pressures and deteriorating competitiveness. He strongly encouraged Austria to pursue the announced review of its agricultural sector. He asked what were the principles underlying the review, what means were being considered to allow for the "widening of the play of market forces and narrowing the range of governmental regulatory measures" and what implications the European Economic Area Agreement might have for the present instruments of Austria's agricultural policy.

75. Variable import levies effectively de-linked the production and consumption of agricultural commodities from world markets, undermined transparency in the application of tariff policy and amplified uncertainty in the terms and conditions of market access for imports. He asked Austria to indicate the timetable for reducing the number and rates of such levies?

76. The Secretariat's report showed that many products had been exempted from non-automatic licensing. Was this process reversible? The import price surveillance system included the concept of "market disruption". Could Austria provide more information about this concept and its application? He also sought clarification of the phytosanitary certificate requirement mentioned in the Secretariat's report.

77. The representative of Canada also asked for information on public purchases covered by the Agreement on Government Procurement and on the detailed rules for public purchases covered under ÖNORM A 2050. Beyond provision of information, what other means did Austria use to ensure provincial compliance with the code?

78. He sought clarification of the respective rôles of the Federal Ministry of Economic Affairs and the Advisory Board in relation to dumping and injury determination and information on mechanisms for appeal, for public input by interested groups, and public distribution of the reports. He asked whether the European Economic Area Agreement would alter the rôles of, and relationship between, these two agencies

79. The representative of Australia noted that Austria's main policy objectives included integration into the world economy and membership in the EC. However, Austria's restrictive agricultural policy was in marked contrast to its liberal approach to the industrial sector, and appeared at odds with these policy objectives. Domestic agricultural prices were much higher than international prices and Austria was more than 100 per cent self-sufficient. He questioned the costs to the Austrian and international economy of self-sufficiency as a key aim of Austria's agricultural policy and encouraged Austria to review the effects of agricultural protection.

80. Austria's large preferential trade with European countries reflected not only geographical location but also a result of deliberate policy actions. He expressed the concern that such orientation should not harm the interests of those countries who were not parties to such arrangements. Austria's high m.f.n tariffs meant substantial disparities between preferential and other sources. Moreover, imports of agricultural and food products of interest to developing countries in the agricultural and foodstuffs area faced substantial protection in the form of tariff escalation and high tariffs.

81. The administration of import licensing also involved differential treatment where certain countries, including some non-contracting parties received more favourable treatment over some contracting parties. Import licensing for agricultural products lacked transparency due to the number of separate agencies involved and the legislation which permitted a degree of discretion in the granting of licensing.

82. He asked Austria to provide information on how the system of social partnership would be affected by Austria's proposed accession to the EC.

83. Austria had rarely taken anti-dumping or safeguard actions and never applied countervailing duties. However, this could reflect the fact that, in some sectors, the diverse range of existing restrictive trade measures had substituted for more formal GATT-based measures.

84. The representative of Japan noted that Austria had traditionally maintained close economic and trade relations with EC and EFTA countries. The ongoing EEA negotiations and Austria's future accession to the EC would integrate Austria more closely within Europe. He expressed concern that an increasing share of Austria's trade had been conducted under preferential rules and that application of m.f.n treatment was therefore the exception rather than the rule. The EEA should be GATT-consistent and equally open to countries other than its members; Austria's accession to the EC should not infringe the rights and benefits of other contracting parties under the GATT.

85. Noting that nearly three-quarters of HS headings were listed as restricted items under the Foreign Trade Law, the representative of Japan asked why Austria preserved the possibility of reversing trade liberalization already introduced.

86. He asked how the Austrian counterpurchase requirement for imports of passenger cars which had substantial discriminatory effects on cars imported from other than EC and EFTA sources, could be justified under the GATT.

87. Despite disinvoking Article XXXV of the GATT against Japan, Austria had imposed import restrictions, without GATT justification, originally on nine and now on six items originating in Japan. These restrictions represented an unjustifiable departure from the m.f.n. principle and constituted a serious infringement of GATT obligations. He requested Austria to indicate when these measures could be eliminated.

88. Austria's Article XIX measure on cement and certain preparations containing cement exempted products originating in EC and EFTA sources, and

thus were inconsistent with the m.f.n. principle. He asked Austria to terminate the measure.

89. The representative of India, noting that almost 80 per cent of Austrian trade was under free-trade agreements, expressed concern over the erosion of trade conducted by Austria on m.f.n. basis, which posed a serious threat to the multilateral trading system as embodied in the GATT. While there had been a significant increase in the share of free-trade partners in the merchandise imports of Austria, the share of developing countries in Austrian merchandise imports had declined from 10.1 per cent in 1985 to 7.9 per cent in 1990. This situation would probably worsen with Austria's membership in the EC and the coming into force of the EEA,

90. In textiles and clothing, imports from non-free-trade partners faced high tariffs, tariff escalation, specific tariffs and a variety of non-tariff measures such as import restrictions under the MFA import licensing and import price surveillance. None of these tariff and non-tariff measures applied to imports from free-trade partners. Non-preference suppliers were thus in a considerably disadvantageous position. The GSP Scheme of Austria specifically excluded textiles and clothing. The situation was similar in the footwear sector. He enquired whether and how Austria proposed to redress the anomalies in these two sectors.

91. The representative of Switzerland noted the contribution made by the social partnership to Austria's stability and economic development. This should also be safeguarded in the future. He asked for information on potential disadvantages of the system, in particular whether it inhibited new policies.

92. Concerns expressed over Austria's agricultural and competition policy had been overruled by the EEA Treaty and Austria's future accession to the EC. He asked Austria to provide more details on the evolution of its trade with central and eastern European countries.

93. The representative of the United States commended the steps Austria had taken to liberalize its trading régime since its accession to the GATT, and hoped that it would continue and expand liberalization in those sectors which were still subject to controls. The Austrian Foreign Trade Law continued to list a significant number of products as restricted items. Removing these products would show a stronger long-term commitment to trade liberalization.

94. The U.S. supported Austria's movement towards closer economic and political integration with Europe, particularly if it was accompanied by liberalization of trade with third countries. He expected Austria to

ensure that all EEA agreements were consistent with GATT principles and the standard of treatment for third country trade was not eroded.

95. Austria played a leading rôle in assisting the economies of central and eastern Europe, including through loan and guarantee programmes.

96. Simple average tariffs on imports of industrial products were higher in Austria than those in most OECD countries. However, recent provisional tariff reductions covering more than one-third of imports of manufactured goods had reduced this disparity. The representative of the United States expressed satisfaction at this trend and encouraged further liberalization in this area.

97. The administration of discriminatory quotas, import licensing and import price surveillance ran counter to the underlying principles of GATT and should be brought into conformity as soon as possible.

98. Liberalization of agricultural protection and trade was essential to the health of the multilateral trading system. It was encouraging that Austria intended to subject its agricultural system to a critical review as part of the process of its application to join the EC.

99. Although Austria was a member of the Government Procurement Code, the provisions of that Agreement extended to only 11 per cent of all public purchases. Discrimination existed not only on the national level but also between each of the Länder as well. Government procurement was an area in which Austria could well pursue more liberal trade policies.

100. Approval requirements in telecommunications could prevent or delay imports, especially of sophisticated equipment. Further liberalization in this area would lead to greater opportunities for both Austrian and foreign firms. Austria applied high m.f.n. tariffs to imports of textile and clothing products. The provisional Austrian autonomous tariff reduction programme included cuts on textiles and clothing items. He asked Austria to describe these efforts in more detail.

101. The representative of Korea stated that Austria's record concerning trade measures generally appeared to be satisfactory. It had used only a few anti-dumping and safeguard actions, never imposed countervailing duties, and maintained a relatively small number of voluntary export restraints for the protection of domestic markets.

102. The social partnership seemed to have a substantial influence on the whole economy. Many important issues were decided through negotiation and consensus among the social partners. The decision-making procedures appeared to lack transparency and to restrict the play of market forces.

103. Austria relied heavily on preferential intra-European trade. Relatively high tariff protection placed non-preferential supplies at a considerable disadvantage against imports from the EC/EFTA area. The statistics contained in the Secretariat report proved once again that concerns about negative effects of regional trade agreements were not groundless.

104. In the industrial sector, protection of domestic producers was generally lower than in agriculture. However, some industries remained sheltered from foreign competition, including areas of particular export interest to developing countries, such as textiles and clothing.

105. He concluded that Austria's accession to the EC and the creation of the European Economic Area should not jeopardize the strengthening of the multilateral trading system.

106. The representative of New Zealand recognized Austria had relatively few restrictive agreements under the MFA and actively supported a rule based multilateral trading system. However, other features of Austria's trade régime tended to disadvantage imports, particularly agricultural products. Austria ranked only 68th among New Zealand's export destinations. The potential for New Zealand's exports could be much greater if it were not more or less excluded from some markets by Austria's agricultural régime. Austria's agricultural trade régime differed markedly from its approach to most industrial trade. Unlike industry, agriculture in Austria was largely insulated from international market signals by a wide variety of measures. In some cases "variable review were established at such high levels that they prohibited imports in practice". Nominal rates of assistance and product prices were very high; price differentials exceeded 100 per cent for a range of products, and Austrian agriculture was largely insulated from international market signals. The self-sufficiency ratio has risen 110 per cent. Austria had become an exporter of dairy products, beef, cereals and sugar as a result of domestic support levels. There was a marked divergence between the stated objectives of Austria's agricultural policy and the reality. The costs divergence were being borne by Austrian consumers and by efficient agricultural producers in third countries. He welcomed the statement by Austria that its agricultural system would be subject to critical review.

107. Trade barriers, undeveloped regulation of competition, State intervention in economic life, and the involvement of Austria's social partnership in policy decisions contributed to low competition and high domestic prices. Cartels, discriminatory operation of some import related institutions and Austria's complicated import régime restricted competition between domestic and foreign products. The low incidence of m.f.n. tariff application also disadvantaged imports from most contracting parties.

108. The representative of Poland stated that trade and economic relationship between Austria and Poland was likely to become stronger as a result of the free-trade agreement being negotiated between the two countries.

109. He expressed concern about the continued application of the Austrian price surveillance scheme to a substantial part of Poland's exports, particularly when the pricing of Polish exports were now determined by market considerations. He asked Austria to provide information about the future of the price surveillance system.

110. The representative of Mexico stated that, due to the rules of the Austrian GSP scheme, exports from free-trade sources to Austria enjoyed advantages over exports from GSP beneficiaries. Statistics in the Secretariat report indicated that many regions were absent from the list of exporters who benefited most from GSP tariffs. He asked Austria to provide information about plans to improve access conditions for exports from developing countries and promote exports from disadvantaged regions.

111. He sought clarification on Austria's commitments resulting from the "evolutionary clause" included in the EEA Treaty regarding agricultural products as well as on specific trade measures Austria might take in the area of environment conservation, in the context of agricultural trade liberalization. He encouraged Austria to convert its support system into direct payment to farmers.

112. The representative of the Czech and Slovak Federal Republic noted that Austria was one of the most important trading partners of his country. He welcomed the decision of the Austrian authorities to include his country in Austria's GSP scheme. He expressed hope that the import price surveillance procedure applied against exports of the Czech and Slovak Federal Republic and other countries would be phased out. Its elimination could be a sign that the last traces of previous political blocs were finally swept away.

113. The representative of Brazil noted that, in Austria's trade, the application of m.f.n. treatment was the exception rather than the rule. About 70 per cent of Austria's trade was conducted with the EC while the share of developing countries was 8 per cent.

114. Nearly three-quarters of HS headings were listed as restricted items, a very high proportion for a developed country. Austria also applied import quotas, licensing and other protective measures such as technical norms, public procurement and border formalities. Many sectors, including sectors of interest to developing countries, were protected from foreign

competition. Cartels also caused problems and had contributed to Austria's status as a high-price country.

115. The erosion of the margin of GSP preferences was of concern to Brazil. Most of Austria's trade was based on preferential, bilateral agreements with European countries. Several items did not benefit from GSP preferences or were subject to high rates. He asked Austria to provide information about plans to improve its GSP system and its agricultural trade régime, in the light of its accession to EC.

VI. COMMENTS AND RESPONSES BY THE REPRESENTATIVE OF AUSTRIA

116. In reply to statements, the representative of Austria stated that in some areas the practical implications of existing Austrian trade regulations and practices had been, to a certain extent, misunderstood or overestimated. Many changes would take place in Austria's trade institutions in the course of implementation of the Uruguay Round agreements and as a result of its accession to the EC.

117. The Austrian Foreign Trade Law enumerated a relatively large number of items which formally required an import licence. However, the Minister for Economic Affairs had introduced for all industrial products, except lignite, a simplified procedure which involved no special formalities. This procedure had no effects on imports and had always been recognized by the GATT as a full liberalization.

118. When Austria had eliminated all discriminatory import restrictions on imports from State trading countries in 1976, it had introduced, for certain imports from these countries, a system of statistical price surveillance, the so-called "Vidierungssystem". The reason for the introduction of this measure was that imports originating in these countries had been offered at well below market prices. The list of products subject to this measure had been significantly reduced. Effects of this system on trade relations were over-estimated. The Austrian price surveillance system was under review. Concerns expressed had been duly noted.

119. The Advisory Body had only a consultative function in anti-dumping procedures. Binding decisions were taken by the Federal Minister for Economic Affairs. These decisions were subject to control by the Supreme Court. Austria had never applied anti-dumping nor countervailing measures. No anti-dumping measures should be applied among parties to the EEA agreement, because of the application of strict competition law.

120. In August 1991, Austria had introduced emergency action under Article XIX in respect of imports of certain types of cement. This measure had been necessary to prevent serious prejudice to Austrian industries resulting from a rapid increase in imports at abnormally low prices. The import quota for the twelve months starting on 1 September 1991, was 200,000 metric tons, about ten times the average of imports in past years. This quota applied to all imports, except imports from EC or EFTA member states. This exception was in conformity with the provisions of Article XIX and XXIV. Exceptions for trade restrictions permitted under Article XIX were not foreseen. The measure was under review and Austria was ready to continue bilateral consultations in the matter.

121. Local and regional authorities in Austria were not subject, at present, to the GATT Government Procurement Code. These authorities applied ÖNORM A 2050 on a voluntary basis. The Federal Minister for Economic Affairs had repeatedly drawn the attention of these authorities to the existence of the Government Procurement Code. Austria intended to apply the new GATT Procurement Code to sub-federal entities.

122. The Austrian GSP scheme extended duty-free treatment to more than 200 agricultural products. For industrial products, in general, a preferential margin of 50 per cent was granted; for textiles and clothing, the preferential margin was generally 35 per cent, whereas for many tropical products (including some textiles and clothing products), the tariff cut under GSP was 75 or 50 per cent. Although there was no general duty-free treatment under the scheme, there were no quantitative restrictions; the country coverage of the scheme was the broadest of all schemes; the safeguard clause, based upon the escape clause of Article XIX of GATT, has been invoked only twice in the 20 years of the application of the scheme; and Austria granted the GSP to all countries concerned according to the principle of self-election. In addition, Austria had actively promoted better utilization of its GSP by special trading programmes.

123. The EC was Austria's most important trading partner. Free access to this market was of utmost importance for Austria. The completion of the single European market made it necessary to find ways for Austria to maintain its access to this economic grouping, in order to avoid economic disadvantages. The EEA would increase competition and improve the economic situation in Austria. In addition, it would also have positive trade creating effects on third countries. He agreed with the Secretariat that further integration of Austria into the European market should not inhibit the development of open trading links with the rest of the world through reductions in trade barriers on a most-favoured nation basis. According to various studies, the EEA, as well as EC membership, would influence Austrian trade flows positively. Total imports into Austria would increase by 10 per cent within a period of 6 years following Austria's accession to the EC in comparison with an estimated 5.4 per cent without accession. The Austrian economy was already integrated, to a large extent, into the EC market. Austria would respect Article XXIV of the GATT in joining the EC.

124. Central and eastern European countries had been, and would be, of great importance for Austria. Austria's experience gained in past co-operation with these countries was helpful for meeting future challenges in this area. Austria was actively taking part in the process of bringing these countries closer to an European free-trade system together with other EFTA countries and the European Community and was ready to cooperate with this region.

125. Autonomous tariff reductions, applied since 1 January 1990, had been included in Austria's tariff offer in the Uruguay Round. They made a cut of about 20 per cent in trade weighted average tariff rates. The duration of these tariff cuts was limited until the end of 1993. Austria had offered to bind these reductions, provided that an adequate balance of advantages could be achieved in the negotiations on market access.

126. The holding company for nationalized industries had been profitable for several years. Austria was gradually proceeding with partial privatization of the Group. Transactions on the capital market had been quite successful so far. Some enterprises had been sold entirely, others had acquired private shareholders, typically for about 50 per cent of their capital. For some enterprises, e.g. the steel companies, the right moment for selling shares had not yet arrived, due to economic circumstances.

127. Important measures aimed at freeing competition had already been taken and further measures were in preparation. The Law Restricting Discount on Retail Sale had been abolished. The Law Regulating Closing Hours had been liberalized. The coverage of the Price Law would be reduced to a bare minimum. Regulations on liberalizing conditions for small and medium enterprises were under consideration. The question of recognizing foreign qualifications would also be resolved. Negotiations on services in the Uruguay Round would also promote liberalization in the Austrian legislation. From 1 January 1993, a new Cartel Law would come into force, under which private parties would have the right to pursue independent legal action and companies would be subject to legal control. By accepting the EEA Treaty, Austria would have to fully comply with the "acquis communautaire" of the EC.

128. There seemed to be a misunderstanding as to the rôle of social partnership in Austria. Social partners served in an advisory capacity. They had the right to comment on draft bills but they could not block Government or Parliamentary decisions. They covered the whole spectrum of the Austrian society, including consumers. Social partnership did not play an anti-competitive rôle. On the contrary, by promoting social consensus and compromise, they contributed to maintaining an exemplary, stable social and economic climate. In 1989, the time loss due to strikes had been only 50 seconds per employee. Social partnership did not lead to high prices; through promoting price and wage discipline, it contributed to stability and a low rate of inflation. Similar systems of social partnership existed in many countries but, for historical reasons, were more developed in Austria. After Austrian accession to the EC, social partnership would continue.

129. Support for agriculture, as measured by the OECD's PSE, was at the average of OECD countries. Austria's agricultural policy included

economic, environmental and social objectives which were not always easily reconcilable with each other; it was not based purely on market economy principles. One special feature was the wide-spread existence of small-scale family farming. Farmers and their families strongly shaped the picture of rural areas and their infrastructure. Well before the Uruguay Round, Austria had already pursued a policy aimed at maintaining farming in mountainous regions by providing decoupled income support. There was an increasing awareness and acceptance by the population - as by foreign tourists - that preservation of recreation resources was in the interest of the entire society.

130. Negotiations in the Uruguay Round were influencing the agricultural reform debate in Austria. Direct payments were gaining increasing support, as against measures borne by consumers. Comments made by participants that under the Austrian agricultural setting direct payments could serve best to achieve certain agricultural policy objectives, were appreciated by Austria.

131. The objective of self-sufficiency, could not be achieved for a number of commodities, as indicated by Austria's strikingly negative agricultural trade balance. Production of commodities where Austria had surpluses, such as dairy, beef and grain, were subject to supply control measures. These measures had contributed to reduce the production volume. Supply control policies would be continued, however, the results of the Uruguay Round could influence Austrian reform measures in this field.

132. In 1990, Austria had introduced a new export support programme for dairy products. Under this scheme, contracts with exporters had been converted into guidelines, published in the Official Gazette. Export support was offered to exporters which met certain criteria. A designated company, the AMEA, served as an instrument to administer the guidelines.

133. Since 1961, the Green Plan had provided budgetary support to structured improvements in Austria's agriculture through various programmes, including both activities with an ecological orientation and decoupled income support and regional programmes.

134. The European Economic Area Treaty excluded agriculture, therefore the Common Agricultural Policy would not be part of the EEA. However, in non-market fields, such as the EC's legislation on sanitary and phytosanitary matters, Austria would take over the EC "acquis communautaire". The effects of joining the EC on Austria's agriculture could not be assessed with precision at present. The EC had embarked on a substantive reform process that could well alter the form of the CAP. It could also be assumed that the Uruguay Round would have a major impact on

the CAP, in particular, on support and border measures. Austria would have to adjust its domestic and external trade regulations accordingly.

135. The processed food industry presently operating in relatively small production units would have to undergo a process of adjustment and restructuring as a result of stronger competition. On the other side, there were positive trade perspectives for Austria, particularly for quality products within the EC market.

136. Austria had submitted its commitment list in compliance with the TNC decision of 13 January 1992. The list included agriculture, specifically commitments covering domestic support, market access and export competition. Austria was ready to participate actively in future negotiations and to implement the results of the Uruguay Round. In addition, Austria had embarked on a major domestic review of its agricultural market regulations with a view to introducing changes in legal instruments such as the Market Order Law and the Livestock Industry Act by the middle of 1992.

VII. SUPPLEMENTARY REMARKS

137. In commenting on the responses given by the representative of Austria, the first discussant noted that there was a lack of balance between industrial and agricultural policies in Austria. A number of elements in the Austrian agricultural policy were not justified by social and environmental considerations. These included some discriminatory aspects of import policy, the high share of non-ad valorem duties and a lack of transparency which obscured the real economic costs in this sector.

138. It should be possible to broaden the scope of global free trade through participation in regional agreements, if not only the letter, but also the spirit of Article XXIV of the GATT were respected. Participation in regional agreements could contribute to a reduction in Austria's tariffs, which were higher than those applied by other developed countries, and to the elimination of discriminatory elements in its import régime.

139. Due to political and economic changes in central and eastern Europe and the former Soviet Union, Austria was now in a central position in trade with this area. This new situation promised great opportunities, which could be achieved through general trade liberalization, including in agriculture and services.

140. The second discussant noted that it was not clear why Austria maintained its simplified import licensing system if it was a "rubber stamp". He said that Austria should be given some time to change its import price surveillance system.

141. Austria did not have the option to stay outside of European integration. Austria's special expertise regarding central and eastern European countries might contribute to the development of wider European integration.

142. He asked Austria to indicate its long term objective regarding privatization of the nationalized industries. Was full privatization envisaged?

143. Regarding Austria's agricultural policies, he noted that it would be of interest to follow how the specific Austrian approach to agriculture would influence the agricultural policies of the EC.

144. The representative of Canada asked why the automatic "simplified" import licensing system was maintained. Was the exemption of products from non-automatic licensing reversible? If so, what were the criteria for such a change? He asked whether Austrian import price surveillance system was applied only to non-market economies. He wondered whether support measures

for agriculture and forestry fit into the Uruguay Round "Green Box"; whether subsidies for forestry, including haulage and handling, were covered by the Green Plan and sought information on the certificate required on pine-wood mentioned in the Secretariat report.

145. The representative of India pointed out that third countries could not automatically benefit from increased import capacity which resulting from Austria's accession to the EC, unless m.f.n. tariffs were substantially reduced. He asked Austria to comment on assertions that increasing resort by Austria to free-trade agreements would result in a further reduction of its m.f.n. trade. He also requested Austria respond to concerns expressed regarding discriminatory treatment by Austria on imports of textiles and clothing.

146. The representative of Japan reiterated his great concern about the discriminatory import quotas applied by Austria to some items of Japanese origin.

147. The representative of Australia asked Austria to provide information on the means by which the balance was struck in achieving various social, economic and environmental objectives in the agricultural sector. He also asked for the basis used for measuring the extent to which self-sufficiency was achieved and requested Austria to clarify how expected reforms in Austrian agriculture, including those which would result from accession to the EC, would be reconciled with the self-sufficiency objective.

148. The representative of New Zealand, noting Austria's central rôle in trade with central and eastern European countries, sought Austria's views on the importance of a successful conclusion to the Uruguay Round and of the maintenance of a liberal trading environment, including in agriculture, for the fostering of domestic reforms in these countries. What were the links between Austria's approach to trade liberalization and these reforms?

149. He asked Austria to provide more information on the major changes in agricultural policies to be introduced in mid-1992, including products and trade policy instruments affected and the major effects of these changes. Did Austria consider the policy objective adopted after the Second World War, such as "stable markets" or "self-sufficiency", still appropriate in the present circumstances?

150. In reply to these supplementary statements and questions, the representative of Austria stated that, in recent years, regionalization had become a worldwide development. In the medium-or long-term, free-trade could be promoted through arrangements between regional groupings. Austria's participation in the EEA would be in accordance with Article XXIV of the GATT and would not lead to discrimination against third countries.

151. At present, two thirds of Austrian tariffs were above those of the EC, and one third below the common external tariff level. Austria's EC membership would result in a substantial tariff reduction which would benefit third countries, including developing countries.

152. The revocation of automatic import licensing was a legal possibility. However, Austria would take such steps only on the basis of criteria laid down by the GATT, for example under Article XIX. In reply to the question raised by Canada, he confirmed that the "Vidierungssystem" was applied only to State-trading countries.

153. Austria had no long-term privatization programme; however, the present Government was in favour of enlarging privatization.

154. The import quota maintained on some products originated in Japan constituted mainly a legal problem because trade between the two countries had expanded rapidly. However, Austria was concerned about its huge deficit in trade with Japan, which at per capital level, was the highest in the world.

155. Austria took the view that the success of the Uruguay Round would contribute to the implementation of economic reforms in central and eastern Europe.

156. Forestry was included in the Green Plan. It was an important objective for Austria to maintain its level of afforestation, especially at high altitudes, for ecological and recreational purposes. The forestry sector, including fire insurance schemes, hydraulic works and haulage, enjoyed budgetary support.

157. Self-sufficiency was one of the long-established objectives of Austria's agricultural policy. The self-sufficiency principle applied for the whole agricultural sector, and not for specific products. Austria had introduced a production quota system in the dairy sector. Recent changes in the system could be made available to interested delegations. Supply control measures in the grain and meat sector had also yielded some results, though not to the same extent as in the dairy sector. Curbing production in the livestock sector, however, was a more difficult issue especially in geographically disfavoured areas. It was Austria's intention to maintain this activity in these areas. A number of laws relating to agriculture would be changed by mid-1992. However, the impact of these changes, and the precise effects of Austria's accession to the EC on its agriculture were not known at present.

VIII. CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL

158. As usual, these concluding remarks aim at highlighting the most salient points raised during the trade policy review of Austria. Presented on my own responsibility, they are not intended to substitute for the collective evaluation and appreciation by the Council of Austria's trade policies and practices. Full details of the discussion will be reflected in the minutes of the meeting.

159. In his introduction, the Austrian representative stated that, after World War II, Austria's aim had been to liberalize its foreign trade as soon as possible. In pursuance of this policy, Austria played an active rôle in establishing a free-trade system in Europe; it was a founding member of EFTA, had concluded a free-trade agreement with the European Communities in 1972, and had applied, in 1989, for full membership of the EC. In 1991, trade with European countries accounted for 84 per cent of exports and 81 per cent of imports. Since 1987, Austria had taken important steps towards deregulation of economic activities and further comprehensive changes were in the offing.

160. Although Austria had been affected by the slowdown in international economic activity in 1991, the economy was expected to grow by 3 per cent per year on average between 1991 and 1996. Consumer prices were relatively stable. Austria's monetary and exchange rate policies had contributed to this situation.

161. Council members recognized that Austria's long-term social and economic stability had contributed largely to its strong economic performance. The introduction of fiscal reforms, acceleration of structural adjustment and restructuring of the nationalized industries in 1987, despite a difficult international economic environment, had improved conditions for investment and growth. Since its accession to the GATT, Austria had made steady progress towards trade liberalization. It had resorted to safeguard, anti-dumping and other trade restrictions sparingly.

162. Participants acknowledged that Austria had supported a rule-based, multilateral trading system, and played an active rôle in all areas of the Uruguay Round. In addition, Austria devoted particular attention to issues of environmental protection, both in its domestic trade policies and in the GATT.

163. Austria had traditionally followed a Europe-oriented trade policy. At present, about three-quarters of Austria's imports originated in preferential EC and EFTA sources. The application of m.f.n. treatment was therefore the exception, rather than the rule. Austria's most important current trade policy objective was to become a member of the European

Communities. This, together with the recent conclusion of negotiations on the European Economic Area and a growing number of free-trade agreements with central and eastern European countries, would lead to even closer links within Europe. In this context, a number of delegations expressed their expectation that Austria's integration into the European market would be fully compatible with its GATT obligations and would not impair the development of Austria's trade with non-participants.

164. Members noted that while Austria's trade policy in relation to most industrial products was relatively liberal, agriculture remained heavily protected and largely insulated from international market signals. High levels of assistance were provided to the farm sector, in pursuit of policy objectives such as self-sufficiency and the protection of the environment. In support, a wide variety of restrictive border measures was applied, including import and export licensing, import quotas, variable import levies, high (mainly specific) tariffs, minimum import prices, seasonal restrictions and export subsidies. Barriers to imports had, in certain cases, prevented trade flows from efficient producers. Protection of certain sectors, such as grains, sugar, beef and dairy products, had led to more than self-sufficiency and to subsidized exports, while Austrian consumers had to pay prices much higher than world levels for agricultural products. Members questioned Austria's policy of self-sufficiency and the consistency of environmental policy objectives with price incentives for production. A successful conclusion of the Uruguay Round should contribute to reducing Austria's protective barriers in agriculture.

165. M.f.n. tariff protection for industry was higher than in most OECD countries, with peaks in some sectors, such as textiles, clothing and footwear, often in the form of specific duties. Moreover, GSP coverage was limited and tariff reductions less than full. These factors meant that imports from third countries, including GSP beneficiaries, were at a considerable disadvantage relative to imports from the EC and EFTA. The hope was expressed that the product coverage of the GSP scheme could be extended, in particular to agricultural products, textiles, clothing and footwear.

166. Participants took note that some elements of Austria's trade régime distorted trade and reduced transparency. In this respect, attention was called to the fact that Austria's free-trade area partners were not subject to certain non-tariff measures, which were applied to others; the high product coverage of import licensing; the system of import price surveillance; the large informal powers of social partners in trade related matters; price controls and the high degree of cartelization of the Austrian market. It was suggested that the large number of products subject to "automatic" licensing should simply be liberalized. Particular concern was expressed regarding discriminatory aspects of the import price

surveillance and licensing systems, and concerning quotas and counter-purchase requirements in the motor vehicle sector. The consistency of such measures with the General Agreement was questioned.

167. In addition to these general points, specific questions were raised and clarification sought on:

- the future structure of Austria's economic institutions, including the system of social partnership, in the light of Austria's closer political and economic integration in Western Europe;
- Austria's trade relations with central and eastern European countries and the successor states of the former Soviet Union;
- the future of the "Green Plan" and the reform of Austria's agricultural policies, including the relationship between environmental concerns and economic policy making;
- the future of Austria's policies regarding State-trading monopolies on products such as salt, tobacco and alcohol, and its substantial nationalized sector;
- the terms of application of a recent Article XIX action on cement products;
- Government procurement practices at both federal and regional level, including the share of imports in Austrian Government purchases;
- the possibility of liberalizing requirements for business and professional establishment;
- future reforms in the field of competition policy and price controls, in the light of the application of EC rules by Austria;
- use of the "evolutionary clause" in the EEA Treaty with respect to agriculture.

168. Replying, the representative of Austria recalled his country's active participation in international trade fora, including the Uruguay Round. The entry into force of the EEA Treaty, and EC membership, would also lead to significant changes in Austria's policies.

169. Austria's economy was already largely integrated into the EEC. Membership would improve competitive conditions within the country and should have trade-creating effects. It was not expected to discriminate against third countries or to inhibit reductions in trade barriers on an m.f.n. basis. Austria's strong links with central and eastern European countries included many joint ventures, which should assist business development.

170. The importance of import restrictions had been overstated by participants. The simplified procedure for import licensing, which applied to all industrial products except lignite, was not restrictive and had been recognized as full liberalization under GATT. The scope of the price surveillance system had already been significantly reduced and was under further review. The safeguard action taken by Austria on cement was fully in conformity with Articles XIX and XXIV. Austria had never taken anti-dumping or countervailing measures, and the application of strict competition law in the EEA would rule out such measures among members.

171. Austria's GSP scheme, which was extended to all countries on a self-election basis, had the broadest product coverage of any scheme. It contained no quotas and the safeguard procedures had been used only twice in 20 years.

172. Austria had made autonomous tariff cuts of 20 per cent. These were incorporated into its Uruguay Round offer of a 30 per cent reduction overall.

173. The privatization programme was under implementation. In some sectors, more than 50 per cent of shares had been sold. However, for some industries, such as steel, appropriate timing for privatization would have to be found.

174. Austria's Social Partnership mechanism was an essential element of Austria's social system and could be seen as a model for others. It was advisory, could not block Governmental or Parliamentary decisions, and did not inhibit competition. This mechanism would continue in existence after EC accession.

175. Current obligations under the Government Procurement Code were not applicable to sub-federal authorities. However, Austria was prepared to apply the agreement which could result from the Uruguay Round in this area at a sub-federal level.

176. Many domestic laws affecting competition were in the process of reform. These would be further affected by EC membership.

177. Austria's agricultural policy was intended to serve economic, environmental and social objectives. The PSE level was at the average for OECD countries. Self-sufficiency was only one aim and could not be achieved overall. In some areas, surpluses had occurred. Supply control measures had been taken to reduce the excesses; these measures would continue. Access to the EC, including the need to accept CAP reforms, and the outcome of the Uruguay Round, would also have reforming effects.

178. In conclusion, the Council recognised the contribution made by Austria in GATT and under the Uruguay Round towards maintaining, developing and strengthening the multilateral trading system. Austria had also proved sensitive to new policy trends and challenges, including environmental objectives, and the need to find multilateral solutions.

179. Austria's engagement in the multilateral process had been accompanied by internal market-oriented policy reforms in recent years. These reforms, aimed at strengthening adjustment capacity in a number of sectors, had laid the ground for strong economic performance in terms of growth, employment and inflation. The Council expressed the expectation that Austria would continue to work towards liberalization, deregulation and structural adjustment.

180. The Council noted that, in a number of sectors, high levels of protection remained and expressed its concern about some specific discriminatory elements in Austria's trade policies.

181. The Council emphasized that, in strengthening economic links within Europe, Austria should ensure that ongoing reform efforts at the European level should not only be compatible with multilateral liberalization but should contribute to m.f.n.-based opening of restricted and regulated markets in all sectors of Austria's economy.