

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

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SUBSIDIES

Notifications Pursuant to Article XVI:1

AUSTRIA

The following new and full notification has been received from the Permanent Delegation of Austria.

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AGRICULTURE

Milk and Dairy Products

Aspects related to the dairy sector are embodied in the Market Regulation Law (Marktordnungsgesetz 1985, BGBl. 210/1985 as amended). Since 1 July 1978, this law provides the allocation of individual quotas for the milk producer. These quotas take into account milk deliveries in recent years and the development of the domestic demand.

In order to stabilize milk production and to encourage co-responsibility of milk producers regarding the utilization of milk, contributions were introduced:

- (i) a base levy is imposed for every kg. of market milk;
- (ii) an additional levy is imposed for those quantities of milk that exceed the individual quota.

Each milk producer may exceed his quota at his discretion. However, in exceeding his individual quota he accepts to pay the additional contribution.

The Austrian Milk Marketing Board was set up to accomplish the objects for the dairy sector laid down in the Market Regulation Law.

The Austrian Milk Marketing Board secures a rational supply, processing, and distribution of milk and dairy products within the given price levels. The Board is entrusted, inter alia, with the monitoring of production and the equalization of prices and transport costs.

The various compensation systems, laid down in the Market Regulation Law, bring about uniform producer prices (for milk delivered within the individual quota) and consumer prices and therefore serve the purpose of having stabilizing effects on the price structure. The internal costs and freight rates are adjusted to reach uniform producer and consumer prices.

Until 1 July 1988 the milk price paid to the milk producers was a ceiling price determined by the Government. As from 1 July 1988 a target price is fixed by the Austrian Milk Marketing Board after adequate market observations. The actual return of the milk producer is lower than the guaranteed price, as the general contribution and, if applicable, the additional contributions are to be borne by the milk producer. In addition, the milk producer bears the milk recording charge and the contribution for milk advertisements.

In recent years, the official regulation of wholesale and retail prices of milk and dairy products was successively reduced and as of 1 July 1988 completely eliminated. It is replaced by a system, according to which wholesale and retail prices are recommended by the social partners ("Paritätische Kommission").

For social and economic reasons, sales campaigns are undertaken by reducing the prices of butter, cheese, and skim milk powder (for feeding purposes). Likewise, the army, schools, kindergartens, etc., are entitled to buy certain milk products at reduced prices. The expenditures for those campaigns amounted in

(in S million)

1987 to	562.9
1988 to	563.8
1989 to	225.2

The Federal Ministry of Agriculture and Forestry with a view to securing market outlets has concluded agreements, inter alia, with OMEX (Austrian Dairy Products Export Promotion Company) and OHEG (Austrian Hard Cheese Export Association) which have responsibility for exports of dairy products. Both, OMEX and OHEG, are supervised by the Government. The following sums which include co-responsibility of farmers were placed at the disposal of the companies for sales promotion and other measures:

(in S million)

1987	2,993.1
1988	1,956.6
1989	1,915.8

However, it has to be stated that these funds are only used in accordance with Minimum Price Arrangements concluded by Austria or other obligations undergone.

Statistical data regarding production, exports, and imports are annexed hereto.

Milk Supply, Production, Imports and Exports of Dairy Products

Year	Production of				Butter		Cheese		Milk powder	
	Milk supply	Butter	Cheese <sup>1</sup>	Milk powder	Import	Export	Import	Export	Import	Export
1987	2,257,337	38,024	76,581	46,504	1,363	3,965	10,918	38,072	21,814	47,213
1988	2,224,763	35,346	81,596	33,780	443	1,076	8,623	33,003	20,123	17,256
1989	2,220,678	34,270	84,651	32,610	1,213	1,118	8,238	32,184	15,733	32,819

tons

<sup>1</sup>Fat content (production minus loss)

Meat and Cattle

Aspects related to the meat sector are embodied in the Livestock Industry Act ("Viehwirtschaftsgesetz 1983", Federal Law Gazette No. 621/83 as amended). It provides, inter alia, the stabilization of prices for slaughter animals and animal products and measures to secure the domestic supply. One of the instruments to achieve these objects is the monitoring of the foreign trade which is due to licensing.

The Austrian Meat and Livestock Commission was set up to accomplish the objects for the cattle and meat sector laid down in the "Viehwirtschaftsgesetz 1983". The Commission is entrusted, inter alia, with the monitoring of the market situation and the foreign trade. For market relief purposes intervention measures are applied. In storing seasonable surpluses of meat the prices of slaughter cattle and animal products are stabilized. For storing beef and pork the following funds were necessary:

	(in S million)
1986/87	83.13
1987/88	45.59
1988/89	41.3

For the export of products of the meat sector contributions are granted. They serve the purpose of balancing the different regional marketing costs on the one hand and maintaining the competitiveness on the other hand. They amounted in:

	(in S million <sup>1</sup> )
1987	2,080.2
1988	2,158.2
1989	1,721.0

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<sup>1</sup>The sub-national contributions are included.

Statistical data regarding production, exports and imports

	1987	1988 (head)	1989
<u>Slaughter cattle</u>			
Marketed output (Gross domestic production)	692,651	655,780	618,537
Export of slaughter cattle	19,668	16,634	7,212
Export of beef <sup>1</sup>	253,179	229,572	196,152
Import of slaughter cattle	-	-	-
Import of beef <sup>2</sup>	5,192	5,644	6,378
<u>Breeding and commercial cattle</u>			
Import	124	573	323
Export	72,770	76,344	78,661
<u>Calf</u>			
Marketed output	185,424	168,132	144,510
Export of calves	3,573	2,219	2,069
Import of calves	1,525	12,383	23,010
Import of veal <sup>3</sup>	5,047	18,001	19,590
<u>Pigs</u>			
Marketed output	4,556,138	4,718,425	4,759,170
Export of pigs	776	7,121	17,757
Export of pork <sup>4</sup>	4,526	55,679	76,911
Import of pigs	45	53	45
Import of pork <sup>4</sup>	7,940	9,844	13,372

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<sup>1</sup>250 kg. beef = 1 head of cattle

<sup>2</sup>200 kg. beef = 1 head of cattle

<sup>3</sup>Equivalent in head

<sup>4</sup>82 kg. meat = 1 pig

### Grains

Aspects related to the grain sector are embodied in the Market Regulation Law (Marktordnungsgesetz 1985, BGBI No. 210/1985 as amended).

As from 1 July 1979, a new system of co-responsibility was introduced, in accordance with their individual production of grains, farmers pay a contribution as follows:

(in S/100 kg.)

	1987/88	1988/89	1989/90
Wheat	62.-	50.-	44.-
Rye	39.-	40.-	34.-
Fodder barley, fodder oats	25.-	15.-	10.-
Fodder maize	30.-	40.-	25.-
Fodder wheat	62.-	40.-	25.-
Fodder rye	39.-	40.-	25.-

The above-mentioned amounts are deducted from the respective producer prices and are adjusted annually. The funds thus acquired are used for the disposal of grain surpluses in form of exports and domestic price reduction measures. To dispose of surpluses, export subsidies are paid, about half of which are financed by the producers. They amount in:

(in S million)

1987	3,093.8
1988	3,829.7
1989	3,046.1

The system of official price regulation for bread grain has been replaced by a system of target prices. The basic target producer prices (without VAT), which are determined by the Federal Ministry of Agriculture and Forestry, are graduated monthly during the course of the crop year (July 1989 to September 1990) as follows:

Milling wheat	S 366.- to S 370.50/100 kg.
Milling rye	S 358.- to S 366.80/100 kg.
Fodder wheat	S 300.- to S 304.50/100 kg.
Fodder rye	S 300.- to S 304.50/100 kg.

The basic price for domestic durum wheat has been fixed at S 533.70 per 100 kg.

These target prices are imperative, if due to domestic sales campaigns, contributions are paid to dealers, co-operative societies and mills for storage and freightage of bread grain. They amounted in:

(in S million)

1987 to 658.-  
1988 to 448.-  
1989 to 160.-

	<u>Production</u>	<u>Exports</u> in metric tons	<u>Imports</u>
		<u>1987</u>	
Wheat	1,451	476.3	0.086
Rye	309	21.4	0.19
Barley	1,179	34.3	2.6
Maize	1,685	287.1	4.6
		<u>1988</u>	
Wheat	1,560	565.0	0.14
Rye	356	79.3	0.01
Barley	1,366	104.0	55.2
Maize	1,700	227.1	7.5
		<u>1989</u>	
Wheat	1,362	366.8	0.46
Rye	381	99.5	0.06
Barley	1,421	224.0	0.06
Maize	1,491	123.2	7.15

#### Oilseeds and Oleaginous Fruits

Support is granted on the basis of special guidelines according to item 6.1 of the General Outline Guidelines on the granting of subsidies (correspond to a federal decree) for the cultivation of rape, sunflower seeds, soya beans, peas (*Pisum sativum*), and horse beans.

The subsidy is paid to the farmers, i.e. for horse beans and peas a fixed premium for the area is granted; for rape, sunflower seeds, and soya beans a fixed premium for the area and a quantity-related product premium is paid.

Costs of the support read as follows:

	<u>1987</u>	<u>1988</u> in S million	<u>1989</u>
Rape	353.9	357.1	399.0
Sunflower seeds	216.4	263.9	269.0
Soya beans	-	46.6	67.2
Peas	111	161.7	163.4
(Pisum sativum)			
Horse beans	54.1	85.7	69.1
(Vicia faba var. equina, Vicia faba var. minor)			

Statistical data on production

	Year	Area ha.	Crop tons	Yield 100 kg/ha
Soya beans	1987	250	not recorded	
	1988	5,820	9,176	15.77
	1989*	5,016	10,000*	20.00*
Sunflower seeds	1987	11,866	32,330	27.25
	1988	19,921	53,526	26.87
	1989*	21,207	57,260*	27.00*
Horse beans	1987	9,028	30,966	34.80**
	1988	15,588	50,504	32.40**
	1989*	15,356	41,615	27.10**
Peas (Pisum sativum)	1987	22,269	81,505	26.60**
	1988	35,935	138,709	38.60**
	1989*	46,598	161,695**	34.70**
Rape	1987	23,102	57,673	24.96
	1988	31,103	81,334	26.15
	1989*	35,154	86,127*	24.50*

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\* Preliminary

\*\* Estimated

Statistical data on foreign trade

	Imports <sup>1</sup> in S million		Exports <sup>1</sup> in S million	
	1988	1989	1988	1989
Rape <sup>2</sup> and colza seeds	274.7	127.5	46,424.4	34,903.6
Sunflower seeds	6,066.5	9,638.5	39,619.9	65,558.6
Soya beans	5,706.8	3,599.7	60.9	506.4
Peas (Pisum sativum)	8,979.7	2,929.3	1,025.3	1,031.2
Broad beans <sup>2</sup> and horse beans <sup>2</sup> (Vicia faba var. equina, Vicia faba var. minor)	667.5	67.9	311.8	155.9

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<sup>1</sup>Due to the conversion of the Austrian tariff to the nomenclature of the Harmonized System as from 1 January 1988, the foreign trade statistics of 1987 are not stated.

<sup>2</sup>The product is not separately recorded in foreign trade statistics.

## SUBSIDIES TO INDUSTRY

The following notification pursuant to Article XVI:1 covers federal budget expenditures on support measures to industry in the financial years 1987 to 1989.

The main aim of the notified aid schemes is not directly trade related. It is not clear to what extent such programmes constitute subsidies within the meaning of Article XVI:1, however, in the spirit of openness and in order to contribute to greater transparency in the use of subsidies, these measures are included in the present notification.

### General description of federal assistance to industry

The main aim of the aid schemes is to contribute to a structural improvement of industry and thus of the economy as a whole. As the criteria for assistance are defined in general analytical terms, the measures are of a horizontal rather than a sectoral or firm-specific nature. Thus, the schemes are designed in a way to avoid trade effects.

#### 1. Mining Promotion Scheme

The underlying rationale of this support measure is to guarantee the supply of mineral products, especially with regard to Austria's neutrality.

The legal regulations are contained in the Mining Promotion Law No. 137/79.

Exploration and prospecting efforts, rationalization and environmental measures of mining enterprises may be supported by a grant of 7 per cent of investment costs over 5 years or 25 per cent to 33 per cent of prospecting and exploration costs. Also the liquidation of unprofitable enterprises may be supported.

The aid scheme is administered by the Federal Ministry of Economic Affairs.

Between 1987 and 1989, assistance amounted to 22 per cent of total investment in the mining sector and to 3 per cent of its value added.

#### Amount of Subsidy

<u>1987</u>	<u>1988</u>	<u>1989</u>
(\$ million)		
146	105	232

Instrument: grants

2. Rescue Scheme aid under the Financial Guarantee Act

This aid scheme was set up in order to provide firms in temporary difficulties with bridging support measures.

- (a) Grants may be given for elaborating or evaluating restructuring concepts or for controlling their implementation.
- (b) Bridging loans at an interest rate between 0 and 5 per cent may be given to enterprises during the period which is necessary to elaborate restructuring concepts.

Restrictions: Support is given only to firms which are likely to be viable in the long run, without further external support.

This aid scheme came into effect in 1981 by Federal Law No. 296/77 and is administered by the Federal Ministry of Finance.

As assistance is not linked to investment or production, its economic effects cannot be assessed. However, as is obvious, the amounts involved are very small.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
Instruments: grants, loans	21	18	17

3. Research and Development Fund for the Manufacturing Sector

This aid scheme was created to stimulate industrial R&D and raise it to international standards.

The R&D-Fund is administered by the Federal Ministry of Science and Research.

It supports R&D-related expenditures on investment and on personnel. Up to 50 per cent of project costs may be financed by grants and/or loans, the percentage depending on the risk and the degree of pre-competitiveness. The rest has to be covered by the enterprise itself. In 1989, on average such assistance amounted to about 17 per cent of total project costs.

Because of the horizontal character of R&D-support, it should not affect investment or exports.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
Instruments: grants, loans	392	395	416

#### 4. Innovation and Technology Fund

The Innovation and Technology Fund (ITF) was set up at the end of 1988. Its interest earnings of approximately S 500 million per year are earmarked for promoting industrial R&D and the introduction of new technology. Particular importance is attached to close co-operation between enterprises and research institutes.

The R&D-section of the ITF may give grants between 30 and 50 per cent of costs of industrial R&D-projects or of participation costs in international R&D-projects (mainly EC and EUREKA). The grant element depends on the degree of innovation and on the level of risk involved. International R&D-project participation is generally promoted at a rate of 50 per cent.

The technology section of the Fund is designated to accelerate the introduction of R&D-results and new technology. The grant element amounts to 10 per cent to 30 per cent of project costs.

The Fund is administered by the Ministry of Science and Research and of Public Economy and Transport.

Because of the pre-competitive level of the supported projects, a direct effect on the competitive position cannot be discerned.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
Instruments: grants, loans	0	214	198

#### 5. Investment scheme for the acceleration of structural change ("TOP-scheme")

Initially, under this scheme support was given for innovative investment, the transition from R&D to production or immaterial investment, such as, e.g., planning, controlling, software production and design. Since 1989, only immaterial investment and costs linked to R&D may be supported. The minimum project costs are S 2.5 million. Loans up to S 70 million are supported with an interest subsidy of 4.25 per cent per annum over at best 10 years and with a grace period of 2 to 5 years.

This support scheme came into effect in 1981 and is administered by the Federal Ministry of Economic Affairs.

In the years 1987 and 1988, average support amounted to 6.6 per cent of total project costs; 191 enterprises (of which about two-thirds with up to 500 employees) benefited from the scheme.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
Instruments: interest rate subsidy	392	472	400

6. Joint regional support scheme

This scheme aims at strengthening the economic structure and at creating new jobs in eight disadvantaged areas within Austria. Newly establishing enterprises have to meet certain technical and economical standards and have to create at least twenty new jobs. Already existing firms planning an enlargement have to create at least three additional jobs. Furthermore, a minimum investment of S 0.4 to 0.6 million per employee is required. If these conditions are met, up to S 0.1 million per newly created job may be awarded.

This aid scheme was in force from 1980 to 1989 and was jointly financed by the Federal Ministry of Public Economy and Transport and the Federal State in which the recipient is located.

Between 1986 and 1988, subsidies under this scheme amounted to 8.4 per cent of total project costs, and about 6,800 new jobs were created, of which about 40 per cent in small new enterprises. These enterprises typically operate for the home market. On average, their export ratio is almost 50 per cent lower than for industry as a whole.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
Instruments: grants, loans	73	191	105

7. Guarantees under the Financial Guarantee Act

This aid scheme is regulated under Federal Act No. 296/77 and amendments. Its goal is to accelerate structural change by guaranteeing the financing of innovative investment or the transition phase from R&D to production. Financial restructuring may also be supported. Guarantees are given for loans and for share capital.

Loans are usually guaranteed up to 85 per cent of the amount. A minimum loan of S 2.5 million is required. The guarantee fee amounts to between 0.25 per cent and 0.5 per cent for a period of six months.

During 1987 to 1989, the net costs of payments made under this scheme amounted to 0.47 per cent of outstanding guarantees. The guarantees are concentrated on small and medium-sized enterprises with up to 500 employees. In 1988, they accounted for 88 per cent of the newly-extended guarantee volume.

<u>Payments on guarantees</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	34	40	39

8. Grants for new enterprises under the Financial Guarantee Act

This support scheme was set up in 1981 by Federal Act No. 338/1981 in order to promote the establishment of structurally outstanding new enterprises, preferably in disadvantaged regions.

It is administered by the Federal Ministry of Finance.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	388	278	99

9. Fund for Environmental Protection

The Fund pursues two aims:

- The acceleration of waste-water cleaning of manufacturing industry. For this purpose, loans up to 80 per cent of environmental investment costs are extended, carrying an interest rate of 3 per cent (2 per cent in the case of biological cleaning) and a term between 10 and 20 years.

The scheme became effective in 1969; in 1986, the respective Fund merged with the Fund for Environmental Protection.

- The reduction of air pollution, noise and hazardous waste. For this purpose, an interest subsidy of up to 6 per cent is granted for a period of 10 to 15 years. Promotion is limited to already existing plant and equipment and only applies to that part of investment which is of immediate relevance to one of the three targets. To obtain such a subsidy, legally required environmental standards have to be exceeded. Newly established firms are excluded from support. The interest subsidy is usually paid out lumpsum at its discounted value.

This support measure became effective in 1984.

As support is limited to that part of investment which is of direct relevance to the environment and as more stringent ecological criteria apply than for other firms, it can be assumed that there is no impact on productive investment or on output.

The Fund is administered by the Federal Ministry of Environment, Youth and Family.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	345	821	711

Instruments: grants, interest rate subsidies,  
loans

10. Support for small and medium-sized enterprises

In Austria, 52 per cent of wage and salary earners work in enterprises with less than 100 employees, and 70 per cent in enterprises with less than 500 employees (1983). 99 per cent of all enterprises employ less than 100 persons.

In view of the importance of SME's for the economy, they are offered special support to offset specific disadvantages they encounter on financial markets:

- The Small Firm Development Scheme promotes small-sized enterprises with up to 40 employees and a turnover of up to S 14 million. It aims at enhancing their competitiveness by facilitating credit financing. For that purpose, 90 per cent of up to S 0.5 million are guaranteed. Furthermore, an interest rate subsidy of 3 per cent points or a grant of 12 per cent up to an amount of S 0.04 million are given. In disadvantaged regions, the grant may reach up to S 0.07 million.

<u>Amount of Subsidies</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	50	64	74

Instruments: grants, guarantees

- The Investment Support Scheme under the "Act for Structural Improvement", No. 26/1973 and amendments, aims at the structural adaptation of small and medium-sized enterprises. It promotes innovative investment and rationalization, and it furthers co-operation, take-overs or the establishment of enterprises. Support is given in the form of grants (8.5 per cent) or interest subsidy (2 per cent) for loans of up to S 5 million.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	163	133	136

Instruments: grants

- The Support Scheme for New Small and Medium-Sized Enterprises facilitates the establishment or take-over of such enterprises. Aid is provided in the form of grants (10 per cent of investment, at most S 2 million) or of loan guarantees (80 per cent of the loan, at most S 2 million, over no more than 10 years).

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	31	36	49

Instruments: grants, guarantees

Support for SME's is administered by the Federal Ministry of Economic Affairs.

In 1989, about 2,900 manufacturing enterprises benefited from one of the support schemes for SME's. As the amounts involved are small and because of the typically limited trade radius of smaller enterprises, it can be assumed that these schemes do not affect trade flows.

#### 11. Employment-related measures

The "Labour Market Promotions Law", Federal Act No. 31/1969 and amendments, provides for a broad range of regulations on labour market matters. Two regulations concern the support of business activities:

- The support scheme of the Labour Market Administration aims at creating jobs, either in existing enterprises or by establishing new enterprises. In addition, in the past support was also given for restructuring basically viable enterprises, if they had macro-economic or regional importance. The support scheme entered into effect in 1982 and was set up for a limited period of time only. It has been extended since then. Under present legislation, it will expire at the end of 1993.

<u>Amount of Subsidy</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	540	493	166

Instruments: grants, loans, guarantees

- The Employment Programme by the Labour Market Administration is applied to offset short-term employment fluctuations and to avoid long-term unemployment in regions with structural unemployment. It focuses on supporting the creation of new jobs via grants, loans or guarantees. Grants are calculated on the basis of the hypothetical equivalent of unemployment assistance. Loans carry an interest rate of 0 or 5 per cent (average approximately 4 per cent) for no more than 30 per cent of project costs. This aid scheme was set up in 1969.

<u>Amount of Subsidies</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
	(S million)		
	129	55	71

Instruments: grants, loans, guarantees

#### 12. Export promotion

Under this scheme, the Federal Minister of Finance, acting on behalf of the Republic of Austria, is authorized to issue guarantees according to the Export Promotion Act of 1981. The guarantee covers due performance of contracts by the foreign contracting parties as well as the integrity of

rights of export enterprises that serve directly or indirectly the improvement of Austria's current account. The Österreichische Kontrollbank Aktiengesellschaft (OKB) as handling agent of the Republic administers the official Austrian Export Credit Guarantee Scheme. The insurance scheme is administered on account of the Republic and is conceived to operate on a self-supporting basis. OKB funds its refinancing operations by borrowing on national and international capital and money markets.

The credits thus guaranteed are provided at terms and conditions consistent with the arrangement on Export Credits (Consensus).

<u>Federal budget amounts involved</u> <sup>1</sup>	<u>1987</u>	<u>1988</u>	<u>1989</u>
		(S million)	
	-2,722	90	-1,472

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<sup>1</sup>Minus sign means net revenues.