



## U.S. Department of State FY 2001 Country Commercial Guide: Austria

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## Commercial Service Vienna

## CHAPTER I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Austria's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

Many American companies forget Austria. We tend to think of Austria in terms of skiing, the Von Trapp family, Arnold and Mozart. Austria is a delightful place, to be sure, but it can be just as delightful for doing hardheaded, serious business. Some companies see that Austria is German-speaking and has a largely Germanic culture, and they hastily reach the conclusion that their representative in Germany can cover the Austrian market. Sometimes they are right, more often wrong. The ways of business in Vienna or Graz can be strikingly different from those of Berlin or Hamburg. Other companies focus on the markets further east, in Europe or in Central Asia, perhaps flying through Vienna on their way to these emerging markets. We've always had a preference for markets that have money to spend, so don't forget to linger a bit in Austria - one of the world's richest nations.

This year is one of the few when Austria is in world headlines. Austria had been governed for decades by a social democratic party or by a coalition dominated by socialists. The Socialist Party (SPO) again won a plurality in the fall 1999 elections, but failed to form a coalition. The centrist People's Party (OVP), virtually tied with the rightwing Freedom Party (FPO) for second, was given the next shot. They formed a coalition, taking the FPO into government as a partner in February, 2000. Austria's new coalition produced international consternation because the FPO's leader (now resigned), Joerg Haider, has made controversial statements about the Nazi era. Upon formation of the coalition, all European Union members (except Austria, of course) announced political sanctions against the new Austrian Government.

One would think that this uproar would hurt business, but our experience is the opposite. The new coalition immediately set about undoing many of Austria's restrictions on business, and is showing serious intent of privatizing Austria's state-owned companies. (Some economists estimate that up to 40 percent of Austria's GNP is controlled by the state, tying Russia for the highest percentage in Europe.) The details are still coming out and it is too early to say exactly what the coalition will accomplish, but Austria seems on the verge of implementing many of the

reforms that its neighbors to the east have seen in the past decade. It's tempting to say that capitalism is coming to the Alps.

Our competitors certainly think the Austrian market is profitable. They are here in force (don't let talk of EU sanctions fool you into thinking otherwise), especially the Germans and Italians, but in such numbers that U.S. companies may find Austrian buyers interested in alternatives. German sellers have the advantage of language and proximity, but there is sometimes a backlash that can work in our favor. That said, Austria is a highly competitive market and wrapping a product in the American flag does not guarantee success. Quality, service and price must come with it. And don't count on the backlash to make a sale for you. It may get your foot in the door, but when it comes to laying out money, it is awfully easy for the Austrian to decide to go with the seller who is close and who speaks his language.

Austria touts itself as the gateway to eastern and central Europe. This was once true, but today smacks of faded glory. Still, we have perhaps four hundred American firms using Vienna as a regional base of operations, and many U.S. exporters working with Austrian companies to exploit Austrian contacts to the east. The days of the near monopoly of Austrian trading companies are gone, but it is still possible to make the right match with Austrian firms that know the eastern markets far better than most American companies do. And Vienna's charm and amenities make a strong argument for a city in which to place expatriate families while doing business in the region.

The commercial section of the American Embassy in Vienna, CS Vienna, can help you find your niche in Austria. We offer the panoply of programs that have been proven in Commercial Service offices around the world, including Gold Key meetings, considerable market research, assistance at trade shows and much more. More important is that our experienced industry specialists can give your company the insights and contacts you need to launch sales in this market. Don't hesitate to ask us your questions about doing business in Austria. We'll probably have the answers and, if we don't, we will have a good idea of where to find them. You can contact us by telephone (001-43-1-313-392297), fax (001-43-1-310-6917) or email ([office.vienna@mail.doc.gov](mailto:office.vienna@mail.doc.gov)). American companies can also find much of our market research on the Internet at [www.usatrade.gov](http://www.usatrade.gov).

Country Commercial Guides are available to U.S. exporters from the National Trade Data Bank's CD ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; <http://www.state.gov/>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE.

## CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

### A. Major Trends and Outlook

The Republic of Austria has an open economy, dependent on foreign trade and closely linked to the economies of other European Union (EU) member states, particularly Germany. Foreign trade and investment ties with Central and Eastern European countries also play an increasingly important role. Following a 2.9 percent real GDP growth rate in 1998, Austria's economy grew only 2.1 percent in 1999. In the first half of 1999, growth was supported mainly by domestic demand, while exports picked up in the second part of the year. The Austrian economy, driven by exports, investment and consumer demand, has gained momentum and entered a phase of strong cyclical upturn. Forecasts for 2000 call for growth of about 3.5 percent, those for 2001 for growth of about 3.2 percent. The export boom in Austria will also stimulate investment. Private consumption is another stronghold as households' disposable incomes are boosted by tax cuts and higher family benefits. The strong economic growth will have a positive impact on the labor market. The unemployment rate is expected to decline from 3.7 percent in 1999 to 3.5 percent in 2000 and to 3.4 percent in 2001. As is usual during a cyclical upswing, productivity per employee will also grow considerably – some 5 percent in two years. Inflation is expected to remain below 2 percent in 2000/2001. Due to moderate wage increases and a boost in productivity, unit wage costs in Austrian industry will continue to decline, so that Austria's international competitiveness will further improve markedly.

From 2000-2004, the Austrian economy is expected to grow at an average annual real rate of about 2.5 percent, faster than the 2.1 percent during the period 1995-1999. However, Austria's growth is expected to be slightly lower than the EU-wide average of about 2.4 percent, because of restrictive effects resulting from budget consolidation measures. Unemployment is expected to remain clearly below 4.0 percent, since Austria with a projected rate of 3.4 percent for 2001 is on the way towards full employment. Inflation, while edging upward, is still expected to average below a manageable 2.0 percent until 2004.

Austria's accession to the EU on January 1, 1995, has had a positive impact on foreign investment, inflation and economic growth by providing access to the single market and by fostering liberal policies to promote competition and dismantle protectionism. Austria was among the eleven founding members of the Economic and Monetary Union (EMU) launched on January 1, 1999 and has adopted the common "Euro" currency, which will fully replace the Austrian Schilling in early 2002.

In the national elections in October 1999, the Austrians elected a new government. The new government's most challenging task will be continuing budget consolidation and balancing the budget by 2003. Other important tasks for the new government will be introducing the single Euro currency, implementing an ambitious privatization program, reforming the social, welfare and pension systems, creating a more competitive business

environment, dealing with diplomatic sanctions imposed in reaction to the participation of the rightwing-populist Freedom Party (FPO) in the government, and defining Austria's role in a European security system.

Although Austria's economy has become considerably more liberal and open, foreign investors as well as local businesses still must cope with rigidities, barriers to market entry, and an elaborate regulatory environment in certain sectors. The old government made some progress in 1999 to streamline the permit process, to deregulate and to liberalize, particularly in the telecommunications and electricity sectors. The new government intends to move its economic reform program forward with the goal of making the Austrian economy more flexible and creating a more competitive business climate.

The economic opening of the Central and Eastern European (CEE) countries has had a stimulative effect on Austria's economy. Austrian firms have invested sizable sums and continue to move labor intensive low-tech production to these countries. Austrian banks have established wide networks in the CEE countries. Austria has served as an economic gateway to the CEE, attracting EU firms seeking convenient access to newly emerging markets. The Austrian government, as well as business interests, support the EU's eastern enlargement plans, but under the condition that the enlargement candidates meet EU standards prior to EU accession and that transition periods for free movement of labor and of services are implemented to prevent competitive distortions in the Austrian labor market.

The Austrian Schilling depreciated some 4 percent against the dollar in 1999. In the first half of 2000, the Schilling continued to lose another 10 percent against the dollar. However, with Austria being one of eleven founding members of the Economic and Monetary Union (EMU), the Schilling enjoys a fixed exchange rate against the currencies of the other ten EMU members, which include Austria's most important foreign trade partners.

In 1998 and 1999, U.S. exports to Austria rose strongly, despite the stiff competition in some export markets from European producers within the EU and increasingly stiffer competition from the countries of Central and Eastern Europe. Despite this tough competition, U.S. exports to Austria, after a slight 4 percent drop in 1998, have boomed again in 1999, when they were up 18 percent from 1998 and accounted for a market share of 5.4 percent.

## B. Government Role in the Economy

Recent years have seen a declining government role in the Austrian economy, and expectations are that this trend will continue. After completion of a comprehensive ten-year privatization program in 1997, which included the former state-owned industries group of steel, aluminum and petroleum, the new government introduced another ambitious privatization initiative in spring 2000, shortly after entering office. Current privatization plans are for selling 100 percent of the Austrian tobacco company,

Dorotheum auction house and bank, federal printing company, Postal Savings Bank (PSK), Print Media company, Telekom Austria, and Vienna airport company. In a second phase the government will review full privatization of its shareholdings in the partly privatized companies Austrian Airlines, Boehler-Uddeholm, the postal service company, OMV petroleum company, Voest-Alpine steel, and Voest-Alpine technology. The federal railroads are considered an off-budget item. Plans call for introducing more competition in rail transport by allowing other freighters access to the rail infrastructure. Telekom Austria company is required by law to list its shares on the stock exchange in 2000.

With the implementation of the 1996/97 austerity program, the government was able to reduce the total public sector deficit from 5.1 percent of GDP in 1995 to 2.2 percent in 1998 and thus managed to meet the “convergence criteria” for EMU participation. However, as a result of generous income tax reduction measures and increases in so-called family allowances the budget consolidation process slowed in 1999, when the total public sector deficit was 2.0 percent of GDP. (In the absence of these measures, which in part were implemented with a view to the national elections in October 1999, the deficit would have been lower than 2.0 percent of GDP.) Given the stronger than expected economic growth, total public sector deficit is projected to fall to 1.7 percent of GDP in 2000. The new government is making an effort to meet this goal and has already implemented tax increases and pension reform, with additional measures, including privatization, planned for the second half of the year. Since most EU member states have made better progress than Austria in cutting their public deficits, the EU Commission strongly criticised the government’s stability program, which foresaw cutting the total public sector deficit from 1.7 percent of GDP in 2000 to 1.3 percent in 2003. In reaction to this criticism, the new Austrian government has revised its deficit cutting plan and is now aiming to show a balanced budget in 2003. It is unclear yet which measures the government will implement to achieve that goal, but they will have to comprise unpopular and painful cuts, so that stiff opposition can be expected. However, as a member of the EU and EMU the government does not have many options. Budget consolidation remains the foremost and major challenge for the new Austrian government.

### C. Balance of Payment Situation

As a result of Austria’s participation in the Economic and Monetary Union (EMU) and the Euro currency, the national current account no longer has the importance it had for Austria as a small economy with an autonomous “hard currency” monetary policy approach. However, national balance of payments data still provide important information on structural problems and foreign trade integration. The Austrian current account balance, which has shown steady and sizeable deficits of about 2 percent of GDP in the late 1990s, revealed a deficit of Austrian schillings (AS) 74.6 billion (USD 5.8 billion), a deterioration from the AS 59.7 billion (USD 4.6 billion) deficit in 1998 and equal to 2.8 percent of GDP. Despite booming exports, economists expect the trade and current account deficits to remain on a high level of between AS 75-78 billion (USD 5.8-6.0 billion) in both 2000 and 2001. The deficit will be fueled by strong domestic

consumption that will stimulate imports. Moreover, Austrians show a high propensity to travel abroad, so that no significant improvement from the tourism balance can be expected, either.

Foreign direct investment in Austria continues to grow at a fast pace. After a record growth of AS 73 billion (USD 5.7 billion) in 1998, foreign direct investment in Austria grew by another AS 38 billion (USD 2.9 billion) in 1999 – the third highest amount in the post WWII period. The capital account showed an increase of AS 34.8 billion (USD 2.7 billion) in Austrian direct investment abroad in 1999.

#### D. Infrastructure System

Austria has a modern communications and transportation infrastructure. An extensive highway system provides convenient access to major European industrial centers and ports. The Austrian railroad offers efficient passenger and freight service and modernization plans will introduce higher-speed rail service in the near future. Although Austria has convenient flight service to all major destinations world-wide, the only airline carrier offering direct flights from the Vienna International Airport to major U.S. destinations is the Austrian national carrier “Austrian Airlines.”

The Austrian telecommunications network is sophisticated and reliable, though expensive by U.S. standards. However, according to the latest figures, liberalization and increased competition among several new telephone companies have led to a sharp decline in telecom prices. The use of mobile phones is particularly popular in Austria, where 41 percent of the population are registered users (above the EU average of 36 percent). About 70 percent of households possess a mobile phone. All in all, total sales of information technology (IT) industries accounted for USD 120 billion in 1999.

About 39 percent of the Austrian population has permanent Internet access. This figure has doubled from 1998. About 8 percent of Internet users has purchased goods on-line at least once. Internet access is becoming increasingly important among businesses as well, with 73 percent of all firms and companies currently on-line, and 60 percent with their own homepage. Moreover, a comprehensive e-commerce portal ([abusiness.at](http://abusiness.at)) was created to encourage free exchange among industries that plan to invest in the New Economy.

#### E. Regional Economic Integration

Regional economic integration has advanced rapidly with neighboring EU member states and Eastern European countries. Trade with the EU account for two-thirds of all exports and imports (Germany alone makes up approximately 40 percent, and Italy 8 percent). The EU share in Austrian merchandise exports totalled 64 percent on average in the late nineties while Austrian imports from the EU remained constant at about 70 percent. Trade in services shows a similar allocation although the share of EU imports in services is slightly lower than the share of imports in goods (63 percent).

The dynamic growth of Austrian trade with Eastern Europe since the end of the 1980s represents the most important change in the regional structure of Austrian trade. The share of Eastern Europe (including former Yugoslavia and the former Soviet Union) in Austrian exports of goods increased from 10 percent in 1989 to 19 percent ten years later. Hungary, the Czech Republic, Slovakia and Slovenia alone account for 11 percent of merchandise exports and 8 percent of merchandise imports (7.5 percent of exports and 6 percent of imports in services). The numbers are expected to increase further after these countries accede to the EU.

### CHAPTER III. POLITICAL ENVIRONMENT

#### A. Nature of the Political Relationship with the U.S.

Austria's bilateral relations with the United States have been excellent over the past several decades. Austria's political leaders and many Austrians recognize and appreciate the essential role played by U.S. economic assistance under the Marshall Plan after World War II, and the role played by the United States in promoting the conclusion of the Austrian State Treaty in 1955. This treaty ended the four-powers occupation following World War II and established Austria as an independent state. The generations that recall these events, however, are aging.

The United States expressed concerns about the new government. The U.S. looks to the Austrian government to uphold its commitments to openness, expansion of democracy, support of free markets, and tolerance for others.

Austria maintains an embassy at 3524 International Court, NW, Washington, D.C. 2008 (Tel. 202-895-6700). Consulates are located in New York, Chicago and Los Angeles, with honorary consulates in Atlanta, Boston, Buffalo, Charlotte, Columbus, Denver, Detroit, Honolulu, Houston, Kansas City, Miami, New Orleans, Philadelphia, Pittsburgh, San Francisco, San Juan, Seattle, St. Louis and St. Paul.

#### B. Major Political Issues Affecting the Business Climate

The formation of a new government in February 2000, composed of the right-wing populist Freedom Party (FPO) and the conservative People's Party (OVP), triggered international concerns among political leaders that the stable political and economic situation in Austria could deteriorate. Due to fears that government participation of the FPO, which has xenophobic and radical right-wing elements, could boost radical, anti-democratic movements elsewhere, the 14 other EU member states reduced bilateral diplomatic relations with Austria. Although not intended, economic repercussions on tourism and trade were expected. However, according to observations of the Federal Austrian Economic Chamber, Austrian imports and exports did not decline. No significant change in Austrian foreign trade relations is noticeable after the first six months of the FPO-OVP government in office. Standard & Poor's, the international

financial rating service, announced on June 13, 2000, that Austria had received a triple A rating, citing the country's decreasing government burden, strong competitiveness and strong stance on fiscal consolidation.

Austria is working to resolve some compensation issues from the Holocaust era. After intensive negotiations with the U.S. government and victims' representatives, the Austrian government is planning to establish a "Reconciliation Fund" for the compensation of an estimated 150,000 surviving forced and slave laborers of the Nazi era. The federal and local governments and private industry will provide 6 billion Austrian Schillings (400 million \$) to this fund. The regulation is expected to come into effect in fall of 2000 or 2001 at the latest. Gaps in property restitution and insurance compensation have yet to be fully addressed.

Austria has shaped its foreign policy on the basis of neutrality for 40 years. After EU accession in 1995, this concept was redefined with a focus on solidarity within the evolving European security architecture. Austria joined the Partnership for Peace in 1995. There is an ongoing debate within the country about NATO membership as an option for the future.

Austrian leaders emphasize the unique role the country still plays as a link between West and East and in shaping the preconditions of EU enlargement. Austria is active in the United Nations and in UN peacekeeping efforts including SFOR and KFOR. Having taken over the chair in the Organization for Security and Cooperation in Europe (OSCE) for the year 2000, Austria plays a high profile role in peace initiatives for Chechnya and Kosovo. It attaches great importance to participation in the Organization for Economic Cooperation and Development (OECD) and other international economic organizations.

Vienna is the headquarters of important international organizations like the International Atomic Energy Agency (IAEA), the UN Industrial Development Organization (UNIDO), the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), the International Institute for Applied Systems Analysis (IIASA), the Organization for Petroleum Exporting Countries (OPEC), the Wassenaar Arrangement (WA), and a branch office of the European Patent Office (EPO).

### C. The Civil Society

The Austrian political-economic system is characterized by the co-operation of the so-called "Social Partners". They comprise the Labor Unions, the Labor Chamber, the Economic Chamber and the Agriculture Chamber. These influential quasi-public chambers to which membership is mandatory for all occupational groups and businesses, try to resolve all social and economic conflicts that may arise before they result in more serious unrest. Thus, there have been virtually no strikes in Austria during the past 30 years. However, the Social Partnership has been criticized as being a rather undemocratic "shadow" government, particularly by the Freedom Party. Due to the composition of the new government, the Social Partnership is undergoing its most serious crisis since it was

established 50 years ago. Social and economic decision making is being gradually shifted away from the social partners to the government.

Politics sometimes intrudes on business decisions. Larger Austrian firms are often associated with one of the major political parties, and purchasing by government entities and state-owned companies was be highly political under previous governments. The new government says that one of its priorities is to reduce political influence in this field.

Non-governmental organizations (NGO's) are becoming more and more influential in many political fields in Austria, ranging from the environment and consumer protection to human rights issues.

Austria maintains a constant exchange of business representatives, students, cultural groups and tourists with the countries of Central and Eastern Europe. The Austrian government and various Austrian organizations, including business and labor, provide assistance and training to support constructive changes in this region.

#### D. Synopsis of the Political System

Austria is a parliamentary democracy. The Chancellor is the Head of Government and the President is the Head of State. The President – who is elected every 6 years directly by the people – appoints the Chancellor who then selects his government. The Federal Assembly (Parliament) is composed of two houses – the National Council (Nationalrat) or the lower house, and the Federal Council (Bundesrat) or upper house. Virtually all legislative authority is concentrated in the National Council whose 183 members are elected according to a system of proportional representation and party affiliation, including a threshold of 4 percent for each party. Elections must be held every four years. The next elections are scheduled for the fall 2003. The National Council may dissolve itself before the end of four years by a simple majority vote, or the Federal President may dissolve it on the recommendation of the Chancellor. The Federal Council consists of 64 members elected by the legislatures of the nine provinces. It is virtually restricted to reviewing legislation passed by the National Council.

The highest courts of Austria's independent judiciary are the Constitutional Court, which has jurisdiction over constitutional matters; the Administrative Court, which handles bureaucratic disputes; and the Supreme Court, for civil and criminal cases. Cases initiated in the Administrative and Supreme Courts can be appealed to the Constitutional Court. Justices of all three courts are appointed by the president for specific terms.

Austria is a federalist country in which the nine Laender (provinces) have a considerable share of political and administrative power, including welfare and environmental matters, and ownership of land. Although most authority, including police, still rests with the federal government, the provinces are responsible for the implementation of the majority of federal laws and the supervision of local administrations. The provinces are headed by governors elected by the provincial legislatures. They meet regularly in the informal

governors' conference, which formulates recommendations for federal legislation concerning the provinces. Austria's EU accession has sparked off a debate on redistribution of legislative powers between the EU bodies, the federal government and the provinces.

Principal officials:

Federal President:	Thomas Klestil
Federal Chancellor:	Wolfgang Schuessel
Vice Chancellor:	Susanne Riess-Passer
Foreign Minister:	Benita Ferrero-Waldner
Ambassador to the United States	Peter Moser
Ambassador to the United Nations	Gerhard Pfanzelter

Austria has enjoyed political stability since World War II. Until the 1980s, the two major parties, the Social Democrats (SPO) and the People's Party (OVP) had the support of more than 90 percent of the electorate and formed the government from 1987 until the most recent national elections in October 1999. With the rise of Joerg Haider, FPO party leader from 1986 to 2000, the populist right-wing Freedom Party (FPO) has established itself as a mid-sized party, overtaking even the OVP in the 1999 elections. They form the government now along with the OVP.

The SPO, which garnered 33 percent of the vote in the 1999 elections, traditionally draws its constituency and much of its strength from urban and industrial areas. In the past decade, the party has shifted its focus from support for state-run, interventionist economic policies to a more market-oriented approach. It retains, however, its support for a comprehensive, but expensive social welfare system.

The FPO has attracted protest voters who no longer desire association with the other two major parties that have penetrated many aspects of everyday life in Austria. Some segments of the population who feel under-privileged and may therefore be more susceptible to anti-immigration slogans also support the FPO, which has its roots in a nationalistic but also liberal political environment. Economically, they support austerity measures and a balanced budget. After a continuous rise in popularity the FPO received 27 percent of the votes in the 1999 elections, slightly ahead of the OVP.

The OVP's traditional constituency has been among farmers, large and small businesses, and lay Catholic groups. Its center of strength is rural Austria. In economic matters, the party advocates conservative financial policies and privatization of much of Austria's nationalized industry. The OVP also received 27 percent of the 1999 ballot.

Seven percent of the electorate voted for the Greens in 1999. This center-left party focuses on environmental and human right issues.

## CHAPTER IV.     MARKETING U.S. PRODUCTS AND SERVICES

### A. Distribution and Sales Channels

Every imaginable distribution channel is available in Austria, including traditional wholesale distribution and retailing, catalog and e-commerce channels, direct marketing methods, franchising, joint ventures and other licensing agreements.

For some products, it is sometimes useful to think of Austria as five distinct marketing or distribution areas:

- 1)     Vienna, the capital and vicinity;
- 2)     Pre-alpine provinces: Styria, Lower Austria, and Upper Austria;
- 3)     Alpine provinces: Carinthia, Tyrol, and Salzburg;
- 4)     Vorarlberg in the far-western Alps on the Swiss border; and
- 5)     The eastern flatlands of Burgenland.

Many Austrian firms distribute to the neighboring markets of Central and Eastern Europe at the wholesale level, and some Austrian retail chains are beginning to build up networks in those countries as well. It is not unusual, for example, to see Austrian retail chains in neighboring Slovakia.

### B. Product Pricing Structures

It is impossible to generalize about pricing structures. Even when concentrating on importers of U.S. products, there is no uniform structure. Importers may receive their products from central distribution centers in the European Union (EU), directly from the United States, or from third markets. The number of resellers depends on the size of the market and the nature of the product.

### C. Retail Trends

Austrian retailing is well into a long overdue modernization. Austria's accession to the EU in 1995 was a major impetus for change, bringing reforms in the regulatory environment, giving consumers the freedom to shop in neighboring EU countries, and opening the borders completely to the retail giants of neighboring Germany. What was once a highly regulated and protected environment that supported thousands of small shops and boutiques (with restricted opening hours, a limited selection, and high prices) is now taking initial steps toward becoming a modern, consumer-oriented and market-driven retail environment that favors major chains and mega-stores. Price competition is heating up, and concentration in most retail sectors is high and increasing as the giants either merge or buy each other out in their battle for market share. The losers are likely to be the small shops and boutiques that make up nearly 90 percent of all retail Austrian enterprises, but account for an ever-shrinking market share.

Concentration: These figures from a recent market study (Regio Plan, 1999) demonstrate the extreme concentration in many retail sectors. Each figure denotes the market share of the five largest players in each sector:

-	food	90 percent
-	sporting goods	90 percent
-	druggists	86 percent
-	DIY builders mkt	67 percent
-	shoes	66 percent
-	furniture	64 percent
-	toys	60 percent
-	electronics	51 percent
-	clothing	23 percent
-	books	19 percent

In a word, small businesses are in big trouble in Austria. Not surprisingly, this has spawned a movement to protect small retailers from the ravages of the free market, slowing the reform process.

Shopping Malls: The latest figures (Regio Plan, 1999) show that shopping centers account for around 12 percent of Austria's retail sales, or around \$5.2 billion\* in 1998. Despite the legal insecurity of the past years, there are currently plans for 33 new malls to be constructed throughout Austria, nine of which will go up in the Vienna area. In addition to the new projects, existing malls have been expanding, adding new stores and expanding their sales area.

Austrian shopping malls are still somewhat primitive by American standards. They consist primarily of retail stores, with very little service or entertainment. Developers have been correcting these deficits, and many of the new malls include more restaurants and some have built movie theaters, but American mall staples such as hairdressers or game halls are usually not to be found. A proposal to add an amusement park to the largest shopping mall in Austria has thus far been blocked by local environmental activists, who fear the additional traffic such a park would bring.

Operating Hours: One of the most important limitations on consumer behavior has been the slow liberalization of Austria's strictly regulated shopping hours. More liberal shopping hours, to the extent this has taken place, allow consumers to spend more time comparing price and quality. Despite incremental improvement, Austria still has the most restrictive shopping hours in all of Europe. Most stores may only stay open a maximum of 66 hours per week, and these hours must be between 6:00 AM and 7:30 PM Monday through Friday, and 6:00 AM to 5:00 PM on Saturdays. With a few exceptions, primarily for tourism areas, stores must stay closed on Sundays and holidays. A few brave storeowners in the Vienna area have challenged the Sunday closing requirement, but stiff fines have prevented this movement from gaining momentum.

**Convenience Stores:** An exception to the restricted opening hours exists for so-called convenience stores, including gas stations, bakeries, sweets shops, etc. Gas stations in particular have discovered this to be a wonderful source of income with attached shops, though their size (80m<sup>2</sup>) and the products they are allowed to sell (food and drink for immediate consumption) outside the standard opening hours remain strictly controlled.

**Direct Marketing:** Within limits set by Austrian law, telephone and direct mail solicitation are very much in evidence in Austria. For interested U.S. firms, a list of Austrian direct marketing firms is available from CS Vienna. Some U.S. companies, including Tupperware and Amway, have established themselves in the Austrian market with multi-level marketing systems.

**Catalog Shopping:** Catalog shopping is very popular in Austria (perhaps reflecting the limited shopping hours), where per capita catalog spending is ranked fourth in the world (after Germany, the United States and Switzerland). The Austrian mail-order trade association claims that over 50 percent of all Austrians purchase something from a catalog at least once every year. The most common catalog purchase is clothing.

After several years of steady growth of around 5 percent yearly, catalog sales stagnated in 1998 and 1999, leveling out at around \$1.2 billion\* or around 5 percent of all retail sales. Catalog companies are experimenting with improving the purchase experience with on-line Websites.

Four major catalog companies dominate the Austrian catalog market: Quelle, Universal Versand, Otto Versand, Neckermann, and La Redoute have between them captured 60 percent of the market.

**Electronic Commerce:** E-commerce is the fastest growing shopping form in Austria with double and triple-digit growth figures. The absolute numbers, however, are still small. Internet sales in 1999 are estimated at around \$310 million\*, or 0.8 percent of all retail sales. Around 30 percent of all Austrians use the Internet regularly, and 33 percent of all Internet users has made on-line purchases. Though nearly 80 percent of Austrian companies have Internet access and email, only around 1 in 15 has its own Web presence. Austria is probably 3-4 years behind the United States in development of e-commerce.

#### D. Use of Agents/ Distributors; Finding a Partner

Qualified Austrian agents and distributors can be found for nearly every kind of product. All enterprises in Austria must register with and maintain membership in the Federal Economic Chamber (FEC), the semi-official trade and manufacturer's organization. The FEC is divided into six main sections: small-scale service and production (for example plumbers, electricians, mechanics, etc.), trade, manufacturing, credit and insurance, transportation, and tourism. Each main section is further divided into sector-specific working groups. Each of these groups has either a newsletter or a publication, and most gather industry-specific statistics and compile a list of members. The Federal Economic Chamber can be reached by phone (43-1-501-05-0 -- ask the operator for the section you

need) or fax (43-1-501 05-fax extension according to the section). Their Website is [www.wko.at](http://www.wko.at).

Finding Austrian partners for U.S. businesses is a goal of the U.S. Commercial Service in Vienna (CS Vienna). This office, located at the U.S. Embassy in Vienna, is an ideal starting point for any partner search in Austria, be it for an agent, a wholesaler, licensee, franchisee, joint-venture partner, or end-user. CS Vienna can be contacted directly (email: [vienna.office.box@mail.doc.gov](mailto:vienna.office.box@mail.doc.gov); fax: +43.1.310.6917; phone: +43.1.313.39.2243) or through a Department of Commerce Export Assistance Center in the United States. Each CS office around the world can be found at [www.usatrade.gov](http://www.usatrade.gov).

Two special programs have been developed by the Commercial Service to assist U.S. firms in their search for foreign business partners. The Gold Key Service is designed for U.S. business visitors who would like to meet potential business partners personally. With brochures and price lists supplied by the U.S. firm, CS Vienna contacts the most qualified Austrian firms, introduces them to your products in German, assembles background information for you about the Austrian firms, and then schedules up to six appointments per day for you with industry experts and firms interested in distributing your product. U.S. visitors may also choose to visit several countries in a region with back-to-back Gold Keys. You can request an application form and pricing directly from CS Vienna.

The Agent-Distributor Service (or ADS) is also designed to help U.S. firms find potential business partners. Similar to the Gold Key program, ADS is lower cost and stops short of setting up your business meetings. Any appointments or travel plans are handled directly by the U.S. firm. The ADS program is administered through Department of Commerce Export Assistance Centers in the United States.

CS Vienna supports trade missions, information seminars featuring U.S. technology, special events, and joint "USA" stands at trade fairs, all of which have produced excellent results for U.S. firms entering the market. CS Vienna can provide interested U.S. firms with information about planned events and upcoming trade fairs at any time.

#### E. Franchising

Franchising is a small but growing factor in the Austrian economy. We estimate that it accounts for fewer than 5 percent of total retail sales (compared to almost 50 percent in the United States). The past ten years have seen the total number of franchise systems in Austria increase dramatically, from under 50 at the end of the 1980's to over 250 today. A corresponding increase in the number of franchise business owners can also be reported, from under 500 in the late 1980's to around 3,700 in 1998.

Around half of the franchise systems operating in this country are of local origin. The top foreign participant in the Austrian franchising economy is Germany, with around 25 percent of the franchise systems, followed by the United States, with about 10 percent of all the systems operating in Austria. While most German operations either set up a

company headquarters in Austria or franchise direct over the (EU internal) border, most American companies choose to expand their operations in Austria through a master franchise partner.

U.S. franchising companies that decide to start operations (or sell master franchise rights) in Austria should be prepared to start slowly. Because this is a country whose traditions and history are very much a part of the individual mentality, most new products and services tend to be met with initial suspicion. This means that the start-up time for a new business is often considerably longer than in other markets - even McDonald's needed over a decade before they had established themselves securely in Austria. Finding franchise partners who understand what is involved in a franchising contract and are willing to take the risks involved is also difficult, first, because the very idea of franchising is often misunderstood, and second, because the barriers to starting a business in Austria are significant.

That having been said, it must also be emphasized that the Austrian market holds truly great potential for U.S. franchising companies. Per capita income is among the highest in the world. Perhaps even more importantly, the economy is going through a period of liberalization and consolidation that is forcing smaller businesses to consider new strategies in order to survive. Warehousing and logistics practices are rapidly changing as the EU's internal borders disappear. In short, this is an environment in which U.S. franchising companies likely will find opportunities. Some of the best prospects for franchising include business and personal services, schooling and training, and specialty retailing.

The largest franchising systems (in terms of operating units) in Austria are:

1. Ankerbrot (Austria) only recently started selling franchise rights. They are the biggest food-service chain in Austria, with over 300 bakeries.
2. Palmers (Austria) is the largest Austrian clothing retail chain, with around 300 lingerie shops.
3. Gazelle (Austria), a second chain of lingerie shops, recently purchased by Palmers, with around 175 units.
4. Quelle (Germany) is a leading mail-order house that also runs specialty retail stores. They recently began selling franchise rights for small shops that display catalog products and take orders for products. Quelle has around 200 outlets in Austria.
5. Quelle subsidiary Foto Quelle (Germany) also has operations in Austria. This company sells film, cameras and development services. The most popular franchise contract is to put a photo-corner as an extra source of revenue in a small shop. There are around 165 such agreements in place.
6. McDonalds (USA) is rapidly expanding, opening around 20 restaurants annually. They now have over 120 restaurants, nearly all of which are franchise units.
7. Wienerwald (Austria) is a well-established restaurant chain which began selling franchise rights several years ago. They have around 60 restaurants in Austria.

Ms. Waltraud Frauenhuber, whose company Syncon specializes in franchising consulting, manages the Austrian Franchise Association.

Austrian Franchise Association  
Attn.: Regina Wacht  
Bayerhamerstrasse 12/1. Stock  
A-5020 Salzburg, Austria  
Tel. (43 662) 87 42 36  
Fax (43 662) 87 42 36-5  
email: [ofv@franchise.at](mailto:ofv@franchise.at)

#### F. Joint Ventures and Licensing

Joint ventures and licensed production arrangements in Austria offer U.S. firms several advantages, including free access to the European Union market, improved access to Central and Eastern European markets, reduction of transportation costs to European destinations, and high quality production. Joint ventures may be formed as companies, partnerships, or other legal entities.

Austrian companies are receptive to licensing arrangements, especially as a source of technology. Royalty and license fee payments may be freely transferred out of Austria.

In addition to the assistance offered by CS Vienna, U.S. firms seeking joint venture or license partners in Austria will receive valuable information from the Austrian Government's investment organization:

Austrian Business Agency  
Opernring 3, A-1010 Vienna, Austria  
Tel. (43 1) 588 58-12  
Fax: (43 1) 586 8659  
Manager for North America: Dr. Robert Budiman  
Web: [www.aba.gv.at](http://www.aba.gv.at)  
Email: [r.budiman@aba.gv.at](mailto:r.budiman@aba.gv.at)

#### G. Steps to Establishing an Office

Establishing a business in Austria is a bureaucratic maze, despite recent efforts to reduce the paperwork involved. Some regions have moved to set up one-stop shops for entrepreneurs, but the jury is still out on how much of the red tape these new offices can really eliminate. The basic process is as follows:

The legal existence of a business begins with its registration in the commercial register (Firmenbuch). This is normally done with the assistance of an Austrian lawyer or notary public, at the appropriate section of the offices of the district management

(Bezirkshauptmannschaft) or the magistrate (Magistrat). The magistrate forwards the registration materials to the Federal Economic Chamber; if the materials are complete, the registration process is thereby concluded. Costs associated with the registration of a company include corporate tax, court costs, fees for incorporation, an announcement in the semi-official Austrian newspaper Die Wiener Zeitung, and the fees of an attorney or Notary Public. Total costs of about AS 30,000 must be expected, or between 5 and 10 percent of the capital stock.

Most business activities in Austria are regulated, and require that a separate application be made for a business license (Gewerbeschein). Evidence of proficiency is required for most businesses; usually a passing score on an examination or evidence of prior experience in the field is sufficient. For business activities that do not require proof of proficiency, the business license is granted automatically upon registration of the business. Information about which businesses require proof of proficiency is available from the Economic Chamber of the province where the business will be operated (for Vienna, that is the Wirtschaftskammer Wien).

There are several options available to the investor when deciding on the legal form of an Austrian office, including public corporations, limited liability companies, limited or unlimited commercial partnerships, silent partnerships, branches of foreign enterprises, cooperative societies, and sole proprietorships. Most foreign-owned businesses choose to operate as a limited liability company (Gesellschaft mit beschränkter Haftung - Ges.m.b.H.).

#### H. Selling Factors and Techniques

Possibly due to the many years of shortage during World War II and post-war period, and certainly due to their monarchical authoritarian history, the typical buyer-seller relationship in Austria is quite unique. Though this is slowly changing, sellers may find they need to project great confidence in their product and a certain indifference (or at least formality) toward the customer. The customer tends to set the tempo of the relationship. Though there is certainly no need to imitate this typical Austrian style of sales, it should indicate some limits to typical American practices. Highly choreographed and high-pressure sales techniques, for example, or hearty friendliness to someone just met, are absolutely alien to Austria, and are an almost surefire way to bring an early end to negotiations.

A second consideration is the price/quality question. Although price and quality are important considerations for Austrian industrial and private consumers, there seems to be a greater willingness in Austria than in America to pay more for perceived better quality. Thus, focusing too much on price competitiveness could be read as an admission of inferior quality and actually hurt sales. It's a fine line to walk.

#### I. Advertising and Trade Promotion

While generally less sophisticated than advertising in America, the local advertising industry is experiencing excellent growth. The mid-90's brought about 10 percent annual growth, and in 1999, total spending on advertising reached \$1.97 billion\*, up nearly 14 percent over 1998. One major reason for higher advertising spending is increased competition, especially in the newly deregulated telecommunications industry.

Print media: Daily papers, regional publications, magazines, industry publications and other print media accounted for a whopping 55 percent of all advertising spending in 1999, up nearly 17 percent over 1998 to \$1 billion\*. The most important dailies are the tabloids Kronen Zeitung (circulation: around 1 million) and Taeglich Alles (about 400,000), as well as Kurier (around 300,000). Quality dailies are the conservative Die Presse and Salzburger Nachrichten, and the more liberal Der Standard, each of which has a circulation of around 100,000. Wirtschaftsblatt focuses on business issues and has a circulation of around 40,000. The most popular magazines are the weeklies News, Profil, and Focus. Trend and Gewinn are the most popular business weeklies.

Most major newspapers are also online and offer banner advertising. The most sophisticated are [www.diepresse.at](http://www.diepresse.at) and [www.derstandard.at](http://www.derstandard.at).

Television: Austrian television advertising was another winner in 1999, with nearly 20 percent growth over 1998 and nearly 23 percent of the advertising pie, or \$457 million\*. The volume of advertising, measured in seconds televised, doubled between 1998 and 1999 to over 7.5 million seconds!

Television is a state monopoly in Austria. The Austrian Broadcasting Corporation (ORF) operates two television stations, both offering programming with content similar to that of private stations: news, movies, sports, talk shows, and reruns of American sitcoms and mysteries. There is less advertising than on U.S. networks, usually during breaks between programs. ORF is not able to finance its programming through advertising income alone, thus each television owner in Austria is required to pay a television tax (around \$20/month).

The prospect of allowing private television networks is a highly sensitive political issue that has been under consideration by the Austrian Parliament ever since Austria's embarrassing 1993 conviction under the European Convention on Human Rights for violating the right of free access to information. At present, there are three possible broadcast slots, one of which is theoretically available for a privately-owned network. The new coalition has initiated a study to determine how and if digitizing the remaining slot can develop private broadcasting.

ORF is already being challenged for audience by cable and satellite television. Over 65 percent of Austrian households are capable of receiving either cable or satellite television, both of which offer private German and other European broadcasters, as well as international services, including CNN and MSNBC. In other words, a company advertising on German television can probably assume that their ads are being seen in Austrian households.

Radio: Radio advertising fell from 9.4 percent in 1998 to 8.1 percent of total advertising spending in 1999, a fall of 0.5 percent to \$163 million\*. This reflects consolidation of the radio broadcasting industry after the boom of 1997 and 1998, when Austria liberalized access to radio frequencies and the first private radio stations went on the air. All the currently operating private stations are owned by large media companies that are also in print media. ORF operates several national and regional radio stations, including market leader Ö3.

Other advertising venues: Direct mail accounted for 7.6 percent of 1999 advertising spending, a smaller share than the 8.2 percent of 1998 but a 6.5 percent increase in value to \$151 million\*. Billboard advertising has remained a constant feature of Austrian marketing, and in 1999 accounted for 6.5 percent of advertising spending, gaining 6.5 percent over 1998 to \$132 million\*.

Truth in Advertising: A Consumer Forum has been established in the Austrian Economics Ministry. The forum comprises representatives of political parties, business organizations, labor unions, and business associations. A subcommittee for commercial advertising examines posters, TV, radio and newspaper ads, and entire sales campaigns, with regard to their truthfulness, information value and ethnic sensitivity. The forum can institute proceedings against advertisers who make false claims. Anyone transgressing established commercial usage laws may be sued.

The Government recently lifted the regulation against comparative advertising, thus enabling advertisers to make direct comparisons between their products and services and those of their competitors.

Trade Promotion: National and international trade fairs in most every industry sector can be found in Austria, where between 100-150 fairs are organized every year. Most of the Austrian fairs are open to the general public, and thus take on an advertising function. Austrian importers also attend the major European trade fairs. A comprehensive list of Austrian trade fairs and exhibitions is available through WIFI Austria (tel: +43.1.501.05.3574, fax: +43.1.502.06.253, email: wfleit@wifi.at, web: www.wk.or.at/wifi/).

## J. Pricing Products

Five years after Austria's entry into the EU, the promised fall in consumer prices has become a reality for many products, especially home electronics, computers, and many food items. Several high-profile price comparisons with EU neighbors in the Austrian media brought prices down for some products, including automobiles and blue jeans. When the Euro becomes a common currency, prices are likely to again fall as companies in the EU move toward a single pricing policy.

Austrian prices remain among the highest in the European Union, reflecting high social costs of labor (including mandatory health insurance and pension fund contributions for

employees), extensive agricultural subsidies, the small size of the market, and high taxes. The value-added tax (VAT) on most products and services is 20 percent. Special taxes are levied on luxury goods, fuel, drinks, and many other items. These taxes quickly add up and should be taken into consideration when pricing products for sale in Austria.

#### K. Sales Service and Customer Support

Customer service and support in the consumer industries is weak in Austria. The unlucky customer who purchases a defective product, for example, cannot expect to bring it back to the store the next day for a replacement, but must wait weeks while the product is shipped for repair! While it is true that brand-name sellers generally have extensive customer service networks in Austria, they tend to be unfriendly and difficult to approach. Publicizing American-style guarantees and customer service should prove an excellent marketing tool.

Business customers demand a different level of support, and most wholesalers or distributors offer excellent support. If a part on a machine breaks, it must be replaced or repaired within 24 hours, which may present logistical problems for smaller U.S. suppliers who cannot warehouse replacement parts in Europe.

#### L. Selling to the Government

The Austrian Government adheres to the WTO (GATT) Agreement on Government Procurement. Austria's Federal Procurement Law was amended in January 1997 to bring its procurement legislation in line with EU guidelines, particularly on services. Austria does not have Buy National laws, and the principle of the best (not necessarily the lowest price) bidder is usually maintained. However, some major contracts are negotiated by invitation, and limited tenders and offset requirements are common in defense contracts.

#### M. Protecting Your Product from IPR Infringement

Austria is a member of all international intellectual property rights agreements. To begin the process of registering a patent in Austria or in the EU, contact CS Vienna or the Austrian Patent Office directly:

Oesterreichisches Patentamt  
 (Austrian Patent Office)  
 Kohlmarkt 8-10, A-1014 Vienna, Austria  
 Tel. (43 1) 534-24-0  
 Fax. (43 1) 534-24-110  
 Web: [www.patent.bmwa.gv.at](http://www.patent.bmwa.gv.at)

A list of patent attorneys is available through the Austrian Patent Attorney Chamber:

Oesterreichische Patentanwaltskammer

Museumstrasse 3  
A-1070 Vienna, Austria  
Tel. (43 1) 523 4382  
Fax: (43 1) 523 4382-15  
Email: pak@patentanwalt.at  
Web: www.patentanwalt.at

#### N. Need for a Local Attorney

Some Austrian law firms can conduct business in English and are familiar with U.S. law. Some are members of the bar in the United States. A list of English-speaking law firms is available at the U.S. Consulate, and through CS Vienna.

\*Note: all currency figures have been reported in U.S. dollars using the 1999 exchange rate of \$1 = ATS 12.91 as the base rate (including figures from earlier years).

## CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS

### A. Best Prospects for Non-Agricultural Products

#### 1. Computer Software and Services (CSP)

Total packaged software turnover was about AS 14 billion (\$1.1 billion) in 1999, of which application software amounted to AS 10.3 billion (\$801 million). We expect the growth rate for 2000 will be 15 percent, moving up to 16 percent in 2001.

It is critical that software be "user-friendly" whether marketed to personal users, business professionals or executives. It is vital that they be able to work with "bug-free" programs, preferably written in German, easy for them to understand and execute. Software packaging is important for retail sales and should be in German and well presented.

We see a growing market for databases, especially as Austrian companies begin to develop e-commerce sites, and as larger firms discover the advantages of enterprise-wide information management – still new ideas to many in this market. Sales of networking software topped \$65.5 million in 1999, and we see this growing at about 12 percent annually for at least the next three years.

The best opportunities for sales of U.S. software in Austria appear to be in Internet, systems engineering and applications consultancy, data bank and communications software/office automation, education, CASE, CIM and quality control. Users that appear to hold the highest potential for software suppliers are industry, financial services,

public administration, trade, health, energy production, distribution, telecommunications and electronic banking.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	3,230	3,639	4,210
B. Local Production	n/a	n/a	n/a
C. Total Exports	n/a	n/a	n/a
D. Total Imports	n/a	n/a	n/a
E. Imports from the U.S.	1,292	1,456	1,684

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: Our statistics are based on industry sources, but should be considered unofficial estimates only.

## 2. Telecommunications Services – TES

The telecom services sector is largely liberalized, well developed and highly competitive. Licenses are required for wire-bound public voice telephony, public offering of line leases, and wireless voice telephony. Only a simple registration requirement applies to other telecom services. The market is highly promising and offers manifold sales prospects for American firms. U.S. service providers active in Austria include Abovenet Communications, Aircall Multimedia Communication, Equant Network Services, Harris Telecom Services, MCI WorldCom, RSL Com, UPC Telekabel and UUNET.

Sales in Austria's mobile phone market surged 47.3 percent in 1999, topping \$1.64 billion. With a penetration rate of 50 percent at the end of 1999, Austria was Europe's growth champion. Market penetration is expected to reach 70 percent by late this year. There are four mobile operators in the market. An invitation for bids for third generation (3G) mobile phone licenses will be published in July 2000. An auction for four to six 3G licenses is to start in November 2000, with the licenses to be awarded to the highest bidders. Austria's Telekom Control (TKC), the regulatory authority tells us they are very interested in having U.S. companies participate in the bidding.

The value of fixed line services, including Internet and on-line services, reached \$2.38 billion in 1999, 3.1 percent higher than in 1998. We expect growth to moderate to about 2 percent annually.

Growth in data and leased line service has been driven by increasing recourse to network outsourcing contracts and enhancement of corporate networks with multimedia capabilities. Revenues in this sector amounted to \$473 million in 1999.

Data Table (million \$)

1998	1999	2000
------	------	------

A. Total Sales	4,103	4,796	5,259
B. Sales by Domestic Firms	2,872	2,398	2,367
C. Exports by Domestic Firms	n/a	n/a	n/a
D. Sales by Foreign-owned Firms	1,231	2,398	2,892
E. Sales by U.S.-owned Firms	369	575	788

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

### 3. Automotive Parts and Equipment (APS)

U.S. exports of automotive parts and equipment to Austria have risen by an order of magnitude this decade. Where total exports in 1991 were only \$30 million, 1999 saw our sales boom by 93 percent over 1998 to exceed \$686 million! The American share of the aftermarket in Austria is still low at around 5 percent, though this may be a statistical anomaly from U.S. products entering Austria from other EU countries and not necessarily counted as of U.S. origin.

The past decade's growth in U.S. exports was caused by Chrysler's decision to invest in assembly operations in Austria. Assembly of Jeep Grand Cherokees at the Steyr Fahrzeug Technik facility in Graz accompanied production of Chrysler Voyagers at the Eurostar facility next door. These facilities are major importers of U.S. parts and components, and they have attracted additional U.S. automotive suppliers to Austria, who also import heavily from the United States. In the long run, the percentage of U.S. content will fall as these facilities procure more locally, but that trend has been put on hold as assembly projects with high U.S. content continue to pour in.

The phenomenal 93 percent increase in 1999 is largely due to the production start of the Mercedes SUV (M-Class) at the Steyr plant in Graz. U.S. content is estimated at over 60 percent. While our growth in sales should be about 15 percent this year, spectacular growth should resume in 2001 when the Eurostar plant begins production of DaimlerChrysler's PT Cruiser and Steyr adds two Saab models to its production lines.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	2,331	3,021	3,448
B. Total Local Production	4,765	5,241	5,766
C. Total Exports	4,288	4,717	5,189
D. Total Imports	1,854	2,497	2,871
E. Imports from the U.S.	356	687	790

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

#### 4. Advertising Services (ADV)

The Austrian advertising and public relations market is dominated by a few large Austrian-based firms, several international and multinational advertising agencies with Western European mother companies, and a significant presence of American agencies.

Ad agencies chalked up \$1.9 billion in sales in Austria in 1999 – almost 1 percent of Austria's GDP and a 13.6 percent increase from 1998. Advertising in print and TV media saw an extraordinary growth rate of 18 percent. Only radio-spot advertising decreased. According to "Media Focus Research", Austrian advertising expenditures in 1999 were shared among the media as follows: print 54.7 percent, TV 22.7 percent, radio 8.10 percent, billboards 6.41 percent, flyers and brochures 7.61 percent, and cinema advertising 0.36 percent.

American advertising agencies are in an excellent position in this market. We estimate that about 30 percent of Austria's total advertising revenues are generated by thirteen U.S. agencies. The most successful and largest subsidiaries of U.S. agencies are McCann-Erickson, Grey Austria, Bozell-Kobza, Dr. Puttner-Bates, Mang DMB & B, Team/BBDO, TBWA-Omnicom Group, and Young and Rubicam. The leading American PR agency in Austria is Ogilvy & Mather.

Data Table (million \$)

	1998	1999	2000
A. Total Sales	1,664	1,900	2,123
B. Sales by Local Firms	n/a	n/a	n/a
C. Sale by Foreign-owned Firms	n/a	n/a	n/a
D. Sales by U.S.-owned Firms	499	570	637

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

#### 5. Aircraft and Parts (AIR)

The Austrian market for civil aviation aircraft amounted to about AS 4.8 billion (\$372 million) in 1999 and is expected to grow ten percent in 2000. There is only one aircraft producer in Austria, so the market is dominated by imports. Diamond Aircraft Industries, in Wiener Neustadt, manufactured 59 single engine motor gliders in 1999, most of which were sold outside Austria and this production has virtually no impact on the Austrian market itself.

The principal end-users of civil aviation aircraft, parts and equipment are tAustrian Airlines, Lauda Air, Tyrolean Airways, Rheintalflug (a commuter airline), and charter airlines. Emergency medical services and the police use civilian helicopters. The market

for corporate fleets and business charter operators are expected to increase by about ten percent annually through 2001.

The major aircraft industry suppliers to Austria in 1999 were the United States with a 38 percent share of the import market, France 29 percent, Germany with 23 percent and Canada with 3 percent.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	326	441	489
B. Total Local Production	9	10	10
C. Total Exports	485	546	604
D. Total Imports	820	997	1103
E. Imports from the U.S.	325	380	421

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

## 6. Telecommunications Equipment (TEL)

The Austrian telecom equipment market is a completely liberalized, well-developed competitive market. Major telecom equipment suppliers such as Siemens, Motorola, Ericsson, Nokia, Alcatel, Lucent Technologies and Cisco Systems have dominant positions.

1999 showed a vigorous growth in the market. The liberalization of telecommunications, which forces a continuous expansion of communications systems and equipment, is the driving engine behind the prosperous development. We expect double-digit growth rates for imports for some time to come. The planned auction of 3G mobile licenses in November 2000 should lead to further significant sales for mobile equipment.

With an import share of 5.3 percent, the United States ranks fifth behind Germany with 25.8 percent, France with 14.5, UK with 8.6, and Japan with 5.5 percent. U.S. telecom equipment enjoys an excellent reputation and is known for state-of-the-art technology. Austria also serves as an excellent base for U.S. companies wishing to enter East European markets. We think the best sales prospects for U.S. suppliers include mobile infrastructure equipment, all types of terminal equipment including mobile and ISDN, fiber optic systems, network equipment, business communications equipment, teleconferencing equipment and call center equipment.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	691.3	1,062.3	1,403.7
B. Total Local Production	90.3	97.4	105.9

C. Total Exports	1,013.5	1,171.4	1,306.8
D. Total Imports	1,614.5	2,136.3	2,604.6
E. Imports from the U.S.	93.7	114.2	139.2

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

## 7. Computers and Peripherals (CPT)

The Austrian market for computers and peripherals grew about 5 percent in 1999 vis-à-vis 1998 and amounted to AS 20.3 billion (\$1.6 billion). PCs dominate computer hardware sales with a market share of about 75 percent or about \$1.2 billion. Some 510,000 PCs and workstations were sold in 1999, an 11 percent increase in volume.

The turnover for mainframes was about AS 300 million (roughly \$23.2 million) in 1999. Mid-sized systems declined by about 5.5 percent in 1999 due to competition from PCs. Network computers have not had significant commercial impact in this market.

Monitors with 17" screen are standard for PCs, and there is growing demand for 19" screens. Prices for color and laser printers are steadily declining.

The United States is the main source of imports followed by Germany. We expect 10 percent growth in value for the entire computer hardware sector in 2000.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	1,845	2,060	2,280
B. Total Local Production	1,450	1,619	1,792
C. Total Exports	1,621	1,810	2,003
C. Total Imports	2,016	2,251	2,491
E. Imports from the U.S.	142	159	176

1999: exchange rate: \$1 = AS 12.91 (base year).

Note: The above statistics are unofficial estimates.

## 8. Drugs and Pharmaceuticals (DRG)

Pharmaceuticals account for about 10 percent of total health care spending in Austria. Annual per capita expenditure for pharmaceuticals is approximately \$220. Cost-containment pressure is high and focused on reducing prescription and hospital costs. Increased life expectancy and growth in private health care insurance are expected to have a positive impact on the market.

The Austrian pharmaceutical industry is characterized by subsidiaries of multinational companies and by small to middle-sized Austrian firms. The market leaders are Novartis, Glaxo Wellcome Hoffmann LaRoche, Janssen-Cilag and Merck Sharpe & Dohme.

Access to the Austrian pharmaceutical market is subject to strict national and EU legislation. FDA approval can sometimes accelerate the proceedings, but is not recognized as a substitute by Austrian or other EU member state health authorities. The appointment of a local agent or distributor is recommended to guide foreign companies through the Byzantine registration, product and price approval processes.

U.S. products enjoy an excellent reputation and the market is highly receptive to U.S. imports. With a share of seven percent, U.S. imports of drugs and pharmaceuticals ranked fourth after Germany, Switzerland and France in 1999. The market share of U.S. companies, however, is markedly higher due to production in third-countries.

Product groups with the highest sales include antiulcerants; erythropietin products; antidepressants; cholesterol and triglyceride reduction preparations; injectable anticoagulants; ACE-inhibitors; cephalosporins; non-narcotics and anti-pyretics; and cerebral and peripheral vasotherapeutics.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	2,021.8	2,001.0	2,122.7
B. Total Local Production	1,375.6	1,397.4	1,448.2
C. Total Exports	1,480.8	1,771.3	1,979.6
D. Total Imports	2,127.0	2,374.9	2,654.1
E. Imports from the U.S.	156.5	166.8	177.9

1999: exchange rate: \$1 = AS 12.91 (base year).

Note: The above statistics are unofficial estimates.

## 9. Health Care Equipment (MED)

U.S.-manufactured health care equipment enjoys a lucrative market in Austria. We expect 4 percent annual growth for U.S. sales in Austria over the next three years. U.S. manufacturers are the second-largest supplier following Germany. The U.S. import share amounted to 21.1 percent in 1999. U.S.-engineered medical equipment sales are actually much larger than reflected in official import statistics, as many products imported from Western Europe and Asia were assembled by subsidiaries of U.S. firms.

The best opportunities for new sales appear to be for such state-of-the-art equipment as electrocardiographs, ultrasound apparatus, endoscopes, scanners, computer tomograph imaging equipment, dialysis equipment, pace makers, sophisticated digitalized x-ray equipment, nuclear medical instruments and clinical laboratory equipment. Hospital

expansion and construction are limited, although there are still some on-going projects in the provinces. Replacement of obsolete equipment is an ongoing process in any hospital, even the newer facilities.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	407.5	434.1	467.2
B. Total Local Production	153.1	167.9	185.9
C. Total Exports	329.3	344.5	364.0
D. Total Imports	583.7	610.7	645.3
E. Imports from the U.S.	122.9	128.6	135.9

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

#### 10. Pollution Control Equipment (POL)

Austria is a pioneer in environmental protection and has some of the world's tightest environmental regulations. Most of the national emission reduction targets adopted by Austria are more stringent than those required by international agreements. Austrian environmental policies are backed by consumer awareness of the importance of the environment to Austria's tourism sector and justifiable pride in their pristine environment, with its high water and air quality.

Austria is a major exporter of environmental technologies and it can be tough to compete with Austrian companies on their home ground. Nevertheless, Austria's industrial capacity for environmental equipment is not large enough to supply the total Austrian market, leaving a valuable piece of the market available for imports. The main foreign supplier is Germany, followed by Sweden, Italy, France, Switzerland and Finland.

U.S. suppliers find Austria an excellent market for advanced analytical instruments and monitoring systems, such as measuring instruments, spectrometers and spectrophotometers, gas or smoke analysis apparatus, and gas chromatographs. Promising opportunities exist for advanced technologies for the exploration, evaluation and remediation of contaminated sites, waste-to-energy technologies, PVC/ PET/ PE recycling technologies, mixed plastic separation systems, X-ray and infrared detectors for plastic sorting, and electronic scrap recycling technologies.

Data Table (million \$)

	1998	1999	2000
A. Total Market Size	3,827.4	4,144.5	4,413.5
B. Total Local Production	2,277.4	2,459.6	2,607.1
C. Total Exports	1,077.1	1,152.4	1,201.0

D. Total Imports	2,627.1	2,837.3	3,007.4
E. Imports from the U.S.	85.4	86.7	89.2

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

## 11. Franchising (FRA)

Franchising is a small but growing factor in the Austrian economy. Despite at least 265 systems and some 3,700 franchisees, we think that franchising accounts for less than 5 percent of total retail sales, compared to nearly 50 percent in the United States. We assume that implies room for growth in Austria's franchise market and we predict 10 percent annual growth in franchisees and 3-4 percent growth in franchising systems for the next several years.

American franchise systems are notably under-represented in Austria. U.S. franchises account for around 10 percent of all franchise companies and around 20 percent of all foreign franchises. We see only 2-3 new U.S. systems enter the market each year, considerably below what has happened in neighboring markets. We expect there is considerable room to grow. (Please see chapter IV.C. for more on franchising in Austria.)

Data Table (million \$)

	1998	1999	2000
A. Total Franchise Systems	255	265	275
B. Total Franchise Businesses	3,390	3,700	4,050
C. Total Austrian Systems	125	127	132
D. Total Foreign Systems	130	138	143
E. Total U.S. Systems	25	28	31

1999 exchange rate: \$ 1 = AS 12.91 (base year)

Note: The above statistics are unofficial estimates.

## B. Best Prospects for Agricultural Products

### Beef

Although Austria is a large beef producer, there are market opportunities for certain U.S. beef cuts.

In the years before EU accession in 1995, Austria imported 800 to 1,000 MT of U.S. high quality beef (USHQB) (worth about AS 100 million) annually. Following EU accession,

Austria had to apply EU veterinary regulations which resulted in a sharp drop in imports of USHQB.

Only beef produced under the “hormone free cattle” program is permitted to enter the country. However, due to certifying/testing problems of "hormone free beef", U.S. beef imports declined significantly in 1999. If the U.S. and the EU achieve an agreement on the aforementioned problem, imports of USHQB should begin to rise in 2000.

U.S. beef is imported by companies which traditionally sell to first class restaurants. In these restaurants, particularly in the larger cities and tourist areas, there is a good demand for high quality tenderloins, strip loins, and T-bone steaks.

The price of U.S. “hormone free beef” is relatively high and thus has only a limited market in Austria. Our main competitors are Austria’s own producers and suppliers from other EU members, particularly Germany. Imports from Argentina are small.

Data Table (million \$)

	1998	1999	2000
Total Consumption	423	411	373
Total Local Production	549	529	482
Total Exports	185	186	174
Total Imports	59	68	65
Imports from the U.S.	1	0	1

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 and 1999 import and export figures, the above statistics are unofficial estimates.

Rice (Including Broken Rice)

Rice consumption is fluctuating but is expected to continue its generally rising trend. As a consequence of the ongoing health wave, brown rice consumption should increase more distinctly. The major share of rice comes from mills in Italy, Germany, Belgium, and Netherlands. A large part of these imports is U.S. rice. Direct imports from the U.S., as indicated in the table, do not reflect the actual imports of U.S. rice. Main competitors for U.S. rice are Italy and Thailand.

Data Table (million \$)

	1998	1999	2000
Total Consumption	25	22	22
Total Local Production	0	0	0
Total Exports	0	0	0

Total Imports	25	22	22
Imports from the U.S.	2	2	2

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 and 1999 import and export figures, the above statistics are unofficial estimates.

## Pet Food

With a growing number of both single households and older people seeking contact to living beings, the number of pets has been rising for a long time. As pet food meets only 34 percent of dietary needs of Austria's dogs and 38 percent of cats, Austria's pet food market should increase considerably in the next few years. It is believed that in the long term 80 percent penetration of the Austrian market will be possible.

Most pet food is sold in supermarket chains, drug stores and gas station convenience stores. In addition, pet food is sold by veterinarians and pet shops. Around 3 percent of the total dog and cat food is marketed by non-grocery outlets.

The lion's share of pet food imports comes from other EU countries, followed by central Europe. The predominant suppliers are France and Germany. Direct imports from the U.S. are marginal but somewhat large quantities of U.S. petfood should come from other European countries, particularly Germany. Austria is a net exporter of pet food.

Pet food is defined as livestock feed. No registration is required for marketing pet food in Austria, but the product must comply with EU regulations.

## Data Table (million \$)

	1998	1999	2000
Total Consumption	201	193	180
Total Local Production	209	200	185
Total Exports	65	63	58
Total Imports	57	56	53
Imports from the U.S.	5	4	2

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 and 1999 imports from the U.S., the above statistics are unofficial estimates.

## Wine

Austrian wine production fluctuates greatly. The average wine output is about 2.5 million hectoliters/year which corresponds roughly to the annual wine consumption. Large quantities of wine are imported and exported. The predominant suppliers are Italy, France, and Spain delivering mainly red wines.

Imports of U.S. wines were small as these wines were not well known to the public and the import duty for non-EU wines is high. However, there is a niche market for California wine, particularly red wine of high quality. In recent years, intensive promotion of California wines has been carried out which has resulted in rising sales of U.S. wines. A large share of California wines is imported from German wholesalers and thus does not appear as U.S. product in the official trade statistics. Based on information derived from trade sources, U.S. wine exports to Austria in 1999 were close to U.S.\$7 million.

### Data Table (million \$)

	1998	1999	2000
Total Consumption	445	397	366
Total Local Production	388	334	304
Total Exports	35	31	28
Total Imports	92	94	90
Imports from the U.S.	2	5	5

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 and 1999 import and export figures, the above statistics are unofficial estimates.

## Nuts

Except walnuts and hazelnuts, of which variable quantities are produced within Austria, the requirement of all other nuts has to be met by imports. The United States has a considerable market share that can be further expanded. U.S. opportunities are on the high quality sector of shelled products.

The main competitor on the growing pistachio market is traditionally Iran and for hazelnuts Turkey and south European countries. Pecans are almost unknown in Austria and have only a small market. However, promotions could increase this market to the benefit of U.S. producers; the United States provides around 70 percent of the small Austrian pecan market. The large almond market (around AS 90 million in 1999) is dominated by the U.S. (55 percent). The main competitor is Spain.

## Data Table (million \$)

	1998	1999	2000
Total Consumption	67	55	52
Total Local Production	18	19	17
Total Exports	8	5	4
Total Imports	57	41	39
Imports from the U.S.	10	6	6

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 and 1999 import and export figures, the above statistics are unofficial estimates.

## Seafood

Austria's small fish production is limited mainly on trouts and carp. Since Austria is a landlocked country, all marine fish, shellfish, and crustacea must be imported. The principal suppliers are Germany, Netherlands, Denmark, Italy, and France. Of the total import value 41.5 percent is accounted for by fresh/frozen fish, 7 percent by dried and/or smoked fish, 10 percent by fresh/frozen crustacea and molluscs, and 41.5 by further processed fish, crustacea and molluscs.

Consumption of seafood is low but rapidly rising. Per-capita consumption, which was 5.2 kg in 1990, increased to more than 6 kg in 1999. The reason for this trend is the increasing standard of living, health awareness, and the growing number of restaurants serving seafood.

In order to step up the present small U.S. market share U.S. seafood promotions will be carried out.

## Data Table (million \$)

	1998	1999	2000
Total Consumption	209	219	204
Total Local Production	10	9	9
Total Exports	6	6	6
Total Imports	205	216	201
Imports from the U.S.	1	0	1

1998 exchange rate: USD 1 = AS 12.38

1999 exchange rate: USD 1 = AS 12.91

June 15, 2000 exchange rate: USD 1 = AS 14.06

Note: Except 1998 import and export figures, the above statistics are unofficial estimates.

## CHAPTER VI. TRADE REGULATIONS, CUSTOMS, AND STANDARDS

### A. Trade Barriers, including Tariff and Non-Tariff Barriers

When Austria became a member of the EU on January 1, 1995, about two-thirds of existing tariffs were lowered or eliminated, while about one-third was raised. U.S. exports of chemicals, plastics, computers, photographic equipment, semiconductors, and integrated circuits were affected adversely by Austria's accession to the EU. The EU's common agricultural policy (CAP) also has had a negative impact on exports of U.S. agricultural products to Austria. Import duties for key U.S. agricultural products, such as tobacco and rice, rose considerably.

In general, there are no non-tariff barriers for U.S. companies entering the Austrian market. Nevertheless, some U.S. pharmaceutical companies have complained about restricted access to the Austrian market. A U.S. firm seeking to market a drug in Austria must first obtain approval from the Austrian Social Insurance Holding Organization (Hauptverband der Oesterreichischen Sozialversicherungstraeger). According to critics, the non-transparent procedures by which the Hauptverband approves drugs for reimbursement under Austrian health insurance regulations has perpetuated a closed market system favoring established suppliers. Pharmaceuticals not approved by the Hauptverband have higher out-of-pocket costs for Austrian patients and therefore suffer a competitive disadvantage vis-à-vis approved products.

Over half of all products from non-EU countries enter without any tariff. The average EU tariff level for manufactured goods is relatively low at 3.5%, but some goods are taxed at a higher rate. For example, passenger cars and office machines have duties of about 10%. For certain kinds of shoes and special motor vehicles, the rate may be up to 18%.

Some goods are subject to tariff-rate quotas, whereby after a certain quantity of the good has entered the EU at a low or zero duty rate, the rate is increased. These are primarily goods determined to be useful to the European economy only in certain quantities, generally raw materials or parts. The most important tariff quotas for manufactured goods are on chemicals and electronics. Both are administered on a first-come, first-served licensing basis. The Austrian importer can get information about the extent to which the quota has been filled through the Customs Office Suben, which has an on-line connection to Brussels, as well as through the Main Customs Offices (Hauptzollaemter) of the Ministry of Finance.

### B. Customs Regulations and Tariff Rates

The Austrian customs regime is based on the "TARIC" (integrated tariff of the EU), determined in Brussels.

### C. Import Taxes including Value Added Taxes

When a delivery is made to Austria, the products become liable to the import value-added tax (Einfuhrumsatzsteuer) upon entry in the Austrian customs area. The import value-added tax is assessed according to the customs value of imported goods. The importer is entitled to claim a refund of the import value-added tax from the tax office once the product is sold further in the distribution chain.

Finally, the end-user is liable to the Value Added Tax (VAT) which generally amounts to 20% in Austria. For food products the VAT is 10% only. Alcoholic beverages fall into the 20% VAT category.

The rates for the import value-added tax and the VAT are identical. The VAT is a pure tax on transactions, that solely affects the end-user and thus has no effect on the cost of transactions between businesses. In short, VAT has a purely transitory character.

### D. Import License Requirements

The European Union, and therefore Austria, requires import licenses for a number of products, first and foremost for agricultural produce and products. This holds for all originating countries, including the United States. Special rules apply for imports of particular products and countries, such as shoes from China. European Union import quotas are managed through the granting of import licenses to qualified firms. In general, an Austrian importer must possess an export license from the supplier country, and then obtain permission to import from the Austrian authorities (Einfuhrbewilligung). For imports of agricultural products, importers should contact Agrar Markt Austria (AMA), Dresdner Strasse 70, A-1201 Vienna, Tel: (43 1) 331 51-0. The licensing authority for most other goods is the Austrian Ministry of Economic Affairs, Landstrasser Hauptstrasse 55-57, A-1030 Vienna, Tel: (43 1) 711 02-0 (different offices depending on the product).

The import of war materiel requires a license and individual approval of each shipment. The licensing authority responsible for these products is the Austrian Ministry of the Interior (see Appendix E for contact information).

### E. Temporary Goods Entry Requirements

There are no tariffs imposed on goods that enter Austria on a temporary basis for a particular purpose, such as transit goods or goods intended for demonstration or exhibition at trade fairs. A security deposit is required.

In the case of a commodity that is imported on a temporary basis to be used and returned (such as machinery), a compensatory levy of 3% per month applies if the commodity would be dutiable if imported permanently into Austria.

## F. Special Import/Export Requirements

Austria complies with the special import provisions administered by the EU, including the Generalized System of Preferences, the Multi-Fiber Arrangement, as well as cooperation and association agreements with most Central and Eastern European countries.

In order to bring goods from a third country into Austria and thus into the EU market, a customs declaration must be made by a resident of the EU. Depending on the product and the country from which it is being imported, specific evidence (such as proof of country of origin) must be included. Where a tariff applies, the duty is collected immediately or, in cases where deferred payment can be made (such as import through a forwarding agency), is payable by the 15th of the following month.

Austrian exporters are required to report intended transactions to the Export Customs Authority if the value of the goods exceeds ATS 40,000. Most goods require no special permission for export (the exception pertains to strategic items). The content of the shipment is verified at an external border of the EU.

## G. Labeling Requirements

Austrian labeling and marking requirements are in some respects not as strict as those in the United States. Nutritional information is not required on food products, nor are safety warnings mandated on electrical devices. The most important requirements include washing instructions on textiles, and certification of safety (the CE mark) on machines, toys, and baby accessories. It is not required that labeling be in German, though this may be advisable for marketing reasons.

Efforts are underway to harmonize EU labeling and marking requirements along with quality and safety standards. Ultimately, a CE mark will be required for most U.S. manufactured imports. Until that time, the regulations are a frustrating mix of national, EU, and international requirements.

Products that are inadequately labeled are not turned away at the border. The person importing the product bears the responsibility to ensure products are certified and properly marked before they are offered for sale. There is no special procedure required for importers claiming non-marked products at the border. In the future, a form will be required, enabling the product to be traced.

## H. Prohibited Imports

The import of certain commodities into Austria is prohibited, usually the result of international sanctions and the like. A variety of goods and commodities are subject to import (and export) restrictions to protect the safety and lives of humans, animals and plants, safeguard national security, or to protect artistic, cultural or intellectual property.

Examples would be restrictions on the import of food stuffs, wines, drugs, pharmaceuticals, seeds, war materiel, antiques, etc.

#### I. Warranty and Non-Warranty Repairs

If replacement parts for warranty or non-warranty repairs of a product are brought into Austria on a temporary base and the products are re-exported after repair, no duties and taxes will be charged for this transaction. This would be handled by a carnet in the so-called excise bond procedure.

#### J. Export Controls

Austria is a member of the Australia Group, the Missile Technology Control Regime, the Nuclear Supplier Group and the Wassenaar Arrangement. To exports of nuclear, biological and chemical goods, items and technologies, as well as dual use items the EU regulation for common export controls of dual use goods No. 3381/94 applies. The Wassenaar Military List is subject to export controls by law.

In accordance with EU regulations, the export and re-export of goods to states under sanctions requires a special export license issued by the Austrian Ministry of Economic Affairs.

The export or transit of goods on the Wassenaar ammunition list requires a license from the Austrian Ministry of Economic Affairs. War materiel for export or transit is subject to a license by the Austrian Ministry of the Interior.

Contact person for further questions:

Dr. Helmut Krehlik

Austrian Ministry of Economics and Labor

Landstrasse Hauptstrasse 55-59

1030 Vienna, Austria

Tel.: (43 1) 711 02 345

Fax: (43 1) 715 83 47

#### K. Standards

Austria is a signatory to the WTO (GATT) Agreement on Product Standards. As a member of the European Union, Austria is obligated to adopt European standards. While some European standards are already legally binding, others may still be in a transition phase, and still others may be awaiting national implementation. In the absence of a European standard, the national standard will apply.

National Standards: Austrian national standards are prepared and administered by the Austrian Bureau of Standards (Oesterreichisches Normungsinstitut - ON), a private non-profit organization incorporated by the Austrian Parliament in the Standards Act of

1971 as the only Austrian body to issue and endorse Austrian standards. The ON can also provide information on non-governmental standards.

Oesterreichisches Normungsinstitut (ON)  
(Austrian Bureau of Standards)  
Heinestrasse 38, Postfach 130  
A-1021 Vienna, Austria  
Tel: (43 1) 213 00-613  
Fax: (43 1) 213 00-650

The ON prepares standards in a variety of fields: ores and metals, mechanical engineering, building and construction, health and medical equipment, non-metallic materials, chemical and allied industries, special technologies, personal safety, food, environment, and waste management.

About 90% of the standards ON prepares are voluntary. The ISO 9000 series of quality management standards is one of the most important voluntary standards in Austria, and has become almost a requirement in many industries.

The ON also produces an annual catalogue of its standards, the ON-KATALOG, which is a compilation of all standards currently applied in Austria. A monthly magazine, CONNEX, provides information on the latest changes in national, European and international standards. ON InfoPoint is a commercial information service which will provide clients with updates on standards and technical regulations in Austria and abroad. Contact ON directly to access any of these publications or services.

**EU Standards and Harmonization:** The harmonization of standards requirements for the entire EU is being tackled on a product-by-product basis. In each case, full implementation follows only after a transition period. Until the United States and the EU ratify an agreement on mutual recognition of safety certification for a particular product area (i.e., a product needs to be tested just once before being marketed on either side of the Atlantic), most American products sold in the EU will require the "CE" mark (the certification that a product has met EU safety and quality standards) once all directives have been passed and all transition periods have expired. Austrian consumers look for these marks the same way Americans look for the "UL" mark.

The current mix of national and EU standards requirements can be frustrating for the U.S. exporter. Those products for which an EU directive has been issued are subject to EU standards requirements, that supersede any national requirements. Manufactured goods falling under an EU directive must be tested and certified, and carry the "CE" mark in those countries in which the transition period has expired. Those products for which no directive has been issued continue to be subject to national requirements. Assistance in determining which standards apply to particular products designated for export is available at CS Vienna.

Both EU requirements and the standards for an Austrian quality or performance mark will often require that a product be modified. Even if the product does not require modification, it will require testing and certification before it can be marketed.

Contact information for EU "CE" standards:

Single Internal Market Information Service  
Office of European Community Affairs  
Room H3036  
International Trade Administration  
U.S. Department of Commerce  
Washington, D.C. 20230  
Phone: (202) 482-5823  
Fax: (202) 482-2155

Inquiries regarding technical trade barriers should be directed to the Federal Ministry of Economics and Labor:

Bundesministerium fuer wirtschaftliche Angelegenheiten  
(Austrian Federal Economic Ministry)  
Abteilung 1/5  
Stubenring 1  
A-1011 Vienna, Austria  
Tel.: (43 1) 711 00-5452  
Fax: (43 1) 713 79 95

U.S. contacts for foreign standards information:

National Institute of Standards and  
Verification of Information  
Building 820, Room 164  
Gaithersburg, MD 20899  
Phone: (301) 975-4040  
Fax.: (301) 926-1559

Ms. Kathryn Novelli  
DAUSTR for Europe and Mediterranean  
Office of the U.S. Trade Representative  
600 17th Street, NW, Room 323  
Washington, D.C. 20508  
Phone: (202) 395-3320  
Fax.: (202) 395-3974

American National Standards Institute  
11 West 42nd Street  
13th Floor

New York, NY 10036  
Phone: (212) 642-4900  
Fax: (212) 302-1286

#### L. Free Trade Zones/Warehouses

Free trade zones (EU Freilager), outside the Austrian/EU customs territory, are located in Graz, Linz, Bad Hall near Innsbruck, and Vienna-Freudenau. They are a convenient way to temporarily store transit goods without having to pay customs duties. They play little role in sales into Austria.

#### M. Membership in Free Trade Agreements

As an EU member, Austria participates in the European Economic Area (EEA). Austria is also a member of the World Trade Organization (WTO). Although Austria has no bilateral free trade agreements, as an EU member it participates in all EU trade agreements, including:

- Association agreements (Europe agreements) involving political and economic elements in addition to tariff reductions. Agreements are in place with Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia. Association agreements have been signed with the Baltic states and Slovenia.
- Free trade agreements primarily involving reductions in tariffs. Agreements are in place with Estonia, Latvia, and Lithuania.
- Cooperation agreements concentrating on increasing trade and cooperation, in place with Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Ukraine.

In addition, there are trade agreements in place with Cyprus, Malta, and Israel; a customs union agreement with Turkey; and agreements have been negotiated with Morocco, Tunisia, Egypt and Syria. The EU extends customs preferences to many African and Caribbean states.

#### N. Customs Contact Information

Hauptzollamt Wien (Central Customs Office-Vienna)  
Zolldokumentationsstelle  
Schnirchgasse 9  
A-1030 Vienna, Austria  
Tel.: (43 1) 795 90 3200  
Fax: (43 1) 795 90 2399  
E-mail: N/A  
Web address: [www.bmf.gv.at](http://www.bmf.gv.at)

## Chapter VII Investment Climate

### A. Host Country Policies and Practices

#### 1. Openness to Foreign Investment

Government attitude toward foreign private investment:

The change in government in February 2000 breaking the 30-year political dominance of the Social Democratic Party (SPO) has, if anything, renewed Austrian openness to foreign investment. Both the right-of-center Peoples' Party (OVP) and the right-wing Freedom Party (FPÖ) are pro-business. The new coalition welcomes all foreign direct investment, particularly those investments that create new jobs in high technology, promote capital intensive industries, are linked with research activities, improve productivity, replace imports, increase exports, and do not have a negative impact on the environment. Plans include introducing additional tax incentives for industrial research and for international research organizations to locate in Austria. In some regions, Austria also offers special facilities and services ("cluster" packages) to foreign investors, for example, for manufacturers of chips, silicon and high-tech products or for automotive producers. Austria's basic policies toward foreign direct investment are not expected to change in coming years. A large number of foreign firms, including some 400 U.S. companies, have invested in Austria and most have expanded their original investment over time.

The new government is committed to economic and social reform and to improve the investment climate further. Economic goals included in the government program represent a very pro-business approach which some commentators have likened to the Reagan and Thatcher approaches. Priorities include reducing government expenditures and lowering the budget deficit; creating a more competitive business environment; increasing flexibility in labor and capital markets; lowering business costs; simplifying the Business Code; further streamlining permit procedures for new businesses; reducing regulatory red tape by centralizing permit approvals in one location; introducing more flexible work hours and shop opening hours; and fully liberalizing the electricity and gas sectors. The government is also in the process of implementing an ambitious privatization program; simplifying and streamlining the social welfare system; and reforming the pension system by lengthening the date for early retirement with parallel cuts in pension payments for early retirement.

Business costs in Austria continue to develop favorably. A 1999 KPMG study comparing business costs in Austria with the G-7 countries ranked Austria in the middle. Overall costs in Austria were similar to that of France and Italy, lower than in Germany and Japan, but higher than in the U.S., Canada and the U.K. The study designated Austria as the most attractive investment location in terms of low corporate tax rates. Since then, electricity and telecom costs have come down substantially in response to liberalization and competition. Large energy users are free to contract with foreign

suppliers for their electricity needs. Firms have the option of selecting the most competitive from among a large number of private telecom suppliers. Strong productivity growth in combination with moderate wage increases have also resulted in lower costs for international investors.

There are no formal sectoral or geographic restrictions on foreign investment, although investment in sectors with excess capacity, such as steel, textiles, and paper, is not encouraged. Financial and tax incentives within EU parameters are offered to firms undertaking projects in economically depressed areas and underdeveloped districts on Austria's eastern borders. Some of these geographic areas are also eligible for subsidies under EU programs. The only instances of local opposition to investment in the manufacturing sector have arisen out of environmental concerns. Potential U.S. investors need to factor into their decision-making process Austria's strict environmental laws. Austria's strong pro-environmental attitude is reflected in its tight restrictions on the introduction of biotechnology products, together with strict liability regulations for research, production, and distribution of genetically modified organisms (GMOs).

Acquisitions, mergers, takeovers, cartels:

International acquisitions and takeovers of domestic enterprises are permitted in Austria. As of January 1, 2000, investors confront stricter cartel regulations. International cartels are not prohibited, but are subject to oversight by the cartel court to prevent the abuse of market power. The consent of the cartel court must be obtained, requiring that the applicant refrain from market behavior that would limit or impede competition. Selling below the cost price is considered one possible abuse of a dominant market position. The cartel court must be notified of mergers and acquisitions if combined world-wide sales are in excess of Austrian schillings (AS) 4.2 billion (USD 325 million), if domestic sales exceed AS 210 million (USD 16.3 million), or if two of the firms involved each have world-wide sales exceeding AS 28 million (USD 2.2 million).

A new takeover law, in effect since January 1, 1999, provides investors better protection against insider trading. It applies to both friendly and unsolicited takeovers of corporations headquartered in Austria and listed on the Vienna Stock Exchange. Any shareholder obtaining a controlling stake in a corporation (thirty percent or more of all shares) is required to offer to buy out smaller shareholders at a defined "fair market" price. An independent takeover commission at the Vienna Stock Exchange oversees compliance.

Screening mechanisms:

Only those foreign investments with government financial assistance are subject to government overview. Screening is intended only to ensure compliance with EU regulations which limit such assistance to disadvantaged geographic areas.

Privatization:

In the ongoing privatization of public enterprises, foreign and domestic investors are, in principle, treated equally. The government has ambitious privatization plans and intends to sell 100 percent of the following companies: Austrian tobacco company, Dorotheum auction house and bank, federal printing company, Postal Savings Bank (PSK), Print Media company, Telekom Austria, and Vienna airport company. In a second phase the government will review full privatization of its shareholdings in the partly privatized companies Austrian Airlines, Boehler-Uddeholm, the postal service company, OMV petroleum company, Voest-Alpine steel, and Voest-Alpine technology. Despite the liberalization of electricity markets, the government is stuck with its 51 percent majority in the federal power company "Verbund" because selling these shares requires a two-thirds majority in Parliament and the Social Democratic Party refuses to approve such a move. A stated policy of "maintaining the Austrian interest" in banks and basic industries has so far not resulted in specific implementation of regulations. Thus, foreign investors have been successful in obtaining shares in important Austrian industry sectors, for example the telecom and energy sectors.

#### Treatment of foreign investors:

There is no discrimination against foreign investors. However, foreign investors are required to meet a number of regulations. Although participation by Austrian citizens in ownership or management is not required, at least one manager must meet residence and other legal qualifications. Non-residents must appoint a representative in Austria. Expatriates are allowed to deduct certain expenses (costs associated with moving, maintaining a double residence, education of children) from Austrian-earned income.

#### Investment incentives:

Forty-one percent of Austria's land area is eligible for support under various EU structural fund programs. The Austrian federal, provincial, and local governments also provide financial incentives within EU parameters to promote investments in Austria. Incentives under these programs are equally available to domestic and foreign investors and range from tax incentives to preferential loans, guarantees and grants. Most of these incentives are available only if the planned investment meets specified criteria (e.g., implementation of new technology, reducing unemployment, etc.).

## 2. Conversion and Transfer Policies

There are no restrictions on converting or transferring funds associated with foreign investment. The Austrian National Bank (ANB) has fully liberalized all cross-border capital transactions for non-residents and residents, including the acquisition of Austrian securities, debt service, and the repatriation of profits, interest payments, dividends, and proceeds from the sale of an investment.

The Austrian schilling is a freely convertible currency. On January 1, 1999, Austria became one of the eleven founding members of the Economic and Monetary Union

(EMU) and has adopted the common Euro currency, which will fully replace the Schilling for all transactions at the beginning of 2002. Effective March 1, 2002, the Austrian Schilling will no longer be an official payment instrument. On December 31, 1998, the exchange rate for Euro 1.00 was irrevocably fixed at Austrian Schillings 13.7603. Investors will therefore be shielded from any exchange rate risk of the Schilling against the ten other participating currencies during the transition to the Euro in 2002.

Since the start of the EMU on January 1, 1999, the European Central Bank (ECB) has been responsible for setting monetary policy in the EMU area. The ECB's primary goal in defining monetary policy is to maintain price stability. The Austrian National Bank has one seat and one vote on the ECB's Governing Council.

### 3. Expropriation and Compensation

Expropriation of private property in Austria is rare and may proceed only on the basis of special legal authorization. It can be instigated only when no other alternative for satisfying the public interest exists; when the action is exclusively in the public interest; and when the owner receives just compensation. The expropriation process is fully transparent and non-discriminatory towards foreign firms.

### 4. Dispute Settlement

The Austrian legal system provides an effective means for protecting property and contractual rights of nationals and foreigners. Additionally, Austria is a member of the International Center for the Settlement of Investment Disputes. Enforcement of foreign arbitration awards in Austria is also granted by the New York Convention of 1958. There have been no recent reports of bilateral investment disputes.

### 5. Performance Requirements/Incentives

Austria is in compliance with World Trade Organization Trade Related Investment Measures (TRIMS) agreement notification. There are virtually no restrictions on foreign investment in Austria and there is no discrimination against foreign investors, however, some requirements exist. For example, at least one manager must meet residency and other legal qualifications. Non-residents must appoint a representative in Austria.

Although not required in order to gain access to tax incentives, performance requirements may be imposed when foreign investors seek financial or other assistance from the Austrian government. There is no requirement, however, that nationals hold shares in foreign investments, that the share of foreign equity be reduced over time, or that technology be transferred.

The U.S. and Austria are signatories to a 1931 Treaty of Friendship, Commerce, and Consular Rights. A new immigration law went into effect in Austria in 1998 which brought relief on burdensome visa requirements to the American business community in

Austria. While the new law cut down on the overall number of immigration slots, other categories, such as key managers, intra-company transferees and management trainers – and their families – have benefited from a newly created category of temporary visas with no numerical limitations. Recruitment of long-term overseas specialists or those with managerial duties is under quota-controls. As a result of this reform, an American Chamber of Commerce's 1998 survey showed that investors were generally satisfied in getting key non-Austrian staff into the country. Companies still express some concern about availability of visas for non-managerial staff, especially for long-term trainee positions for third-country nationals.

## 6. Right to Private Ownership and Establishment

Foreign and domestic private enterprises are free to establish, acquire, and dispose of interests in business enterprises, with the exception of television, railroads, some utilities, and state monopolies. As the government continues to pursue privatization, some of these industries are gradually being opened up to private investment as well. For example, legal changes were implemented in 1997 to allow private radio on a limited number of licenses. The postal monopoly for wire-transmitted voice telephony and infrastructure was dismantled in 1998 and the Austrian electricity market was liberalized in February 1999. The ambitious privatization program of Austria's new government, approved by Parliament in May 2000, foresees full or partial privatization of many important Austrian companies.

In most business activities, 100 percent foreign ownership is permitted. Foreign direct investment is restricted only when competing with state-owned companies, monopolies, and utilities. License requirements, such as in the banking and insurance sectors, apply equally to domestic and foreign investors. The latter, however, is dependent on reciprocity. Specific regulations on requirements for joint ventures do not exist.

## 7. Protection of Property Rights

The Austrian legal system protects secured interests in property, both movable and real. Mortgages are recognized, if they are registered in the land register and the underlying contracts are valid. The land register provides a reliable system for recording interests in property. For any real estate agreement to be effective, the agreement must be entered with the land register. This requires approval of the land transfer commission or the office of the provincial governor. Any interested party has access to the land register.

Austria has laws to protect intellectual property rights, including patent and trademark laws, a law protecting industrial designs and models, and a copyright law, all of which offer the holder protection. Legislation also protects three-dimensional semiconductor chip layout design.

Austria is a party to the World Intellectual Property Organization (WIPO) and several international property conventions, including the European Patent Convention, the Patent

Cooperation Treaty, the Madrid Trademark Agreement, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedure, the Universal Copyright Convention, the Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite, and the Geneva Treaty on the International Registration of Audiovisual Works. In compliance with the World Trade Organization Treaty on Intellectual Property (TRIPS), Austria extended patent terms so that patents on inventions are valid up to 20 years after application. Since both the United States and Austria are members of the "Paris Union" International Convention for the Protection of Industrial Property, American investors are entitled to the same kind of protection under Austrian patent legislation as are Austrian nationals. In accordance with the Madrid Agreement, Austria's protection period for trademarks is ten years, with the option to extend for another ten years, if registration is renewed before expiration.

Trade secrets are protected by various regulations. For example the right to privacy, data protection regulations, and the federal statistics law prevent publication of production data, provided there are four producers or less.

Austrian copyright law grants the author the exclusive right to publish, distribute, copy, adapt, translate, and broadcast his work. Infringement proceedings, however, can be time consuming and complicated. Austria's copyright law is in conformity with the EU directives on intellectual property rights.

## 8. Transparency of the Regulatory System

The Austrian government has long recognized the need to streamline its complex and time consuming regulatory environment. Its cumbersome permit and paperwork requirements have served as disincentives to foreign investment. Some of the attempts to streamline the regulatory process are reflected in the Business Code of 1997, which provides for simplified and faster administrative procedures to obtain business permits and reduces considerably the number of business categories. However, plans to implement a "one-stop shop" for business permits failed. The new government plans to finally introduce the one-stop-shopping principle for all business permits, even by way of electronic means. Plans also include further reform of the Business Code with the goal of speeding up establishment of new businesses, facilitating access by reducing the number of trades to two categories (free trades and trades requiring official approval), and simplifying qualification requirements.

Despite bureaucratic problems, both tax and labor laws, as well as health and safety standards, are applied uniformly and do not influence the sectoral allocation of investments. The Austrian investment climate has become more conducive for business since Austria became a member of the EU. The adoption of regulations to foster competition, including more liberal shopping hours and flexible worktime have provided benefits for employers, employees and consumers alike. The new government plans to implement even more flexible worktime regulations by introducing flex-time and gender-neutral regulations for night work by 2001 in compliance with the EU agreement. Plans

are also for more liberal regulations for shop opening hours, but shops will remain closed on Sundays.

## 9. Efficient Capital Markets and Portfolio Investment

A broad variety of credit and portfolio investment instruments are traded in an open capital market. Foreign firms have access to this local market without restrictions and are free to use foreign credit markets as well. The Vienna Stock Exchange, established as a private corporation in 1997, undertook major reforms in 1998 to facilitate investment. In November 1999, the Vienna Exchange expanded trading hours and initiated cooperation with the Frankfurt Stock Exchange by connecting its cash market to Xetra, Frankfurt's electronic trading system. Traders world-wide now have on-screen information and direct access to all stocks listed in Vienna. Quotations on the Vienna Stock Exchange are in the Euro currency and the fee system is transparent. All listed companies are required to publish quarterly reports. Criminal penalties for insider trading are in place. The "Austrian Securities Authority" (an Austrian version of the U.S. Securities and Exchange Commission), established in 1998, is working hard to police irregularities on the stock exchange, but suffers from limited staff and budget.

New buy-back regulations, in place since 1999, have considerably expanded the previously very limited possibilities for issuers to acquire their own shares. Austria's regulations comply with international standards permitting buy-backs as an instrument to influence a company's capital structure, to reduce excess liquidity, or to prepare for listings on exchanges abroad.

The legal, regulatory, and accounting systems are transparent and consistent with international norms. Austrian regulations governing accounting standards will provide U.S. investors with improved and internationally standardized financial information. Austrian-based companies, including subsidiaries of U.S. parent companies, are required to present their consolidated financial statements in accordance with International Accounting Standards (IAS) or Generally Accepted Accounting Principles (US-GAAP).

Austria has a highly developed and sound banking system with worldwide correspondent relationships, as well as representative offices and branches in the United States and other major financial centers. Total assets of Austria's five largest banks amounted to AS 2,450 billion (USD 190 billion) in 1999.

## 10. Political violence

There have been no incidents of politically motivated damage to foreign businesses. Civil disturbances are extremely rare.

## 11. Corruption

The Austrian penal code contains penalties for bribery, which include a fine of up to USD 350 per day for up to 360 days or up to two years imprisonment for the briber and up to five years imprisonment for the bribee. Under the penal code, any person who bribes a civil servant, a foreign official or a manager of an Austrian public enterprise is subject to criminal penalties. Austria completed ratification of the OECD Anti-Bribery Convention May 20, 1999, when the Austrian government deposited the ratification instrument with the OECD in Paris. The Convention entered into force July 19, 1999. Corresponding penal code legislation has been in place since summer 1998.

Prior to the implementation of the OECD Convention, the tax deductibility of bribes and any gray market payments (regardless of their title as operating, income-related or other expenses) was abolished. The non-deductibility covers all payments and other material grants, the granting or accepting of which is subject to legal penalties.

The Federal Ministry of Justice has the primary responsibility for prosecuting acts of corruption, but in the case of public tenders, the Federal Chancellery may also become involved. No records exist yet to assess the degree of enforcement. The U.S. Embassy in Vienna has never received any reports from U.S. firms about corruption as an obstacle to either doing business or investing in Austria.

## B. Bilateral Investment Agreements

Austria has bilateral investment agreements in force with Albania, Argentina, Bulgaria, Cape Verde, China, Croatia, Czech Republic, Estonia, Hong Kong, Hungary, Kuwait, Latvia, Lithuania, Malaysia, Morocco, Paraguay, Poland, Romania, South Africa, South Korea, former Soviet Union, Tunisia, Turkey, Ukraine, Vietnam, and former Socialist Federal Republic of Yugoslavia (SFRY). The agreement with former Czechoslovakia currently still applies to Slovakia and the agreement with the former SFRY applies to Slovenia. Agreements with Bolivia, Chile, Croatia, and Mexico have been signed, but are not yet in effect. Additional agreements with Algeria, Armenia, Belarus, Cuba, Georgia, Kyrgyzstan, Mongolia, Philippines, Uzbekistan and the Federal Republic of Yugoslavia (FRY) have been initialed. Negotiations with the Russia for a new agreement have been initiated, the old agreement with the former Soviet Union continues to apply. Under these agreements, investment disputes that cannot be settled amicably may be submitted to the International Center for Settlement of Investment Disputes or an arbitration court according to the UNCITRAL arbitration regulations.

The U.S. and Austria are parties to a new bilateral double taxation treaty covering income and corporate taxes, which went into effect on February 1, 1998. Another bilateral double taxation treaty covering estates, inheritances, gifts and generation-skipping transfers has been in effect since 1982.

## C. OPIC and Other Investment Insurance Programs

OPIC programs are not available for Austria. OPIC has a cooperation agreement with Austria's Finance Guarantee Company, enabling U.S. firms to secure joint-venture investments with Austrian partners in Central and Eastern Europe. Since May 1997 Austria has been a member of the Multilateral Investment Guarantee Agency (MIGA).

#### D. Labor

Austria has a highly educated labor force of 3.7 million people. Depending on labor demand, government policies limit the number of foreign workers to between 8 and 10 percent of the salaried workforce. In 1999, the number of "guest workers" averaged 305,800. While demographic trends indicate little growth in the labor force over the next few years, other factors, such as productivity gains, industrial restructuring, federal employment incentives for women, and measures to raise the retirement age serve to offset the demographics. However, shortages of highly specialized laborers are likely to occur in specific sectors such as telecom, new media, data processing and software. A recent study by the American Chamber of Commerce in Austria found that American firms have no problems in finding the required staff in the Austrian labor market, with the exception of two fields, tourism and information technology. While there is wide disagreement on the total shortage of personnel, there is unanimous agreement that the deficit in the information technology area is very high. According to the study, U.S. firms in Austria find that Austrian employees meet their workplace requirements very well (30 percent) or well (38 percent). The study also showed that U.S. firms generally rated the Austrian educational system highly.

Compared to other EU countries, Austria had a relatively low unemployment rate of 3.7 percent in 1999, according to EU calculations. Predictions for 2000 call for a further decline to 3.5 percent. Legislation enacted in early 1996 and again in 1999 is designed to counteract the rising unemployment among older workers. It provides financial bonuses for companies hiring workers age 50 and above, and envisions penalties for businesses laying off workers within this age group.

Like other EU members, Austria submitted a national employment plan to the EU in April 1998. Its stated aim is to create 100,000 new jobs over a 5-year period, and to reduce unemployment from 4.5 to 3.4 percent. The plan does not focus on any single employment strategy, but contains a policy mix of federal employment programs and work incentives, particularly for young workers and women. Current strong economic growth is expected to help the government achieve the target unemployment rate of 3.4 percent by 2001.

Terms of employment are closely regulated by law in Austria. Working hours, minimum vacation time, holidays, maternity leave, juvenile work allowances, statutory separation notice, protection against dismissal, and the right to severance pay are all secured by law. However, the requirements of EU membership has promoted an increase in work flexibility. For example, the night shift ban for women will be completely phased out by 2001 in line with pertinent EU regulations.

Austrian social insurance is compulsory and comprises health insurance, old-age pension insurance, unemployment insurance, and accident insurance. Social insurance contributions are a percentage of total monthly earnings and are shared by employers and employees.

High non-wage payroll costs (70 percent of direct wage costs) are frequently cited as a reason for Austria's relatively high labor costs and were highlighted by the results of the 1997 U.S. Investor Confidence Survey. The new government is committed to cut these costs, despite challenges from organized labor. Planned measures to reduce employer costs include tightening leave policies and reducing employer social welfare contributions.

About 50 percent of the work force is unionized. Shop stewards must be consulted on various issues. Co-determination rights of employees are regulated by law. At least one-third of the members of a corporation's board of directors must come from the firm's staff. Labor-management relations are generally harmonious and strikes are rare. However, the new government's program of economic reform and privatization is expected to meet strong resistance from the labor chamber and the trade unions, which have threatened with strikes and work slow-downs.

In June 2000 the railway workers held a "warning" strike that lasted one hour to demonstrate their concerns over pension reforms. Despite these threats, the government obtained parliamentary approval for its reform program, in effect by-passing social partnership institutions that have traditionally relied on consensual decision-making. While initial strike threats seemed more saber rattling than substantive, the chances for strike actions in the near future, in particular in sensitive areas such as the federal railroads or the postal service, have clearly increased. Thus, Austria's so far peaceful social climate could become more confrontational in the future.

Collective bargaining revolves mainly around wage adjustments, fringe benefits, and reduction of the work week. While the law still provides for a maximum of 40 hours per week, collective bargaining agreements provide for a work week of 38 or 38.5 hours per week for more than half of all employees. A legal framework for flexible working hours was introduced several years ago, and in those sectors where it has been implemented, it has proven very popular. Legislation for more flexible work hours has been in place since 1997. The new government plans to authorize introducing of flex-time by individual or company agreements. Gender-neutral regulations for night work will be introduced by 2001 in compliance with EU requirements. Plans also include more liberal shop opening hours, but with shops remaining closed on Sundays.

Labor continues to push for a minimum wage of AS 168,000 (USD 13,000) per year (including Christmas and vacation bonuses), but growing competition among job seekers is expected to exert downward pressure on most wages. Austrian labor is skeptical about adopting the "Dutch model" which relies on a high proportion of part-time workers.

### E. Foreign-Trade Zones/Free Ports

Austria has four foreign trade zones. In Vienna-Freudenau, Linz, Graz, and Bad Hall near Innsbruck there are zones where products of foreign origin may be stored, displayed, sampled, mixed, sorted, repacked or re-exported without the obligation to pay duty. Their impact has been limited, and foreign investors have shown little interest.

### F. Foreign Direct Investment Statistics

In 1999, the inflow of new foreign direct investment reached AS 38 billion (USD 2.9 billion), equal to 1.4 percent of GDP, and pushed the value of the foreign direct investment stock in Austria to AS 298 billion (USD 24.1 billion), equal to 11.4 percent of GDP.

Note: The 1999 annual average exchange rate for USD 1.00 was Austrian Schillings (AS) 12.91.

Source: Austrian National Bank statistics on Austrian outward and inward direct investment at the end of 1997, published in August 1999. Available 1998 and 1999 data are from the Austrian National Bank's current account statistics.

Table 1:

#### Foreign direct investment in Austria 1992-1999

Year	Number of firms with direct foreign participation	Nominal capital ----- (as billion)-----	Total equity (1)
1992	2,209	61.1	127.3
1993	2,204	62.5	138.1
1994	2,205	64.5	145.3
1995	2,262	71.5	176.9
1996	2,362	74.5	195.9
1997	2,464	78.7	221.2
1998 (2)	n/a	n/a	282.1
1999 (2)	n/a	n/a	320.6

#### Footnotes:

(1) total equity comprises nominal capital, statutory and voluntary reserves, profits/losses carried forward, and net credit position;

(2) preliminary figures.

Table 2:

Foreign direct investment by country of origin 1992-1998 (in percent of nominal capital)

Year	U.S.	Switzerland, Liechtenstein	Germany	Netherlands	Others
1992	7	18	37	10	28
1993	7	18	38	9	28
1994	7	18	40	9	26
1995	6	14	46	9	25
1996	6	12	48	9	25
1997	6	12	51	8	23
1998 (1)	6	12	52	8	22

Footnotes:

(1) preliminary figures.

Table 3:

Foreign direct investment in Austria by industry sectors in 1997 (latest available figures)

Sector	Total equity (AS billion)	Employees in 1,000
Mining and energy:	2.1	1
Industry:		
Metals, machinery	11.7	25
Vehicles	4.2	11
Electrical engineering, electronics	3.8	29
Petroleum, chemicals	23.7	17
Paper, wood	9.4	7
Textiles, clothing, leather	2.5	8
Food, drink, tobacco	3.4	8
Building and allied trades	6.2	9
Miscellaneous	1.7	2
Subtotal industry	66.6	115
Non-industry:		
Trade	48.1	63
Transport, communication	8.1	7
Tourism	2.4	5
Banking, insurance, finance	40.5	11

Real estate, business related services	52.9	10
Other services	0.5	1
	-----	-----
Subtotal non-industry	152.5	95
Total	221.2	212

Note: differences due to rounding.

Table 4:

Austrian direct investment abroad 1992-1999

Year	Number of firms with Austrian direct investment	Nominal capital (1) ----- (AS billion) -----	Total assets (1)
1992	1,290	45.4	77.9
1993	1,495	60.4	98.5
1994	1,617	64.2	103.0
1995	1,718	71.4	118.1
1996	1,810	83.2	136.4
1997	1,942	93.7	168.1
1998 (2)	n/a	n/a	205.0
1999 (2)	n/a	n/a	239.4

Footnotes:

(1) total assets comprises nominal capital, other equity including exchange rate adjustments, and net credit position;

(2) preliminary figures.

Table 5:

Austrian direct investment abroad by country of destination 1992-1998 (in percent of nominal capital)

Year	U.S.	Switzer- land, Liechten- stein	Germany	U.K.	Hungary	Czech Rep.	Others
1992	8	10	20	10	21	n/a	31
1993	9	8	16	9	20	6	32
1994	8	7	15	6	19	10	35

1995	11	11	16	6	14	7	35
1996	10	10	18	5	13	7	37
1997	9	9	15	8	12	7	40
1998 (1)	9	9	16	7	13	8	38

## Footnotes

(1) preliminary figures.

Table 6:

Austrian direct investment abroad by industry sectors in 1997 (latest available figures)

Sector	Nominal capital (AS billion)	Employees in 1,000
Mining and energy:	2.9	1
Industry:		
Metals, machinery	11.0	16
Vehicles	0.6	4
Electrical engineering, electronics	4.7	14
Petroleum, chemicals	8.0	13
Paper, wood	6.1	11
Textiles, clothing, leather	1.1	9
Food, drink, tobacco	3.5	8
Building and allied trades	12.8	20
Miscellaneous	0.8	4
Subtotal industry	48.6	99
Non-industry:		
Trade	26.8	33
Transport, communication	0.6	2
Tourism	2.5	2
Banking, insurance, finance	32.6	17
Real estate, business related services	53.2	6
Other services	1.0	1
Subtotal non-industry	116.7	61
Total	168.1	161

Note: differences due to rounding.

List of major foreign investors:

Some 400 U.S. firms hold investments in Austria, which range from simple sales offices to major production facilities. The following is a short list of U.S. firms holding major investments in Austria.

American Express Bank Ltd.  
 Baxter International Inc.  
 Chrysler International Corp.  
 Citibank Overseas Investment Corp.  
 The Coca-Cola Company  
 Eastman Kodak Company  
 Exxon Corporation  
 General Electric Capital Corporation  
 General Motors Corp.  
 Harman International Industries Inc.  
 Hercules Inc.  
 Honeywell Inc.  
 IBM World Trade Corp.  
 Johnson and Johnson Int.  
 McDonald's Corporation  
 Mars Inc.  
 Merrill Lynch and Co., Inc.  
 Mobil Oil Corporation  
 Nalco Chemical Company  
 Otis Elevator Co.  
 Philip Morris Companies Inc.  
 Pioneer Overseas Corp.  
 PQ International Inc.  
 Schlumberger Ltd.  
 Starwood Hotels and Resorts Worldwide, Inc. (Sheraton Hotels)  
 WEA International Inc.

Following is a brief list of firms headquartered in other countries than the U.S. holding major investments in Austria.

AEG AG, Germany  
 Alcatel, France  
 Allianz AG, Germany  
 Amer, Finland  
 Asea Brown Boveri, Switzerland and Sweden  
 Assicurazioni Generali, Italy  
 Axel Springer Verlag, Germany  
 BASF, Germany  
 Bayer AG, Germany

Bayerische Landesbank, Germany  
Bayerische Motorenwerke (BMW), Germany  
Bayerische Vereinsbank AG, Germany  
Bombardier, Canada  
Robert Bosch AG, Germany  
Continental Gummiwerke AG, Germany  
Deutsche Bank, Germany  
Deutsche Telekom, Germany  
Electricite de France, France  
Electrolux, Sweden  
Ericsson, Sweden  
Hafslund Nycomed, Norway  
Henkel, Germany  
Hipp, Germany  
Hoechst AG, Germany  
Interhoerbiger, Switzerland  
Kone Oy, Finland  
Koramic, Belgium  
Liebherr, Germany  
Magna, Canada  
MAN, Germany  
Mannesmann AG, Germany  
Mazda Corp., Japan  
Nestle S.A., Switzerland  
Novartis, Switzerland  
NV Koninklijke KNP Paper Company, Netherlands  
Papierwerke Waldhof Aschaffenburg, Germany  
Philips Gloeilampenfabrieken, Netherlands  
Renault, France  
Rewe, Germany  
Rhone-Poulenc, France  
Riunione Adriatica Di Sicurta (RAS), Italy  
Rothenberger, Germany  
Russian Central Bank, CIS  
Shell Petroleum N.V., Netherlands  
Siemens, Germany  
Smurfit Group, Ireland  
Solvay Et Cie, Belgium  
Sony, Japan  
Sueddeutscher Verlag, Germany  
Svenska Cellulosa Ab, Sweden  
Telecom Italia, Italy  
Unilever N.V., Netherlands  
Voith, Germany  
Westdeutsche Allgemeine Zeitung (WAZ), Germany  
Westdeutsche Landesbank, Germany

## CHAPTER VIII. TRADE AND PROJECT FINANCING

### A. Synopsis of Banking System

A wide range of credit and financial instruments is offered by all of Austria's banks. The Austrian banking system is highly developed, with worldwide correspondent relations, as well as offices and branches in the United States and other major financial centers. Large Austrian banks also have branches, subsidiaries, and joint venture operations in Central and Eastern Europe. Many major foreign banks, including American, have operations in Austria.

### B. Foreign Exchange Controls Affecting Trading

Austria has a fully liberalized foreign exchange regime. There are no limitations on cross-border payments, whether related to foreign trade, capital investments, or other transactions, except to countries under UN sanctions.

### C. General Financing Ability

General financing to establish foreign operations in Austria is readily available. Foreign firms enjoy access to Austrian credit and capital markets without restrictions. On December 31, 1998, the exchange rate for Euro 1.00 was irrevocably fixed at Austrian schillings 13.7603. Thus, U.S. investors will not be faced with Schilling exchange rate risks against the currencies of the other ten EMU participants during the transition to the Euro in 2002.

### D. How to Finance Exports/Methods of Payment

American exporters to Austria may use domestic or foreign financing to make a wide range of payment arrangements, from advances to letters of credit and bank guarantees. Austrian banks can also help arrange financing for export and investment transactions in Central and Eastern Europe. The Austrian Government has neither a countertrade policy nor specific regulations in this field.

### E. Types of Available Export Financing and Insurance

OPIC does not operate in Austria, although it has a cooperation agreement with the Austrian Finance Guarantee Company to insure investments in Central and Eastern Europe. The Ex-Im Bank has no active programs in Austria. The risk of political or economic disturbances that could disrupt trade or investment projects in Austria is judged to be very low.

### F. Project Financing Available

Commercial financing is readily available from Austrian banks and institutions on normal market terms, but multilateral institutions are not active in Austria. Concessionary financing may be available for U.S. firms in association with Austrian companies for projects in neighboring Central and Eastern European countries.

#### G. List of Banks with Correspondent U.S. Banking Arrangements

##### Austrian Branches/Subsidiaries of U.S. Banks:

American Express Bank Ltd. TRS Kaerntnerstr. 21-23 A-1015 Vienna, Austria Phone: (43 1) 515 11-0 Fax: (43 1) 515 11-100	Commercial and private
---	------------------------

Citibank International plc Austria Branch Schwarzenbergplatz 3 A-1010 Vienna, Austria Phone: (43 1) 717 17-400 Fax: (43 1) 712 97 07	All banking services
---	----------------------

Merrill Lynch Bank (Austria) AG Wallnerstrasse 4 A-1010 Vienna, Austria Phone: (43 1) 531 40 Fax: (43 1) 535 02 27	Private banking
--	-----------------

GE Capital Bank Donau-City Strasse 6 A-1223 Vienna, Austria Phone: (43 1) 260 70 9217 Fax: (43 1) 260 70 9341	Consumer financial services
---	-----------------------------

##### Austrian Banks with Subsidiaries in the U.S.:

Bank Austria AG  
Am Hof 2  
A-1010 Vienna, Austria  
Phone: (43 1) 711 91-0  
Fax: (43 1) 711 91-6155

Bank Austria  
565 Fifth Avenue  
New York, NY 10017  
Phone: (212) 880 1000  
Fax: (212) 880 1110

Creditanstalt Bankverein AG  
Schottengasse 6  
A-1010 Vienna, Austria

Creditanstalt  
245 Park Ave, 32nd Floor  
New York, NY 10167

Phone: (43 1) 531 31-0  
 Fax: (43 1) 531 31-7566

Erste Bank der oesterreichischen  
 Sparkassen AG  
 Graben 21  
 A-1010 Vienna, Austria  
 Phone: (43 1) 531 00-0711  
 Fax (43 1) 531 00-1533

Raiffeisen Zentralbank  
 Österreich AG  
 Am Stadtpark 9  
 A-1030 Vienna  
 Phone: (43 1) 717 07-0  
 Fax: (43 1) 717 07-1715

Phone: (212) 856 1000  
 Fax: (212) 856 1044

Erste Bank der  
 oesterreichischen  
 Sparkassen AG  
 280 Park Avenue  
 West Building, 32nd floor  
 New York, NY 10017  
 Phone: (212) 984 5600  
 Fax: (212) 986 1423

RZB Finance LCC  
 Ave. of the Americas  
 New York, NY 10036  
 Phone: (212) 845 4100  
 Fax: (212) 944 2093

## CHAPTER IX. BUSINESS TRAVEL

### A. Business Customs

Business practice and etiquette is basically the same in Austria and America; the major difference is the relatively formal atmosphere in which business generally takes place in Austria. For example, when making appointments with prospective buyers or clients, we recommend you make initial contact well in advance, either in writing or by phone, and offer to meet on the premises of the person in question. Another example of Austrian formality is the widespread use of titles, be they in the form of a university degree or a position in a firm or in the government. The most common are "Doktor" (a university degree similar to the U.S. doctorate), "Magister" (similar to the U.S. master of arts), and "Diplom Ingenieur" (similar to the U.S. master of science).

Correspondence and visits play a significant role in doing business in Austria. Clarity and continuity in communications are very important. Prompt handling of correspondence is much appreciated and helps to compensate for the distance between the two countries. When possible, offers and documentation should be in German, although many businesspeople can work in English. Marketing and sales policies should be oriented toward establishing lasting business relationships.

Austrians are generally well disposed toward Americans. Showing understanding for the Austrian way of doing things will prove rewarding.

Business travelers to Austria seeking appointments with U.S. Embassy Vienna officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (43 1)313 39-2243, fax at (43 1) 310 69 17 or E-mail at [vienna.office.box@mail.doc.gov](mailto:vienna.office.box@mail.doc.gov)

The Austrian National Tourist Office, Inc. in North America conducts nationwide and regional promotions, co-op marketing programs and offers numerous support services. Please try their Website: [www.anto.com/meetanto.html](http://www.anto.com/meetanto.html).

## B. Travel Advisory and Visas

There are no travel advisories specifically for Austria, nor are visas necessary for visits to Austria lasting less than three months. Non-EU citizens will require a residence permit for longer stays.

Toll stickers required on all vehicles on Austria's major highways. They can be obtained from the Austrian Automobile Clubs as well as post offices, gasoline stations and at borders. The following fees apply: an annual sticker for private cars and motorhomes weighing up to 3.5 tons is ATS 550 and for motorcycles ATS 220; a two-month sticker is ATS 150; and a one-week sticker costs ATS 70. Stickers must be applied on the upper middle or left side of the windshield. Motorists who do not possess the appropriate sticker are subject to a fine of ATS 1,100. Cars rented in neighboring countries may or may not be equipped with the sticker, so please remember to obtain one from your car rental agency. There will be a price increase on the stickers as of January 1, 2001.

## C. Holidays

The following holidays will be observed in Austria from October 1, 2000, to December 31, 2001:

October 26, 2000	Thursday	National Day
November 1, 2000	Wednesday	All Saint's Day
December 8, 2000	Friday	Immaculate Conception
December 25, 2000	Monday	Christmas Day
December 26, 2000	Tuesday	St. Stephen's Day
January 1, 2001	Monday	New Year's Day
January 6, 2001	Saturday	Epiphany
April 16, 2001	Monday	Easter
May 1, 2001	Tuesday	Labor Day
May 24, 2001	Thursday	Ascension Day
June 4, 2001	Monday	Whit Monday
June 14, 2001	Thursday	Corpus Christi Day
August 15, 2001	Wednesday	Assumption Day
October 26, 2001	Friday	National Day
November 1, 2001	Thursday	All Saint's Day
December 8, 2001	Saturday	Immaculate Conception

December 25, 2001	Tuesday	Christmas Day
December 26, 2001	Wednesday	St. Stephen's Day

Business visitors should note that the Austrian vacation season is in July and August, and that many decision-makers take extended vacations during that time - sometimes four weeks or more. Business visits or events are not recommended during these two months. Many offices and businesses close Friday afternoons, reflecting the widely implemented 38.5-hour workweek.

#### D. Business Infrastructure

Transportation: Direct flights connect Vienna to several U.S. cities. Austria's modern highways link most cities and numerous border crossings into neighboring countries are easily accessible (although delays should be anticipated crossing non-EU borders). Air travel between major cities in Austria and in the region is available and overland travel by train or bus is comfortable and reliable. Rail travel is pleasant and convenient. Save by sitting in second class, which provides more than enough comfort within Austria. If you plan extensive traveling, an Austrian Railpass or Eurailpass may be the best value. The Austrian Railpass offers four days of unlimited travel in a 10-day period for \$111 in second class, \$165 in first, and includes discounts on Danube River steamers and bicycle rentals. If you are including Austria on a multi-nation itinerary, Eurailpasses are honored in 17 countries and come in a great variety of combinations for trips from five days to three months. For detailed rail information as well as purchases of rail tickets, call: DER Rail: (708) 692-6300 or Rail Europe: 1-800-848-7245.

Taxi service is readily available, but they are generally requested by telephone or hired at designated taxi stands. It is difficult to hail cabs in the street. Major Austrian cities have efficient public transportation systems, including buses, subways, and streetcars. Car rental agencies are located in major cities, with most major U.S. rental agencies represented.

Language & Communications: Austria's official language is German. Though many business people are able to communicate in English, the importance of German-language trade literature, catalogs, and instructions for the use and servicing of products cannot be overemphasized. The agent or local representative in Austria who has such material is in a far better competitive position than one who must show prospective customers trade literature in English. Make things easy for your customer.

Most larger commercial and industrial enterprises, especially those specializing in international trade, can correspond in English, French, and one or more Slavic languages, in addition to German.

Austria has efficient and reliable postal and telephone services. Fax machines are widely used; E-mail is less commonly used than in the United States, but is growing rapidly.

Accommodations and Food: Business accommodations are readily available, provided by a wide variety of hotels and guesthouses throughout the country. In the tourist high seasons, there may be difficulties finding lodgings on short notice in Vienna, Innsbruck and Salzburg. The food is excellent, with a variety to suit all tastes. Prices vary, ranging from the homey 'Gasthaus', which offers local dishes at affordable prices, to the elegant restaurants of five-star hotels. Whatever type of restaurant or inn you select, be sure to check out the daily specials (Tagesmenu), which typically mean a three-course meal (appetizer/soup, entrée and dessert) for one low price. When ordering beverages, ask for local brands, which are less expensive and usually quite good. Austrian tap water is generally safe to drink; in fact, the tap water in Vienna has its sources from mountain springs and tastes delicious. The best known Austrian venue for refreshments is the coffeehouse. This institution is more than a café, more than a pastry and snack shop, is a venerable cultural institution and social gathering spot where you can linger over your postcard writing or read a newspaper, and watch the world go by.

A word on entertainment in Vienna: Do not expect your contacts in Vienna to be able to easily acquire tickets to the Opera, the Spanish Riding School or the Vienna Boys Choir. These world famous institutions sell the bulk of their tickets to tour operators and it is often easier to arrange for tickets in New York or elsewhere before your arrival in Vienna. Also, check the calendar carefully, because none of these attractions performs year-round.

## CHAPTER X. ECONOMIC AND TRADE STATISTICS

### DOMESTIC ECONOMY

	1998	1999	2000 projected
	-----		
GDP (\$ billion, current prices) (1)	202.2	208.3	218.6
GDP Growth Rate, nominal terms (in percent)	3.5	3.0	5.0
GDP Growth Rate, real terms (in percent)	2.9	2.1	3.5
GDP per Capita (\$) (1)	25,035.0	25,754.0	26,990.0
Government Spending (as percent of GDP)	29.8	29.3	27.7
Inflation (percent)	0.9	0.6	2.0
Unemployment (percent) (2)	4.5	3.7	3.5
Foreign Exchange Reserves (\$ billion) (1) (3)	23.1	20.1	N/A
Average Exchange Rate for \$ 1.00	12.38	12.91	N/A
Debt Service Ratio (4)	3.1	4.0	5.0

## Footnotes:

- (1) all figures converted at the 1999 annual average exchange rate of \$1.00=AS12.91.  
 (2) EU method.  
 (3) Since the start of the Economic and Monetary Union (EMU) on January 1, 1999, the Austrian National Bank's foreign exchange reserves are part of the Eurosystem.  
 (4) ratio of principal and interest payments on foreign debt to foreign income from exports of goods and services.

Source: Austrian Central Statistical Office, Austrian Institute for Economic Research, Austrian National Bank.

## TRADE

	(\$ million) (1)		
	1998	1999	2000 projected
Total Austrian exports (fob)	60,010.7	64,237.0	71,363.0
Total Austrian imports (cif)	65,230.7	69,620.4	77,018.0
U.S. exports to Austria	3,148.2	3,717.7	N/A
U.S. imports from Austria	2,450.4	2,900.3	N/A

## Footnote:

- (1) all figures converted at the 1999 annual average exchange rate of \$1.00=AS12.91.

Source: Austrian Central Statistical Office and Austrian Institute for Economic Research.

## CHAPTER XI. U.S. &amp; AUSTRIAN CONTACTS

## 1. Austrian Government Agencies

Embassy of Austria in the United States  
 3524 International Court N.W.  
 Washington, DC 20008  
 Phone: (202) 895-6700  
 Fax: (202) 895-6750  
 Consular Section:  
 Phone: (202) 895-6767  
 Fax: (202) 895-6773

Federal Agency for Industrial Cooperation and Development

In the U.S.:

Austrian Business Agency  
150 East 52nd Street, 32nd floor  
New York, NY 10022  
Phone: (212) 980 7970  
Fax: (212) 980 7975

In Austria:

Austrian Business Agency  
Opernring 3-5  
A-1010 Vienna, Austria  
Phone: (43 1) 588 58-0  
Fax: (43 1) 586 86 59  
E-mail: [austrian.business@telecom.at](mailto:austrian.business@telecom.at)

Website: <http://www.telecom.at/AustrianBusinessInfo/>

Federal Ministry of Economics and Labor

Stubenring 1  
A-1010 Vienna  
Phone: (43 1) 711 00-0  
Fax: (43 1) 713 93 11 or 713 79 95  
Website: [www.bmwa.gv.at](http://www.bmwa.gv.at)

Federal Ministry of Agriculture, Forestry, Environment and Water Management

Stubenring 1  
A-1010 Vienna  
Phone: (43 1) 711 00-0  
Fax: (43 1) 711 00-2127  
Website: [www.bmlf.gv.at/ge](http://www.bmlf.gv.at/ge)

2. Austrian Trade Associations/ Chambers of Commerce

Austrian Trade Commission operates offices in the U.S. at the following locations:

New York:

150 East 52nd Street  
32nd floor  
New York, NY 10022  
Phone: (212) 421 5250  
Fax: (212) 751 4675  
E-mail: [atc\\_ny@ix.netcom.com](mailto:atc_ny@ix.netcom.com)

Illinois:

500 North Michigan Avenue  
Suite 1950  
Chicago, IL 60611  
Phone: (312) 644 5556  
Fax: (312) 644 6526  
E-mail: [atc-chi@ix.netcom.com](mailto:atc-chi@ix.netcom.com)

California: 11601 Wilshire Blvd.  
Suite 2420  
Los Angeles, CA 90025  
Phone: (310) 477 9988  
Fax: (310) 477 1643  
E-mail: [atc-la@ix.netcom.com](mailto:atc-la@ix.netcom.com)

Washington, D.C.: 1350 Connecticut Avenue N.W.  
Suite 501  
Washington, DC 20036  
Phone: (202) 835-8962  
Fax: (202) 835-8960  
E-mail: [atc-wdc@austriantradedc.org](mailto:atc-wdc@austriantradedc.org)

The following telephone number can be used for all Austrian  
Trade Delegates: 1-800-VIP-AHST.  
Website: <http://www.austriantrade.org>

American Chamber of Commerce in Austria  
Porzellangasse 35  
A-1090 Vienna, Austria  
Phone: (43 1) 319 57 51  
Fax: (43 1) 319 51 51  
E-mail: [office@amcham.or.at](mailto:office@amcham.or.at)  
Website: [www.amcham.or.at](http://www.amcham.or.at)

Wirtschaftskammer Oesterreich  
(Austrian Federal Economic Chamber)  
Wiedner Hauptstrasse 64  
A-1045 Vienna, Austria  
Phone: (43 1) 501 05-4204  
Fax: (43 1) 502 06-255  
E-mail: [aw.nordamerika@aw.wk.or.at](mailto:aw.nordamerika@aw.wk.or.at)  
Website: [www.wko.at/aw](http://www.wko.at/aw)

Fachverband der Elektro- und Elektronikindustrie Oesterreichs  
(Association of the Electric and Electronic Industry)  
Mariahilfer Strasse 37-39  
A-1060 Vienna, Austria  
Phone: (43 1) 588 39-0  
Fax: (43 1) 586 69 71  
Website: [www.feei.at](http://www.feei.at)

ADV Arbeitsgemeinschaft fuer Datenverarbeitung  
(EDP Association)

Tratternhof 2  
A-1010 Vienna, Austria  
Phone: (43 1) 533 09 13  
Fax: (43 1) 533 09 13-77  
Website: [www.adv.at](http://www.adv.at)

Oesterreichische Computer Gesellschaft  
(Austrian Computer Association)  
Wollzeile 1-3  
A-1010 Vienna, Austria  
Phone: (43 1) 512 02 35  
Fax: (43 1) 512 02 35-9  
E-mail: [ocg@ocg.at](mailto:ocg@ocg.at)  
Website: [www.ocg.at](http://www.ocg.at)

OEGUT - Oesterreichische Gesellschaft fuer Umwelt und Technik  
(Austrian Association for Environment and Technology)  
Türkenstrasse 9/21  
A-1090 Vienna, Austria  
Phone: (43 1) 315 63 93-0  
Fax: (43 1) 315 63 93-22  
Website: [www.oegut.at](http://www.oegut.at)

### 3. Austrian Market Research Firms

Consent Betriebsberatung Ges.m.b.H  
Dommayergasse 4  
A-1130 Vienna, Austria  
Phone: (43 1) 877 30 03-0  
Fax: (43 1) 876 47 04  
E-mail: [consult@consent.at](mailto:consult@consent.at)  
Dr. Fessel GfK Institut fuer Marktforschung  
Hainburger Strasse 33  
A-1030 Vienna, Austria  
Phone: (43 1)71710-0  
Fax: (43 1) 71710-194  
E-mail: [fessel@gfk.at](mailto:fessel@gfk.at)  
Website: [www.gfk.at](http://www.gfk.at)

GMB Gesellschaft fuer Marketingberatung  
Arnethgasse 50  
A-1160 Vienna, Austria  
Phone: (43 1) 485 57 01  
Fax: (43 1) 485 49 57

Integral Markt- und Meinungsforschungs Ges.m.b.H.

Mohsgasse 2/4A  
 A-1030 Vienna, Austria  
 Phone: (43 1) 799 19 94-0  
 Fax: (43 1) 799 19 94-18  
 E-mail: [office@integral.co.at](mailto:office@integral.co.at)  
 Website: [integral.co.at](http://integral.co.at)

Institut fuer Markt- und Meinungsforschung Ges.m.b.H.  
 Kaiserstrasse 55  
 A-1070 Vienna, Austria  
 Phone: (43 1) 526 55 84-0  
 Fax: (43 1) 526 55 84-42  
 E-mail: [austria@research-int.com](mailto:austria@research-int.com)  
 Website: [research-int.com](http://research-int.com)

#### 4. Austrian Commercial Banks

Creditanstalt AG  
 Schottengasse 6  
 A-1010 Vienna  
 Austria  
 Phone: (43 1) 531 31-0  
 Fax: (43 1) 531 31-4699  
 Website: [www.creditanstalt.co.at](http://www.creditanstalt.co.at)

Bank Austria AG  
 Am Hof 2  
 A-1010 Vienna  
 Austria  
 Phone (43 1) 711 91-0  
 Fax: (43 1) 711 91-56155  
 Website: [www.bankaustria.com](http://www.bankaustria.com)

Erste Bank der  
 oesterreichischen  
 Sparkassen AG  
 Graben 21  
 A-1010 Vienna  
 Austria  
 Phone: (43 1) 531 00-0711  
 Fax: (43 1) 531 00-2272  
 Website: [www.erstebank.at](http://www.erstebank.at)

Raiffeisen Zentralbank  
 Oesterreich AG  
 Am Stadtpark 9  
 A-1030 Vienna  
 Austria  
 Phone: (43 1) 717 07-0  
 Fax: (43 1) 717 07-1648  
 Website: [www.rzb.at](http://www.rzb.at)  
 Website: [www.raiffeisen.at](http://www.raiffeisen.at)

#### 5. U.S. Commercial Service

U.S. Embassy in Austria  
 Boltzmanngasse 16  
 A-1091 Vienna, Austria  
 Phone: (43 1) 313 39-0  
 Fax: (43 1) 310 69 17  
 E-mail: [vienna.office.box@mail.doc.gov](mailto:vienna.office.box@mail.doc.gov)  
 Website: [www.usembassy-vienna.at/cs.html](http://www.usembassy-vienna.at/cs.html)

To mail from the United States:  
 Commercial Service Vienna  
 9900 Vienna Place  
 Washington, DC 20521-9900

## 6. U.S.-Based Multipliers

The Association for Manufacturing Technology  
7901 Westpark Dr.  
McLean, VA 22102  
Phone: (703) 893-2900  
Fax: (703) 893-1151  
E-mail: [amt@mfg.tech.org](mailto:amt@mfg.tech.org)  
Website: [www.mfg.tech.org](http://www.mfg.tech.org)

Health Industry Manufacturers Association  
1200 G. Street, N.W. Suite 400  
Washington, DC 20005  
Phone: (202) 783-8700  
Fax: (202) 783-8750  
E-mail: [hima@himanet.org](mailto:hima@himanet.org)  
Website: [www.himanet.com](http://www.himanet.com)

American Electronics Association  
5201 Great America Pkwy, Suite 520  
Santa Clara, CA 95054  
Phone: (408) 970-4200  
Fax: (408) 986 1247  
E-mail: [csc@aeonet.org](mailto:csc@aeonet.org)  
Website: [www.aeonet.org](http://www.aeonet.org)

Dental Manufacturers of America  
123 S. Broad Street, Suite 2030  
Philadelphia, PA 19109-1020.  
Phone: (215) 731-9975  
Fax: (215) 731-9984  
Internet: [www.dmanews.org](http://www.dmanews.org)  
E-mail: [staff@dmanews.org](mailto:staff@dmanews.org)

National Electrical Manufacturers Association  
Diagnostic Imaging & Therapy Systems Div.  
1300 N. 17th Street, Suite 1847  
Rosslyn, VA 22209  
Phone: (703) 841 3200  
Fax: (703) 841 3300  
E-mail: [webmaster@nema.org](mailto:webmaster@nema.org)  
Website: [www.nema.org](http://www.nema.org)

Telecommunications Industry Association

Suite 300  
2500 Wilson Blvd.  
Arlington, VA 22201-3834  
Tel.: (703) 907 7700  
Fax: (703) 907 7727  
Website: [www.tiaonline.org](http://www.tiaonline.org)

Telecommunications Industry Association  
Government Relations and International Affairs  
Suite 350  
1300 Pennsylvania Ave, N.W.  
Washington, D.C. 20004  
Phone: (202) 383-1480  
Fax: (202) 383-1495  
Website: [www.tiaonline.org](http://www.tiaonline.org)

Environmental Industry Associations  
4301 Connecticut Ave, N.W., Suite 300  
Washington, D.C. 20008  
Phone: (202) 244 4700  
Fax: (202) 966 4818  
Website: [www.envasns.org](http://www.envasns.org)

U.S.-Austrian Chamber of Commerce, Inc.  
165 West 46th Street, Suite 1112  
New York, NY 10036  
Phone and Fax: (212) 819-0117

## 7. Washington-Based U.S. Government Contacts

Lisa Tomlinson  
Austria Desk, Room 3036  
U.S. Department of Commerce  
14th & Constitution Ave, N.W.  
Washington, DC 20230  
Phone: (202) 482-2434  
Fax: (202) 482-2897

Europe Team Leader  
Foreign Agricultural Service  
Room 5517S  
U.S. Department of Agriculture  
Washington, DC 20250-1024  
Phone: (202) 720-1322  
Fax: (202) 720-0069

Website: [www.fas.usda.gov](http://www.fas.usda.gov)

U.S. Department of Agriculture  
Foreign Agricultural Service  
attn: Maureen Quinn  
Director, Information Div.  
Room 5074-S  
Washington, D.C. 20250-1024  
Phone: (202) 720-3448  
Fax: (202) 720-1727  
E-mail: [quinn@fas.usda.gov](mailto:quinn@fas.usda.gov)  
Website: [www.fas.usda.gov](http://www.fas.usda.gov)

John Greifer, Director  
Trade Support Team  
U.S. Department of Agriculture  
APHIS  
Room 1132, SO. Bldg.  
12<sup>th</sup> and Independence Ave., SW  
Washington, DC 20252  
Phone: (202) 720-7677 or 78  
Fax: (202) 690-2861  
E-Mail: [john.k.greifer@usda.gov](mailto:john.k.greifer@usda.gov)

Janet Thomas  
Director  
Multilateral Development Bank Operations  
U.S. Department of Commerce  
USA Trade Center  
14th Street N.W.  
Washington, D.C. 20230  
Phone: (202) 482-3399  
Fax.: (202) 482-3914  
E-mail: [Janet.Thomas@mail.doc.gov](mailto:Janet.Thomas@mail.doc.gov)

TPCC Trade Information Center number in Washington: 1-800-USA-TRADE  
1-800-872-8723, Fax: (202) 482-4473.  
ITA's Home Page: <http://www.ita.doc.gov>  
Natioanl Trade Data Bank (NTDB): <http://www.stat.usa.gov/>

Austria information: <http://www.austria.org./ausinfo.shtml>  
Economic news from Austria: <http://www.austria.org/econ11.shtml>

## CHAPTER XII. MARKET RESEARCH

### 1. Foreign Agricultural Service Commodity Reports/Market Briefs

The following annual reports will be issued during FY'01:

1. Exporter Guide (September 2000)
2. Retail Food Sector Report (October 2000)
3. Forest Products (December 2000)
4. Trade Policy Monitoring Report (February 2001)
5. Oilseeds and Products (March 2001)
6. Tobacco and Products (May 2001)
7. Food and Agricultural Import Regulations (July 2000)
8. Livestock (August 2000)

Note: FAS reports are available from the Reports Office, USDA/FAS, Washington, DC 20250 and from the USDA homepage: <http://www.fas.usda.gov>

### 2. Department of Commerce Industry Subsector Analyses

The following ISA's are planned to be drafted during FY '01:

1. New Technology in Tourism ( December 2000)
2. Defense Industry in Austria ( May 2001)
3. Energy Services (July 2001)
4. Automotive Accessories ( July 2001)
5. Fast Food and Restaurant Franchising ( August 2001)
6. Biotechnology – Medical Applications ( September 2001)
7. Internet Security Solutions (September 2001)
8. Wireless Commerce ( September 2001)
9. Water Purification Equipment and Services (September 2001)

NOTE: Department of Commerce Reports are available in the National Trade Data Bank (NTDB) and from the DOC homepage: <http://www.ita.doc.gov>.

## CHAPTER XIII. TRADE EVENT SCHEDULE

### 1. Scheduled Agricultural/Food Trade Events

- A.1.Event:"Alles fuer den Gast"
- 2.Sector: Tourism and Food Trade Fair
- 3.Date: November 4-8, 2000
- 4.Location: Salzburg, homepage: <http://www.reedexpo.at>
- 5.FAS Vienna Contact: Andrea Fennesz-Berka,  
Marketing Specialist - Tel.: (43 1) 313 39, ext. 2364

- B.1.Event: FAFGA - Fachmesse fuer  
Fremdenverkehr & Gastronomie  
2.Sector: Tourism, Catering and Food Trade Fair  
3.Date: April 23-26, 2001  
4.Location: Innsbruck, Tirol, homepage: <http://www.innsbrucker-messen.at>  
5.FAS Vienna Contact: Andrea Fennesz-Berka,  
Marketing Specialist - Tel.: (43 1) 313 39, ext. 2364

- C.1.Event: GAST '00 Klagenfurt  
2.Sector: Tourism and Food Trade Fair  
3.Date: March 11-14, 2001  
4.Location: Klagenfurt, Carinthia, homepage: <http://www.ktn-messen.co.at>  
5.FAS Vienna Contact: Andrea Fennesz-Berka,  
Marketing Specialist - Tel.: (43 1) 313 39, ext. 2364

- D.1.Event: "Alles fuer den Gast" with "DEGUSTA + VIN-Austria"  
2.Sector: Tourism and Food Trade Fair  
3.Date: March 25-28, 2001  
4.Location: Salzburg, homepage: <http://www.reedexpo.at>  
5.FAS Vienna Contact: Andrea Fennesz-Berka,  
Marketing Specialist - Tel.: (43 1) 313 39, ext. 2364

## 2. Scheduled Trade Events of the U.S.Commercial Service Vienna

- A.1. Event: MBA Fair Austria and Switzerland  
2. Sector: Educational Services  
3. Date: October 18, 2000  
4. Location: Vienna  
5. Recruited by: CS-Switzerland  
CS Vienna Contact: Manfred Weinschenk,  
Commercial Specialist - Tel.: (43 1) 313 39, ext. 2285

- B.1. Event: Telecommunications Seminar  
2. Sector: Telecommunications  
3. Date: December 2000  
4. Location: Vienna  
5. Post recruited  
CS Vienna Contact: Waltraud Augesky,  
Commercial Specialist - Tel.: (43 1) 313 39, ext. 2203

- C.1. Event: Seminar: Electronic Commerce and Internet Services  
2. Sector: Computer Services  
3. Date: April 2001  
4. Location: Vienna  
5. Post recruited

CS Vienna Contact: Ingeborg Doblinger,  
Commercial Specialist - Tel.: (43 1) 313 39,ext. 2120

NOTE: Interested firms should consult the Export Promotion  
Calendar on the NTDB or contact the Commercial Service Vienna  
(Tel.: (43 1)313 39, Fax: (43 1)313 39-2911, E-mail: [vienna.office.box@mail.doc.gov](mailto:vienna.office.box@mail.doc.gov)) in  
order to receive the latest information.