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Article — Digitized Version

Improvement of the export promotion system

Intereconomics

Suggested Citation: Stermann, Walter (1967) : Improvement of the export promotion system, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 9, pp. 244-247, <https://doi.org/10.1007/BF02930517>

This Version is available at:

<https://hdl.handle.net/10419/137798>

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Hamburg, of course, is definitely in favour of the Common Market, but the city is also keen on preventing an inward-looking attitude and economic policy caused by the EEC, which would insulate it against the rest of the world. Hamburg's economy is mainly dependent on world trade, and its port is predominantly oriented towards commerce with third-party (i.e. non-EEC) countries, and therefore the town must cultivate and extend its contacts in every direction.

Grave concern is caused by the enormous extensions now being built for the ports of Rotterdam and Antwerp. These two ports are making ready to maintain and increase their superiority which is already big enough, and thus to grow into the principal EEC ports. This is why Hamburg is highly interested in a joint European traffic and transport policy. Establishing harmonised and liberalised transport markets would strengthen Hamburg's position in the contested common hinterland of all the ports of the EEC, and it would obviate the present distortions of competitive conditions for the traffic entering and leaving German seaports.

Hamburg is carefully studying and keeping under review all new technological developments in sea-borne trade, and its port policy makes allowance for them. Growing carrying capacities of the ships used

for oil and other bulk transport make it necessary to improve the access lanes to the port from the sea. The Elbe is being deepened by dredging to 12 metres (about 39½ ft.) below average low water, which will enable ships up to about 75,000 dead weight tons to enter the port of Hamburg under a full load. Other preparations are in hand for building an advance port that may become necessary for truly big ships, eventually permitting tankers of up to 200,000 dwt to discharge their cargoes there.

The importance of containers in ocean shipping has already caused Hamburg to create special container handling berths. Under the flood of novel transport methods, including roll-on/roll-off and truck-to-truck services, Hamburg is forced to develop special activities, in order to face up to the competition of the ports on the Rhine estuary, which have an immense hinterland with first-rate feeder traffic lines.

A far-seeing port policy must also deal with the possible effects of future mass offers of cheap air cargo space, and it must prepare for rational co-operation between the „wet“ and „dry“ sides of port operations. For such cooperation, Hamburg is in a good starting position, as it owns both a big seaport and an important airport, whose cooperation could meet with the wishes and demands of the shippers in the best possible way.

AUSTRIA

Improvement of the Export Promotion System

by Dr Walter Stermann, Vienna

The vigorous growth of Austria's imports during the last years is showing among other things that the economy's increasing purchasing power is absorbed to a large extent by goods from abroad and that Austria is increasingly integrated into the international division of labour due to an extensive liberalisation of the international exchange of goods. For it is quite natural that a small country is buying abroad as cheaply as possible those high-grade consumer- and investment goods that it cannot produce competitively on its own.

Unfortunately world economic integration is more or less still a one-way road, for Austrian exports by no means are growing to the same extent as its imports, though this would be desirable in the interest of a long-term balance of payments equalisation. On the contrary, the deficit in the balance of payments is gradually growing in the course of this unpleasant development: in 1964 it amounted to 11,370 million Austrian Shillings (S) at a total foreign trade volume of about 86,000 million S, in 1965 it increased to 13,010 and in 1966 to 16,740 million S. The net excess

of the balance of services (tourism) was not able even approximately to close the gap, as had been the case until 1962 still. The structural shortcomings on the side of exports become also apparent in a comparison of Austria's per capita export quota with those of other export orientated minor states. Thus in 1966 Austria exported goods to the value of 6,000 S per capita of its population, while the comparable figures for Denmark are 13,400 S, for the Netherlands, Sweden and Switzerland 14,000 S, and for Belgium 18,600 S even. The proportion of per capita exports to the per capita GNP is 1:6 in Austria as compared with between 1:4 and 1:3 in comparable countries. Just because of the still existing not inconsiderable income and prosperity differential between Austria and most of the other Western industrial nations, that is caused by a too low industrial productivity—which again is being expressed by too small wages, profits, savings and investments—the average efficiency and prosperity standard of the other industrialised countries must still be caught up with. However, apart from an improvement of the Austrian economy's capacity this

means a simultaneous expansion of its international market share, that, considering the comparatively small domestic market, has to be found in the export markets.

Dynamic Export Promotion Policy

For these reasons Austria's economic policy has to aspire after a dynamic export promotion policy as one of its main tasks. Since industry is one of the most important pillars of export expansion, it is above all structural policy concepts that are to support and strengthen industrial export dynamics. In Austria, too, the system of turnover tax refunding is valid, reimbursing prior turnover tax encumbrances of exports. According to the size of this tax burden, six reimbursing groups have been fixed.

The most important export promotion measures, however, are to be found in the field of export financing and consist of the provision of supplier's credits and tied financial credits. And regarding the guarantee of export risks it is the covering of those risks that usually are not covered by insurance companies, i.e. economic, political, catastrophe and exchange risks.

Due to an apparently chronic balance of payments deficit and the lack of cheap and adequate credits the first Austrian Export Promotion Act of 1950 had been solely formulated in accordance with balance of payments policies and the financing of the export business. The protection against export risks was a more secondary purpose. This system, called "Export promotion credit procedure", provided that the Republic of Austria assumed the responsibility for 80 per cent of the value of a bill drawn on an exporter by a credit institute, which thus became eligible for rediscount with the Austrian National Bank. In "default of payment" the exporter's bank or the National Bank could present the bill for acceptance (80 per cent of it) to the Republic of Austria, which then "in general" waived its right of recourse based on the bill of exchange law. There was no contractual relation between the state and the exporter. The

term of "default of payment", not known by the civil law, was also problematic, for instance in the case of an official prohibition of transfer of the purchase money paid by the foreign buyer according to contract.

The amendment of the Export Promotion Act passed in 1954 completed the already existing bill of exchange procedure by a guarantee without financing, and the at present valid Export Promotion Act in its amended version of 1967 joins both procedures by the stipulation of a global liability frame of 10,000 million S. Even though there is no special frame for acceptance credits, there is an indirect one provided by means of the global rediscount promise of 2,500 (formerly 1,875) million S, given by the Austrian National Bank. Those export goods are considered qualified for coverage, that are either produced completely in Austria or whose foreign ancillary parts do not make up more than 50 per cent of their final value. The currencies qualified for guarantee are also limited to US dollar, pound sterling, French and Swiss franc and German mark as well as all currencies fully convertible according to Art. VIII of the statutes of the International Monetary Fund. Furthermore, the same applies to the currencies of those East-bloc countries with whom Austria concluded bilateral trade agreements and the Austrian National Bank has clearing agreements.

In the case of risks qualified for cover the maximum duration is twenty years, for guarantees of bills of exchange it is only three years, obviously because a turnover ratio as high as possible of the funds employed is to be achieved and the term of the National Bank's rediscount promise is to be kept short. With the exception of the tied financial credits, for which co-insurance has been abolished, no form of guarantee or security must cover more than 90 per cent of the guaranteed amount, and the rest of ten per cent must not be insured elsewhere. In the case of co-insurance political risks at 10 per cent are differently assessed than economic ones at 20 per cent.



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Main Forms of Guarantees

The following forms of guarantees and financing, respectively, are available to the Austrian exporter:

☐ Guarantees for direct deliveries and performances, with which the performance of contract by the foreign purchaser is guaranteed.

☐ Guarantee for indirect deliveries and performances. Performance of contract between a foreign exporter and purchaser in a third country, to the extent of the Austrian share in deliveries.

☐ Guarantees for financing of export transactions by means of capital through a direct tying of the guarantee to the financing instruments. This is to facilitate export loans, as thus they are to be considered as gilt-edged securities. A special Act for the Promotion of Export Financing will provide for this in 1967.

☐ Guarantees for tied financial credits. In this case a credit contract between a domestic or foreign credit institute and a foreign purchaser is guaranteed, whose countervalue is exclusively used for the payment of Austrian deliveries.

☐ Guarantees for participations of Austrian enterprises abroad, as far as these participations were acquired in connection with deliveries and performances of Austrian enterprises. In contrast to comparable procedures in other countries, the acquisition has not to be connected with increases in assets that can be capitalised, but may have arisen from substitution (e.g. offsetting of claims). The volume of the participation should be such that a corresponding influence on the enterprise may be exercised (at least 25 per cent). The capital only is guaranteed, not the proceeds.

☐ Guarantees for the cover of balances from direct deliveries and performances, in connection with which the overall balances of several export transactions may be offset against each other within the maximum duration of the guarantee of five years. The exporter is free to make his own decisions within the limits set by the guarantee, in that also in the case of business connections without any complaints he induces the liability without previously checking back with the party liable.

☐ Guarantees for the cover of exchange risks with export transactions and financing up to 20 years duration in such cases, in which due to the long duration the covering by forward operations is impossible.

☐ Within the scope of the form of guarantee mentioned in the second paragraph of this listing, return guarantees may be given to foreign export-credit-guarantee institutions to the extent of those shares, with which Austrian exporters participate in the export business abroad. By this these return guarantees may be included into the foreign credit guarantee of the overall business.

☐ And finally proceeds from export transactions within the scope of credit undertakings abroad, which are earmarked for the purchase of goods in

this country (contra transactions), may be covered in the currency of the recipient country until their employment (maximum duration two years). Guarantee deposits having been established in the course of export transactions abroad, are covered against political risks with a maximum running period of five years.

Financing Aids

Apart from these major forms of guarantees the Government is promoting Austrian exports by financing them with acceptance credits with a maximum duration of three years. With the bill drawn on the exporter by his bank the Austrian National Bank gives a firm rediscount promise, and the state guarantees the bill. The financing is carried through in Austrian shillings and the basic business must have been concluded in a freely convertible currency (see above). The financing of investments or the provision of operating funds for general export purposes must not be undertaken with these financing funds. In general the financing is carried through when the export goods are delivered, but if there is a production risk, e.g. a special fabrication, a combined credit may be provided already from the beginning of the production period on. In connection with this combined form the credit currency will be paid in accordance with the progress in production. In the case of an invoice interim credit, the amount of credit—a possible prepayment deducted—may run up to 90 per cent of the invoice amount. In March, 1966, the cumulative level of these export promotion credits, i.e. the extent of refinancing promises made since the beginning—amounted to 16,100 million S, while the net position was 1,658 million S after deduction of postponed pledges and repayments.

The costs which burden the Austrian export economy due to risk guarantees and guarantees of bills are quite moderate, i.e. they amount to annually 0.5 per cent for each of the two facilities, while for promises which also may be given before a definite allocation, 0.0125 per cent for each quarter, i.e. annually 0.05 per cent are calculated.

The stipulations regarding the kinds of currencies, and the relatively short duration of bill guarantees are already indicating that the application of this system to exports to developing countries is but limited. Indeed a special form of promotion is provided for such deliveries within the scope of development aid projects.

Apart from government promotion of exports by means of tax practices and the provision of guarantees and pledges, the Austrian economy itself has created a very efficient instrument shortly after the war, i.e. the foreign organisation run by the Federal Chamber of Trade and Industry. In most cases under the direction of foreign trade delegates, but also of men responsible for 'banks' publicity display and honorary correspondents, a dense network of foreign trade posts has spread all over the world, that already

today includes practically all countries of any interest to Austrian exporters. It is the task of these foreign trade posts to prepare the ground for Austrian exporters, to assist them in the initiation and the winding up of their transactions, to help them find

representatives, etc. Besides, however, they have trade policy functions by preparing contract negotiations, etc. This foreign trade system is financed through a percental contribution collected by the customs authorities when the goods are exported.

World Business Trends

**Department for Business Trends Research,
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United States: The Recession Is Over

The speed of economic growth in the United States has again accelerated during the past months. This is above all a result of the decline of contractive influences originating from decreasing investments in stock. Moreover, private households increased their expenditure in motor cars and other consumer durables. After an interruption for more than one year private expenditure on housing is expanding faster than before. As against this capital expenditure of private enterprises started but hesitatively in spite of the Federal Government's fiscal promotion measures. Government expenditure should, however, rise vigorously again after a temporary slowing down in the second quarter of 1967. Foreign trade is marked by a declining growth of imports and moderately rising exports.

In the second quarter the increase of public expenditure on goods and services has somewhat slowed down, as the military authorities intended to keep their expenditure as low as possible toward the end of the fiscal year of 1966/67. However, in the new fiscal year of 1967/68 a considerable increase of military expenditure on the war in Vietnam has to be anticipated. Government expenditure will therefore continue to form the most important stimulant to economic growth, all the more since the Federal expenses for civilian purposes and expenditure of the Federal states and local authorities should increase as strongly as ever. But the expansive forces originating from increased

expenditure will in part be balanced by tax increases. These are necessary, if the budgetary deficit is to be limited at least somewhat.

To begin with the government measures for cyclical stimulation could not strengthen the private economy's propensity to invest as much as had been anticipated. Finally, in June, 1967, the utilisation of capacities in the manufacturing industries had decreased to 82.5 per cent, and the profits of enterprises dropped steadily. Recently, however, orders in mechanical engineering have risen noticeably. Besides orders for the construction of new factories and other industrial buildings experienced a vigorous boom. Therefore the investment increase of 3 per cent as planned by the entrepreneurs for the second half of 1967 will even be surpassed. If, however, the 10 per cent increase of the corporation tax should be actually introduced retroactively, investment activities would be slowed down.

In the second quarter of 1967 private households vigorously expanded their expenses for goods and services together with increasing incomes. Above all purchases of motor cars showed a brisk trend. The rate of saving, however, at about 7 per cent is relatively high still, and the preparedness for indebtedness—as measured by the low increase of instalment credits—is very weak. Together with an accelerated growth of incomes the private consumers should be more inclined to decrease their saving ratio and to catch up with their

pent-up demand for durable consumer goods. But an increase of the income tax would restrain this process.

The further rise of the wholesale price index is to be traced back to farming products. The upward price trend of industrial manufactures has slackened for the time being. In June, 1967, consumer prices were 2.7 per cent above the previous year's level. The risk of more pronounced price increases as a result of wage increases is a very great one in future. Recently wage supplements and increases of social insurance benefits of up to 6 per cent annually have been agreed on. In view of demand expanding more strongly again, the entrepreneurs will try at least partially to pass on wage increases to the consumers via prices.

In the first quarter of 1967 the balance of payments deficit with \$ 2,200 million—adjusted for seasonal variation—is noticeably higher than it had been in the fourth quarter of 1966. This is substantiating the apprehension that this year the balance of payments problem will grow even worse. Increasing foreign exchange costs of the war in Vietnam are among the most important causes of this development. The balance of payments deficit would have been even worse, if foreign trade in goods had not brought higher surpluses than in the preceding year. But in the next months this development will hardly continue. The stimulation of domestic demand will oppose a further slowing down of imports, and an increase of exports is possible to a limited extent only, due to the