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Need for Chemical Cooperation in Austria

by Dr Hans Buchner, Chairman of the Board of Directors of the Österreichische Stickstoffwerke AG, Linz

Austria's first chemical production dates from about 1900, but from these first beginnings, there did not spring continuous development. On the contrary, for the events which have been characteristic for Austrian history since the First World War have also interfered repeatedly and deeply with this branch of the economy.

Historical Factors

The first of these disturbances was the breakup of the age-old Austrian and Hungarian monarchy, which led to the loss of important production centres and traditional markets. In place of a far-flung economic region with nearly 60 mn inhabitants, Austria had become in 1918 a small state of only about 6 mn population. Austria's economic policy had therefore to be completely reshaped, and also its chemical companies had to rebuild their entire structure. During the inter-war years, the firms most deeply affected by this were those which made basic chemicals. Their further growth and expansion became much more difficult, and in several important directions it was blocked. However, even in those difficult years, Austrian chemicals remained a growth industry, but its growth was slowed down.

When Hitler's Third Reich enforced the "Anschluss" (in 1938),

this incorporation in the Greater German economy again led to fundamental changes. Initially, new production capacities were set up, though most of them serving a war economy. A few years only passed, and they, together with old-established plants, were virtually destroyed by war and post-war dismantling.

The reconstruction period, which followed, was extremely difficult. Austria was again torn away from a larger integrated market, moreover, it was cut off from foreign sources of raw materials, which compelled it to begin by creating an efficient basic chemical industry of its own, and at the same time to meet the growing requirements of processing and finished-product capacities, which had been forcibly neglected as long as the second great war lasted. Basic chemicals production had to be rebuilt, enlarged, modernised and rationalised. New production had to be started from scratch, and in many spheres, Austria had to catch up with international developments, where it had lagged behind for many years.

Dynamic Rise

Austria's chemical industry has been able to overcome all these difficulties within a relatively short period, which was followed up by remarkably dy-

namically further growth and diversification. Even by international standards, its growth rates are fully satisfactory. The value of its annual gross output was Schilling 6,300 mn in 1955, and it climbed to Sch. 20,500 mn in 1968.

This is the more remarkable as Austrian chemicals are produced by a large number of medium size and small plants. About 500 chemical plants existed in 1968, and they employed a total of about 52,000 men and women. Of the production units existing, 81 p.c. had fewer than 1,000 people each in their services, 16.5 p.c. between 100 and 500, and only twelve firms, or 2.5 p.c., then gave employment to more than 500. The most important companies are Österreichische Stickstoffwerke AG, whose turnover reached Sch. 2,860 mn in 1968 and 3,200 mn in 1969; Semperit AG with Sch. 2,700 mn in 1968, and Chemiefaser Lenzing with Sch. 960 mn in 1968.

Austrian chemical industry, with its gross output value of Sch. 20,500 mn contributed about 7 p.c. in 1968 to Austria's GNP. This made our industry the single most important one of the national economy, which produced more in value than Food Processing, Textiles, and Engineering, and all the rest of the twenty economic branches officially listed.

Of the overall gross production value of Austria's chemicals, a breakdown as to branches results in the following figures: 15 p.c. were Plastics and Plastics Manufacture; 14 p.c. Chemicals, and another 14 p.c. Synthetic Rubber and Rubber Goods; 7 p.c. each Refining of Precious Metals, and Fertilizers; 6 p.c. Soap, Detergents, and Cleaning Aids; 5 p.c. each Paints and Lacquers, Pharmaceuticals, and Artificial Silk, Cell Wool, and Polyester Fibres, whilst all the remaining 17 branches produced less than 5 p.c. each. During the first half of 1969 (the latest period for which returns are available), the gross production value of all chemicals had reached Sch. 10,500 mn, which means that another rise had occurred, which was of the order of 9 p.c. as against 1968. The largest increments were registered by Rubber Goods, Plastics, and Chemicals.

Austria's total exports were valued at Sch. 51,700 mn in 1968. Chemical products contributed to this total to the tune of Sch. 6,134 mn, which means that chemicals supply a big chunk of Austrian export earnings — just under 12 p.c. of the entire export of goods; about 30 p.c. of overall chemical output was for export.

The most important destinations for this export were, in this order, the Federal Republic of Germany, Hungary, Yugoslavia, Switzerland, and the UK, followed by Czechoslovakia, the Soviet Union, and Sweden. In 1968, about 22 p.c. of Austria's total chemical exports were absorbed by EFTA countries, about 20 p.c. by those of the EEC, 8 p.c. by the remaining countries of the OECD, 29 p.c. by Eastern Europe, 7 p.c. by Yugoslavia, and 4.5 p.c. by North America (the United States and Canada). There are no statistical returns of indirect exports of Austrian chemicals (processed and manufactured

goods based on them), but there is no doubt that their importance looms at least no less large than that of direct chemical sales abroad.

Chemicals' International Position

In spite of all this, Austria's chemical balance of trade, as in a great number of other small countries with a chemical industry, registers a net deficit. Austria's chemical imports reached a value of altogether Sch. 11,300 mn in 1968. The most important sources of these imports were the Federal Republic, Switzerland, the UK, France, and Italy. A round 60 p.c. of all chemicals imported were derived from the area of the Common Market, 20 p.c. from that of EFTA, and 7.5 p.c. from the Eastern Bloc. However, it may be stated that, during recent years, chemical exports have grown more steeply than the imports, which means that the chemical balance of trade has been picking up.

For Austrian chemicals' further growth, it will be of foremost importance which shape the future relationship between Austria and the EEC will have. The reduction of tariff discrimination will most certainly open up additional chances to numerous Austrian chemicals for increasing their outlets, but conversely, there will naturally also be further inroads of foreign supplies into the home market, leading to increased competition.

Austrian chemical concerns face this future with their eyes open. Their attitude is realistic, in so far as they know that all the Europeans—whether of the West or the East—have identical aims: reasonable rates of economic growth, full employment, rising national incomes, and social improvement. Economically, this means the need for structural improvements, for emphasis on efforts in the growth

industries, productivity rises, and many other things. All these objectives will force the smaller and medium-sized companies into cooperation.

Cooperation Necessary

Cooperation of this kind must not degenerate into one-way traffic. It must serve the principle of rational joint completion of complex tasks. It can be successful only by setting-up a climate of mutual support on the way to economic growth of all partners. Cooperation is possible in many fields and at equally many levels — the co-operators may be individual firms, but also whole branches of industry.

There are many telling examples from the field of chemicals as to how a dynamic industry bent on rapid growth can avoid losing itself in the impasse of autarky but instead intensify exchanges of goods and services. Chemical cooperation may go all the way through from raw material supply, via that of energy, through transport, to technologically improved production and co-production; it may lead to joint marketing arrangements, joint research efforts, process methods and applications. Investments may be pooled, and this may eventually lead to the formation of jointly-owned and managed subsidiaries and associate companies. Forming such joint companies is of superlative importance: such companies may profit from sales in the markets of two or more countries and thus rise to a size in production capacity whose dimensions are fully viable and competitive in the markets of the whole world.

Embarking on such ventures, realism must, of course, not be thrown overboard, and patience is needed in making progress from small beginnings to larger targets.