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Aims of the Austrian Clearing Centre

by Dr Walter Stermann, Vienna

Austrian trade with countries of the Eastern Bloc, especially with those which at one time, wholly or in part, had been part and parcel of the Austro-Hungarian monarchy, has been moulded by special traditions, which derive not only from economics but, even to this day and age, also from common cultural experiences and from human ties.

Due to this tradition, Austria's trade with the European East, during the period between the two world wars, was of considerable importance, representing about 30 p.c. of its total foreign trade turnover. After 1945, this share has dropped considerably: in 1969, Austrian imports from Eastern Europe contributed 10 p.c. and its exports to this area 14 p.c. of total export and import turnover. To compare, the imports from the area of the EEC contributed as much as 56 p.c., the exports to EEC countries 41 p.c., and the respective trade figures with EFTA countries 19 and 23 p.c. of the same total. The causes of this decline in Eastern trade are commonly known, but all the industrialised nations of the West are making strenuous efforts now for overcoming the obstacles in the way of its expansion. Even though it has declined as against pre-war figures, Austria's East European trade is still much larger, proportionately, than in the case of other West European industrialised countries, where East European trade, on average, contributes only between 5 and 6 p.c. to their overall foreign trade volume. This preferential position of Austria is, of course, due to the special factors mentioned, to its favourable geographical position, and to its special status of permanent neutrality.

Austrian Trade with COMECON

Austria has concluded long-term agreements on trade and payments with the countries of COMECON. It is true that, up to the present, payments are still cleared bilaterally via accounts kept both by the Austrian National Bank in so-called "clearing dollars" (in the case of the German Democratic Republic [GDR], for reasons of international law, the same is done by the semi-official Control Bank) and by the central banks of Austria's eastern trading partners. As this

bilateralism is applied strictly, provisions have been made for avoiding a complete cessation of exchanges of goods and services for any length of time in cases of severe indebtedness of one or the other partner to this bilateral business, by the respective central banks granting each other mutual swing credits of a size related to the agreed volume of trade. The strong demand of the countries of the Eastern Bloc for western products, especially for investment goods, coupled with the difficulty of finding sufficiently large trade outlets for eastern products in the markets of Austria and other western countries, has made Austria an almost permanent creditor of its Eastern trading partners, and with the only exception of Czechoslovakia, whose bilateral trading balance, from 1967 onwards, has consistently shown a surplus in that country's favour, all the Eastern countries have used their swing credit lines to the full, the Soviet Union even severely overdrawing on them.

System of Multilateral Payments

As practical experience has shown, the countries of the Eastern Bloc have thus reaped big advantages from these voluminous, interest-free credits, and yet they have all been pressing recently for a changeover from bilateralism to a system of multilateral payments in freely convertible currencies. Only Rumania has shown little interest in such a switch, and has said so, and the GDR apparently does not want, for the time being, to renegotiate the existing long-term agreement made by the Federal Austrian Chamber of Economy with the East German Chamber of Foreign Trade, which expired at the end of 1970, but seems to prefer its tacit extension for one year, pending further international developments of diplomatic recognition of the GDR. But hitherto, repeated reminders by the GDR that East Berlin wishes the conclusion of a new agreement at government-to-government level have not evoked any response from the Austrian side.

Multilateral arrangements about payment will come into force as from the January 1, 1971, in the case of the Soviet Union, and probably as from January 1, 1972, with Bulgaria, Poland,

Czechoslovakia, and Hungary. Lists of goods appended to the trade agreements have always been expressed in quotas, but these have remained largely academic, since quotas do not mean that importing countries make a firm promise to accept so many goods of this and that kind. Moreover, the Eastern Bloc states are guided, as to the size of their purchases in Austria, by the prescriptions of their economic plans only.

Mutual "Link" Sales

In view of the clearing situation described, and because of their chronic shortage of convertible currencies, it is easy to understand why Eastern countries are so keen to tie their imports from Austria to deliveries of their own, in a kind of mutual barter or "link" sale, pledging the supplier to become at the same time a buyer, especially in cases of business of a certain order of magnitude. To what extent Austria's eastern trading partners wish to tie down their Austrian suppliers in this way, depends essentially on the kind of goods they order in Austria. Thus, for example, it has almost become the rule that, when Austrian consumption goods are to be bought, the Eastern partner demands that Austria at the same time buys an equivalent from him, whilst in the case of investment goods, Austria is requested to make such purchases only for part of the sums involved (fluctuating between about 20 and 50 p.c.). As is well known, all foreign trade transactions on behalf of eastern countries are handled by State foreign trade agencies, which are operating individually for each single section of the economy, and the agency which intends to close an import deal with Austria is always most eager also to act as an exporter to Austria, in order thus to earn foreign currency for additional imports. Much depends on the experience and negotiating skill of the Austrian exporter as to whether, and to what extent, he will be able to influence the offered Eastern export deliveries as to their kind and volume in his own interest. He usually has to subsidise the price paid for such goods by the Austrian importer or importer/reexporter, and his skill will also determine how this subsidy can be absorbed by the price he receives for the goods he supplies to the East, under conditions of market pressures on prices generally. For it usually is the case that the eastern exports he is forced to accept in lieu of cash payment set up a tricky problem of price calculation: most eastern exports, because of inferior quality or for other reasons, can only be sold in the Austrian and/or other western markets, if substantial price cuts are offered. The extent of this premium or subsidy to be granted by Austrian exports to Austrian

importers or importers/reexporters naturally shows very considerable differences in size from one case to the next.

If the goods exported from Austria have had their origin in another country, or if the goods imported by Austria end up in a third country, convertible currencies will be converted into clearing dollars, or vice versa, by a switch operation, and on this financial switch a switch premium is levied by the Austrian National Bank if Austria has to pay out convertible currency but receives in payment only clearing currencies. As soon as multilateral payments in convertible currencies become the rule, switch operations of this kind will, of course, cease, but the various types of mutual goods exchanges will almost certainly survive.

Instalment of Information Office

This said, it is clear that trade with the East, as Austria is engaged in, requires special experience, and thus it is also the case that numerous firms have specialised in such dealings, by either operating two-way exchanges within themselves, or using their good connections with big international trading concerns for finding outlets in third-party countries for eastern export goods supplied in exchange for Austrian deliveries. At any rate, Austria's central geographical position, as well as its traditional connections with Eastern and South Eastern Europe, which were mentioned, have made of it an exceptionally suitable go-between for the two-way traffic of Eastern trade. In relation to the Soviet Union as one of the signatories to the Austrian State Treaty, Austria also enjoys a position which is somehow specially favoured.

To promote expansion of trade with the East, a special institution was set up in Austria at the end of June, 1968. It is the "Evidenzbüro für Außenhandelsgeschäfte" (Information Office for Foreign Trade Activities) in Vienna, which became operative in September of the same year. Among its main founders and sponsors are the Ministry of Trade, the Federal Chamber of the Economy, and the Association of Austrian Industrialists. Its legal form is that of a registered association, which is non-profit making. Members are charged an entry fee and relatively modest membership dues. For any commercial deals helped on their way by the Office or information given, no commission is charged. Its Presidium and Committee are manned by representatives of industry and commerce in equal numbers.

Aims of the Office

There are more than 160 members, who feed information to the Office, and this enables the

Information Office to achieve fruitful coordination of the interests of all the companies engaged in eastern business, as well as the finding of suitable partners for carrying out barter obligations and/or mutual pledges to accept "link" sales. Over and above all that, members regularly receive generalised and specialised information about eastern trade, because all interesting business news received by the Organising Secretariat or by member firms is made available to all the other members unless, of course, considerations of competition would exclude this.

Thus, any exporter, even before he begins negotiating about a given business deal with an eastern partner, will be enabled to hear about any number of possibilities for entering upon a two-way exchange in the case in hand, its potential volume, the sums required for subsidising import prices, etc. This means, of course, that such information greatly facilitates his own negotiating tactics, for he will be able to direct the expected requirements of his negotiating partners for making a deal of mutual exchange into a direction desirable to himself. His haggling about prices can be based on much more substantive notions, if he knows already about the expenses arising for him from the need to subsidise the exchange deal. Finding partners for such deals is a service offered by the Information Office not only to exporters but also to importers and importers/reexporters who are on the lookout for an exporter for any specified transaction with an eastern state to be entered or already agreed upon, an exporter who would be able to pay a price subsidy. At any rate, the Information Office has hitherto always received ample numbers of offers by Austrian importers and/or importers/reexporters to enable it to satisfy all the requirements of exporters for partners in tied exchanges.

To date, the Information Office has been able to act as a go-between for deals totalling about US\$30 mn in value, but it may be taken for granted that there had been an accumulation of pledges to enter upon mutual exchange deals to be filled before the Office existed. In spite of this, it seems admissible to look into the future, as regards the work of this institute, with complete confidence.

Transactions with Developing Countries

The Information Office has also turned its attention to business transactions with developing countries, as its official programme prescribes. Foreign trade with such LDCs, without doubt, will be built upon foundations which are radically different from those of East-West trade. But because of the trend towards a progressive de-

terioration of the terms of trade for LDCs, foreign currency shortages of such countries create similar difficulties as overshadow the trade with countries of the Eastern Bloc.

Austrian trade with LDCs is still very small in volume, representing only a few p.c. of Austria's foreign trade totals. As Austria is not able to maintain diplomatic missions in all the LDCs, the Federal Chamber of the Economy is enlarging its existing network of foreign trade offices in these countries, which are charged with strengthening the contacts with these countries' national economies and thus increasing trade.

Development aid in its proper sense, which in the case of Austria claims 0.65 p.c. of the GNP, is below the level of one p.c. of GNP which industrialised countries have promised. The laws needed for a proper coordination of development aid have not yet been enacted in Austria, and an interdepartmental committee of the various Austrian government ministries is so far dealing with, and giving opinions on, the various projects submitted by LDCs, passing them on to the individual departments suitable for becoming sponsors of such projects. As is really more suitable for a small country like Austria, most of its development aid is concerned with education and training, and its activities in this field have led to good results, e.g. through granting university scholarships, apprenticeships, the training of practical technicians and educators of many types, sending out assistants and supervisors on construction jobs (mainly, of course, on Austrian projects carried out in LDCs), skilled workers and experts on the tourist trade, who are being trained in a specialised school.

Financial Support of Private Investments

Private investments in LDCs are given financial support through general credits for promoting exports, and smaller investments, e.g. for setting up company offices abroad, for building service stations, etc.; private enterprise has organised its own "campaign for granting starting aid". But for the reasons stated, all these forms of support do not cover a very wide field yet. There is a general desire that Austria, in line with other western industrialised nations, ought to grant tax concessions for such investments. However, Austria as a country with scant supplies of investment capital will be hard put to it to emulate the conditions for financing aid offered by its international competitors, which are growing more and more liberal progressively. Austria must therefore seek for a different approach to the problem of LDCs' shortage of foreign currency. Here is an avenue along which the Information Office can also become useful.