

# AUSTRIA

## Overview

Austria is a small alpine country located in Central Europe, bordered by Germany, the Czech Republic, the Slovak Republic, Hungary, Slovenia, Italy, Switzerland, and Liechtenstein. Austria has a population of about 8 million and an area of about 34,000 square miles. Its main trading partner is the European Union (EU), of which it has been a member since January 1, 1995. The EU accounted for 66 percent of imports and 63 percent of exports in 1994. Other important trading partners are central/eastern Europe, which accounted for 8.5 percent of imports and 14 percent of exports; the European Free Trade Association (EFTA), which accounted for 6.8 percent of imports and 8.8 percent of exports; and the U.S., which accounted for 4.4 percent of imports and 3.5 percent of exports.

## Defense Industry Environment

The Austrian defense budget as a percent of GDP is one of the lowest in Europe, hovering at just below one percent in recent years. Total defense expenditures for 1996 were approximately 20.7 billion schillings or about \$2 billion. The estimated figure for 1997 is 20.9 billion schillings. Of this amount, about \$1.2 billion are fixed costs.

## Domestic Defense Industry

The Austrian defense industry is very small. There are no official sales figures published, but estimates by local industry experts put annual sales at or about 1-2 billion (\$100-200 million). In recent years, domestic production has fallen as much as 10-15 percent annually in some defense-oriented sectors.

Local analysts believe that the industry is suffering from two major problems. First, the government has a strict policy of prohibiting the export of lethal and non-lethal defense-oriented goods to countries deemed to have committed human rights violations, or where conflicts take place or threaten to take place, which is termed the Kriegsmaterialgesetz. Under this law, the government requires that Austrian defense firms apply for export permission on a case-by-case basis. As a result, it is difficult to conclude a sale, as there is always the risk that a particular order, after months in limbo, will be denied. This law and its implementation virtually rule out profitable overseas sales for Austrian firms. The second problem is the relatively liberal procurement procedures of the Austrian military, which do not explicitly favor Austrian suppliers.

Major buyers of Austrian defense goods, in addition to the Austrian military, are other European military and law enforcement authorities, especially in Spain and Scandinavia. Some sales have also been made in the ASEAN region. Offsets sales are an important element of Austrian defense sales.

Areas of domestic production strength are armored vehicles, optical instruments, mines,

mine detectors, and firearms. The defense industry is represented by an official industry and trade organization at the Federal Economic Chamber, which also produces a periodical publication highlighting Austrian defense production.

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Arbeitsgemeinschaft Wehrwirtschaft  
Fachverband der Eisen- Und Metallwarenindustrie  
Wiedner Hauptstrasse 63  
A-1045 Vienna, Austria  
Tel. (431) 501 05 3444  
Fax. (431) 505 0928

Traditional non-Austrian suppliers of defense equipment to the Austrian armed forces include the following U.S. firms: United Defense (York, PA), Bell Helicopter (Fort Worth, Texas), and General Dynamics Land Division (Detroit, MI).

## **Defense Opportunities**

Much of Austria's current weapons and equipment inventory is outdated and in need of replacement. Current funding, however, is not sufficient to replace everything that needs to be replaced, a situation which is not likely to change in the next several years. Government efforts to reduce deficit spending in order to meet the requirements necessary for entry into the European monetary union, combined with the tradition of meager spending on defense, add up to a generally inauspicious climate for defense expenditures. This having been said, potential upgrade, replacement, spare parts, maintenance, logistics, or service opportunities include the following areas:

### *Fighter Aircraft*

The Austrian military has developed plans to purchase 30 fighters to replace its aging Swedish drakens.

### *M109 Howitzer Upgrade*

Austria will upgrade 120 M109 early version Howitzers to the M109A5 standard.

### *Main Battle Tank*

Austrian military planners have begun to look at replacing the current fleet of M60A3 Main Battle Tanks. Of particular interest to the Austrians are used Leopard IIs currently available from Holland.

### *Armored Vehicles*

Austria intends to purchase a series of new armored vehicles to replace its outdated inventory. These include a Tracked Infantry Fighting Vehicle and a Wheeled Vehicle in several variants to serve in reconnaissance, command, medical, and transport roles.

### *Communications Equipment*

Austrian plans call for a gradual replacement of the current outmoded inventory of tactical radios in coming years and expansion from VHF into UHF frequencies.

## **MOD Defense Plan**

The Austrian defense plan has changed significantly since the end of the Cold War. The threat of war between Warsaw Pact and NATO countries has been replaced with the threat of limited conflicts in the region and the potential for spillover and refugees. In response, the strategy of area defense is being replaced with one of increased mobility and flexibility.

Border control has also gained in importance because cross-border activity, including crime, has increased significantly since the strict travel restrictions of the communist era have fallen. In addition, Austria's eastern borders are now the external borders of the EU.

The end of the Cold War has also caused debate within Austria on the utility of its neutrality. Neutrality served as the basis of Austrian foreign policy throughout the years of east-west confrontation. Recently, however, Austria joined the European Union and has become an active member of the NATO partnership for peace program. The current political debate on Austrian security and what form it will eventually take, Western European Union (WEU), NATO, or something else, will continue for the next several years. Austria consistently contributes troops to U.N. peacekeeping and disaster relief activities.

## **Defense Procurement Process**

Austria and the U.S. have signed a Memorandum of Understanding (MOU) concerning reciprocal defense procurement and armaments cooperation. An extension of the MOU, originally set to expire in September 1996, is expected to be signed, extending the MOU for an additional five years.

According to the MOU, each country promises fair and equitable opportunity to bid on tenders for military supplies and R&D projects and equipment with a value of a least \$25,000 or its equivalent. The agreement does not cover construction projects or materials. These tenders are made public in the quasi-official daily newspaper, 'Wiener Zeitung', as well as in the federal economic chamber publication 'Internationale Wirtschaft'. Included in these announcements are the subject matter of the contract, time limit on the submission of offers, and the addresses from which solicitation documents can be requested. Moreover, all EU tenders are regularly reported by the Commercial Service's EU office as part of the Trade Opportunities Program through the Commerce Department's International Trade Administration.

There are a few practical problems affecting the competitiveness of U.S. firms in Austrian procurement competitions which should be noted. In the military sector, the Austrian government often requests offset arrangements be provided by the foreign firm as a part of the acquisition. There is also a tendency to favor Austrian suppliers, especially in ailing business sectors. Finally while it is impossible to measure, entry into the European Union has in all likelihood increased the tendency to buy European. For general inquiries about defense procurement in Austria, contact the following agency:

Austrian Ministry of Defense  
Mr. Edwin J. Wall, Head of Purchasing  
Franz Josefs Kai 7-9  
1010 Vienna, Austria  
tel: 011-43-1-51595-3418  
fax: 011-43-1-51595-2299

## **Diversification/Commercial Opportunities**

### *Privatization*

Austria has an ambitious privatization program that is largely open to foreign investors. Although there is a policy of maintaining Austrian controlling interest over banks and basic industries, there is no specific set of regulations governing this intent. The primary method of privatization is through the Vienna stock exchange.

Presently, state-owned industries employ 15 percent of the industrial workforce and account for 20 percent of exports. The federal railroads and the postal authority have been established as independent public-sector companies and no longer have access to the government budget. Plans for upcoming privatization include companies such as Bank Austria, Creditanstalt Bank, Postal Savings Bank, Austrian Tobacco Works (Austria Tabakwerke), and Oesterreichische Salinen, the former salt monopoly company. These companies and shares of the newly reorganized Post Und Telekom Austria (PTA) should be listed on the stock exchange within three years.

### *Aircraft*

The market for aircraft and parts is expected to grow 5 percent annually in 1996 and 1997, as air traffic continues to boom. Austria, a net importer of aircraft and parts, produces only motor gliders (i.e, no commercial or passenger aircraft). The U.S. position is very strong in this market segment. The principal end-users of aircraft, parts and equipment are the National Carriers Austrian Airlines, Lauda Air, Tyrolean Airways, and Rheintalflug (a commuter airline) and Charter Airlines.

### *Computers*

Sales of computer hardware and peripherals are expected to grow by up to 20 percent

annually through 1997. As the cost of computer equipment falls and computing and data storage capacities increase, the use of computers is becoming more widespread, both at the place of business and at home. Very high rates of growth are expected for PC's and Internet oriented products and services. Industry experts expect that by the year 2000, the market for network oriented computer hardware, software, and services will have doubled in value.

### *Computer Software*

U.S. products have thoroughly penetrated the Austrian computer software market, which, due primarily to downsizing and the expansion of open systems, is projected to grow 8 percent annually through 1997. In particular, the market for databases is expected to increase significantly as emphasis is being put on performance enhancement and the computerization of transactions. Though expert systems are still not expected to be used as basic tools for commercial applications, they should experience high growth rates during the next five years. New Technologies are stimulating demand for new applications, including sophisticated networks, optical storage, image processing, and multimedia.

### *Environmental Technologies*

Currently, Austria's environmental expenditures are equivalent to between 2.6 and 2.8 percent of the country's GDP, making Austria a top per capita spender on its environment. Austria's environmental industry is forecast to continue its rapid growth, supported by a widespread popular consensus about the need to protect valuable natural resources. The largest market segments are waste management and remediation of contaminated sites. U.S. suppliers find Austria a promising market for these areas, as well as for testing/analyzing instruments, incinerators featuring clean burning technology with respect to Austrian standards, sophisticated and specialized equipment for separation and recycling of waste, and innovative waste-to-energy technologies.

### *Law Enforcement*

Investment in law enforcement has been primarily confined to increasing personnel levels. Some of the most problematic areas of criminal activity in Austria are cross-border organized crime (including smuggling of people and goods and the transportation of stolen goods over the border, particularly to the east) as well as a drug trafficking problem.

### Non-Defense Key Ministries:

Ministry for Economic Affairs  
Amtsgebaeude 1  
Stubenring 1  
A-1010 Vienna, Austria  
Office of the Minister:  
Tel. (431) 711 00 5104  
Fax. (431) 713 80 14

Ministry for Environment, Youth, and Family  
Ministerbuero, Radetzkystrasse 2  
A-1030 Vienna, Austria  
Office of the minister:  
Tel. (431) 515 22 5010  
Fax. (43 1) 515 22 5000

Ministry for Science, Transport, and the Arts  
Minoritenplatz 5  
A-1010 Vienna, Austria  
Office of the Minister:  
Tel. (431) 531 20 4902  
Fax. (431) 533 8206

Ministry of the Interior  
Herrengasse 7  
A-1010 Vienna, Austria

Office of the Minister:  
Tel. (431) 531 26 2452  
Fax. (431) 531 26 2240

## **Doing Business in Austria**

Austrians are generally well disposed toward Americans. Following these general rules of Austrian etiquette will help maintain this positive feeling:

### *Direct Contact*

Appointments should be made either by telephone or in writing well in advance, and prospective buyers or distributors should be given the option of determining the date and place. Austrians attach great importance to their titles, thus it is important to address business partners formally and including their titles. The most common university titles are: Doktor (Dr.), Magister (Mag.), Diplom Ingenieur (Dipl. Ing.), and Diplom Kaufmann (OKFM).

### *Communications*

Prompt response to letters and faxes is very important, for it helps to shrink the distance between Austria and the U.S.. Some local firms have reported negative experiences in trying to contact U.S. firms, having to go through too many organizational layers and sometimes never getting a response at all. The exporter who can communicate in German will be much rewarded, even though most Austrians speak at least rudimentary English.

### *Selling Techniques*

Austrians tend to place more emphasis on quality than price, especially for larger purchases. The quality of a product should therefore be its main selling point. Austrians are generally looking for long-term business relationships rather than immediate sales and profit. Hard selling is generally counterproductive.

### *Defense Business*

The military procurement process is best approached through the SAO and the Defense Attache at the U.S. Embassy. These offices are well informed about ongoing competitions, and are in an excellent position to help U.S. firms gain access to the appropriate decision-makers in the Austrian Ministry of Defense.

### *Barriers to Trade*

Austria is part of the EU, and thus adheres to the EU tariff and quota schedules. Labeling and marking requirements, standards, and licensing requirements can be seen as de facto barriers to trade, and warrant some attention.

### *Labeling and Marking Requirements*

Efforts are currently underway to harmonize EU labeling and marking requirements along with quality and safety standards throughout the EU. Ultimately, as the EU standards harmonization process is completed, a CE mark will be required for most U.S. manufactured imports. Until that time, however, the regulations are an often frustrating mix of national, EU, and international requirements. Products that are inadequately labeled are not turned away at the border. It is the responsibility of the person importing the product to make sure products are certified and marked before they come into circulation.

### *Standards*

The harmonization of standards requirements is being tackled by the EU on a product-by-product basis. In each case, full implementation follows only after a transition period. This 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 which supersede any national requirements. Manufacture 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.

Both EU requirements and the standards for an Austrian quality or performance mark will in many case require that a product be modified. Even if the product does not require modification, it will often require testing and certification before it can be marketed. Naturally, proof of prior certification by other authorities is taken into consideration and in many cases speeds up the certification procedure in Austria.

Import/Export licensing (including transit imports) for military equipment (kriegsmaterial): products which fall under the definition of kriegsmaterial are listed in the Austrian Federal Law Gazette (Bundesgesetzblatt) 540 of the year 1977. This list comprises all goods which are specifically designed for a military purpose, lethal and non-lethal. In order to import or export such materials, a firm or a private person must have two licenses: a license to use or sell the equipment, and a license to import or export the particular shipment, granted on a case-by-case basis. The information that must be supplied for every request includes: a description of the goods, an exact number of units to be imported, where they are from, how they will be transported, and the prospective end use. The granting of import and export licenses is relatively strict. Applications can be requested from the Austrian Ministry of the Interior.

### *End-user and trading licensing*

In addition to the permission to import or export a particular shipment of military equipment, it is also necessary to have a license for use or sale of such items, called a *Gewerberechtliche Bewilligung*. This license is granted to companies as well as private persons by the Ministry of Economics. These licenses are relatively difficult to get. In order to find out if a firm has such a license, it is necessary to contact the provincial Chambers of Commerce where the firm is located. There are nine such Chambers in Austria:

Wirtschaftskammer Wien  
Stubenring 8-10  
A-1010 Vienna, Austria  
Tel. (431) 514 50-221  
Fax. (431) 514 50 487  
Contact: Dr. Guenther Schoen, Director

Wirtschaftskammer Niederoesterreich  
Herrengasse 10  
A-1010 Vienna, Austria  
Tel. (431) 53 466-336  
Fax. (431) 53 466-568  
Contact: Dr. Theodor Zeh, Director

Wirtschaftskammer Oberoesterreich  
Hessenplatz 3, PF 253  
A-4010 Linz, Austria  
Tel. (43732) 7800-280  
Fax. (43732) 7800-525  
Contact: Mag. Alfred J. Waldbauer, Director

Wirtschaftskammer Salzburg  
Julius-Raab-Platz 1, PF 51  
A-5027 Salzburg, Austria

Tel. (43662) 8888-351  
Fax. (43662) 8888-588  
Contact: Dr. Wolfgang Gmachl, Director

Wirtschaftskammer Tirol  
Meinhardstrasse 12-14, PF 570  
A-6021 Innsbruck, Austria  
Tel. (43512) 53 10-249  
Fax. (43512) 53 10-431  
Contact: Dr. Werner Plunger, Director

Wirtschaftskammer Vorarlberg  
Wichnergasse 9, PF 5  
A-8600 Feldkirch, Austria  
Tel. (435522) 305-302  
Fax. (435522) 796-16  
Contact: Dr. Helmar Stefko, Director

Wirtschaftskammer Kaernten  
Bahnhofstrasse 40-42, PF 71  
A-9021 Klagenfurt, Austria  
Tel. (43463) 58 68-2868  
Fax. (43463) 58 68-264



Contact: Prof. Dr. Dkfm. Fritz Jausz

Wirtschaftskammer Steiermark  
Koerblergasse 111-113, PF 1038  
A-8021 Graz, Austria  
Tel. (43316) 601-680  
Fax. (43316) 601-595  
Contact: Dr. Bbenno Rupp, Director

Wirtschaftskammer Burgenland  
Julius-Raab-Strasse 1, PF 61  
A-7001 Eisenstadt, Austria  
Tel. (432682) 695-21  
Fax. (432682) 695-19  
Contact: Konsul Prof. Dr. Hans  
Hahnenkamp

Once the license has been granted, it is valid  
until revoked. To apply, a form can be  
requested from:

Ministry of Economics  
Amtsgebaeude 1  
Stubenring 1  
A-1010 Vienna, Austria  
Tel. (431) 711 00-5926  
Fax. (431) 714 2718  
Contact: Dr. Manfred Steiner

## *Export Control*

**The Kriegsmaterialgesetz (War Materiel Law):** It is against the law for Austrian firms to export lethal or non-lethal defense-oriented equipment (Kriegsmaterial) to countries in which there is a conflict or in which a conflict threatens to take place, or to countries which are deemed to have violated human rights. This law is unlikely to be lifted in the foreseeable future. Export permission must be requested on a case-by-case basis. There is no comprehensive list of countries to which the export of military equipment is forbidden. In order to avoid the possibility this regulation be skirted through reexport from a third country, the country to which weapons are consigned must sign an end-user certificate. More detailed information about export control can be requested from:

Ministry of the Interior  
Herrengasse 7  
A-1010 Vienna, Austria  
Tel. (431) 531 26-2201  
Fax. (431) 531 26-2114  
Contact: Mr. Josef Gittel

Austria is a member of key multilateral non-proliferation arrangements to control the export of nuclear, biological and chemical goods, items and technologies, as well as dual-use items, particularly to countries under international sanctions. The transit, export, and re-export of such goods requires specific license from either the Austrian Ministry of Economic Affairs, Ministry of Interior and/or the Ministry of Defense.

## *Foreign Investment*

The government of Austria generally welcomes all foreign direct investment, particularly those investments which create new jobs in high technology, capital intensive industries, improve productivity, replace imports, increase exports, and do not have a negative impact on the environment. Austria's basic policies toward foreign direct investment and investment-related payment transactions are not expected to change in coming years.

A large number of foreign firms, including several large U.S. companies, have invested in Austria and most have expanded their original investment over time. 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 preference 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 been due to environmental concerns.

Austrian patent and intellectual property laws are consistent with international standards. Austria is a member of the WIPO as well as the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Patent Cooperation Treaty, the Geneva

Phonograms Convention, and the Brussels Satellite Convention. While there are no estimates as to the losses to U.S. firms caused by intellectual property infringements in Austria, they are believed to be negligible. For more information about Austrian patents and norms, contact:

Desterreichisches Patentamt  
(Austrian Patent Office)  
Kohlmarkt 8  
A-1010 Vienna, Austria  
Tel. (431) 534 24-0  
Fax. (431) 534 24-110

### **U.S. Government Points of Contact in Austria:**

Listed below are useful points of contact for U.S. firms that are interested in the Austrian market.

#### **U.S. Embassy**

The Commercial Service  
American Embassy  
Boltzmannngasse 16  
A-1090 Vienna, Austria  
Tel. (431) 31339  
Fax. (431) 310 6917  
Contact: Stephen Craven, Commercial  
Counselor

United States Security Assistance Office  
American Embassy  
Boltzmannngasse 16  
Tel. (431) 31339  
Fax. (431) 310 6918  
Contact: Major Steven Winkie

Contacts: Col. John Fairlamb (Defense and  
Army)

Col. Dale Hollrah (Air Force)

#### **American Chamber of Commerce in Austria**

Porzellangasse 35  
A-1090 Vienna, Austria  
Tel. (431) 319 5751  
Fax. (431) 319 5151  
Contact: Dr. Patricia Helletzgruber,  
Secretary General

United States Defense Attache Office  
American Embassy  
Boltzmannngasse 16  
Tel. (431) 313 39  
Fax. (431) 310 6918