The benefit of trade agreements!

PROSPERITY AND MORE JOBS

As a small country of just under nine million inhabitants, Austria is dependent on trade with other countries. Barrier free access to foreign markets is crucial for both consumers and businesses. Especially in the current situation, it is essential to stimulate growth through all possible channels. Markets must remain open, and the reliable implementation of existing trade rules must be guaranteed – that is what EU trade agreements are for. They counteract negative trade responses to the Covid-19 crisis, promote resilience and help diversify und secure supply chains. According to the WKÖ-Economic Survey, 38 % of exporters believe that concluding trade agreements is an important stimulus for Austria's economic recovery.

FOREIGN TRADE BENEFITS BOTH CONSUMERS AND BUSINESSES

International trade is beneficial for all. It gives consumers a larger range of products to choose from at affordable prices. It opens new possibilities for production processes and services as well as supply chains and creates new jobs. International trade ensures access to raw materials at fair prices and enables Austrian businesses to remain competitive. International trade creates better rules for a better life.

39.5 %

of value added
in Austria's business sector are achieved with exports of goods and services. Besides export companies in the goods and service sector, also supplier companies benefit indirectly from new orders for exporting companies.

34.8 %

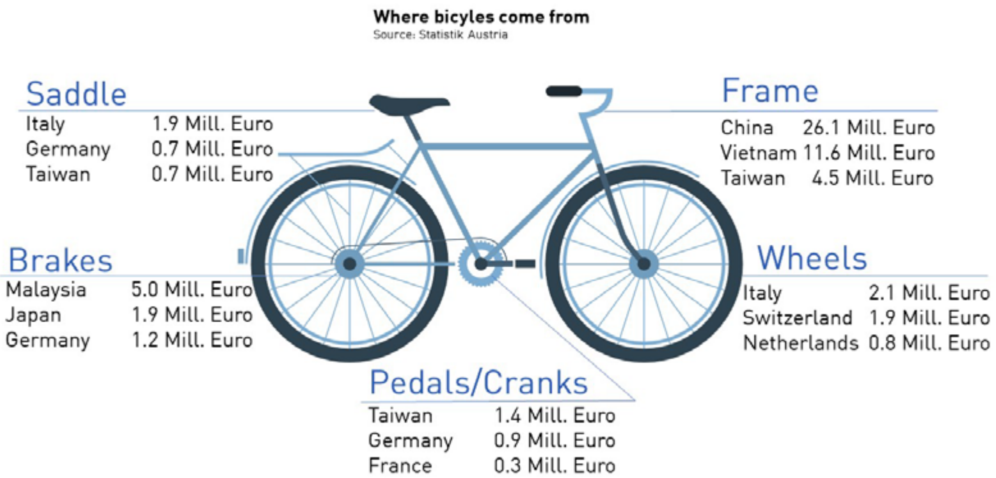
of jobs
in Austria's business sector depend on exports.
Source: WKÖ-estimates

REAL-LIFE EXAMPLE: BICYCLE EXPORT

In 2020, 186,618 bicycles were produced in Austria. The majority (ca. 97 %) were exported, e.g., to Russia, Israel, South Africa and Burkina Faso. That amounts to an export volume of approx. 226 Mill. EUR. To produce these bicycles, essential parts had to be imported from abroad (approx. 81 Mill. EUR). In terms of value, Austria's production of complete bicycles is therefore dependent on the import of bicycle components in about 34 % of the cases.

97%

of the bicycles produced in Austria in 2020 were exported.



STRUCTURE OF AUSTRIAN EXPORTS

Goods

38.2 % Machinery, vehicles
20.2 % Processed goods
15.3 % Chemical products
11.3 % Consumer goods
6.2 % Agricultural goods
3.0 % Raw materials and fuels

Services

25.8 % Other business-services (e.g. R&D, Professional and management consulting services, tax consulting services, waste treatment)
24.4 % Transport
21.6 % Travel
13.6 % IT & data management
4.0 % Financial services
3.1 % Fees for contract processing

Quelle: Statistik Austria und OeNB (2020)

375,000 additional jobs and **21.1** percentage points of additional GDP-growth were created in Austria from 1989 and 2019 thanks to increased economic integration and trade agreements.

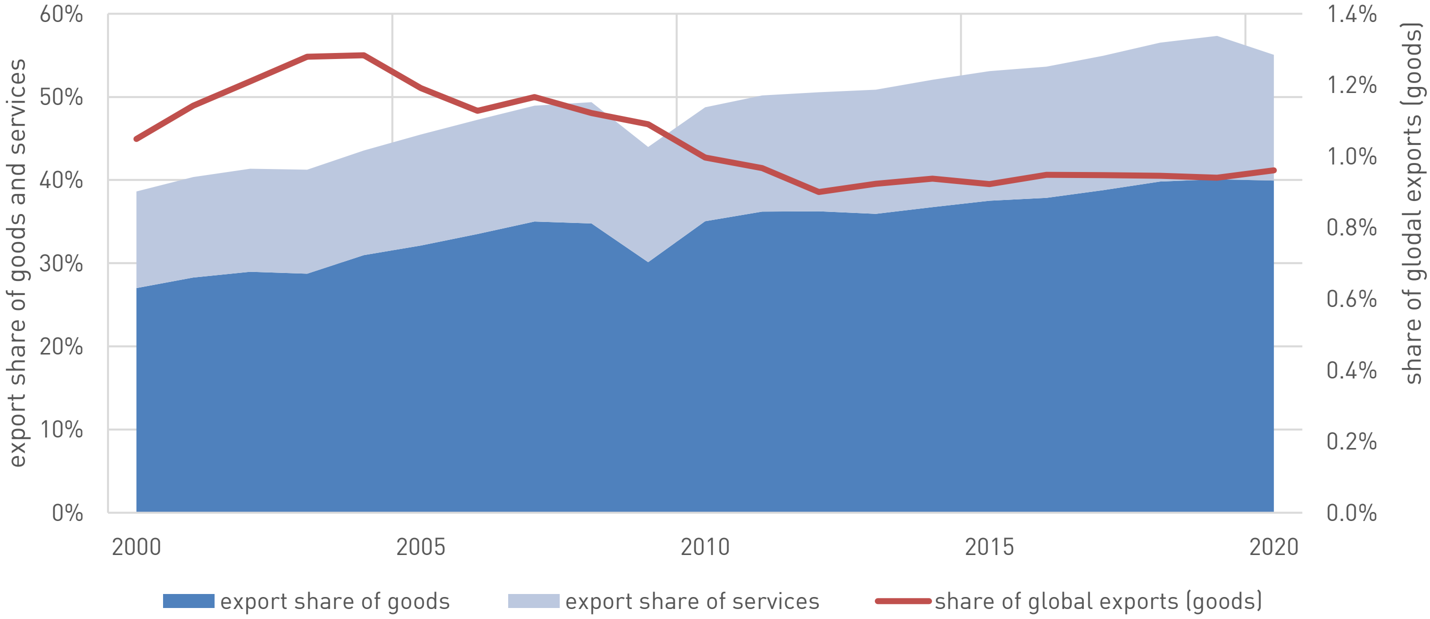
Quelle: Breuss (2013)

From 2014 to 2020, the number of Austrian exporting businesses increased from 45,900 to 62,700. According to Eurostat, 97 % of the Austrian businesses exporting goods are SMEs and about two thirds were micro-enterprises employing less than ten people. They sell their processed and intermediate goods globally and create investments, innovations, growth and jobs. The fall of the Iron Curtain in 1989, Austria's accession to the EU in 1995 and the introduction of the Euro in 2002 paved the way for Austria to enjoy the benefits of EU trade agreements. Gaining access to the Single Market and to foreign markets due to less trade barriers enabled more value creation in Austria.

NON-EU-COUNTRIES CONTINUE TO BECOME MORE IMPORTANT FOR AUSTRIAN EXPORTERS

Non-EU countries like the USA, China, Russia, India, Brazil or the ASEAN-member states play an ever more important role for Austria's foreign trade. During the last ten years, the share of Austrian exports in non-EU countries increased to 32.4 % of total Austrian exports. For years, the Austrian export share has been greater than 50 % of GDP. In 2021, this share is expected to amount to 53 %. Austria's share of global trade lies just under one per cent.

Austria's export quota / share of global exports 2000-2020



Source: WTO, European Commission (Constant prices)

Better access to other markets – which is achieved through further trade agreements – can further improve Austria's export performance and thus create and sustain prosperity and jobs in Austria and Europe.

WHY DOES AUSTRIA NEED TRADE AGREEMENTS?

Trade agreements shape the framework for the international economic activity of Austrian businesses. Agreements lead to tariff reductions and the elimination of unjustified bureaucratic trade barriers. In order to be successful in foreign trade in future and to continue to sustain prosperity and jobs in Austria, Austrian export-oriented businesses need improved conditions in their export markets. International trade agreements provide those with:

- → Improved access to third markets for goods through the reduction of tariffs, unjustified technical regulations (norms and standards) and bureaucracy
- → Improved market access for services in third countries
- → Improved market access for investments in third countries
- → Improved market access to public procurement in third countries
- → Predictability (reduction of risk-inherent costs) and legal certainty for Austrian businesses
- → Considerations for the interests of SME
- → Sustainable and resource-friendly value chains for a better climate and a clean environment
- → Access to raw materials and energy sources at fair prices helps Austrian businesses to remain competitive
- → Transparency of legal regulations of non-members, e.g. by making trade-related regulations public or exchanging them
- → Simplification of customs procedures
- → Protection of intellectual property
- → Greater choice of products at affordable prices for consumers
- → New possibilities for production processes and services as well as supply chains
- → New jobs – 3 % higher exports create 58,000 jobs in three years
- → Better lives in Europe and in third countries

Trade agreements also lay the groundwork for the success stories of Austrian and European exporting businesses. However, not only direct exporters of Austrian goods and service benefit from trade agreements; Austrian products are often processed in other EU-member states and later exported worldwide. Moreover, new chances, higher quality of life and new prosperity is generated in the destination countries. Consumers, employees and businesses in Austria equally enjoy the merits of trade agreements.

WHAT KIND OF TRADE AGREEMENTS ARE THERE?

Multilateral agreements by the WTO

These agreements apply to all 164 member states of the World Trade Organization (WTO). Their primary goal is an ordered, gradual opening of the markets of WTO-members.

Plurilateral agreements

Only the WTO-members who want these agreements, sign this trade agreements, e.g. on the reciprocal opening of procurement markets or of their markets for environmental goods and services

Bilateral EU-Trade agreements

The EU strengthens the presence of businesses from the member states on the most important international markets through bilateral trade agreements. They complement the WTO-system through improving the framework conditions in key areas.

WITH WHICH COUNTRIES DOES THE EU HAVE TRADE AGREEMTENTS?

Trade agreements with third countries (non-EU member states) are an important instrument of the common EU-trade policy.

In the past years and decades, the EU has concluded and implemented:

46 trade agreements with 78 third countries

EU-trade agreements in place

- Andean community: Ecuador, Colombia and Peru
- Canada
- CARIFORUM: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, St. Kitts and Nevis, Suriname and Trinidad und Tobago
- Central Africa: Cameroon
- Central America: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama
- Chile
- ESA (Eastern and Southern Africa): Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe
- EEA (European Economic Area): Iceland, Liechtenstein and Norway
- Georgia
- Japan
- Mediterranean countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority and Tunisia
- Mexico
- Moldova
- Pacific States: Fiji, Papua New Guinea, Samoa and Solomon Islands
- SADC (Southern African Development Community): Botswana, Eswatini (formerly Swaziland), Lesotho, Mozambique, Namibia and South Africa[1]
- Switzerland
- Singapore
- South Africa[1]
- South Korea
- Ukraine
- Vietnam
- West Afrika: Côte d'Ivoire, Ghana
- Western Balkans: Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia

Negotiations on modernisation of the agreement

- ESA: Comoros, Madagascar, Mauritius, Seychelles and Zimbabwe
- Chile
- Mexico
- Morocco
- Tunisia

[1] South Africa and the EU have concluded both a Trade, Development and Cooperation Agreement (TDCA) and an Economic Partnership Agreement (EPA) as part of the SADC (Southern African Development Community). Preferential rates for EU-South Africa trade based on the TDCA were supplemented by the EPA EU-SADC, thus improving South Africa's market access to the EU.

EU-trade agreements being adopted or ratified

- CARIFORUM: Haiti
- EAC (East African Community): Burundi, Kenya, Rwanda, Tanzania and Uganda
- Mercosur: Argentina, Brazil, Paraguay and Uruguay
- West Africa: Benin, Burkina Faso, Cabo Verde, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo

New agreements

- Agreements being negotiated
  - Australia
  - Indonesia
  - New Zealand
  - Philippines
- Agreements "on hold"
  - Central Africa: Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Republic Democratic of Congo and São Tomé & Principe
  - ESA: Djibouti, Ethiopia, Eritrea, Malawi, Somalia, Sudan and Zambia
  - GCC (Golf Cooperation Council): Bahrain, Saudi Arabia, Kuwait, Oman, Qatar and United Arab Emirates
  - India
  - Malaysia
  - Thailand
  - USA

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In the current situation it is essential to create stimuli for growth through all channels. Ongoing negotiations on the gradual expansion of market access and on the modernization of existing trade rules within the WTO as well as in the framework of plurilateral and bilateral trade agreements create the necessary requirements.

If you need of more expertise, facts and background information, then call:

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