

## 1.6. Globalization

According to the prevailing economic view, international economic integration results in an overall increase in welfare. New markets and fields of economic cooperation offer prospects for expansion. But the welfare returns from globalization are not equally distributed among economic groups and countries.

The biggest conflict between global economic and national political interests is felt on the labour market. Due to their global thinking, international companies more and more liberate themselves from their national roots and no longer base their actions on national and social requirements. Internationally active companies are guided in their decision for a location – apart from infrastructure and educational standards – by unit labour costs and environmental requirements of the individual countries.

On the labour market, globalization and technological development result in a dualization: Unskilled labour suffers particularly from this globalization process, these jobs are partly lost and the income level decreases comparatively. Skilled labour, however, is generally better off: engineering-intensive branches support export success and the demand for qualified services rises.

Overall, the increased competitive pressure enforces rationalizations and relocation of production facilities which result in job losses. The return to the protectionism of the past, however, does not constitute an alternative, as this would be counterproductive for export-oriented national economies. To oppose these trends and the asymmetries in foreign trade relations, negotiations on „fair trade“ and „market access“ including the introduction of environmental and social standards must be advanced. In addition, the application of the instruments of the EU foreign trade policy (antidumping, protective measures) is indispensable.

Politics today are more than ever asked to alleviate the problems of adjustment to international economic integration and take labour market measures in favour of the losers of the modernization process. The EU law on competition, present budgetary restraints as well as practical experience restrict the approach of solving this problem through state subsidies to transitional protection and support measures provided for in the WTO.

In the future, the structural change on the labour market will rather be accelerated through globalization and technological change. The affected employees in the diminishing industrial branches cannot automatically change to jobs in the expanding economic fields, as these require different skills and are located in different regions. Increased efforts for further vocational training both for employed and unemployed as well as an expansion of the service sector will be necessary to adequately cope with the rapid structural change.

## 1.7. Opening of the Eastern Countries

The subject of the opening of the Eastern countries has been discussed by the Advisory Council in the study „Ostöffnung“ („Opening of the Eastern

Countries“) and in the „Positionspapier zu ausgesuchten Themen rund um die Regierungskonferenz 1996“ („Position Paper on Selected Topics Relating to the 1996 Intergovernmental Conference“) (chapter Opening of the Eastern countries).

The public generally regards the effects of the opening of Eastern Europe too negatively: The relocation of individual production facilities to Eastern Europe is generally in the foreground, while the increase of the Austrian exports to Eastern Europe does not receive proper attention. Since the opening of Eastern Europe the balance of trade with Eastern Europe has increased by over 10 billion Austrian Schilling. Due to that fact, employment in Austria has increased, even if mainly labour-intensive production has been relocated. Pressure on prices, however, hardened non-measurable structural labour market problems. In addition, Austria's geographical position causes a drain on purchasing power which in turn negatively affects employment particularly in the areas close to the national border. The overall effect of the opening of Eastern Europe on Austria's employment situation can therefore not be exactly quantified.

In the case of accession of the Eastern neighbouring countries to the EU, Austria would face the additional problem of free immigration from Eastern Europe. A completely free labour market (commuter and passenger traffic) would above all affect those regions close to the border with Eastern Europe which already have a high unemployment rate today. Similar applies to the sector of cross-border services. The social partners, therefore, stress the necessity of only gradually implementing the free movement of labour with relatively long transitional periods and relevant safeguard clauses in case of accession by Central and Eastern European countries. Under the present conditions the free access to the Austrian labour and services market for citizens of Central and Eastern European countries thus seems difficult to be realized in the foreseeable future.

## **1.8. EU-Membership**

EU membership has increased Austria's attractiveness as an industrial location – as expected by the Social Partners in their study on Austria's competitive position. The improvement of Austria's quality as a location is already reflected in the increasing net exports and in the investment plans of multinational concerns; but its full effects will only be felt in the longer run.

In the starting phase the effects on the labour market, however, were mainly negative. Rationalization waves swept particularly through those branches that were suddenly fully incorporated into the integration process, i.e. the food industry and some service sectors (in particular trade, transportation). Rationalization investments are also planned for the energy, telecom and financial services sectors. If necessary, industry specific transitional support measures, similar to those in the food industry („AUFLEB“), might then be advisable also for these sectors.