

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.

Finally, the high direct and indirect costs of the EU-accession have considerably increased the pressure on budgetary consolidation. But the contributions should be regarded as an investment guaranteeing the Austrian economy a more favourable development on a long-term basis.

1.9. European Economic and Monetary Union

Austria attaches high priority to the creation of the European Economic and Monetary Union (EMU) as planned. Then investors would no longer be disconcerted by exchange rate fluctuations in Europe and Austria would be protected against further devaluations of important European trading partners, as they have a negative effect on the employment situation in Austria. Yet, employment effects and social compatibility must also be taken into account, when introducing budget consolidation measures, necessary on a Europe-wide basis not least in connection with the implementation of the EMU. In line with overall economic considerations and social cohesion it must therefore be found a balanced proportion between monetary and real objectives (growth, employment) when realizing the EMU.

For Austria it is particularly important that Italy, but also Sweden and Finland, join the EMU as soon as possible to spare Austria's industry and tourism further devaluation. The potential for political interpretation of the fiscal convergence criteria of public debt and budget deficit should be utilized without however questioning the convergence criteria as such. To prevent an economic, social and political alienation between participants and nonparticipants in the EMU, measures are to be taken supporting those not participating in the EMU in their stabilization process and offering them the prospects of an entry as soon as possible.

The Advisory Council furthermore stresses the importance of fully exhausting the room of action given for employment policy within the EMU. Today the European economy also suffers from a lack of coordination of economic and tax policy. The individual countries try to improve their competitiveness through devaluations („beggar-my-neighbour“ - policy), wage and social welfare decreases or tax reductions. Efforts for a greater tax harmonization will be required within the EU to stop the tax competition. The EMU offers the chance of winning back on a European level the room of action for economic policy that has been lost on a national level.

1.10. Monetary Policy

Europe is facing an increasing differential between real interest rates and economic growth. To facilitate investment activity and budget consolidation, interest rates in Europe should be kept as low as possible in the long run. In the nineties the U.S. Federal Reserve System succeeded in accelerating the economic dynamism through a pragmatic monetary policy without causing inflationary tensions. In Europe monetary policy followed a restrictive course for years, as can be seen from the inverse yield curve till 1994. On an interna-