U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

Economic conditions in Austria -- particularly those relevant to foreign investors – continue to remain favorable. As a small and highly internationalized economy, Austria was affected by the world economic downturn in 2009 and the 2012/2013 recession in the Eurozone, but is recovering and expecting modest economic growth over the next years. Macroeconomic fundamentals are relatively healthy, however, the Austrian government's crisis response and the multi-billion Euro disaster of a major Austrian bank led to a deterioration in public finances.

Austria is a highly developed industrial nation with a huge and dynamic services sector. The country's geopolitical position between Western European industrialized nations and the growth markets in Central, Eastern, and Southeastern Europe (CESEE) has led to a high degree of economic, social, and political integration with the European Union (EU) and non-EU countries in CESEE. Border controls between Austria and all of its eight neighboring countries were lifted under the EU's Schengen agreement. EU enlargements in 2004 and 2007 strengthened Austria's attractiveness as an investment location by increasing access to markets in Eastern Europe, but expansion also bolstered Austria's competitors in that region so that, due to their vicinity, Budapest, Prague, and Bratislava now compete directly with Vienna for foreign investors.

Austria offers many advantages for foreign investors, including political stability, motivation and skill of labor, high productivity and international competitiveness, rule of law, quality of life and personal security. Austria further scores with high-quality health, telecommunications and energy infrastructure. The administrative system is transparent. Labor-management relations are relatively harmonious in Austria, which has a low incidence of industrial unrest.

Austria receives lower marks for the high tax burden (despite an attractive corporate tax model), low innovation dynamics, a huge public sector, and a complex regulatory system with an over-boarding bureaucracy (also for established businesses). Long-term aspects that the Austrian government needs to address are shortcomings in the education system and the lack of structural reforms, including of the health and pension systems and of the state to reform the costly federalism and reorganize competencies among the various levels of government.

Some 340 U.S. companies have invested in Austria; many have expanded their original investment over time.

Altogether, Austria continues to offer a stable, advantageous and attractive climate for foreign investors, albeit one with some challenges.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward Foreign Direct Investment

Observers do not expect Austria's openness to foreign direct investment to change under the current coalition government between the center-left Social Democratic Party (SPÖ) and the center-right People's Party (ÖVP), which took office December 16, 2013 for a five-year term.

Austria welcomes foreign direct investment that avoids a negative impact on the environment, creates new jobs in high technology fields, promotes capital-intensive industries, and has links to R&D activities, for which special tax incentives are available. Austria is a high-tax country overall with a heavy personal income tax burden. However, due to a relatively low 25% corporate tax rate, it is attractive as a business headquarters location. Because of tax base adjustments, experts estimate the effective corporate tax burden at no more than 22%.

The corporate tax regime also offers a highly favorable framework for group taxation, unique in Europe, which allows business to offset profits and losses of group operations (requiring direct or indirect participation of more than 50%, but no other financial, economic or organizational integration) in Austria and abroad. This group taxation system offers interesting opportunities for U.S. investors, in particular joint-venture structures, M&A transactions and headquarters.

Effective March 1, 2014, the eligibility for foreign tax group members was restricted to those resident in the EU or in a country which has concluded a comprehensive administrative assistance agreement regarding the exchange of information with Austria (Note: the United States and Austria have such an agreement). Deductibility of losses of foreign group members from the Austrian group’s tax base was limited to 75%, the amortization of goodwill for share deals was abolished. All companies active in Austria are affected by a new regulation limiting tax-deductibility of expenses for high salaries (cash and non-cash benefits) paid to top-level employees to €500,000 (about US$ 664,000) per year. Austria has no wealth tax, trade tax, or inheritance/gift tax, but the senior coalition partner SPÖ regularly presses for wealth and inheritance taxes.

Austria’s macroeconomic fundamentals are relatively healthy; however, post-crisis fiscal pressure persists. The economic climate, affecting national and international investors, in coming years will be characterized by modest economic growth averaging an annual rate of 1.7% until 2017; the unemployment rate of around 5% will remain to be one of the lowest within the EU-28. However, all forecasts are currently beset by high risks from the fallout of the Ukraine/Russian crisis, potential additional sanctions, and related geopolitical risks. Fiscal consolidation will be the dominating issue in coming years. Many observers believe that the government coalition pact falls short in enacting the structural reforms needed to revitalize the Austrian economy, balance the budget by 2016 and significantly reduce the debt level from currently around 80% of GDP. The structural reforms which the government needs to implement include reforms of the pension and health systems, school and university education, and the federal structure in order to reorganize inter-governmental fiscal relations, eliminate overlap among the various levels of government, and reduce Austria's large bureaucracy. The current high tax quota of more than 45% of GDP is unlikely to decrease significantly any time soon, particularly absent plans for expenditure reforms and reductions in the subsidies and benefits.

There are no sectoral or geographic restrictions on foreign investment. In some regions, the government offers special facilities and services ("cluster packages") to foreign investors. For example, these can include incentives for automotive producers, and manufacturers of high-tech products, or environmental technologies.

Resistance to investment in the industrial sector may arise from environmental concerns. Potential U.S. investors need to factor Austria's strict environmental regulations and environmental impact assessments into their decision-making process. Heavy industries also fall under the EU greenhouse-gas Emissions Trading System – part of the EU's policy to combat climate change. Strict liability regulations and co-existence rules sharply restrict any research, cultivation, marketing or distribution of biotechnology crops.

The Austrian judicial system upholds the sanctity of contracts.

Limits on Foreign Control

There is no discrimination against foreign investors, but businesses are required to follow numerous regulations. Although there is no requirement for participation by Austrian citizens in ownership or management, at least one manager must meet residence and other legal requirements. Non-residents must appoint a representative in Austria. Expatriates are allowed to deduct certain expenses (costs associated with moving, maintaining a double residence, education of children) from Austrian-earned income. Austrian immigration law requires those applying for resident permits to take German language courses, but exempts those expatriates who hold a university degree.

Privatization Program

The government has not privatized any public enterprises since 2007. Austrian public opinion remains skeptical towards further privatization. The senior coalition partner SPÖ is on record opposing additional privatizations. The current government program does not identify any public enterprises for privatization, but the government may reduce some of its shareholdings, while retaining a blocking minority share. In past privatizations, foreign and domestic investors received equal treatment. Despite a historical government preference for having domestic shareholders retain a blocking minority, foreign investors have successfully gained full control of enterprises in several strategic sectors of the Austrian economy, including telecoms, banking, power generation, and infrastructure.

Screening of FDI

Only those foreign investments with financial assistance from the Austrian government are subject to government review. Screening ensures compliance with EU regulations limiting such assistance to disadvantaged regions.

Competition Law

Austria's Anti-Trust Act is in line with European Union anti-trust regulations, which take precedence over national regulations in cases spanning Austria and other EU member states. The Austrian Anti-Trust Act prohibits cartels, any competitive restrictions, and abuse of a dominant market position. The independent Federal Competition Authority (FCA) and the Federal Cartel Prosecutor (FCP) are responsible for administering anti-trust laws. Amendments to the Competition Act and the Anti-Trust Act in 2013 strengthened FCA's position in investigations and authority to request information from firms, and it strengthened enforcement by entitling private parties to file damage claims based on an infringement of Austrian and European anti-trust rules.

Companies must inform the FCA about mergers and acquisitions (M&A). Special M&A regulations apply to media enterprises. The cartel court is competent to decide M&A notifications from the FCA or the FCP. For violations of anti-trust regulations, the cartel court can impose fines of up to the equivalent of 10% of a company's annual worldwide sales. An independent energy regulator separately examines antitrust concerns in the energy sector, but must also submit cases to the cartel court.

Austria's Takeover Law applies to friendly and hostile takeovers of corporations headquartered in Austria and listed on the Vienna Stock Exchange. The law protects investors against unfair practices, since any shareholder obtaining a controlling stake in a corporation (30% or more in direct or indirect control of a company's voting shares) must offer to buy out smaller shareholders at a defined "fair market" price. The law also includes provisions for shareholders who passively obtain a controlling stake in a company, i.e., not by buying additional shares, but because another large shareholder has reduced his/her shareholding. The law prohibits defensive action to frustrate bids. Austria has not implemented the breakthrough regulations of the EU's Takeover Directive's, but does allow individual companies to address these in company bylaws. The Shareholder Exclusion Act allows a primary shareholder with at least 90% of capital stock to "squeeze out" minority shareholders. An independent takeover commission at the Vienna Stock Exchange oversees compliance with these laws.

Investment Trends

Investor surveys and international rankings consistently award Austria high marks for political stability, quality of life (Mercer's 2014 Quality of Living Index ranks Vienna as the top location to reside in the world), high-quality healthcare, infrastructure, personal security (overall, crime, particularly violent crime, is low in Austria and Vienna specifically, but the incidence of residential burglaries is high), skill and motivation of labor, productivity, rule of law, and social factors. Austria receives low marks for economic growth, high tax burden, high cost of living, shortage of risk capital, low innovation dynamics, size of the public sector, and regulatory red tape. The Swiss Economic Institute's (KOF) 2013 Index of Globalization ranks Austria fourth out of 207 countries, reflecting Austria's high degree of economic, social, and political integration.

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	26 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2014	24 of 178	http://www.heritage.org/index/ranking

World Bank's Doing Business Report "Ease of Doing Business"	2013	30 of 189	http//doingbusiness.org/rankings
Global Innovation Index	2013	23 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	US$47,660	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Austria has no restrictions on cross-border capital transactions, including the repatriation of profits and proceeds from the sale of an investment, for non-residents and residents. The Euro, a freely convertible currency and the only legal tender in Austria and 17 other Euro-zone member countries, shields investors from exchange rate risks within the Euro-zone.

3. Expropriation and Compensation

Expropriation of private property in Austria is rare and may proceed only on the basis of special legal authorization. The government can initiate it only in the absence of any other alternative to satisfy the public interest; when the action is exclusively in the public interest; and when the owner receives just compensation. The expropriation process is fully transparent and non-discriminatory toward foreign firms.

4. Dispute Settlement

The Austrian legal system provides an effective means for protecting property and contractual rights of nationals and foreigners. Austria's civil courts enforce property and contractual rights and do not discriminate against foreign investors. Commercial matters fall within the competence of ordinary regional courts, only Vienna has a specialized Commercial Court, which has also Austrian-wide competence for trademark, design, model and patent matters.

Austria is a member of the International Center for the Settlement of Investment Disputes. The 1958 New York Convention (UNCITRAL) also grants enforcement of foreign arbitration awards in Austria.

The Austrian Insolvency Act contains provisions for business reorganization and bankruptcy proceedings. Reorganization requires a restructuring plan from the still solvent debtor. The plan must offer a quota of at least 20% of the debtor's obligation and be adopted by a majority of all creditors and a majority of creditors holding at least 50% of all claims. Bankruptcy proceedings are in court and opened upon application of the debtor or a creditor; the court appoints a receiver for winding down the business and distributes proceeds to the creditors. In the World Bank's 2014 Doing Business Report, Austria ranks 14th for ease of "resolving insolvency."

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Austrian government has not notified the WTO of any domestic measures inconsistent with Trade Related Investment Measures (TRIMs) requirements. Embassy has not been notified/not registered any complaints/reports regarding any measures that are alleged to violate the WTO's TRIMs obligations.

Investment Incentives

Austria offers financial and tax incentives (within EU competition policy limits) to firms undertaking projects in economically underdeveloped areas. In most of these areas, eligibility for co-financing subsidies under EU regional and cross-border programs has gradually declined under the EU's financial frameworks, but might still account for around €200 million per year within the new EU "Common Strategic Framework" for the period 2014 to 2020. Financial incentives provided by Austrian federal, state, and local governments to promote investments are equally available to domestic and foreign investors and include tax incentives, preferential loans, loan guarantees, and grants. Most of these incentives are available only if the investment meets specified criteria including employment creation and use of high technology. Tax allowances for advanced employee training and R&D expenditures are also available.

Austria Wirtschaftsservice is the government's institution that provides financial incentives; further information on targeted investment incentives (German language only) is available at http://www.awsg.at. Information on investment incentives in English language is available on the website of the Austrian Business Agency (ABA-Invest in Austria), the national investment promotion company, at http://aba.gv.at/EN/Home/ABA-Invest+in+Austria.aspx.

There are virtually no restrictions on foreign investment in Austria and foreign investors receive national treatment. The Austrian government may impose performance requirements when foreign investors seek financial or other assistance from the government, although there are no performance requirements to gain access to tax incentives. There is no requirement that nationals hold shares in foreign investments or for technology transfer, and no requirement for foreign investors to use domestic content in goods or technology. Data storage -- for six months -- is only required for providers of publicly available telecommunication and internet services.

Austria offers an attractive incentive system for research and development (R&D) activities -- including those undertaken by foreign-owned enterprises -- with pre-seed and seed financing options for start-ups and cash grants up to 80% for later-stage companies.

The United States and Austria are signatories to a 1931 bilateral Treaty of Friendship, Commerce, and Consular Rights. Several non-immigrant business visa classifications exist, including intra-company transfers/rotational workers, and employees on temporary duty. Recruitment of long-term overseas specialists or those with managerial duties is governed by a points based immigration scheme to attract skilled workers and specialists in individual sectors (points are available for qualification, education, age, and language skills). The Red-White-Red (RWR) model has been designed to react flexibly to rising demand in different occupations and is available to highly qualified individuals, qualified specialists/craftsmen in certain understaffed professions (qualified labor and registered nurse jobs), and key personnel/professionals. Applicants must have an offer of employment to apply for the RWR.

In the past, highly qualified individuals were required by law to apply locally in Austria, but since 2013 they may also find a potential employer from abroad and have the company apply in Austria on their behalf. Once the application is approved, the visa office authorizes the Austrian embassy or consulate to issue the visa to enter Austria and pick up the RWR card. While principal applicants are exempt from any language requirement, family members must submit proof of basic language proficiency when first applying for residence permits. Austrian immigration law requires those applying for resident permits to take German language courses, but exempts university-degree holders. Family members of highly qualified individuals are also exempted.

6. Right to Private Ownership and Establishment

Foreign and domestic private enterprises are free to establish, acquire, and dispose of interests in business enterprises, except for some infrastructure and utilities. A law requires all third-country nationals or companies with their seat in a third country (not a member state of the EU, or from Iceland, Norway, Liechtenstein or Switzerland) to obtain approval by the Federal Minister of Science, Research, and Economy for any investment of 25% or more in a company that is headquartered in Austria and active in sectors relevant for domestic and foreign security, public order, or crisis precaution. This affects investment in defense equipment producers, security services, hospitals, fire brigades, disaster control and rescue services, electricity, gas and water providers, telecom companies, railroads, air and ship transportation, federal roads, universities, schools and child care facilities.

Licensing requirements, such as those in the banking and insurance sectors, apply equally to domestic and foreign investors. In most business activities, the law permits 100% foreign ownership. An exemption is that by law, federal and state governments maintain at least a 51% share in all electricity providers. Entrenched political interests may make it more difficult to challenge quasi-monopolies in some sectors where they still exist. However, U.S. investors have had some success, especially when they have used local partners and contacted the U.S. Embassy at an early stage.

7. Protection of Property Rights

Real Property

The Austrian legal system protects secured interests in property. For any real estate agreement to be effective, owners must register with the – electronic – land registry. In case of rededication of land, approval of the land transfer commission or the office of the state governor is required. The land registry, overhauled in 2012 to speed up registration procedures and reduce costs, is a reliable system for recording interests in property, and access to the registry is public.

Intellectual Property Rights

Austria has effective laws to protect intellectual property rights, including patent and trademark laws, a law protecting industrial designs and models, and a copyright law. Austria is a party to the World Intellectual Property Organization (WIPO) and several international property conventions, including the European Patent Convention, and the Universal Copyright Convention. Since both the United States and Austria are members of the "Paris Union" International Convention for the Protection of Industrial Property, American investors are entitled to the same protection under Austrian patent legislation as are Austrian nationals.

Austria's Copyright Act is in conformity with EU directives on intellectual property rights and grants authors the exclusive rights to publish, distribute, copy, adapt, translate, and broadcast his/her work. The law also regulates copyrights of digital media (restrictions on private copies), works on the Internet, protection of computer programs, and related damage compensation. Infringement proceedings, however, can be time-consuming and costly. Film and music industry representatives are in a legal dispute with Internet providers to block access to pirated audiovisual products over the Internet: In March 2014, the European Court of Justice (ECJ) decided that the Austria-based Internet provider UPC must prevent access to illegal streaming platforms once made aware of a copyright violation. In line with EU requirements, Austria also has a law against trade in counterfeit articles. In 2013, Austrian customs authorities confiscated pirated goods worth €5.7 million (US$7.6 million).

Since 2010, a "Patent Prosecution Highway" (PPH) agreement between the United States and Austria is in force. PPH allows filing of streamlined applications for inventions determined to be patentable in other participating countries and is expected to reduce the average processing time. The program, which is based on information sharing between national patent offices and standardized application and examination procedures, should reduce costs and encourage greater utilization of the patent system.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Contact Point at Post for IP Issues

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Country-specific resources:

American Chamber of Commerce in Austria
Porzellangasse 39/7
1090 Vienna
Phone: +43-(0)1-319 57 51
E-Mail: office@amcham.at

Link to Post's list of local lawyers: http://austria.usembassy.gov/attorney.html

8. Transparency of the Regulatory System

Austria's legal, regulatory, and accounting systems are transparent and consistent with international norms. Ministries generally publish draft laws and regulations for expert comment prior to their adoption by Austria's cabinet (Ministerrat) and/or Parliament.

The government has made progress in streamlining its complex and cumbersome requirements for business licenses and permits. It claims to have reduced the processing time for permits to less than three months, except for large projects requiring an environmental impact assessment. The government's "one-stop shop" for business permits does not include plant and building permits. All licensed businesses in Austria (including foreign-owned enterprises) must be members of Austria's Economic Chamber and pay compulsory dues; the Chamber plays an administrative role in some areas (including retailing, tourism, and certification of skilled labor).

The government does not influence the allocation of investments among sectors. It uniformly applies tax and labor laws as well as health and safety standards. Austrian regulations governing accounting provide U.S. investors with internationally standardized financial information. In line with pertinent EU regulations, listed companies must prepare their consolidated financial statements according to the International Financial Reporting Standards (IAS/IFRS) system.

9. Efficient Capital Markets and Portfolio Investment

Austria has modern and sophisticated financial markets, to which foreign investors have access without restrictions. All financial instruments are available. Credit is available at market-determined rates. There are no signs of a credit crunch, although a tightening of credit standards for loans is notable as banks work to improve the quality of their loan portfolios.

Austria's venture capital market is small and underdeveloped. In 2012, funds raised dropped 31% to €173 million ($230 million). The volume of private equity and venture capital raised in Austria during 2003-2012 was €2.4 billion ($3.1 billion).

Money and Banking System

Austria has a highly developed banking system with worldwide correspondent banks, and representative offices and branches in the United States and other major financial centers. Large Austrian banks also have extensive networks in Central and Southeast European (CESEE) countries and the Commonwealth of Independent States (CIS, the countries of the former Soviet Union).

Due to U.S. reporting requirements, some private banks do not accept personal accounts from U.S. citizens, though locally incorporated businesses belonging to U.S. investors have not reported problems in this regard. Austria's five largest banking groups (Erste Group, UniCredit Bank Austria, Raiffeisen Zentralbank with Raiffeisen Bank International, Raiffeisen-Landesbank Oberoesterreich, and BAWAG P.S.K. Bank) comprise 66% of Austria's total banking sector assets; all five are considered "too big to fail." Several Austrian banks are currently restructuring and downsizing.

Regulators and criminal investigators have dealt with several major financial sector fraud and mismanagement cases in the past five years, the largest of which resulted in the nationalization of Kommunalkredit bank in 2008 and Hypo Alpe Adria (HAA) banking group in 2009, and partial nationalization of Volksbanken AG in 2012. HAA's problems, the result of political interference paired with criminal energy and a lack of control, have developed into a fiscal nightmare for the Austrian government, which in March 2014 decided to establish a bad bank for HAA and wind it down. However, aside from billion Euro equity injections in past years, the HAA bad bank will have to assume up to €18 billion (USD 24 billion) in toxic assets, which will drive up Austria's total public sector debt to around 80% of GDP.

Austria's current bank supervision system provides for a dual-oversight system with supervisory roles for both the Austrian National Bank (OeNB) and the Financial Market Authority (FMA), which are also responsible for policing irregularities on the stock exchange and for supervising insurance companies, securities markets, and pension funds. To ensure the safety and soundness of the European banking system, the Euro-zone's new single supervisory mechanism (SSM), headed by the European Central Bank (ECB) in cooperation with the national competent authorities FMA and OeNB, will start operating November 2014. Six Austrian banks with assets in excess of the €30 billion ($40 billion) will be subject to the SSM.

Austria's Anti-Money Laundering/Combating Terrorist Financing (AML/CTF) regime is in line with Financial Action Task Force (FATF) standards. At its Plenary in Paris, February 2014, the FATF recognized that Austria has addressed the deficiencies identified in the 2009 Mutual Evaluation Report and developed comprehensive AML/CFT legislation. Criminal penalties apply to insider trading, money laundering (including self-laundering), and terrorist financing. Bearer shares are not allowed except for companies listed on a recognized stock exchange.

10. Competition from State-Owned Enterprises

Private enterprises in Austria can compete with public enterprises under the same terms and conditions with respect to access to markets, credit, and other business operations, such as licenses and supplies. After many successful privatizations primarily in 2000/2006, public enterprises are mainly active in the area of state monopolies (e.g., gambling) and in utilities, hospitals, social insurance, infrastructure, and related sectors. In many of these sectors (e.g., hospitals, utilities) private companies compete successfully; however, public enterprises occasionally use political ties to prolong dispute resolution and appeal procedures and/or delay implementation of remedies, which in some markets can lead to significant uncertainties. While most state-owned enterprises (SOEs) must finance themselves under term similar to private enterprises, the largest SOEs (such as the Federal Railways) do not have a hard budget constraint and some benefit from state-subsidized pension systems.

Since many public enterprises are outsourced and organized as stock corporations, senior management usually does not report directly to a minister but to a board. However, the government often appoints management and board members, who usually have strong political affiliations.

Austria does not have a sovereign wealth fund.

11. Corporate Social Responsibility

In past years, awareness of corporate social responsibility (CSR) has risen among Austrian producers and consumers. Major Austrian companies follow generally accepted CSR principles and publish a CSR chapter in their annual reports; many also provide information on their health, safety, security, and environmental activities. CSR Europe (the leading European business network for CSR) has a local partner organization respACT (short for "responsible action"). Austria adheres to the OECD Guidelines for Multinational Enterprises; the Austrian national contact point has an office in the Federal Ministry of Science, Research and Economy and regularly distributed of the Guidelines to companies, universities and other stakeholders. The Austrian Kontrollbank, the Austrian export credit agency, is promoting information on CSR issues, principles and standards, including the Guidelines, on its website (http://www.oekb.at/en/about-oekb/sustainability/Pages/Sustainability.aspx).

12. Political Violence

There have been no incidents of politically motivated damage to foreign businesses. Civil disturbances are extremely rare.

13. Corruption

Austria has ratified the United Nations Convention against Corruption (UNCAC), the OECD Anti-Bribery Convention, the Council of Europe's Civil Law Convention on Corruption, and has signed -- but not ratified -- the Criminal Law Convention on Corruption. Austria is a member of the Group of States against Corruption (GRECO) within the Council of Europe. Austria is also a participating member of the OECD Working Group on Bribery. Transparency International's (TI) 2013 Corruption Perceptions Index ranked Austria 26th - down one rank from 2012. U.S. firms have not identified corruption as an impediment to investment in Austria.

Corruption cases are routinely reported in the media. Enforcement, although improving, is still moderate and legal proceedings in corruption cases are slow. A special committee formed by Parliament in fall 2011 to investigate a number of high-profile corruption cases, some involving current or past senior government officials, produced alarming results, but was ended by the governing coalition parties in October 2012. Watchdog groups such as Transparency International are active, but play no formal role.

According to the European Commission's first EU Anti-Corruption Report of 2014, Austria has strengthened its fight against corruption by efforts in prevention and prosecution. In this report, the Commission suggests that Austria makes access to bank account information easier in cases of suspected corruption. Polls by the Commission show that 66% of the Austrians (76% of the Europeans) agree that corruption is widespread in their home country and that 5% of the Austrians (4% of the Europeans) have been asked or expected to pay a bribe in the past year.

Corruption provisions in Austria's Criminal Code cover managers of Austrian public enterprises, civil servants and other officials (with functions in legislation, administration, or justice on behalf of Austria, in a foreign country, or an international organization), representatives of public companies, and domestic members of Parliament, government members, and mayors. The term "corruption" includes the following: active and passive bribery; illicit intervention; abuse of office; and accepting consideration. Corruption can sometimes include a private manager's fraud, embezzlement, breach of trust, or accepting consideration.

Criminal penalties for corruption include imprisonment of up to 10 years for all parties involved. Bribes are not tax deductible for companies making them. A separate law, the Law on Responsibility of Associations, deals with criminal responsibility for legal entities and partnerships. The law covers all criminal offenses, including corruption, money laundering, and serious tax offenses that are subject to the Tax Offences Act; fines can rise to as much as €1.8 million ($2.4 million). Austria has a special public prosecutor's office with Austrian-wide authority for corruption cases. The Lobbying Act of 2013 introduced binding rules of conduct for lobbying and requires domestic and foreign organizations to register with the Austrian Ministry of Justice; a law on financing of political parties requires disclosure of donations exceeding €3,500 ($4,650).

Contacts at government agencies responsible for combating corruption:

Wirtschafts- und Korruptionsstaatsanwaltschaft
(Central Public Prosecution for Business Offenses and Corruption)
Dampfschiffstraße 4
1030 Vienna, Austria
Phone: +43-(0)1-52 1 52 0
E-Mail: wksta.leitung(at)justiz.gv.at

BAK – Bundesamt zur Korruptionsprävention und Korruptionsbekämpfung
(Federal Agency for Preventing and Fighting Corruption)
PO Box 100
1014 Vienna, Austria
Phone: +43-(0)1-531 26 - 6800
E-Mail: BMI-IV-BAK-SPOC(at)bak.gv.at
Internet: Bundesamt zur Korruptionsprävention und Korruptionsbekämpfung

Contact at "watchdog" organization:

Transparency International – Austrian Chapter
Berggasse 7
1090 Vienna, Austria
Phone: +43-(0)1-960 760
E-Mail: office(at)ti-austria.at

14. Bilateral Investment Agreements

Austria has bilateral investment agreements in force with Albania, Algeria, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Bolivia, Bosnia-Herzegovina, Bulgaria, Cape Verde, Chile, China, Croatia, Cuba, Egypt, Estonia, Ethiopia, Georgia, Guatemala, Hong Kong, Hungary, India, Iran, Jordan, Kazakhstan, Kosovo, Kuwait, Latvia, Lebanon, Libya, Lithuania, Macedonia, Malaysia, Malta, Mexico, Moldova, Mongolia, Montenegro, Morocco, Namibia, Oman, Paraguay, Philippines, Poland, Romania, Saudi Arabia, Serbia, Slovenia, South Korea, South Africa, Tajikistan, Tunisia, Turkey, Ukraine, United Arab Emirates, Uzbekistan, Vietnam, and Yemen.

Austria has signed an agreement with Nigeria, and signed and ratified agreements with Cambodia and Zimbabwe, but those agreements are still pending ratification by those countries and have not yet entered into effect. Negotiations with Bahrain, Kirgizstan and Turkmenistan are ongoing. An agreement with North Korea was initialed in 2001, but has not been signed. Until new agreements take effect, prior agreements with the former Czechoslovakia continue to apply to the Czech Republic and Slovakia, and that with the former Soviet Union to Russia. Austria and Russia are negotiating a new agreement. Under all these agreements, if parties cannot amicably settle investment disputes, a claimant submits the dispute to the International Center for Settlement of Investment Disputes or an arbitration court according to the UNCITRAL arbitration regulations.

Bilateral Taxation Treaties

Austria and the U.S. do not have a bilateral investment treaty. The U.S. and Austria are parties to a bilateral double taxation convention covering income and corporate taxes, which went into effect on February 1, 1998. Another bilateral double taxation convention (covering estates, inheritances, gifts and generation-skipping transfers) has been in effect since 1982. Austria and the United States signed the Foreign Account Tax Compliance Act (FATCA) Agreement on April 29, 2014, covering U.S. citizen account holders in Austria.

15. OPIC and Other Investment Insurance Programs

OPIC programs are not available for Austria. Austria is a member of the Multilateral Investment Guarantee Agency (MIGA).

16. Labor

Austria has a highly-educated, disciplined and productive labor force of about 4.4 million, of whom 3.8 million are employees and 600,000 are self-employed or farmers. Austria's labor market is more rigid than that of the United States, but more flexible than in some other European counties. In line with EU regulations, free movement of labor from all member states is allowed, excepting Croatia, which joined the EU in July 2013 and will be subject to a transition period until 2020.

Austria’s labor market policy has for many years maintained unemployment to among the lowest levels in the EU. The unemployment rate of between 4.2–4.9% in 2010/2013 (in all four years the lowest in the EU-28) may increase to around 5% in 2014 and 2015, because of moderate economic growth and a growing labor force. Youth unemployment is much less a problem in Austria than other EU member states, large due to Austria’s successful “dual-education” apprenticeship system, which combines on-the-job training with classroom instruction in vocational schools and includes guaranteed placement by the Public Employment Service for those 15-24 year olds who cannot find an apprenticeship place.

In general, skilled labor is available in sufficient numbers. However, regional shortages of highly specialized laborers may occur in such careers as engineers, technicians, natural and physical scientists, and – in specific sectors – systems administration, metalworking, healthcare, and tourism. Additional labor supply -- due to the opening of the labor market to new EU member states, additional immigration, measures to curb early retirement and rising labor market participation of women -- should offset the demographic factor of a declining number of youth labor market entrants. A medium-term problem is the growing number of under-qualified school drop-outs: 15% of the 15-year olds leave school with only a lower secondary education, and a high share of these (more than 20%) has low reading literacy performance and other deficits.

Compulsory Austrian social insurance is comprised of health insurance, old-age pension insurance, unemployment insurance, and accident insurance. Employers and employees contribute a percentage of total monthly earnings to a compulsory social insurance fund. Austrian laws closely regulate terms of employment including working hours, minimum vacation time, holidays, maternity leave, statutory separation notice, severance pay, protection against dismissal, and an option for part-time work for parents with children under the age of seven. Problem areas include increased deficits in the pension and health insurance systems, the shortage of personnel to care for the increasing number of elderly, and escalating costs for long-term care. Because of the employer share to the social insurance for employees, paid leave, paid sick leave, fringe benefits, etc., additional wage costs in Austria add up to about 70% of the gross pay.

Labor-management relations are relatively harmonious in Austria, which has a low incidence of industrial unrest. No major work stoppages have occurred since 2005. Approximately 32% of the work force belongs to a union.

Collective bargaining revolves mainly around wages and fringe benefits. Approximately 80% of the labor force works under a collective bargaining agreement. All collective bargaining agreements now provide for a minimum wage of €1,000 ($1,3281) per month. Austrian law stipulates a maximum workweek of 40 hours, but collective agreements also provide for a workweek of 38 or 38.5 hours per week for more than half of all employees. Flexible work hour regulations allow firms to increase the maximum regular time hours from 40 to 50 per week in special cases (for a limited period even to 60 hours). Responsibility for agreements on flextime or reduced workweeks is at the company level. The government has plans to implement more flexible regulations. Austrian employees are generally entitled to five weeks of paid vacation (and an additional week after 25 years in the workforce); the rate of absence due to illness/injury averages 13 workdays annually.

17. Foreign Trade Zones/Free Ports

Austria has no foreign trade zones.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in Austria

	Host Country Statistical source 1)		USG or international statistical source		USG or international Source of data (Source of Data: Worldbank)
Economic Data	Year	Amount	Year	Amount	
Austrian Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2013	416.0	2012	394.7	Worldbank: http://data.worldbank.org/country/austria
Foreign Direct Investment	Host Country Statistical source 2)		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Austria (*Millions U.S. Dollars, stock positions)*	2012	18,366	2012	15,591	Bureau of Economic Analysis
Austria's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	6,965	2012	5,421	Bureau of Economic Analysis
Total inbound stock of FDI as % host GDP	2012	40.5	2012	69.0	IMF

1) Statistics Austria: http://www.statistik.at/web_de/statistiken/volkswirtschaftliche_gesamtrechnungen/index.html
2) Austrian National Bank: http://www.oenb.at/isaweb/report.do?lang=DE&report=950.7 http://www.oenb.at/isaweb/report.do?lang=DE&report=950.3

Note: Host country statistical figures for 2013 converted at the 2013 annual average exchange rate of US$1.00 = €0.75 and for 2012 at the 2012 annual average exchange rate of US$1.00 = €0.78.

TABLE 3: Sources and Destination of FDI
Austria, 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	264,754	100%	Total Outward	325,643	100%
Germany	47,289	18%	Germany	28,384	9%
Netherlands	25,314	10%	Czech Republic	16,537	5%
Italy	21,917	8%	Romania	11,637	4%
Luxembourg	12,254	5%	Russian Federation	11,207	3%
Switzerland	10,301	4%	Hungary	10,002	3%
"0" reflects amounts rounded to +/- US$ 500,000.					

Source: IMF: http://cdis.imf.org

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	160,053	100%	Total Outward	206,754	100%
Germany	44,222	28%	Germany	27,640	13%
Italy	22,173	14%	Czech Republic	16,104	8%
United States	18,366	11%	Romania	11,332	5%
Switzerland	9,880	6%	Russian Federation	10,913	5%
Russian Federation	8,396	5%	Hungary	9,740	5%
"0" reflects amounts rounded to +/- US$ 500,000.					

Source: Austrian National Bank (OeNB)
http://www.oenb.at/isaweb/report.do?lang=DE&report=950.7
http://www.oenb.at/isaweb/report.do?lang=DE&report=950.3

Note: Figures converted at the 2012 annual average exchange rate of US$1.00 = €0.78. The discrepancy between the IMF figures and that from the Austrian National Bank (ÖNB) mainly stems from the fact that the ÖNB excludes assets of so-called special purpose entities (SPEs). SPEs are fully foreign-owned but have only limited business activity in Austria and their assets consist mostly of equity investment in direct investment enterprises abroad; a few SPEs that have virtually no employees in Austria and do not actively pursue business activities in Austria have a corporate value of about US$94 billion. Likewise, Austrian SPEs with a total value of about US$105 billion are excluded from the outward direct investment statistics. Moreover, IMF statistics classify FDI by the immediate origin country of the investor, while ÖNB statistics use the home country of origin of the ultimate investor (i.e., the location of the parent company).

TABLE 4: Sources of Portfolio Investment
Austria, 2012

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	333,844	100%	All Countries	86,943	100%	All Countries	246,901	100%
Germany	66,124	20%	Luxembourg	24,921	29%	Germany	44,275	18%
Luxembourg	32,569	10%	Germany	21,849	25%	France	25,842	10%
France	30,015	9%	United States	7,511	9%	Italy	23,240	9%
United States	25,581	8%	Ireland	5,146	6%	Netherlands	21,203	9%
Italy	23,909	7%	France	4,173	5%	United States	18,069	7%

Source: IMF: http://cpis.imf.org

19. Contact Point at Post for Public Inquiries

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