AUSTRIA

INVESTMENT CLIMATE STATEMENT

2015

Table of Contents

Executive Summary

Economic conditions continue to remain favorable in Austria, particularly those relevant to foreign investors. As a small and highly internationalized economy, Austria felt the effects of the 2012/2013 recession in the Eurozone and showed only modest growth in both 2013 and 2014. Slow growth is expected to continue in 2015, with the recovery gaining momentum no earlier than 2016. Macroeconomic fundamentals are relatively healthy, however, the Austrian government's crisis response and the multi-billion Euro bailout 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 fellow European Union (EU) member states and the CESEE. Border controls between Austria and all of its eight neighboring countries have been 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 in such a manner that nearby Budapest, Prague, and Bratislava now compete directly with Vienna for foreign investment.

Austria offers many advantages for foreign investors, including political stability, skilled 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 labor unrest.

Austria receives lower marks for its overall high tax burden (despite an attractive corporate tax model), low innovation dynamics, a substantial public sector, and a complex regulatory system with an excessive bureaucracy (also for established businesses). Policy differences between the two governing coalition parties has generally hindered reform efforts; the government's recent agreement on income tax reform, to become effective January 1, 2016, is viewed as a positive development. However, further reforms have been called for in the health and pension systems, the complex system of subsidies and regulation, and the relative responsibilities of the federal, state, district, and municipal governance. Additionally, a costly school system and over-crowded universities pose challenges.

Some 330 U.S. companies have invested in Austria; many have expanded their original investment over time. Altogether, Austria offers a stable, advantageous and still attractive climate for foreign investors, albeit one with increasing challenges.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Observers do not expect Austria's positive view of 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 began its most recent five-year term on December 16, 2013.

Austria is particularly welcoming of foreign direct investment that 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. Officials are also conscious of ensuring that investments avoid a negative impact on the environment. 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. Including 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, merge and acquisition transactions, and corporate headquarters. Effective March 1, 2014, the eligibility for foreign tax group members was restricted to those residents 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). The deductibility of losses from the Austrian group's tax base for foreign group members 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 the tax-deductibility of expenses for high salaries (cash and non-cash benefits) paid to top-level employees to €500,000 (about US$664,000 converted at the 2014 annual average exchange rate of US$1.00 = €0.75) per year. Austria has no wealth tax, trade tax, or inheritance/gift tax.

Austria's macroeconomic fundamentals are relatively healthy; however, post-crisis fiscal pressures persist, as do repercussions from the Hypo Alpe Adria bank collapse. The economic climate affecting national and international investors will likely be characterized by continued modest economic growth averaging an annual rate of 1.3% through 2018; the unemployment rate of around 5.8-6.0% will remain among the lowest in the EU-28. However, all forecasts are currently beset by high variability due to the fallout of the Ukraine/Russian crisis, potential additional sanctions, and related geopolitical risks. Fiscal consolidation will be a dominant issue in coming years.

A tax reform effective 2016, intended to stimulate the economy, will reduce income taxes by a volume of €5 billion annually; however, most of this amount will be made up through a reduction of tax deductions, an increased land-transfer tax, a higher value-added tax on selected products, an increased withholding tax on dividends, unspecified administrative savings, and stepped-up efforts against tax fraud. Thus, while the idea of stimulating the economy may work, the tax reform will only have a minimal impact on Austria's high tax quota of around 44% of GDP, which is unlikely to decrease significantly in the near term.

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 address climate change. Austria's Energy Efficiency Law of 2014, which requires energy providers to create incentives for customers to implement energy savings measures, may hamper investments in the energy sector. Strict liability and co-existence regulations sharply restrict research and virtually outlaw cultivation, marketing, or distribution of biotechnology crops.

Other Investment Policy Reviews

Not applicable.

Laws/Regulations of Foreign Direct Investment

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 residency 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 residency permits to take German language courses/exams, but a university degree automatically fulfills this requirement.

Industrial Promotion

Not applicable.

Limits on Foreign Control

Not applicable.

Privatization Program

The government has not privatized any public enterprises since 2007. Austrian public opinion remains skeptical regarding further privatization and the senior coalition partner Social Democratic Party (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

An amendment to the Austrian Foreign Trade Act (FTA) entered into force in 2011 requiring advance approval by the Austrian Ministry of Economic Affairs for foreign acquisitions of a relevant stake in enterprises in certain "strategic" industries, comprising a wide range of sectors. Strategic sectors include not only industries concerning internal and external security, such as defence and security services, but also public order and safety, and procurement and crisis services. The latter include hospitals, ambulance and emergency medical services; fire fighters and civil protection services; energy and gas supply; water supply; telecoms; railways; road traffic; universities; and schools of various types and pre-schooling institutions.

Only investors who are non-EU, non-EEA or non-Swiss citizens, or have their corporate seat outside this geographical region, are considered “foreign” for the purposes of the FTA regime. There are two different procedures under the FTA: (i) an ex ante approval, and (ii) an ex officio review. The ex ante approval procedure takes one month from submission of the application for approval (phase I) and, in case of in-depth review, an additional two months (phase II). Under the ex ante approval regime, the potential acquirer must submit the application before (i) entering into a legally binding commitment to acquire the relevant stake or (ii) announcing the launch of a public tender offer with respect to such target. During a phase I review, the transaction must be approved or a phase II review must be initiated.

If the Ministry of Economic Affairs issues no decision during the one-month timeframe, the transaction is deemed approved. The FTA does not, however, provide for any procedure for a (non-binding) assessment or a negative clearance. An investor would thus have to initiate the formal approval process to obtain legal certainty.

Competition Law

Austria's Anti-Trust Act is in line with European Union anti-trust regulations, which take precedence over national regulations in cases concerning Austria and other EU member states. The Austrian Anti-Trust Act prohibits cartels, anticompetitive practices, and the 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 conducting investigations and requesting information from firms, and the changes 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 of mergers and acquisitions (M&A). Special M&A regulations apply to media enterprises. A cartel court is competent to rule on 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, transparent and competitive business environment, quality of life (Mercer’s 2015 Quality of Living Index ranks Vienna as the top location to reside in the world), high-quality healthcare, infrastructure, personal security (overall, crime is low in Austria and Vienna specifically, but the incidence of residential burglaries is relatively high), skill and motivation of labor, productivity, rule of law, and social factors. The Swiss Economic Institute’s (KOF) 2014 Index of Globalization ranks Austria fourth out of 207 countries, reflecting Austria's high degree of economic, social, and political integration. Despite these many positive factors, Austria has permanently and consistently lost ground in most international investor rankings in past years, mainly due to high overall cost and tax burden, regulatory red tape, the lack of qualified labor in specific sectors, and the government’s failure to implement economic policy reforms over several years. Austria also gets low marks for low economic growth, high cost of living, shortage of risk capital, low market capitalization, low innovation dynamics, and size of the public sector.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	23 of 175	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	21 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	20 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 50,430	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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 18 other Euro-zone member states, shields investors from exchange rate risks within the Euro-zone.

Remittance Policies

Not applicable.

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

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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.

Bankruptcy

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 2015 Doing Business Report, Austria ranks 16th for ease of “resolving insolvency.”

Investment Disputes

International Arbitration

Austria does not have a BIT or FTA with the United States. There is no special domestic arbitration body.

ICSID Convention and New York Convention

Austria is a member of both the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Law, meaning local courts must enforce foreign arbitration awards in Austria. There is no specific domestic legislation in this regard.

Duration of Dispute Resolution

Not applicable.

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. U.S. Embassy Vienna has not been notified of any complaints or 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 in the event that 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’s 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.

Research and Development

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.

Performance Requirements

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 several non-immigrant business visa classifications, 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 for talent 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.

Highly qualified individuals may apply locally in Austria or opt to 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. Austrian immigration law requires those applying for resident permits to take German language courses and exams.

While principal RWR applicants are exempt from any language requirement, family members of RWR applicants must submit proof of basic language proficiency ("A1 level) when first applying for residence permits and need to take advanced proficiency German language courses/exams ("A2 level") within a two-year time frame. Family members of highly qualified individuals ("Besonders Hochqualifizierte") are exempted from the A1, but not from the A2 requirement. In other words, after the permit is granted they still need to take the advanced proficiency German language courses/exams ("A2 level") within a two-year time frame. A university-degree automatically fulfills the A2 requirement.

Data Storage

The government does not follow a "forced localization" policy or force foreign IT providers to turn over source code or provide access to surveillance.

The transfer of data to foreign countries is subject to authorization. The transmission of passenger name records to the Department of Homeland Security (according to the 2012 PNR agreement) and the transfer of data to U.S. companies in the United States that is in accordance with the 2000 "Safe Harbor Agreement" is allowed. Authorization is not needed for data that have been published in Austria in accordance with domestic laws, have been transmitted to foreign country with the agreement of the data holder, or can only indirectly be defined as personal. Data subject to authorization must be published in a public data register.

The Austrian Data Protection Authority is charged with supervision of data protection in Austria. Phone: +43-1-53115-202525, e-mail: dsb@dsb.gv.at

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 (though nationals of the European Union or European Economic Area, including Iceland, Norway, Liechtenstein or Switzerland, are exempt) 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 must 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, particularly 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 have been 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 – a ruling the Austrian Supreme Court confirmed in July 2014. In line with EU requirements, Austria also has a law against trade in counterfeit articles. In 2013 (latest figures), Austrian customs authorities confiscated pirated goods worth €5.7 million (US$7.6 million).

Patent Prosecution Highway: 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. Austria is also participating in the Global Patent Prosecution Highway (Global PPH) pilot program, which started in January 2014.

Austria is not listed in USTR's Special 301 report or notorious market report. 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.

Resources for Rights Holders

Contact Point at Post for IP Issues:
Jim Bangert, Economic Unit Chief
Embassy of the United States
Boltzmanngasse 16
1090 Vienna, Austria
Phone: +43-(0)1-313 39 – 2299
E-Mail: bangertj@state.gov

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 public 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 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.

Money and Banking System, Hostile Takeovers

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 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 67% of Austria's total banking sector assets; all five are considered "too big to fail." Several Austrian banks are currently restructuring and downsizing.

To ensure the safety and soundness of the European banking system, the Euro-zone’s new single supervisory mechanism (SSM), one of the two pillars of the EU banking union, along with the Single Resolution Mechanism (SRM). The SSM, headed by the European Central Bank (ECB) in cooperation with the national competent authorities Financial Market Authority (FMA) and Austrian National Bank (OeNB), started operating November 2014. Six Austrian banks with assets in excess of the €30 billion ($40 billion) are subject to the SSM. All other Austrian banks continue to be subject to Austria's dual-oversight bank supervision system with roles for both the OeNB and the FMA, which are also responsible for policing irregularities on the stock exchange and for supervising insurance companies, securities markets, and pension funds.

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 terms similar to private enterprises, some large SOEs (such as the Federal Railways) 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.

OECD Guidelines on Corporate Governance of SOEs

SOEs adhere to the OECD guidelines on Corporate Governance.

Sovereign Wealth Funds

Austria has no sovereign wealth funds.

11. Corporate Social Responsibility

In recent 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").

OECD Guidelines for Multinational Enterprises

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 actively promotes the Guidelines to companies, universities and other stakeholders. https://mneguidelines.oecd.org/ncps/austria.htm

The Austrian Kontrollbank, the Austrian export credit agency, likewise promotes 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

Corruption cases are routinely reported in the media. Enforcement, although improving, is still moderate and legal proceedings in corruption cases are slow. 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).

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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. Transparency International's (TI) 2014 Corruption Perceptions Index ranked Austria 23rd – up three ranks from 2013.

Resources to Report Corruption

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@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@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@ti-austria.at

14. Bilateral Investment Agreements

The United States and Austria are signatories to a 1931 bilateral Treaty of Friendship, Commerce, and Consular Rights. Austria, along with all EU Member States, has signed a negotiating mandate for the European Commission to negotiate the Transatlantic Trade and Investment Partnership, with the United States which includes an investment chapter containing the same provisions found in a BIT.

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 (ICSID) or an arbitration court according to the UNCITRAL arbitration regulations.

Bilateral Taxation Treaties

Austria and the United States 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. The FATCA Agreement went into force December 9, 2014.

15. OPIC and Other Investment Insurance Programs

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

16. Labor

Austria has a highly educated and productive labor force of about 4.4 million, of whom 3.8 million are employees and 600,000 are self-employed or farmers. In line with EU regulations, the free movement of labor from all member states is allowed, excepting Croatia, which joined the EU in July 2013 and is subject to a transition period until 2020.

Austria’s labor market policy has for many years maintained unemployment at among the lowest levels in the EU. The unemployment rate of between 4.8–5.6% in 2010/2014 (in all five years among the lowest in the EU-28) may increase to around 5.8-6.0% in 2015 and 2016 due to moderate economic growth and a growing labor force. Youth unemployment is much less a problem in Austria than other EU member states, due in large measure 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 those 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. Due to employer contributions 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 enjoyed 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 (ca. $1,328) 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 (and for a limited period up to 60 hours). Responsibility for agreements on flextime or reduced workweeks resides at the company level. 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/Trade Facilitation

Austria has no foreign trade zones.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	437.1	2013	428.3	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	19,304	2013	16,719	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2013	8,327	2013	5,948	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	42,1	2013	68.0	

* GDP: Statistics Austria:
http://www.statistik.at/web_de/statistiken/volkswirtschaftliche_gesamtrechnungen/index.html
*Foreign Direct Investment: Austrian National Bank: http://www.oenb.at/
Note: Host country statistical figures for 2014 converted at the 2014 annual average exchange rate of US$1.00 = €0.75 and for 2013 at the 2013 annual average exchange rate of US$1.00 = €0.75.

Table 3: Sources and Destination of FDI

Below table reflects IMF figures for Austrian FDI, which encompasses all FDI including so-called special purpose entities (SPEs) with only limited business activity. 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	301,284	100%	Total Outward	349,797	100%
Germany	54,777	18%	Germany	35,531	9%
Netherlands	27,397	9%	Czech Republic	15,602	4%
Italy	21,278	7%	Netherlands	14,184	4%
Luxembourg	17,077	6%	Romania	13,746	4%
Russian Federation	12,301	4%	Russian Federation	10,981	3%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

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

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	355,024	100%	All Countries	101,640	100%	All Countries	253,385	100%
Germany	68,459	19%	Luxembourg	25.992	29%	Germany	24,467	17%
Luxembourg	39,251	11%	Germany	24,448	26%	France	27,655	11%
France	32,863	9%	United States	9,793	10%	Italy	23,778	9%
United States	27,054	8%	Ireland	6,134	6%	Netherlands	22,730	9%
Netherlands	24,902	7%	France	5,207	5%	United States	17,261	7%

19. Contact for More Information

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