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and the Canadian Club of Toronto

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Austria's Economic and Social Policies in Response  
to the Globalization of Markets



Ladies and Gentlemen,

For Austria the year 1995 started with a step which in its political and psychological importance can well be compared to the restoration of the Republic in 1945 and the resumption of full sovereignty as a result of the State Treaty in 1955: as of January first , Austria has become a member of the European Union.

This step happens at a time when Europe - and I dare to say the whole world - sees itself confronted with dramatic changes. As to the effects of all these changes, there are still quite different and probably not very clear ideas. I would like to list five factors which characterise this new situation:

1. The globalisation of markets, capital flows and production has exposed our national economies to permanent worldwide competition;
2. This global competition, as well as fundamental changes in lifestyles and demographic trends - such as a rapidly aging population - are forcing us to review the function, the working and the solidity of our social safety nets;

3. Pathbreaking technological advances such as the digital revolution are changing and penetrating all areas of life;
4. The increasing scarcity of resources and the need to preserve the environment are questioning traditional growth policy;
5. Finally, with the breakdown of Communism and the dissolution of the Soviet Union, our system of reference which despite its polarisation and unacceptable philosophy provided stability, has disintegrated.

In view of these changes, we have to acknowledge that in many fields we have reached the limits of effective national policymaking, and that we can only master the challenges facing us through joint strategies and common action.

This also means that our political decisions are put on a global test stand day after day and that politics has become a constant effort to reach higher international standards, whether in the economy, regional planning, technology or with respect to our social and educational structures.

One of the reasons why the Austrian Federal Government strove for EU-membership was precisely because we are convinced that it is only through a joint approach at the European level that the present economic, ecological, social and security policy challenges can be met consistently and efficiently.

Ladies and Gentlemen!

One of the greatest challenges in the coming years will be to ensure the competitiveness of our industries.

Over the last years, with the dynamic East Asian economies and the East European reforming countries, new players have entered the international scene which are able to compete with the industrialised countries in many sectors; and other countries, like some in Latin America, have overcome the debt crises and are now joining in the worldwide competition for investments, market shares, foreign exchange and above all jobs.

What dynamism there is notably in the East Asian economies can be seen from the fact that the Union Bank of Switzerland in a recent study on the future perspectives of various economic locations lists only one classical industrial nation, Japan, among the the five most promising.

The number of countries whose economic potential is close to ours but which start from far more modest conditions in respect to social and environmental standards - and hence from far lower production costs - is thus getting bigger and bigger.

We therefore have to do all we can to design and implement new, future-oriented strategies for qualitative and quantitative growth. As some of the most important points of leverage I would mention:

1.

- the modernisation of our infrastructure in the fields of transport, energy, the environment and telecommunications;

2.

- more investment in our greatest resource - human capital - through a broad training and qualifications offensive;

3.

- and a sweeping initiative to encourage research in order to develop innovative, resource-saving products and processes and get them to the markets.

Only if we succeed in achieving the desired breakthrough in these areas, we will be able to create a sufficient number of new jobs in Europe, as well as in North America.

Ladies and Gentlemen!

Let me add a few remarks to the goal of creating a single currency within Europe. It seems to me that the target date (1997-1999) for a single currency has been chosen a little bit too ambitiously.

I do think, however, that with a delay of a few years we will have a European Central Bank and we will also have a European Currency.

The Austrian Schilling - with an outstanding record of being one of the most stable currencies in the world will clearly be in the league of the currencies meeting the so-called Maastricht criteria.

Austria believes that a joint European social policy is inseparably linked to economic development. Social policy in the Union is largely left to the member states; but precisely for this reason it will be necessary to develop a joint programme for social convergence as a

complement to the Economic and Monetary Union, in order to prevent a distortion of the internal market through social dumping.

Also the big ecological problems, such as the greenhouse effect, the protection of water resources or the careful use of fossil fuels - can only be tackled by coordinated action at the continental and global level.

Environmental protection should not limit itself to regulatory measures; economic incentives are just as important. In this context we have witnessed an important change in economic thinking over the last few years: the internalisation - and thus avoidance - of environmental costs is now perceived by all sections of society as an investment in their own future.

Unconventional ideas are also required for a new, environmentally minded transport policy. Such regulatory action should be complemented by infrastructural measures permitting a sustainable shift of traffic from road to rail or water. The EU's transport projects in the framework of the Trans-European Networks are proof that the European Union is ready to take the future of European transport into its hands.

All strategies of European integration - whether in the area of industrial or regional policies, environmental protection or social security - can only be successful in the long run if we succeed in bringing in the reforming countries of Central and Eastern Europe. Both the political vision of a unified whole Europe, as well as pragmatic reasons nourished by the trauma of many decades of partition, tell us that the participation of these countries in the process of European integration, must be our declared medium and long term aim.

The integration of the new democracies is an extremely complex task and requires - in analogy to developments within the EU - a substantial process of convergence especially in the economic and social sphere. This convergence will not come by itself but must be actively supported by the Union.

The "Structured Dialogue" recently presented by the European Union is an important step to familiarise these countries with the institutional framework of the European Union and to involve them already now as far as possible into the work of the Fifteen.

In this context I have launched a regional initiative to develop infrastructure in the Eastern neighbouring countries. Mainly concerning the areas of transport,

energy, telecommunications and the environment. Private investment should be encouraged - also to link up the infrastructure networks between East and West.

Austria has perceived the opening of the East as a great opportunity for itself: not only has foreign trade developed extremely well since 1989; Austrian companies have also made full use of the new possibilities and are among the most active investors in the region.

In addition, Austria provides - next to Germany - the highest per capita rate of financial assistance; and these initiatives by the Federal Government have helped to make Austria the country with the by far most intensive relations with the East.

My basically optimistic assessment of the trends in Eastern Europe must not make us lose sight of the fact that violent conflicts are still part of political realities and that the danger of the emergence of new demarcation lines in Europe continues to exist.

Therefore, the establishment of a comprehensive European peace order together with the need for the construction of a cooperative partnership with Russia and the Ukraine, constitutes one of the biggest challenges for the coming years and should also be a central issue for all Western policy makers.

Once inhuman wars like in Chechnya or Bosnia have broken out, it is very difficult to break the vicious circle of violence, hatred and misery. We must therefore do what we can to create structures to help us to spot and defuse potential crises in their initial stages.

In these areas I see for Austria - also on the basis of its self-perception as a neutral country - a wide and important field of action, and I am convinced that, on account of our experience, for example, in peacekeeping operations we shall be able to impart some important substantial contributions. In this area I could also imagine closer cooperation between Canada which has so far sent over 75.000 Blue Berets to trouble spots around the world, and Austria with her total of over 34.000 volunteers for UN peace keeping missions.

With all the importance of regional integration processes which we see in the framework of NAFTA in North America and which are now also beginning to emerge in Latin America as well as South East Asia, it is necessary to point out the danger of these regional entities becoming self-centred and perceiving other regions as opponents and competitors rather than as partners.

I have always warned against this kind of "fortress building" and I will continue within the framework of the EU to strongly advocate an open-door policy of cooperation with other regions in the world.

This basic philosophy of openness on the part of the European Union must particularly apply to the countries of North America with whom we are so closely linked by history, culture and values.

Austria has prepared herself very carefully politically and economically for EU-membership, which is the best guarantee to preserve and safeguard our vital interests in the coming decades. We approach our work towards integration with confidence but not with innocent naivety. Conflicts of interests do not disappear simply because one has joined up with others to form a bigger unit. Hence, both at the European and global level, nobody can relieve politicians from the burden of seeking to conciliate these interests: A fair distribution of wealth, the quality of life and of the environment, social and personal security, human dignity and cultural autonomy are goods and values that have to be fought for again and again. International cooperation gives us the possibility to shape the vision of a united, peaceful world inspired by solidarity jointly with our friends. Canada will find in Austria a reliable partner in your efforts to move closer to these goals.