

Austrian-Bulgarian Economic and Trade Relations 1970 to 1983

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Abstract: After the positive results in the 1960s, the Bulgarian-Austrian relations marked further successful development during the “Kreisky Era” (1970-1983). The two countries, belonging to different “economic families” in Europe and driven by their own interests, intensified their relations. In the first half of the 1970s, there was a shift towards liberalization in bilateral trade. During the period under review, trade exchange between them grew with a constant passive balance for Bulgaria. New forms of economic cooperation were also introduced and Austrian credits increased. A number of problems in bilateral relations were also overcome. Overall, Austria established itself as one of the important economic partners of the People’s Republic of Bulgaria.

Key Words: Austria, People’s Republic of Bulgaria, Trade, Economic relations, Bruno Kreisky

Todor Zhivkov: „Relations between Bulgaria and Austria are a model for relations between countries with different socio-political systems“.¹

At the beginning of the 1970s more favourable conditions were created for the development of bilateral trade and economic relations between Austria and Bulgaria. On the one hand they were influenced by the international situation and on the other hand by internal factors in both countries. Particularly important in this respect was the policy of Bruno Kreisky, who headed the four cabinets of the Social Democratic Party of Austria from April 1970 to May 1983. Right from the beginning of his reign, this remarkable politician opened the door wide for mutually beneficial cooperation with Eastern Europe, including the then People’s Republic of Bulgaria.

This article is devoted specifically to the development of trade and economic relations between Austria and Bulgaria during the „Kreisky Era“. An attempt is made to analyse this process on the basis of documents from archives in Vienna and Sofia, as well as published materials and research on the subject. Archival collections from the period from the Archive of the Ministry of Foreign Affairs of the Republic of Bulgaria, Austrian State Archives², Foundation Bruno Kreisky Archive (Stiftung Bruno Kreisky Archiv = SBKA) were consulted.

¹ Speech on the International Situation, Sofia, 27 April 1979.

² Österreichisches Staatsarchiv (ÖStA), Archiv der Republik (AdR).

The Legacy of the 1960s

The cooperation between Austria and Bulgaria since 1970 has built on the successful development of economic relations, not only in trade, between the two countries in the previous period and the conditions created for further progress through a number of agreements in all areas. Through these, mechanisms have been put in place to regulate and implement more effective cooperation between two countries with different types of economy.

The positive development of economic relations between Austria and Bulgaria before 1970 is reflected in the significant increase in the volume of bilateral trade in both directions. Austrian exports to Bulgaria peaked in 1967, both in terms of size (ATS 800 million) and share (1.7% of Austria's total exports). Imports of Bulgarian goods into Austria peaked in 1966 at ATS 430 million and 0.7%. The balance of trade is negative for Bulgaria. In 1969 it reached the sum of ATS 419 million in favour of the Austrian side.

The data from the Bulgarian statistics generally confirms these trends, but with some differences due to reasons that will be discussed later in the presentation. For example, the highest value of Bulgarian exports to Austria was recorded in 1968 – BGL 25.2 million, and in imports and total trade in 1967 – BGL 44 million and BGL 70.6 million respectively. In 1969, with a share of 1.4% of Bulgaria's total merchandise trade and 9% of that of the Western countries, Austria ranked third among the Western trading partners (after the FRG and Italy) with a share of 9.7% of their imports into Bulgaria or 2% of the country's total imports. It is significantly less important for Bulgaria's exports.

In addition, in the second half of the 1960s, a number of agreements were concluded between the two countries, regulating bilateral trade and economic relations between them and defining the framework for future cooperation. Among these, the middle agreements should be noted:

- On 27 October 1967 an agreement on the tax treatment of cross-border passenger and freight traffic was signed in Sofia between the People's Republic of Bulgaria and the Republic of Austria.³

- On May 6, 1968, an agreement on economic, industrial and technical cooperation and an agreement between the Government of the People's Republic of Bulgaria and the Federal Government of the Republic of Austria were concluded.⁴

³ Agreement between the Federal Ministry of Finance of the Republic of Austria and the Ministry of Transport of the People's Republic of Bulgaria on the tax treatment of cross-border passenger and freight transport (In force – 01.01.1968).

⁴ Agreement on economic, industrial and technical cooperation between the Austrian Federal Government and the Government of the People's Republic of Bulgaria, including protocols (In force – 06.05.1968).

- On 9 May 1968 an agreement between the People's Republic of Bulgaria and the Republic of Austria on the granting of preferential customs duties was signed in Vienna.⁵

- On 27 May 1968 a long-term trade agreement was signed in Sofia between the Government of the People's Republic of Bulgaria and the Federal Government of the Republic of Austria for the period until the end of 1972.⁶

Austria and Bulgaria – two different economies

Before we turn to the bilateral relations between the two countries in the 1970s, we should recall some basic features of their economic development at the beginning of the period under review. We are talking about two countries with relatively similar indicators in terms of territory and population, but with significant differences not only in terms of their political systems, but also in other areas.

Austria is a developed industrial country with a market economy, but in comparison with other Western countries it has a very large share of the state sector in the economy. As early as the 1960s, the so-called 'state-owned industry' (verstaatlichte Industrie) occupied an important place in bilateral economic relations and in trade in particular. It should be recalled here that after the Second World War a number of industrial and transport enterprises, banks, the post office, etc. came under government control. The 'state-owned industry' also included a number of large companies which were actively involved in foreign trade and overseas investment. First and foremost among these was the Vereinigte Österreichische Eisen- und Stahlwerke (VÖEST), which in 1973 merged with another large firm, the Stahlbetriebe der Österreichischen Alpine Montangesellschaft, from which the new VÖEST-Alpine AG was born.⁷

Among the other companies that were nationalised, ELIN-UNION AG für elektrische Industrie, the engineering company Simmering-Graz-Pauker, the aluminium enterprises of Vereinigte Metallwerke Ranshofen-Berndorf, and the company Stickstoffwerke Ostmark AG, which after 1973 had a new name – Chemie Linz AG. All the state-owned enterprises came under the control of

⁵ Agreement between the Republic of Austria and the People's Republic of Bulgaria on the granting of preferential customs duties (*In force* – 16.12.1968).

⁶ Long-term trade agreement between the Austrian Federal Government and the Government of the People's Republic of Bulgaria, including confidential exchange of notes (*In force* – 27.05.1968).

⁷ By law of 11 June 1975, Gebrüder Böhler & Co AG (Böhler-Werke), Schoeller-Bleckmann Stahlwerke AG and Steirische Gussstahlwerke AG Judenburg merged retroactively with effect from 1 January 1975 to form Vereinigte Edelstahlwerke AG (VEW) as a wholly-owned subsidiary of VÖEST-Alpine AG.

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ÖIG, which from 1970 became a public limited company wholly owned by the state-owned Österreichische Industrieverwaltungs Aktiengesellschaft (ÖIAG). The state sector also has a strong position in banking. After the war it included the two large banks with a worldwide reputation, Creditanstalt-Bankverein and Österreichische Länderbank, which were at the head of the powerful industrial concerns around them and were active internationally in the 1970s and 1980s. Mention should also be made of the semi-state-owned Österreichische Kontrollbank Aktiengesellschaft, established in 1946 with the participation of the aforementioned Creditanstalt-Bankverein and Österreichische Länderbank Aktiengesellschaft, and another state-owned bank, Österreichisches Credit-Institut, with private shareholders.

Austria has been a member since 1951 of the General Agreement on Tariffs and Trade (GATT) and since 1960 of the European Free Trade Association (EFTA).

In 1956, Austria signed a customs agreement with the European Coal and Steel Community (ECSC). In the 1960s, negotiations were held to conclude an economic agreement between Austria and the European Economic Community (EEC). These negotiations led to the successful signing of a free trade agreement with the EEC in 1972.

Austria's main trading partners in the 1960s were the EU and EFTA countries. In contrast to the Western countries, however, the Eastern European countries - members of the Commonwealth of Independent States - accounted for a much larger share of its trade. This characteristic was confirmed in the first half of the 1970s. After the accession of Denmark and the United Kingdom to the European Economic Community in 1973, EFTA gave way considerably to the EEC in Austrian foreign trade. Data from the Austrian statistics are shown in Table 1.

Table 1: Sources and destinations of Austrian imports and exports (% of total)

Year	Austrian imports from:			Austrian exports to :		
	EEC ¹	EFTA ¹	Eastern countries ²	EEC ¹	EFTA ¹	Eastern countries ²
1970	64,3 (56,1)	11,4 (19,6)	9,4	47,9 (39,4)	18,3 (26,6)	12,9
1973	64,5	12	8	49,2	18,2	10
1974	61,5	10,9	9	44,3	17,4	11,5
1975	62,3	10,6	10,2	44,2	15,3	17,1

Source : Österreichisches Statistisches Zentralamt. Statistisches Handbuch für die Republik Österreich.

Notes: 1) the data are for the EEC 1973 (nine countries) and the rest EFTA, and in brackets are the data for the original EFTA and the EEC until 1972 (six countries); 2) Soviet Union, Bulgaria, Czechoslovakia, GDR, Hungary, Poland and Romania.

In general, Austria's foreign trade in the first half of the 1970s was characterised by steady growth, but also by a negative balance of more than 30 billion schillings a year in the period 1972–1975. In 1975 it reached 32 billion schillings, mainly due to its trade deficit with the EEC of 44 billion schillings in the same year. The first oil crisis and the subsequent severe international recession in 1974/1975 led to a break in the world's economic growth trends and a corresponding slowdown in export development. At that time, Austria sought a way out of the decline in production and the reduction in exports to Western countries by intensifying economic relations with the East.

For its part, Bulgaria – a country with an imposed planned state economy and foreign trade – became a member of the Council for Mutual Economic Assistance (CMEA or COMECON) from its foundation in 1949. In the second half of the 1960s, more than three quarters of its trade was with the USSR and other COMECON countries, and this share was even higher in terms of its exports to them. Because of its linkages with its Eastern European partners, a relatively low share was taken up by the developed Western countries over the years.⁸

Table 2: Share of COMECON and Western Countries (WC) in Bulgaria's Foreign Trade in 1965–1975 (percentage)

Year	Import		Export		Total	
	COMECON (*)	WC	COMECON (*)	WC	COMECON (*)	WC
1965	75,8 (52,2)	15,9	70,3 (50,0)	22,3	73,0 (51,1)	19,1
1970	75,8 (53,8)	14,2	74,8 (52,5)	19,1	76,1 (53,2)	16,6
1975	77,4 (54,6)	9,3	70,7 (50,7)	23,6	74,2 (52,7)	17,0

Source : Statisticheski godishnik na NRB (1976), s. 355.

Note: *) in brackets are the data for USSR

The détente in relations between the East and the West in the late 1960s and early 1970s contributed to the expansion of Bulgaria's trade and economic relations with the developed Western countries. It was reflected in the increase in imports and the receipt of credits from them. The increase was due to the purchase of machinery and equipment for Bulgarian enterprises. The then People's Republic of Bulgaria tried to attract Western investment. Its leadership judged that economic relations with the developed industrial countries should go beyond trade and obtaining credits. The possibility of „industrial cooperation“ is sought, including the establishment of joint ventures with Western firms,

⁸ In practice, it is primarily about the signatories the Convention on the Organisation for Economic Co-operation and Development (OECD).

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These are given a number of privileges, going as far as guaranteeing secure profits. The aim is thus to expand the strictly controlled and limited transfer of new technologies.

The imports from the developed market economies grew and reached a peak of nearly a quarter in 1975, but in the same year Bulgarian exports to them fell below 10% of the country's total. Overall, trade with the West in the 1960s and 1970s was characterised by a persistent negative trade balance. This deficit was therefore covered by external loans. After the mid-1970s, the country's foreign debt increased at a rapid pace. From about one billion US dollars in 1970, its gross amount reached USD 3.5 billion in 1975, of which 80% was attributable to the West.

The bilateral relations in the first half of the 1970s

The accumulated experience of the previous decade and favourable international conditions, as well as the changes in Austrian politics in the 1970s, at the beginning of the „Kraisky era“, facilitated the expansion of bilateral cooperation in the economic field, taking into account the specific interests of the partners. On the basis of the Long-Term Trade Agreement of 1968 and the Agreement on Economic, Industrial and Technical Cooperation, protocols were concluded annually. On 13 October 1971, for example, a protocol on the exchange of goods for the following year, 1972, was signed. In implementation of the Agreement on Economic, Industrial and Technical Cooperation, a Bulgarian-Austrian Mixed Commission was established in 1969, and it was after the beginning of the 1970s that it started its activities. Its second session was held in 1970, and from then on, the famous politician and associate of Br. Josef Staribacher as Federal Minister of Trade, Crafts and Industry. Within the framework of these annual meetings, as well as on other occasions, an active exchange of visits and negotiations of business delegations at various levels took place between the two countries. The issues of economic cooperation were also discussed during the visits of the Chairman of the State Council of the People's Republic of Bulgaria Todor Zhivkov to Austria in October 1973 and of the Federal Chancellor Bruno Kraisky to Bulgaria in May 1975.⁹ Other bilateral economic activities also take place.

In general, Bulgaria needs Austria for the modernisation of its industry, through the reconstruction of old or the construction of new enterprises. It is in its interest that the Austrian contribution is paid in output. It insists on the joint design and construction of industrial plants, both in the two countries and

⁹ In 1981 the International Fair in Plovdiv was divided into a spring and an autumn fair. See Mitova 2022, pp. 231–381.

in third countries. In addition, it seeks to expand cooperation with Austria in the field of tourism and visa-free travel – by increasing flights, car tourism, on the Danube.

The transition to liberalisation in bilateral trade

In the second half of the 1960s, Austria completed the liberalisation of its trade with its western EEC partners. The transition to liberalisation in relations with the East proceeded much more slowly than with the West. However, relations with the Eastern European countries still proceed under the mutual clearing scheme, which creates a number of difficulties for it remain, as Austrian exporters have an interest in the markets of Eastern Europe, but their partners cannot offer sufficient (in terms of quantity and quality) goods. This is also a problem for Bulgaria and the other COMECON countries.

In implementing the mutual clearing system, various financial and trade mechanisms are used with the Eastern countries to reduce the large trade assets that Austria realises with them. For example, transit transactions are carried out by specialised companies. Austria became a hub for switch transactions and other special forms of foreign trade between Eastern and Western Europe.

In the transition to liberalisation in its trade with Eastern Europe as early as the 1960s, Austria allowed Eastern European countries to benefit from GATT tariffs for the purposes of the most favoured nation regime. By the end of the 1960s, some of these countries, such as Czechoslovakia (since 1950) and Poland (since 1968), which are members of the GATT, as well as the USSR, already benefited from this regime. With others, such as Romania (1968) and Hungary (1969), tariff concession agreements were concluded. It is in this context that the above-mentioned agreement with Bulgaria of 9 May 1968 fits. Austria's second step towards liberalisation was the bilateral cooperation agreements with Eastern European countries concluded around the mid-1960s.

As far as the relations between Austria and Bulgaria are concerned, until the end of the 1960s payments for commercial transactions between them were made through clearing. This was done on the basis of agreements concluded between the two countries. For Bulgaria, this system has now played its role and is no longer an effective way of achieving balance in bilateral transactions. Due to its permanent liability in bilateral trade, the country is forced to cover the negative balance difference by using large amounts of convertible currency, which is scarce for it, and also to carry out foreign exchange transactions. Therefore, a shift is being made towards payment in freely convertible currencies, in the belief that this will achieve greater flexibility in bilateral trade.

In the early 1970s, liberalisation in bilateral trade relations was gradually implemented. Negotiations at various levels resulted in a number of steps in this

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direction. For example, the 1970 Additional Protocol to the 1968 Long-Term Trade Agreement granted the two countries MFN treatment to each other with respect to duties and levies of all kinds on imports and exports.

In the early 1970s, Austria switched to freely convertible currency payments with Eastern European countries. Among its agreements with them was a bilateral agreement with the People's Republic of Bulgaria on payment transactions, concluded on 13 October 1971, which entered into force at the beginning of 1972.¹⁰

In 1971 Austria decreed the application of GATT tariffs with all its trading partners, further liberalising its economic relations with the Eastern countries. Since 1 January 1973, Bulgaria has also benefited from United Nations Conference on Trade and Development (UNCTAD) tariff preferences in its bilateral trade. On 28 June 1973, an Agreement on the reciprocal granting of MFN treatment between the Republic of Austria and the People's Republic of Bulgaria was signed in Vienna. It extends the scope of application of the most-favoured-nation treatment with regard to customs duties to include all information collected on the import or importation of goods, as well as the collection and clearance procedure.

Also on 28 June 1973, a Long-Term Agreement on Economic Relations between the two countries was signed in Vienna, regulating commercial transactions and payment operations between them.¹¹ A year later, on 19 October 1974, a protocol was signed to the agreement, which fully liberalised bilateral trade in line with Austria's policy of free trade, except for certain "sensitive goods". Thus, from the beginning of 1975, quantitative restrictions on the movement of goods ceased and it was officially announced that trade would be conducted at "world market prices".¹²

The results achieved in the settlement of bilateral trade relations are the result of compromise and do not fully satisfy both sides. That is why in the following years some clauses of these arrangements have been criticised, albeit from a different angle. They became the occasion for new demands from the Bulgarian side aimed at reducing the negative balance for it.

The agreement of October 1974 contains safeguard clauses and a special arrangement for trade in textiles and clothing. At that time Bulgaria had not signed the treaty on international trade in textiles. Liberalisation was agreed for

¹⁰ Agreement between the Austrian Federal Government and the Government of the People's Republic of Bulgaria on Payment Transactions (In force – 01.01.1972).

¹¹ Long-term agreement on economic relations between the Republic of Austria and the People's Republic of Bulgaria (In force – 18.08.1974).

¹² StBKA Bulgarien, Box 3, 26.193.6/1-II-6/76, Information for the Federal Chancellor.

Bulgarian imports into Austria by means of the so-called Vidierungsverfahren (verification procedure), which was applied to protect Austrian textiles and clothing, but also to imports of certain agricultural goods. This procedure consists in the issuing of import permits by the relevant authorities in Vienna. Soon after, however, the authorities in Sofia announced that this was a discriminatory measure.¹³ It was defined as an obstacle because de facto, however, the verification procedure makes it possible to use a safeguard mechanism for certain “sensitive goods” or goods subject to import quotas in Austria.

Interestingly, dissatisfaction with the bilateral agreements of the first half of the 1970s is also brewing in Austria itself. It is perhaps most clearly visible in the opinion of the Austrian Federal Chamber of Commerce and Industry (Bundeskammer der gewerblichen Wirtschaft) on the transition from bilateralism (clearing system) to multilateralism (payment in hard currency) in Austria's trade and financial relations with Bulgaria. In a letter to the Federal Chancellor, it is noted that in the use of clearing, the Austrian side achieved a balance in bilateral trade by means of financial transit in addition to imports.¹⁴ That is to say, in the case of bilateralism, a way out was found in multilateralism or the equalization of bilateral trade by means of switsch operations or transit of Bulgarian goods through Austria to other Western countries. The paradox, according to the Chamber of Commerce, is that after the introduction of hard currency payments, it is back to the days of strict bilateralism, which limits Austrian exports to Bulgaria. The government in Vienna is criticised for having negotiated very liberal conditions for the import of Bulgarian goods. This applied above all to the trade in textiles and clothing. Bulgaria has been given the same preferences as developing countries, with its goods being taxed at only 50% of the normal customs tariffs, which has been described as ‘opening up the Austrian market too much to Bulgaria’. An example is given of the export of Austrian ready-made textiles to Bulgaria, which in 1974 reached ATS 12 million, and of clothing nearly ATS 5 millions. With contracts in place, the quota for finished textiles is hard to reach (ATS 30 million). Export agreement in both directions of ATS 40 million (miscellaneous textile works) and ATS 9 million (miscellaneous garment works).

Along with the settlement of mutual trade on the basis of liberalism and the replacement of bilateralism with multi-liberalism, relations in other spheres of the economy are also developing. Agreements have been reached regulating

¹³ StBKA Bulgarien, Box 3, Bundesministerium für Handel, Gewerbe und Industrie, Sektion II./ Federal Ministry of Trade and Industry, Section II. Topics for economic discussions mit Stanko Todorov. 1976.

¹⁴ StBKA Bulgarien, Box 3, Bundeskammer der gewerblichen Wirtschaft/ Federal Chamber of Commerce to the Federal Chancellor, 24. 09. 1975.

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bilateral economic relations in various fields. For example, in 1970 the Federal Minister of Transport of the Republic of Austria and the Minister of Transport of the People's Republic of Bulgaria signed an agreement on passenger transport.¹⁵ On 22 February 1971 an Agreement on Cooperation in the Field of Tourism was concluded between the Austrian Federal Government and the Government of the People's Republic of Bulgaria.¹⁶ On 10 July 1973 a 10-year programme for the expansion of economic, industrial and scientific-technical cooperation between Bulgaria and Austria was signed. It defined the principles, areas and forms of bilateral cooperation – trade, industrial cooperation, joint design and construction of industrial enterprises, scientific and technical cooperation and tourism.

Cooperation continues in other areas. For example, the participation of the two countries in the international fairs in Plovdiv and Vienna was expanded, seminars were organized, contacts were established between the chambers of commerce of the two countries: the Austrian Federal Chamber of Commerce and Industry and the Bulgarian Chamber of Commerce, which in 1973 was renamed the Bulgarian Chamber of Commerce and Industry (BCCI).

All this contributed to the development of bilateral trade, as well as the establishment of new forms of joint economic activity, such as industrial cooperation and cooperation between Austrian and Bulgarian state-owned enterprises, including in third countries. This is done on the basis of general agreements and framework agreements. Examples in this respect can be given from the first half of the 1970s. In February 1974, for example, a general agreement was signed between the Bulgarian shipbuilding company „Korabostroene“ and the Korneuburg shipyard for cooperation in three areas.¹⁷ In the same year, 1974, Technoexport and Transex GmbH Vienna signed an agreement for the joint supply of air conditioning systems. These were destined for the buildings constructed by Bulgarian builders in Africa, such as the national theatre in Lagos (Nigeria), ten polyclinics in Libya, etc. On 17 September 1975, a general agreement was signed between VÖEST Alpine and Technoexport, which represents 14 commercial and industrial enterprises

¹⁵ Agreement between the Federal Minister of Transport and Nationalized Enterprises of the Republic of Austria and the Minister of Transport of the People's Republic of Bulgaria on the carriage of passengers by international scheduled road services between the contracting states, together with the Protocol (In force – 07.08.1970).

¹⁶ Agreement on cooperation in the field of tourism between the Austrian Federal Government and the Government of the People's Republic of Bulgaria (In force – 22.04.1972).

¹⁷ Soon after, however, the Austrian bid for the construction of Ro-Ro ships was not approved by the Bulgarian side and this activity was abandoned.

with an extremely wide range of activities. Alongside these, a number of other examples of cooperation between companies on both sides can be given. These include agreements between Resprom and Kapsch (for the production of telephone sets), between Balkankar and Kohmaier KG (for the production of chains), etc. These forms of economic cooperation, although not developing according to Bulgaria's expectations, contribute to the expansion of bilateral trade and financial ties.

The exchange of goods

The results of bilateral trade in the first half of the 1970s can be judged from official statistics. Data from Austrian sources show that trade between the two countries grew, albeit hesitantly, during this period. From these it is clear that there is a clear inequality between the two countries. In 1975, for example, exports from Austria to Bulgaria were three times higher than Bulgarian imports into the country. A remarkable surge in Austrian exports took place in 1974, when they rose by as much as 61.7% over the previous year and for the first time surpassed the sum of ATS one billion. The following year, 1975, confirmed this upward trend. Nevertheless, it can be stated that Bulgaria occupies a modest place in Austria's foreign trade. Thus, in 1974 Bulgaria had a share of 0.8% of exports and ranked 27th among Austria's trading partners, and in imports – with 0.3% – ranked 32nd. The situation was similar in 1975. Bulgaria with 0.9% of exports ranked 23rd among Austria's trading partners and last among those of the CIS, and in imports with 0.3% ranked 31st. In fact, this situation was perfectly natural. Small Bulgaria could not compete with the great potential (especially in import of raw materials) of the USSR, as well as with the other Eastern European countries, which had larger economies, and some of them (Czechoslovakia and Hungary) were also neighbours of Austria.

The structure of Austrian exports to Bulgaria is also interesting. In 1975, the top three places were occupied by machinery and apparatus – ATS 315.9 million, iron and steel – ATS 252 million and paper and paperboard – ATS 88.1 million. In the opposite direction, Bulgarian imports to Austria were dominated to a large extent by agricultural goods and other raw materials (See Table 3). Interestingly, Bulgaria is the main supplier of cucumbers to Austria.

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**Table 3: Bulgarian Imports to Austria in 1975 by commodity groups
(in millions of shillings and percentages)**

product	millions of ATS	%	product	millions of ATS	%
tomatoes	58,2		grape juice	22,4	
raw tobacco	39,2		iron and steel	17,5	
cucumbers	32,9		peppers	19,3	
xylene	32,8		raw zinc	13,3	
wine	36,0		fruit preserves	11,4	
fruits	34,1		mechanical and electrotechnical products	10,3	

Bulgarian statistics differ, understandably, from Austrian ones. On the whole, however, they confirm the nature of bilateral trade. Thus, according to Bulgarian sources, the structure of exports to Austria is as follows: agricultural and food products – 65%, raw materials and materials – 30,5%, mechanical engineering – 2.6% and re-exports – 1.1%.¹⁸

Official Bulgarian statistics show that in 1970 Austria accounted for a relatively modest share of the country's foreign trade (see Annex 2). With a total value of nearly 62 million leva and a share of 1.4%, it could not compete with the Soviet Union and the other COMECON partner countries, but it was inferior not only to them but also to some large and small Western countries. Exports to Austria amounted to only BGL 19.3 million (0.8%), while imports from this country were twice as high at BGL 42.3 million and its share was 2.0%. In this respect, Austria is behind Italy (3.1%), the FRG (2.7%), the UK (2.5%) and France (2.4%). The jump in imports from Austria in 1974 was recorded by Bulgarian statistics, but was measured at 58.1%. One year later, in 1975, the situation was not substantially different from the beginning of the decade. Exports to Austria amounted to only BGL 27.5 million (0.6%), while imports from this country were twice as high at BGL 92.7 million, with its share falling slightly to 1.8%, but climbing one place higher among the Western countries, second only to FRG (7.0%), Italy (2.6%) and France (2.4%).

Downs and ups in the second half of the 1970s

Trade between Austria and Bulgaria in the second half of the 1970s developed with fluctuations. In the period 1976–1978 it declined, primarily due to the decline in Austrian exports to Bulgaria. The main reason for this was the few joint cooperation projects. In 1978, Vienna stated that „cooperation in the

¹⁸ AMVnR, F.32,Op.15,a.e.173,1.122. Information on Stanko Todorov's visit to Austria, May 1976.

industrial field is practically irrelevant for the Austrian economy. In recent years, therefore, the first Austrian interests have been declining.¹⁹ An obstacle to bilateral economic cooperation is Bulgaria's increased foreign indebtedness – about USD 2.5 billion as of 1978 – due to limited hard currency receipts. It created difficulties in relations with the West, including Austria. As a result of a number of measures taken by the Bulgarian side to overcome the trade deficit with Austria²⁰ it achieved some success in 1978 when a certain surge in its imports into this country was recorded. Overall, the fertility balance in bilateral trade in favour of Austria declined in 1976–1978. In 1978 it reached its lowest point in shillings.

It should be borne in mind here that the Austrian statistics are cleaner than the Bulgarian ones. The latter also take into account transactions with third countries, which is why Bulgaria's deficit appears smaller.

The relations in the economic field between the two countries are not without problems, some of which cause more serious tensions between them. For example, in July 1978, the Minister of Transport Vasil Tsanov protested to his Austrian counterpart Karl Lausecker against the restrictions imposed by Austria on Bulgarian carriers passing through the country. At that time a new Austrian law was passed to regulate the uncontrolled increase in freight traffic through its territory. A quota/contingent of 15,000 transit permits was set for Bulgarian carriers. Minister Tsanov claims that this should be significantly increased and threatens that if the Bulgarian request is not accepted Austrian trucks passing through Bulgaria will be charged a Retorsion fee. Karl Lausecker refuses, pointing out that the Bulgarian quota is much higher than it is for other countries, which, in the event of an increase, will use this precedent to claim in this respect. Moreover, Austria uses only 7 thousand permits per year. Eventually a compromise solution to the problem was reached.

An important moment in the bilateral economic relations were the negotiations between the two countries during the visit of Todor Zhivkov in September 1978 in Vienna. It is no coincidence that the Bulgarian delegation also included prominent figures from the country's economic management, such as Andrei Lukanov, Deputy Chairman of the Council of Ministers, Hristo Hristov, Minister of Foreign Trade, and Georgi Evtimov, Chairman of the State Committee for Tourism. As a result of the favorable environment and mutually

¹⁹ StBKA Bulgarien, Box 2, Information on the visit of the Todor Zhivkov to Austria, 1978.

²⁰ For example, in February 1976, during his visit to Vienna, the Minister of Foreign Trade, Ivan Nedev, insisted to his Austrian counterpart on a significant increase in Bulgarian supplies to Austria and, above all, of industrial products. This issue was also raised in May of the same year by Prime Minister Stanko Todorov during his visit to the Austrian capital.

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beneficial proposals in meetings with Bruno Kreisky and representatives of his government, a number of agreements have been reached, which give a boost in trade and economic cooperation between the two countries.

Austrian credits

Exports of Austrian goods to Bulgaria are carried out within the Austrian export financing system by granting credits for supplies for ongoing projects. It is an important instrument and was implemented throughout the period under consideration. Moreover, it is very much in the interests of Bulgaria, which does not have a sufficiently hard currency.

Important information about the “saga” of the crediting of the Bulgarian-Austrian trade is contained in the diaries of Minister J. Staribacher, from the first half of the 1970s, although in some details they differ from the available official documents from the archives. Two examples can be cited here which show the complex development of bilateral trade and financial relations:

Thus, in June 1971, the Austrian Minister noted that “Giro-Centrale currently has USD 2 million in outstanding loans in Bulgaria. It has not yet given final consideration to the Bulgarian request for a US\$ 5 million loan, but is very negative about this request. They expect the federal government to support them in this, but they have had a debate in the banking association, they would prefer that Androsh commit to providing a federal guarantee for the USD 60 million that is desired.”²¹ One year later, Staribacher also wrote down that as of October 1, 1972, Bulgaria had outstanding export credits of ATS 651 million. It also had to repay the technical loan from the liquidated clearing amounting to ATS 100 million, the first repayment being on 1 July 1973. In addition, there are still commodity credits of ATS 72.3 million tied up.²²

Other data from the mentioned diary could have been quoted, but these are also sufficient to show some of the problems in bilateral relations through the eyes of Vienna.

With a view to the realisation of a number of projects, negotiations were held in May 1975 between Österreichische Kontrollbank and the Bulgarian Foreign Trade Bank (BVTB) for a loan of up to ATS 2 billion for the period 1976–1980. For this purpose, its Director General and Chairman of the Board of Directors Helmut Haschek, known as the “Father of Austrian export promotion and

²¹ Tagebücher Josef Staribacher. Digitale Ausgabe. Hg. von Kreisky-Archiv und ACDH. Seite 06-0791. <https://staribacher.acdh.oeaw.ac.at/get/staribacher.291_1> abgerufen am 19.3.2023.

²² Tagebücher Josef Staribacher. Digitale Ausgabe. Hg. von Kreisky-Archiv und ACDH. Seite 12-1188. <https://staribacher.acdh.oeaw.ac.at/get/staribacher.587_5> abgerufen am 20.3.2023.

financing”, arrived in Sofia. Soon afterwards an agreement was reached and on 12 May 1975 a contract was signed between Österreichische Kontrollbank and the Bulgarian Foreign Trade Bank for new loans.

It should be noted here that Bulgaria's debt to Austrian banks at the end of 1974 reached ATS 1.2 billion. Three years later it reached its highest value of ATS 2.6 billion only to decrease in 1979 to ATS 1.7 billion.²³ In the early 1980s, in conjunction with the increased activity on both sides, new agreements were reached for the provision of loans to finance supplies for contracted projects.

For example, on 22 December 1980 Österreichische Kontrollbank and the Bulgarian Foreign Trade Bank signed a credit line agreement for the improvement of the tourist infrastructure in Bulgaria. The framework loan of ATS 2 billion was granted with a financing period of 15 years. Under this credit facility, the financing of the construction of a hotel in Sandanski is arranged at a cost of ATS 331 million at a favourable interest rate of 7.8% per annum for Bulgaria.²⁴

Soon afterwards, on 14 August 1981, a credit agreement was signed between Österreichische Kontrollbank and the recently established state-owned Mineralbank, which provided ATS 4 billion to finance major projects in the field of mechanical engineering and metallurgy in Bulgaria. For target justification, three loan agreements have also been signed for the largest sites to be brought in by VÖEST Alpine. The terms of the loan expire on 30 June 1982.

Towards the end of 1981, however, Österreichische Kontrollbank discontinued its practice of granting general credit lines and announced that it would authorise the granting of credits on a transaction-by-transaction basis. In 1981, some Austrian banks reduced the traditional credit facilities for imports of all types of goods into Bulgaria and reduced the financing terms or increased the interest rates on these loans. A number of agreements have been concluded between the Bulgarian Foreign Trade Bank, Mineralbank and Austrian financial and credit institutions for the granting of loans under various conditions. However, not all of them have been implemented. This includes an investment loan for ATS 2 billion which, however, has not been used due to the lack of a similar project.²⁵

²³ StBKA Bulgarien, Box 3, Information on the visit of the Federal Chancellor to Bulgaria, May 1981.

²⁴ AMVnR, F. 39, op. 9, a.e. 160, l. 5. Information on the visit of the Todor Zhivkov to Austria, May 1982.

²⁵ AMVnR, F. 39, op. 9, a.e. 160, l. 51. Letter of the Bulgarian Foreign Trade Bank to the Foreign Ministry, 10. 05. 1982.

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From a later document (dated 1984)²⁶ shows that the Bulgarian authorities report that export credits have been used in increasing amounts for purchases from Austria of metals, chemicals, and other goods since the beginning of the decade. Apart from this, the Bulgarian Foreign Trade Bank also negotiated such loans with Austrian banks for the supply of machinery and equipment, for the construction of tourist sites, etc. The export credits received from Austria are at subsidised interest rates (from 7.80% to 8.75%) and cannot be used as cash, but are used for payments on deliveries of goods, and only of Austrian origin. The annually increasing amounts of credits used from Austria are now essential to ensure the rhythmicity of Bulgarian payments in convertible currency and the Bank is actively using these credits for the balance of payments of the country. It is also reported that the terms of the export credits obtained from Austria are "comparatively more favourable than those granted by other capitalist countries".

According to data at the end of 1982, Bulgaria's gross debt to Austrian banks amounted to ATS 4.6 billion, representing 13.3 per cent of its liabilities to the West.

The trade commodity exchange – statistics and comparisons

The intensification of bilateral relations in the late 1970s created more favourable conditions for the conclusion and implementation of new projects and supplies from Austria. This led to an increase in its exports to Bulgaria – by more than 40% compared to the previous year 1978.

The average annual increase in Austrian exports to Eastern Europe in 1970-1975 was 18.3% (20.0% excluding the USSR) with Bulgaria 10.9%, only Romania behind with 4.6%. During the period 1975–1979 the rate of increase fell significantly, despite a sharp increase in 1979 (Bulgaria – 40.6% , Romania - 35.5%, GDR – 27.7%,) The average for Eastern Europe was 3.6% (1.7% excluding USSR) , with Bulgaria at 2.2% . In comparison, Romania had an increase of 17.1%, the GDR 2.9%, but Czechoslovakia had a decrease of 3.4%.

Bulgaria's share of Austria's total trade fell from 0.9% in 1970 and 1975 to a low of 0.6% in 1979, which was also the lowest share of the Eastern European countries, which together accounted for 12.5% that year (9.1% excluding the USSR).

A look through the Bulgarian official publications shows that the numbers differ, but the trend reflected in the Austrian sources is confirmed. The

²⁶ Balgarska Narodna Banka. Sbornik s dokumenti. Tom V. 1848-1990. Chast Treta. Sofia, 2009. s. 90

Bulgarian statistics, taking into account all the conventions in the recording of the exchange of goods, also show a sharp increase in Austrian exports in 1979.

By the end of the decade, trade between the two countries had almost tripled compared with the beginning of the ‚Kraiskey era‘. Thus, according to data for 1979, imports from Austria increased by 170% to reach the sum of BGL 114 million, and with 1.6% the country ranked second among Bulgaria’s western partners. Approximately the same was the increase in exports (BGL 52.4 million) to Austria – 171% compared to 1970. Austria is no exception in this respect. Only with Italy and Switzerland of the western countries Bulgaria has a positive balance.

In the last years of the period under review, bilateral trade has boomed. This is particularly true of Austrian exports, which in 1979 increased by 40.62% to ATS 1,267 million, while imports from Bulgaria rose by only 1% to ATS 535 million. In 1980 exports to Bulgaria increased to ATS 1,524 million (+ 20.3%), while imports increased by only 10.9% to ATS 593 million. In 1981, exports rose by 24.1% to ATS 1.89 billion and imports by 19.9% to ATS 712.18 million. And in 1982, from Austria’s point of view, trade relations developed positively. Austrian exports increased by 10.5% to ATS 2 090 million, while Austria’s imports from Bulgaria decreased by 19.5 % to ATS 573 million.

The Austrian “nationalised industry” and Bulgaria

In the second half of the 1960s, the share of Austrian “state industry” in bilateral trade with Bulgaria peaked in both directions. In 1967, for example, its value reached a record high of ATS 498.9 million, or 62.3% of Austrian exports to Bulgaria. One year later it accounted for the largest share of 26.9% or ATS 83.7 million of Bulgarian imports to Austria.

During the “Kreisky era”, the data quoted in documents from the Austrian archives show a general decline in its size and share of total trade, especially in the period 1970–1975 (see Table 4). By 1978 this trend had changed, but despite the increased figures it could not reach the share of the early 1970s in Austrian exports to Bulgaria.

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Table 4. Value and share of nationalised industry in bilateral trade between Austria and Bulgaria 1970–1980 (in millions ATS and %)

	Import to Austria		Export from Austria	
	Value	%	Value	%
1970	26.9	9.4	313.1	45.3
1971	35.4	11.7	236.1	31.5
1972	46.5	12.7	152.7	27.8
1973	41.7	11.1	229.2	35.3
1974	78.1	13.9	373,9	35,5
1975	48.7	11.3	262.8	22,6
1976	85.8	17.7	263.9	27,8
1977	56.2	9.4	214.6	26.4
1978	131.3	24,7	264.7	29,3
1979	114.4	21,3	342.7	27,0
1980	129.5	21,9	355.4	23,3

Source: StBKA Bulgarien, Box 3, Information on the visit of Todor Zhivkov to Austria, 09. 10. 1973; StBKA Bulgarien, Box 3, Information on the visit of the Federal Chancellor to Bulgaria, 28. 04. 1981.

In the early 1980s, the successful development of economic ties between the two countries, which had begun at the very end of the previous decade, continued. Meetings continued in the already established formats such as joint committees, etc.

A number of important visits also took place. For example, between 21 and 24 February 1980, Deputy Prime Minister Andrei Lukanov visited Vienna, “returning” the visit of Vice-Chancellor Andros from March the previous year). Of course, the greatest influence was exerted by the agreements negotiated during the visits of Bruno Kreisky to Bulgaria (12–15 May 1981) and of Todor Zhivkov to Austria (3–4 June 1982).

During the visit of the Federal Chancellor to Sofia on 15 May 1981, an agreement on mutual cooperation and mutual protection of investments, as well as a private law cooperation agreement between VÖEST-Alpine AG and a consortium formed by Bulgarian economic and foreign trade organizations.

In the early 1980s, new agreements were concluded, complementing the previous ones in the economic field. One of these was the Agreement on the Recognition of Certificates of Origin and Handmade Goods for Duty-Free

and Duty-Reduced Importation into Austria, signed on 31 October 1980..²⁷ It granted special preferences for certain Bulgarian works, which until then were applied by Austria to 34 developing countries under bilateral agreements.

On 3 June 1982, a long-term programme for the expansion and deepening of economic, industrial and scientific-technical cooperation between the Republic of Austria and the People's Republic of Bulgaria was signed in Vienna.²⁸

The analysis shows that, despite the difficulties and problems, the Bulgarian-Austrian relations developed undeniably successfully during the „Kreisky era“ (1970–1983). During the period under review, trade between them grew, with a permanent passive balance for Bulgaria to be whitewashed. New forms of economic cooperation were also introduced and Austrian credits increased. Without exaggerating the importance of bilateral relations for the economy of the two countries, it can be said that during the period under review Austria established itself as one of the important economic partners of the People's Republic of Bulgaria.

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²⁷ The Agreement of 31 October 1980 on the Recognition of Certificates of Origin and Manufacture of Goods for the Purpose of Duty-Free or Duty-Reduced Importation into Austria.

²⁸ Long-term program for the expansion and deepening of economic, industrial and scientific-technical cooperation between the Republic of Austria and the People's Republic of Bulgaria. (In force - 03.06.1982).

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