

# Austria 2017



Total: 76.47

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## Political Freedom

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### Free and Fair Elections : 9.64

Political parties are able to compete in a free and fair manner in all elections in Austria. Though, last elections for president didn't go so smoothly. Austrian highest court annulled the result of the second round of last presidential elections on the ground of broken rules that could have an influence on the result (irregularities in the procedure). But there was no proof that it influenced final count. It led to a repeat of the runoff, which took place on the 4th of December, 2016 (previously scheduled for 2nd of October). Pro-european representative of the Green Party, Alexander Van der Bellen, was elected as the President of Austria. Disputes in the governing coalition during the first half of 2017 brought early parliamentary elections, scheduled for October 15th. Austria is a parliamentary democracy with bicameral parliament consisting of the lower house – Nationalrat, and the upper house - Bundesrat.

### Absence of Unconstitutional Veto Players : 8.33

There are no unconstitutional veto players in Austria who could influence political decisions in the country. System of checks and balances is set in place and works well. Corruption among high ranking public officials occurs from time to time. For instance, former Minister of Finance was accused in July 2016 for embezzlement. Country went one place down in the Transparency International 2016 Corruption Perception Index and now holds 17th position.

### Freedom of Press : 7.8

After few years of declining in Press Freedom score of the Freedom Barometer Index, Austria finally reversed the trend, scoring 7,80 this year. Media landscape in the country is pluralistic, expressing wide variety of views and opinions. Journalists enjoy high level of independence. However, defamation is punishable by the law, which might influence their reporting to a degree. Like many countries in the region, Austria has a problem with concentration of the media ownership. In some regions, media owners control main printing and radio outlets. Also, high public expenditure on advertising in the media raises concerns of government influence on their reporting.

# Rule of Law

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## Independence of the Judiciary : 7.75

The judiciary in Austria is to a large degree independent of the influences of the executive power, or of corruption, or of pressure by various interest groups. Citizens maintain huge trust in the courts. Constitutional Court is playing its role of the third pillar of power well. In July 2016, the Constitutional Court annulled the May 2016 presidential election runoff and ordered a revote. In the same month, new anti-terrorist legislation went into effect. Amnesty International or other observers complained about the lack of mandatory judicial oversight and discretion provided to law enforcement agencies while collecting data or meta-data on individuals. They were concerned about the respect of the rights to privacy and to an effective remedy.

## Corruption : 7.5

Austria is less corrupt than the EU's anyway decent average, yet it is not immune of occasional high level corruption cases, even in ventures worth billions of euro. In July 2016, federal Minister of Finance between 2000 and 2007 Karl-Heinz Grassler was indicted of corruption, following 7-years' investigation and almost two decades of speculation in media over a number of suspicious decisions he had made or facilitated while in office at provincial or federal level. Politics and banking are more intertwined than in neighboring Germany. Partisanship in public sector employment is not rare, especially at senior positions. Aside of grand cases, especially at regional or local level there are cases of favoritism in public procurement, which is Austria's competitive disadvantage as compared to the most corruption-clean parts of the EU. Petty corruption is very rare, while the law criminalizes both passive and active bribery, attempted corruption, bribery abroad, extortion, money laundering, or other similar misdeeds. Austria supports anti-corruption struggle world-wide, among other also by co-sponsoring the Business Anti-Corruption Portal GAN. In Transparency International's Corruption Perceptions Index 2016, she is ranked as 17th, ahead of the United States, Japan or France.

## Protection of Human Rights : 8.65

Protection of human rights is multiple. Awareness of those is widespread, with media, political parties or NGOs often citing them as important guidelines for various kinds of decision making. Academic freedoms, as well as freedom of religion, are hardly disputable. Women are well represented in politics, business or other public life, although gender pay gap is still serious. With the exception of proper marriage, same-sex couples and LGBT individuals enjoy equality and protection to the highest EU standards. Ethnic minorities enjoy full civic equality albeit limited linguistic rights. Immigrants are offered generous programs of integration at the expense of the state. For quite a long time, the sole limitations to freedom of speech - those regarding a ban on neo-Nazi or anti-Semitic propaganda, or a Holocaust denial – were explained by historical reasons. Lately, other kinds of racist hate speech are also criminalized. Exactly that was, in June 2017, in case of Dutch far right politician Geert Wilders, the point of dispute between Austria's and Netherlands' judiciary. Former wanted to put Wilders on trial for his offensive anti-Islam speech as of 2015, while the latter refused to cooperate, maintaining different criteria of what constituted hate

speech. Aside of would-be felonies, there is an increasing campaign of xenophobic speech against refugees or other migrants from Muslim countries, by the far right groups and individuals. There were several violent attacks on asylum seekers` shelters. The climate is so tense that the government itself recently had and probably again would submit to demands to limit some EU-established freedoms, such as of movement without border control within the Schengen zone. Another recently raised problem is slavery. Domestic-bred one is of course unthinkable, but rich tourists from countries with meager human rights record often bring with themselves servants, whom they smuggle and/or otherwise treat in the way unacceptable by Austrian laws. Between the pressure of human rights NGOs and the economic interest to develop high-end tourism, Austria and other West European tourist countries struggle to find a reasonable balance.

## Economic Freedom

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### **Security of Property Rights : 7.47**

Property rights in Austria are well secured. Expropriation of property in Austria is extremely rare, limited to cases where public interest is at stake, and that on the basis of legal justification and followed by a market value compensation to the owner. Judiciary is independent from the executive branch of government or other out-of-the-court interests, thus securing the overall high integrity of the legal system. However, sensitive cases must be reported to the Ministry of Justice, which could then issue instructions. There are no special commercial courts apart from the one in the capital Vienna, so most commercial cases are administrated by regional courts. Effective bankruptcy procedures allow for a very high recovery rate, within reasonable time frame; most companies are not sold through liquidation procedure but as going concerns. High remuneration for attorneys and a long procedure of enforcement of judgment elevate litigating costs. Court efficiency could thereby be increased by introduction of adjournment regulation, limiting them to exceptional circumstances as well as limiting their maximum number. Further court automation services would also shorten some procedures. Transferring real property could also be lengthy, depending on the performance of district courts and respective land registry, with significant costs due to registration fees and a high transfer tax.

### **Size of Government: Expenditures, Taxes, and Enterprises : 3.48**

Government in Austria is characterized by high public expenditure of 51% of GDP in 2016, due to high social transfers, especially in the field of public pensions and healthcare, which are projected to continue growing substantially due to demographic changes. Pension system is already unsustainable due to high dependency ratio coupled with high substitution levels and an activity level in the labour market much below the one in comparative countries. Economic growth has recently picked up, due to good economic developments in the main partner countries and a rise in private consumption after the tax reforms. The deficit increased to 1.4% of GDP in 2016, while the public debt is still at an elevated level of 84% of GDP, slowly declining but calling for further efforts to comply with the Maastricht criteria. Profligate government consumption needs to be sustained by high tax rates. Austrian significant changes in its taxation system since 2016 functioned as a small fiscal stimulus, lowering taxation of labour and somewhat lowering the progression of the

personal income tax, as well as changing the tax mix to the detriment of consumption taxes, with increases in VAT (with 10% and 20% alongside the new 13% rate). Corporate income tax remains 25%, but there are plans for its decrease to 20%. Social security contributions still remain high, which, coupled with the income tax, keeps the labour tax wedge much above the OECD average, at 47%. State-owned enterprises (SOE) are mostly concentrated in the utility and infrastructure sector, but the government holding OBIB holds significant minority stocks in many other companies where government presence in many countries is not considered necessary - post office, telecommunications, etc. SOEs abide by the same rules in the market as private companies, not distorting competition, except in areas considered as government monopolies, but close political connections between managing boards and political elite could in some cases be attested.

## **Regulation of Credit, Labour, and Business : 7.15**

Business regulation in Austria is generally considered as business friendly. Starting a business is not well organized, with long procedures at local courts and especially at the tax office. There is a very high paid-in minimum capital of 5,000 euro. Obtaining a construction permit is associated with several very long procedures, taking up to 7.5 months on average; on the other hand, getting electricity is relatively simple, but very expensive. Tax procedures are not overly burdensome, with low annual number of tax payments and widespread use of electronic services. Labour regulation is a mixture of flexible and restrictive practices: working hours are flexible and there are no limitations to fixed-term contracts and their duration, thus lowering difficulties in hiring. Low severance pay and short notice periods also bring flexibility to the labour market, but this is often offset by priority redundancy rules or reemployment obligations. Trade unions play a strong role. Social dialogue is widespread in many industries. There is no general minimum wage, but due to the history of social dialogue, as well as strong trade unions, minimum remuneration in specific industries is determined through collective bargaining which covers a high share of workforce. Obligatory military conscription lasts for six months.

## **Freedom to Trade Internationally : 8.7**

Freedom of trade is generally respected in Austria, which is very important for its economic ties to other EU markets, German especially. Being an EU member, Austria implements the common European trade policy with overall low tariff rates. However, some non-trade barriers regarding product standardization and certificates continue to obstacle free trade. Customs service is professional and very efficient, requiring only 4 documents, both for export and import of goods. Trade is facilitated by good public transport infrastructure, which considerably reduces freight costs, but port infrastructure quality is lagging behind railways and roads. The railway sector is controlled by the government, i.e. by the public-owned enterprise which is relying on public subsidies, thus reducing competition and stifling innovation. That was visible in discriminatory policies towards a private rail company. Main Austrian trade partners are its advanced EU neighbours Germany and Italy, as well as Switzerland. Since the latter is neither an EU nor a European Economic Area (EEA) member-state, trade relations with it are maintained via series of bilateral treaties. Austria is one of the five countries within the EU that still requires work permits for Croatian nationals, but the restriction is expected to be lifted in 2018 (although it could be prolonged for another two years). Broadening the scope of Red - White - Red program to introduce startups and third country nationals with a university degree is expected to attract young professionals, by lowering bureaucratic hurdles. Foreign diploma nostrification and professional licensing pose restrictions to other EU nationals in some professions.