



## ORIGINAL PAPER

# Economic tools for shaping order in Central Europe in Austria's foreign policy

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### Abstract

Austria's political and economic interest in the countries of Central Europe was diverse. Neighborhood policy was interpreted as "a small relaxation that without direct union with the USSR could have contributed to relaxation between East and West." In initiating economic cooperation, it was assumed that the economic stability of Eastern countries would be conducive to the implementation of the basic task of the SPÖ, which is maintaining full employment, would be an optimal expression of Austria's neutrality and would contribute to alleviating the effects of Austria's unilateral economic links with Western countries, in particular with Germany. The assumption adopted in Vienna concerned the consent to undertake economic cooperation where it was profitable, but also while respecting the principles typical of the free market. At the beginning it was assumed that industrialization concerns only East Germany and Czechoslovakia. Over time, this approach has changed. Analyzing the foreign policy of Austria, research tools characteristic of the historian and political scientist's workshop were used. The method of analysis and synthesis was adopted. Additionally, the conducted research was supplemented with the institutional method (legal acts regarding the competence to create foreign policy and state treaties). A statistical method was also used to show the scale of trade.

**Keywords:** *Modern Austria, Neighborhood Policy, Bruno Kreisky, Central Europe.*

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### Introduction

The political and economic interest of the powers in the countries of Central Europe varied in the course of the 19th and 20th centuries. Contemporary research on the economic cooperation of superpowers with the countries of Eastern and Southern Europe centers around two themes. The first is to determine the territorial scope of the *Mitteleuropa*, or Central Europe, its political and economic potential in the 19th and 20th centuries. The second is the issue of the impact of the so-called German element in this area, understood as a political and economic contribution to the development of Slavic areas. The participation of Austria and Germany in shaping policies related to the broadly understood eastern territories is in the first phase of shaping the concept of *Mitteleuropa*, i.e. in the second half of the nineteenth century common, as is the language culture that characterizes these countries (Koszel, 1999: 15). What differed them was the economic potential. According to researchers, economically backward Austria-Hungary could only be seen as an exporter of the best traditions of German culture.

Defining the political and cultural range of Central Europe was extremely difficult. As Weronika Parafianowicz-Vertun writes: "At the root of all sorts of problems and controversies related to the concept of Central Europe could lie its geographical origin. The conviction that the subject of Central European discussions is - the historical, political, cultural reality of this region, led to consternation when it turned out that the images created in the discussions do not correspond to the Central European realities (Parafianowicz-Vertun, 2016:17-18). The author examining the issue of the reception of Central Europe in post-war independent culture, or created in the so-called the second circulation proves that the search for a common identity by Central European countries flourished in the 1970s and 1980s. Referring to the work of Ludwik Krzywicki, the researcher points to the development of the "Central European idea" towards a practiced idea that gives scope for the development of ventures and activities. It was not just an intellectual concept, but measurable and planned activity related to seeking and determining a common identity.

The period of the Napoleonic Wars and their rise resulted in the political emancipation of Slavic states, which erupted several times after establishing a new order in Europe in 1815, forced Germany and Austria to revise their existing rules of coexistence with the countries of the East. The first mentions referring to the definition of *Mitteleuropa* as an area of interaction between Germany, Austria and Slavic countries were published by both philosophers, writers and economists: Johann Gottlieb Fichte, Ernst Moritz Arndt, Friedrich List, Paul Anton de Lagarde. Assessing the eastern lands as "devoid of spirit" they announced the expansion of civilization gains and assumed their voluntary acceptance in this area (Pajewski, 1959:14). Austrian politician Karl Ludwig von Bruck (Minister of Commerce and Finance Minister of Austria) saw the need to move overseas transport from the Hanseatic cities to the south and even partially seize Mediterranean ports (Trieste). New opportunities were also sought in the development of river trade and activation of cities along the Danube. They were timid attempts to compete with the British empire controlling trade in southern Europe. This concept was continued by the policy of the prime minister - Prince Felix Schwarzenberg, who worked to create an economic block controlled by Vienna, which lies on the Aachen-Budapest-Kiel-Trieste line. At that time, German and Austrian concepts for developing cooperation with the East corresponded with each other. Schwarzenberg

found the support of political scientist Constantin Frantz. According to Frantz, the future belonged to supranational structures based on common German culture. Poles and Southern Slavs were also to be attracted to them. At this time, however, there is no need on the side of the German political elite to create a Central European union, of which Vienna was to be an important part and Slavic states unspecified in its development.

The political idea provided scope for action and activity that had to be justified. After the reunification of Germany in 1871, *Mitteleuropa's* ideas changed. German capital expanded its influence in Romania, Serbia, Bulgaria and Turkey, pushing aside the Latin Catholic community of interests with the Habsburg court. The Great German idea left no room for Slavic partners, which is best seen in Poland. The maps of Central Europe, created spontaneously at the end of the 19th century, made to justify Germany's superpower policy, deviated significantly from earlier concepts. It should also be emphasized that they were both a response to Berlin's political demand and Russia's European policy. This idea developed visually under the influence of geopolitical situation and the development of relations in the region.

Political and economic difficulties that survived after 1918 both Germany and Austria pushed back the concept created by ideologists operating and creating in pre-war powers. In public discourse, Slavic states are presented as weaker and provocative international conflicts. Only years of the Great Depression encouraged both Berlin and Vienna to look for markets in the East. Operating at the German Office for Foreign Affairs - Economic Congress (*Mitteleuropaiche Wirtschafts*) planned customs unions and consolidation of trade in Romania, Yugoslavia, Bulgaria, Hungary, Finland, Lithuania, Latvia, Estonia, the Netherlands, Belgium and Luxembourg. Poland was not included in these solutions. The plans of preferential duties were unsuccessful, which proved that Germany had no political potential in this area. However, the Czech or Hungarian counterproposals without Germany's participation and support were also unsubstantiated at the time (Pajewski, 1995:14). The period of the great economic crisis strengthened the neighboring countries of Germany in the belief that their positive development depends on economic decisions taken in Berlin. The internal stabilization that followed the introduction of favorable agreements, the modernization of the financial system and agrarian reforms encouraged the countries of Central Europe to cooperate more closely with Germany (Koszel, 1992:293-304).

*Mitteleuropa* found an important place in the economic concepts of the Third Reich (Kozieński, 1970:91-107). From 1934, through the active policy of Reichsbank and the introduction of the clearing system until the outbreak of World War II, Germany managed to economically master Central Europe. In the face of the Reich's commercial expansion, the Slavic states were helpless. They did not even try to create a counterweight to defend their economic independence. Robbery economic policy that entered Central Europe together with Hitler's conquests after 1939 strengthened the eastern states in the belief that they were only an area of exploitation. "The long-term abuse of the concept of *Mitteleuropa* for the hegemonic goals of Germany and the devastation of culture and culture in Europe in the name of the alleged unity of the race have caused that this best known concept of Central European organization has become a discredited concept, a synonym of territorial revisionism, evoking the most negative political associations"(Koszel, 1999:38). This does not mean that this area did not seek its own paths of integration or political self-determination.

The thread of cooperation with Central Europe after the Second World War in the new political conditions was an important element of the foreign policy of both

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Germany and Austria. Both countries had to express their attitude towards communist countries, recognizing Moscow's political primacy over this part of Europe (Kozieński 1970:337-367). The necessity of especially economic cooperation with this area forced to prepare even ad hoc solutions in this respect (Recepcja, 2004:9-15). Konrad Adenauer, as a Christian Democrats chancellor focused on building ties with Western countries, saw no opportunity, at this first stage of constituting the German state, to actively cooperate with Central and Eastern Europe. The Austrian government had a much easier task, which developed the practice of reconciling the interests of the powers during the occupation of the state and developed its own methods of cooperation with the communist bloc. However, during the ten-year occupation during the work on the treaty, he was obliged to this cooperation.

At that time, Central Europe was characterized by Austrians as a political and historical demand, or an idea evolving from nostalgic beliefs about a shared heritage towards specific actions, practices and political solutions. This evolution resulted from the opportunities that existed in the countries themselves included in the Eastern or Southern Europe. Weronika Parafianowicz-Vertun wrote both about the development of the "Central Europe project" and the cultural background of the changes taking place in the self-determination of nations as Central European. In the research carried out by the author, the theme of co-creation of Central European identity has repeatedly appeared, read thanks to post-war cultural texts from the so-called second circuit (Parafianowicz, 2016:17-19). The concept of Central Europe as a "common" area with specific political characteristics was as eagerly promoted as it was denied (Maier, 1993:8-19). Polemical texts were also published in large numbers, claiming that there was no analyzed alternative concept, but only a myth that was easily referenced due to the repetition of messages about Central European reality.

Analyzing Polish research on the concept of Central Europe and Central and Eastern Europe, it should be stated that they relate to various areas of its functioning and impact, are extremely rich and interesting. In fact, these studies are experiencing a kind of renaissance when German-language research works herald the death of this idea. Not only the pool of texts constituting thinking about this area in terms of "community" is associated with specifying the significance of postulates related to the operation and internal impact of states in Central Europe. It is also the weight of individual messages, categories of authors, interactions with the environment, literary and journalistic genres shaping both the information and aesthetic layers. According to Weronika Parafianowicz-Vertun, the idea of Central Europe was primarily created by its inhabitants. Narratives regarding joint achievements and experiences were based on literary traditions adopted and established in a given area. The dominant texts whose message we read in the works of intellectuals, historians, and journalists were the publications of Oskar Halecki and František Dvornik (Halecki, Lublin 2000). Essays were the dominant literary genre, although equally important during conferences or formal meetings: letters, laudations, lectures, speeches, papers and polemics. The form of the essay was very expressive in its substantive and aesthetic content. Essays were a form of exchange of thoughts between intellectuals. The effect of this kind of exchange was the "Lesson of Central Europe", as Susan Sontag said. It was a kind of work done by Central European countries to emancipate the societies of this region (Parafianowicz-Vertun, 2016:61). At the end of the Cold War, an important conference on Central Europe was held in Lisbon. Outstanding speakers arrived: Czesław Miłosz, Susan Sontag, István Bibó, František Dvornik, Salman Rushdie and argued about how

literature perceived or defined the area of Central Europe. There was then a spontaneous exchange of views with delegates from the Soviet Union. Virtually all participants agreed that they had an inalienable right to their own interpretation of the Central European identity.

The question of whether and to what extent Central European countries defined their common identity is an important question in the context of Austrian diplomacy because it relates to a joint response to the policy proposed by the Austrian Ministry of Foreign Affairs towards this region (Kisztełińska-Węgrzyńska, 2018:180-184). The question also concerns whether this concept was a response to social processes that were observed, or rather the spark that initiated these processes. It should be taken into account that not only the needs and opportunities undertaken at the state level were observed, but the social and cultural needs arising in the East were suggested (Kurczewsk&Kamiński, 2014:81-106). Activation of intellectual environments, support for culture, as well as joint investments raising the social level of average citizens, were solutions that Vienna was interested in as well as representing Austria's interests in this area.

Research on the genesis of Eastern Austria's policy was undertaken in the mid-1990p. As Peter Ruggenthaler and Maximilian Graf wrote: "For many years, the subject of Vienna's eastern policy has only been described on the occasion of other foreign policy threads. In this case it is difficult to talk about cross-sectional studies relating to the entire area of Central Europe and the long post-war period. Several publications have undertaken solid studies on the bilateral relations of Austria of the USSR and the GDR, but they mainly concern the 1960s."(Kisztełińska-Węgrzyńska a., 2016:32-33). The following work is intended to show two phenomena related to the topic of shaping economic order in Central Europe. The first is the formulation of the objectives of economic cooperation by Austria towards eastern countries. The second is the economic and social value of trade in this area.

### **Investment policy goals in Central Europe**

The most important rule adopted in Austria while working on the State Treaty was that cooperation with the East was not rejected. Since then, the independent Austrian Ministry of Foreign Affairs- Bruno Kreisky has defined the legal framework for cooperation with neighboring countries. The wording East was avoided, this area of activity was not associated with *Ostpolitik* as defined in German historiography, nor was it formulated about cooperation with the block. *Nachbarschaftspolitik* is a broadly understood policy with neighboring countries. With their participation, the economy of post-war Austria could develop freely.

Eastern policy implemented initially mainly in the economic dimension was interpreted as "a small relaxation that without direct union with the USSR could have contributed to relaxation between East and West." Initiatives regarding industrial cooperation and economic cooperation were implemented on the assumption that the economic stability of eastern countries was to support the implementation of the basic task of social democrats, which was to maintain full employment, was also an optical expression of Austria's neutrality and contributed to alleviating the effects of Austria's unilateral economic relations with Western countries, especially from Germany" (Röhrlich, 2009:247).The assumptions adopted in Vienna and Berlin concerned the consent to undertake economic cooperation where it was profitable, but also while respecting the principles typical of the free market.

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As regards the goals formulated for future economic cooperation, the Austrians were mainly interested in infrastructure development. The focus was on the resuscitation of the old communication artery: 'If it were possible to expand the Danube to the communication route connected with the Rhine and further with the North Sea and the Oder and the Baltic Sea, this would open the door for communication and transport of goods by sea not only for Austria, but for the whole Central and Eastern Europe. Thanks to this, all countries on the Danube could experience a revolutionary change' (Röhrlich, 2009:250). In the concepts of Eastern and Central Europe, the Danube occupied a special place, which resulted both from its economic significance and the strength it symbolized. The states on the Danube combine a unique sense of neighborhood and a common location in Europe's main thoroughfare. Attention was drawn to clear differences between individual national minorities in the Danube Basin. National movements existed there despite Soviet rule. Historical common features were also cited: "in the old Danube monarchy" and the fact that Austrians know well the differences between individual national minorities in this area. "We must be aware that we Austrians can only act creatively in Central Europe." The privileged position was rather sought in the geographical position of Austria: "we want in this part of the continent where we have been passive for a long time, henceforth be a guarantor of stability" (Kreisky, 1982:108).

At the turn of the 1950s and 1960s, the concept of cooperation within good neighborly relations was formulated with all countries surrounding Austria, especially eastern countries. This was done with a sense of care for the interests of Vienna and a certain need for responsibility for the development of other countries with which Austrian fate has been associated for centuries. They were both neighbors in a literal and figurative sense, to which Poland belonged (Jarzabek, 2011:396-413). The neighborhood policy during several dozen years had different dynamics and priorities, it is worth writing about it to pay attention to Poland's place against the background of broadly understood Austrian policy towards neighboring countries - *Nachbarschaftspolitik*.

In the 1960s, Austria implemented a neighborhood policy based on visits to eastern countries during which economic agreements were signed. Thanks to these meetings, Western politicians became acquainted with the political realities in which their neighbors live, with the possibilities that leaders of communist countries had, or with the conditions for economic cooperation (Rathkolb, 195:129-149). According to Austrian researchers, the policy of state visits - *Besuchsdiplomatie*, was the basis for the development of correct bilateral relations (Madajczyk, 2010:584-654). Visits were much less frequent. It depended not only on the attitude of Eastern countries, but on the political conditions in which they were at that time (Rathkolb, 1998:87-105).

According to the Austrians, the challenge of the times was to transform "seller's markets" into "buyer's markets". The effect of the changes was the creation of multilateral relations based on payment and customs facilitation, and thus the creation of joint organizations of these countries (Höll, 1998:105-117) Economic integration in the form of the EEC assumed the creation of a "supranational community". Austria did not join the Commonwealth of Western countries although it had over 50% of trade turnover to this area. It was the price she decided to bear while maintaining her neutrality. As an alternative, the EFTA agreement was chosen, with countries whose turnover reached 13%. According to the Austrian minister, the discussion on the future of Austria's integration with the EEC and EFTA was not over and posed a significant international problem (Kiszteńska-Węgrzyńska b., 2016:33-55)

### **The economic value of cooperation with eastern countries**

The eastern area - *Oststaaten* was more attractive to Austrians in the interwar period. 28-35% of production was shipped there. After 1945, exchange rates with the East began to fall to 9% in 1988. This decline was associated with greater interest in EFTA markets - by 1950 46% of production was directed there, as well as the EC area - 64% of production in 1988. It was similar with imports. In the years 1950-1992, imports from Eastern countries accounted for 13-6% of all products imported into Austria. Vienna was seen by the Central European states as an important economic partner (Franaszek, 2006). In assessing the foreign policy of Austrian socialists, attention was drawn in Central Europe to the opening of the Second Republic to international problems and "unconventional" solutions (Stiftung[StBKA], 1961:8). In the late 1960s, Eastern countries intensified efforts to sign trade agreements that could either supplement the deficit of goods or provide access to new technologies. The USSR was not able to provide economic support to all satellite countries, or often treated the distribution of goods or raw materials as payment for political submission on the international forum. An additional obstacle to economic reality and decision-making at the central level was the Comecon activity. This structure imposed restrictions on taking independent economic decisions, for example by imposing obligations on individual countries under multiannual plans (Skobelski, 2007:49-90).

Austria's investment policy was based on creating political and legal conditions for building appropriate infrastructure ensuring development and mutual benefits. The membership of GATT (General Agreement on Tariffs and Trade) obtained by Poland in 1967 enabled the introduction of the most-favored-nation clause in the exchange of goods between Austria and Poland to the text of the 1968 agreement. Membership conditions were not easy for Poland. The signed commitments indicated a systematic year-on-year increase in the export of goods from the GATT country, while the difficulty was the lack of foreign currency and restrictions on the export of Polish products.

The first talks on trade liberalization and product specifications from Central Europe were launched in the 1960p. In the next decade talks were also started about loan agreements. Poland was to receive them for the development of the mining and chemical industry infrastructure. On the one hand, Austrian loans were associated with the need to raise funds from several sources and look for the most advantageous solutions, and on the other, to introduce the principles of a new credit policy in Poland (Gajdek, 2002:661). One year later, one of the most important trade agreements after World War II was signed - Agreement on the supply of electricity from Poland to Austria and on the import of investment goods and equipment to Poland on credit terms (StBKA, 1974).

Austria's loans were divided into several basic groups. The most important of them were used to finance investments. Subsequent sums were allocated to the purchase of raw materials and semi-finished products. The third group were loans for consumer goods (Archiwum [AMSZ] Dep. IV, 1978). By the end of 1978, with a total loan amount of 23.5 billion shillings, 3 billion were allocated for the purchase of capital goods in Austria, 4.7 billion for the purchase of steel products, 4.3 billion for licenses and cooperation under cooperation with Austrian enterprises, 1, 1 billion for the purchase of chemical raw materials, 6.5 billion for the purchase under the 5-year plan, 360 million for agri-food products. At that time, Bank Handlowy had the amount of 1.6 billion schillings at its disposal (Archiwum [AMSZ] Dep. IV, 1978).

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One of the first major investments in Poland was cooperation in 1973 with the Steyr-Daimler concern regarding the production of construction machinery, dump trucks and tractor units. Two years later, cooperation was developed by an additional agreement with the company "Polmot" (Wieczorkiewicz, 1980:126-127). It was about building trucks with a capacity of 18 to 32 tons, equipped with 450 hp engines. At that time, the Austrian bank granted a loan to implement this agreement. In 1975, an important agreement regarding cooperation on third markets was also signed. The Polish company "Polimex-Cekop" and the Austrian "Voest Alpine" decided to build a melamine factory by cooperating with the Linz AG concern. This encouraged other Polish enterprises to sign similar contracts in the following years (Archiwum [AMSZ] Dep. IV, 1978).

Poland's potential as compared to other Central European countries was highly rated and it was expected that changes in other brother countries would be similar (StBKA, 1975). The Austrian authorities also drew attention to the frequent visits of Polish leaders to France and Sweden, which resulted in economic privileges that Western countries received and loans to Poland (StBKA, 1976). Unfortunately, such active policy towards the West was not positively evaluated by the Moscow authorities. The first signs of "overinvesting" the Polish economy were already felt in 1976. The management board in Warsaw planned to raise food prices, which Leonid Brezhnev warned against in person, threatening to freeze some supplies of raw materials and grain. It occurred in the following years.

Austria sought to increase imports of Polish energy and raw materials, and discussed the emerging infrastructure and additional projects. In the minutes of talks between Prime Minister Jaroszewicz and Chancellor Kreisky of September 16, 1977, four future investors were mentioned and additional plans planned: Voest Alpine (7 projects), Klin Union (2 projects), Verenigte Metallwerke (1 project), Waagner Brio (1 project). The document prepared for the needs of working groups reads that among the eastern countries, the USSR and Poland deserved special attention. These countries have systematically produced more energy since the early 1970s than they could use (StBKA, 1970). According to experts, apart from the production itself, which was systematically growing, attention should be paid to rich deposits. Eastern countries did not look for an alternative in obtaining energy, they also used nuclear energy to a small extent. At that time, however, the Soviet side was clearly opposed to Polish projects based on raw materials from the Soviet Union. It should also be added that their price increased significantly during this time.

Without knowing the details of the implementation of this change, the Austrian authorities tried to identify trends for the coming years. Investments carried out in Poland did not contribute to the improvement of the situation, as they encountered an underinvested economy. Disproportions in the development of individual industries, or the inability to export attractive goods, for which Poland could receive the currency needed to pay off debts, accelerated the crisis. New loans were taken out to meet credit requirements, often under pressure from investors who, under threat of withdrawing from contracts, demanded incurring more liabilities. The consequence of the great investment wave of the first half of the decade was not so much an increase in export production as import restrictions in the second five-year period. These restrictions were carried out after 1976 at the expense of the quality of products manufactured for export and the extension of the investment process (Ząbkowicz, 1992:35). The distribution of funds for modernization consistently omitted the branches producing and providing



services to the population (trade, agriculture, municipal and housing management), which caused social unrest.

At the end of the 1970s, the authorities of the Polish People's Republic tried to pay off all debts, gaining the opinion of a reliable debtor. The reforms did not bring significant systemic changes in the economy, in particular in foreign trade and banking services for foreign transactions. No change was typical for the entire Soviet bloc during this period, it was considered politically dangerous. The exception was Hungary, which since the mid-1970s had an active policy to facilitate investment on the Danube (Gémes, 2009:333) In the light of some assessments, one-third of foreign debt arose as a result of incompetent license purchases. Excessive import of technical solutions had a negative impact on the work of national research and implementation centers (Rapacki, 1989: 4-8).

1978 ended a period of relative economic prosperity. Research conducted by Leszek Jasiński shows that a large part of foreign exchange funds was spent unjustifiably. This was due to many neglects, lack of knowledge and possibilities, dishonesty and lack of planning. It is difficult to determine the scale of fraud today due to the numerous censorship activities in the area that involved trade with both Western countries and the Comecon (Jasiński, 2011:274). Due to economic forecasts regarding economic exchange resulting from the analysis of the efficiency of the Polish energy sector, the Austrian side was thinking about looking for an alternative (Strzyżewski, 1977:31-39). The situation in which Poland would cease to fulfill its obligations regarding energy exports was dangerous for Austria, hence the search for additional safeguards. First, attempts were made to help pay off the debts Warsaw had incurred in recent years. From 6 to 11 November 1979, a mixed commission was convened in Vienna for economic, industrial, and scientific and technical cooperation. The main task set for her was to improve the exchange of goods During the meeting, a conversation took place between Minister Olszewski and Chancellor Kreisky. The Polish minister was received by the Chancellor on November 7. Kreisky suggested the possibility of cooperation on an extensive energy acquisition project. Ambassador Andrzej Jedynek reported to the Ministry of Foreign Affairs about the conversation, asking for immediate reaction. The Austrians proposed building a nuclear power plant in Poland. Investment financing was to come from Austria and Germany. The transit was to take place through Czechoslovakia or Hungary. The chancellor justified his project with the need to develop East-West energy cooperation. At the same time, attempts were made to avoid social attacks in connection with the construction of this type of facility in Austria (AMSZ, 1979).

### **Conclusions**

By calling the overall relations with Eastern European countries, the neighborhood policy has created new conditions and new values in these relations and has been transferred to partnership. Austrian politicians were not only aware of some changes related to defining the identity of Central Europe. This clarification was the process of emancipation of the societies of the region, which regained their voice and increasingly clearly promoted their own narrative regarding common history and politics (Parafianowicz-Vertun, 2016:61).

Both the Austrian government represented by Minister Kreisky and Willy Brandt were controlled by the administration of Richard Nixon, and especially Secretary of State - Henry Kissinger, so that in their cooperation with the countries behind the Iron

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Certain they would not go too far. Writing about Eastern policy, Polish researchers point out the foundations that Chancellor Adenauer or Kurt Georg Kissinger created for these relations (Koszel, 1997: 93-116). The effect of the changes was the creation of multilateral relations based on payment and customs facilitation, and thus the creation of joint organizations of these countries. Economic integration in the form of the EEC assumed the creation of a "supranational community". Austria did not join the Commonwealth of Western countries although it had over 50% of trade turnover to this area. It was the price she decided to bear while maintaining her neutrality. As an alternative, the EFTA agreement was chosen, with turnover reaching 13%.

In 1979, Austrian investments and support for the machinery and automotive industries resulted in 800% increase in imports from Austria compared to the values from 1970 (Austria, 1972:76). The value of exports grew slowly but steadily to 400% compared to 1970 and concerned mainly energy resources (Franaszek, 2006:192). If we compare these indicators with the breakdown of all Austrian exports, the share of Eastern countries, although very small, allowed the visible development of this part of Europe. The most industrialized countries: Czechoslovakia and Hungary used only 1% of goods sent from Austria, the share of our country was even smaller. The monetary value of Austrian imports in 1971 was \$ 66 million. It is worth noting, however, that Austria was one of the many countries that invested in communist countries at the time. By giving rise to new production branches, Austria supported changes in the economic structure of Poland and other Central European countries (Austria, 2013).

The quota system was abolished and mutual trade in goods was liberalized. Most-favored-nation treatment in accordance with Article I GATT was confirmed. The conditions of free movement of goods and finances were determined (Sikorski, 1973:104-113). The basis of lively economic cooperation were long-term trade agreements. In the years 1972–1976, settlements in convertible currency were introduced instead of the existing clearing system of mutual settlements. The quota system was abolished and mutual trade in goods was liberalized. Most-favored-nation treatment in accordance with Article I GATT was confirmed. The conditions of free movement of goods and finances were determined. The Payment Agreement of 1954 and the Trade Agreement of 1967 were canceled. The contract was to be in force until December 31, 1976. It was equipped with an Additional Protocol supplementing the indicators of mutual exchange of goods. The Austrian government foresaw the need for strong cooperation with eastern countries in the context of the growing energy crisis (StBKA, 1979).

Comments on the most important legal regulations related to trade indicate the key role of the issue of loans granted to Poland. They were mainly the subject of arduous negotiations and as the crisis progressed and the nervous situation in Poland's relations with the West. The investment acceleration announced in the 1970s was not due to the reconstruction and modernization of existing production plants, but to the production of new ones. New phenomena in the world economy were interpreted as favorable to Poland. The inflation of currencies, and above all the depreciation of the US dollar (two devaluations from December 1971 and February 1973) encouraged the Polish authorities to adopt a "philosophy of debt". As the oil crisis escalated, the international monetary system was fed with a huge number of "petrodollars". They were not worried about the terms and conditions of the loans they were signing when financial institutions were looking for money for bank deposits (Długosz 1995:43). According to the chairman of the Planning Commission to the Council of Ministers Mieczysław Jagielski, inflation in

Western countries has led to a reduction in the cost of foreign loans. This was a wrong assumption because accelerated inflation growth and multidirectional changes in exchange rates and interest rates in individual countries passed the risk associated with inflation increase on the borrower.

Incorrectness in calculations also resulted from the settlement of balance of payments at current prices. There was a situation in which already in 1975 the ratios generally recognized as the permissible current debt limit were exceeded: 1. exceeding 20% of the export rate of foreign credit servicing; 2. The value of debt in capitalist countries was almost twice as high as the annual foreign exchange inflows for exports to these countries, and should not exceed 1: 1. These adverse phenomena intensified in the second half of the 1970s.

Poland entered the 1970s with almost no debts, while the oil crises of 1973 and 1979 did not affect Austria, but because of the specific relations with Arab states they strengthened (AMSZ, 1980). Western countries based on the experience of overcoming inflation with monetarism, i.e. at the cost of a temporary downturn and rising unemployment, eagerly collected funds earned by fuel exporters in banks. In order to earn interest on large amounts of unexpected deposits, they extended loans massively, hoping that the economic situation will improve and inflation favorable to debtors will be constant (StBKA 1979). As a result of the deepening of monetarism in the early 1980s, the currencies in which debtors were in debt ceased to undergo further depreciation and even began to strengthen. In this situation, debts became unpayable. At that time, Poland belonged to a group of countries which, with a multi-billion dollar debt, exported capital to rich countries, fueling the so-called debt crisis (Morawski, 2009:28).

Problems with foreign debt servicing appeared as early as 1980, when the possibilities of obtaining new loans shrank significantly. This year, USD 8.67 billion in loans were obtained from the US, which was fully used to pay installments and interest. The following year, USD 5 billion came in, while debt servicing had to be spent USD 9.4 billion, with export revenues of USD 4.9 billion and import expenses of USD 5.8 billion. That is why in April 1981 the first contract with the Paris Club was postponed, the next year a similar contract was signed with the London Club. This cut Poland off from new loans. Some debtors began to organize and jointly demand a reduction in interest rates (the so-called Cartagena Group of 1984). However, Poland did not conduct such activity. She did not belong to the International Monetary Fund, as a communist country she was treated on different terms, and after the imposition of martial law she fell into complete isolation. From among Central European countries, Romania had a similar situation (Bachmaier, 2009:487-508).

It is worth emphasizing that when writing about the economic exchange of Austria with eastern countries, the term *Ostpolitik* was consistently avoided in relation to these countries, nor was it formulated about cooperation with the bloc (Jarząbek, 2014:305). Weronika Parafianowicz-Vertun points out that the term East, eastern states, had a bad connotation in German-language public discourse. By calling the overall relations with Eastern European countries, the neighborhood policy has created new conditions and new values in these relations and has been transferred to partnership (Rathkolb, 1994:211). Bruno Kreisky was not only aware of some common political and cultural reference points that Austria, Poland, Czechoslovakia, Hungary and Romania had (Schriff, 2012) He was also aware of the changes associated with defining the identity of Central Europe. In addition, in the history of diplomacy, the term *Ostpolitik* is

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clearly associated with Eastern policy defined and implemented by the Minister of Foreign Affairs and later German Chancellor Willy Brandt since 1966 (Historia, 2010:662-692).

By 1965, Vienna had set the most important goals of the neighborhood policy and strengthened its position in the region. He pointed to the need to extend trade agreements with the East, as well as to strengthen cultural cooperation, which was to be a new indicator of the development of Central Europe. It can be said that in this way he outpaced *Ostpolitik* in his relations with eastern states, which was implemented in the following years by German Chancellor Willy Brandt. Throughout the development of the neighborhood policy, Austria has consistently avoided calling the neighborhood policy Eastern policy. It was believed that the concept of *Ostpolitik* was synonymous with German diplomacy and was strongly cut off from it. This was not done because of the need to negate German actions, but to set own goals and standards for actions with communist countries. It was emphasized that these countries should not be called the Eastern Bloc, nor should they be treated as a monolith, because Moscow is doing a favor then. It was also believed that the term *Ostpolitik* emphasizes the eastern, worse character of this region, which was in line with how German historiography referred to the history of Central Europe. On the other hand, the concept of neighborhood policy was to emphasize common points in the past, politics and culture of the countries associated with Vienna and determine its partnership character. Although Kreisky had been friends with Willy Brandt since the time of emigration in Sweden and valued his achievements in foreign policy, he emphasized the role of Austria's active international policy in the process of shaping the new national identity. An important debate about the future was going on in Austria at the time. Not only the possibilities of economic integration within the EEC were considered, but also new directions for the development of a neutral republic were sought, highlighting its separateness from Germany.

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