

WORLD BANK RATES 'COMPETITIVE' AUSTRIA

*The World Bank's Investing Across Borders 2010 report confirms
Austria's standing in the FDI tables, writes Jürgen Brandstätter*

■ The report publishes the result of research by The World Bank Group into the competitiveness of 87 states with regard to FDI. It is based on the premise that the factors on which global companies base their investment decisions have changed in the last couple of years. When looking for an appropriate site for their production and distribution companies, investors increasingly take into consideration political and financial risks in those states. A decisive factor in the choice of investment locations is the stable and predictable political, economic and legal environment. Single factors, such as low production costs, are losing importance.

The research was developed between 2006-2008. They were based on the thought that FDI is not only profitable for the foreign investor but also for the state in which the investment takes place. Hence, foreign investments do not constitute a threat for the foreign economies in which they take place.

The report has the aim of showing the 87 states which sectors of their economies are still closed to foreign investors by various barriers. With regard to potential investors, the report measures the transparency and predictability of the economic and legal system in the state in question.

Among other things, the report shows that the economic downturn has led to a decrease in FDI by 40 percent. It also shows that almost all major economies were afflicted. This included almost all sectors of the economy and all different forms of FDI. 2010 however has shown an FDI increase.

SETTING BENCHMARKS

The Investing Across Borders report measures the opportunities and barriers which exist in the different states for FDI. To achieve this, four investing across borders indicators were defined: the investing across sectors indicator, the starting a foreign business indicator, the accessing industrial land indicator and the arbitrating commercial disputes indicator.

Researchers considered the inclusion of other areas such as employment markets, work conditions, currency regimes, regulations regarding the repatriation of capital, environmental protection and social security. These aims were however abandoned since the team of the World Bank Group wanted to

make enquiries into factors which could be changed by the states in question in the short term. Nevertheless, the above factors will be included in the extension of the inquiry which is planned for the future.

This means that the Investing Across Borders report by no means provides for a complete and conclusive analysis of investment opportunities abroad, in a specific state. The report published in mid 2010, also does not include all world economies. It is the World Bank Group's aim to develop the Investing Across Borders report into a regular publication which regularly measures and analyses FDI regulations.

It is the report's goal to provide governments and legislative bodies of the respective states with information that will help them improve the regulatory framework – which will in turn encourage foreign investment. At the same time, the report wants to provide investors with information on which countries provide better foreign direct investment conditions than their neighbours.

The first criterion, the Investing Across Sectors indicator, measures to what extent countries permit investors to acquire ownership in national companies. The research included 33 sectors of the economy which were divided into 11 economic groups, including mining, oil and gas, agriculture and forestry, light manufacturing, telecoms, electricity, banking, insurance, transportation, media, sector group one and sector group two. Sector group one consists of construction, tourism and retail, while sector group two consists of health care and waste management.

The second criterion, the Starting a Foreign Business indicator, rates the time, procedures and legal framework that are necessary for and governing the establishment of a domestic subsidiary of a foreign investor.

The third criterion, the Accessing Industrial Land indicator, evaluate how far investors may acquire or lease real estate or land as well as how easily they may obtain information with regard to land and real estate.

The fourth criterion, the Arbitrating Commercial Disputes indicator, assesses the predictability of the legal system in a country and the possibility to seek alternative dispute resolution as well as arbitration.

CASE STUDIES

Findings in the Investing Across Sectors Indicator have shown that the Austrian legal system does not pose any general restrictions on FDI. This means that Austrian companies may be owned 100 percent by foreign investors. If a foreign investor wants to acquire a business in Austria, there are no registration or permission requirements. There are only restrictions when it comes to foreign participation in electricity, aviation and media companies. In this category, Austria is thus performing above the regional and international average. Although it is not mentioned in the report, it must be added that the Austrian Government has created an agency designed to facilitate starting business activities in Austria (the Austrian Business Agency, www.aba.gv.at). The agency will help foreign investors with their investment decisions and aims to be the first port of call for companies that need help investing in Austria.

When looking at all the countries under the Starting a Foreign Business indicator, Austria is also above average in the category. It is only slightly below average when accounting for OECD countries only. In this area, it must be pointed out that in Austria the movement of capital has been liberalised and bank accounts may be opened without restrictions, even in foreign currencies.

Austria is strong in the Accessing Industrial Land category. There are no restrictions for investors who want to acquire or lease real estate or land. It is not necessary to register lease contracts. As the report points out, "Austria is one of the few countries that have a functioning land information system (LIS) and a geographic information system (GIS)."

With regard to the last category, Arbitrating Commercial Disputes, Austria, as an "UNCITRAL Model Law Country" is also found above the average of the OECD countries and far above the average of all the countries analysed in the report.

When the report includes further indicators of employment markets, infrastructure and security, it will show that under a broad analysis, Austria is an ideal place for FDI. ◇

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