Eastern European Trade and the Austrian Labour Market

By

Karl Aiginger, Rudolf Winter-Ebmer, and Josef Zweimüller

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I. Introduction

The breakdown of the communist regimes in Eastern Europe resulted in a major structural break in the international economic relations of most Central European countries. This is particularly the case for Austria. Due to its geographical situation and its strong historical ties, especially with former Czecho-Slovakia, Hungary and Poland, Austria received disproportionally more immigrants than other countries [1] and its trade flows reacted more strongly. Already in 1989, Austria exported the largest volume to the Central and Eastern European Countries (CEECs), except for Germany and Italy. Furthermore, Baldwin (1994: 90) estimated a very high future export potential into those countries using a gravitation model, matched only by Germany, Italy and France.

In this paper we take a look at the consequences of this trade creation for the Austrian labour market. In contrast to the U.S., where recently many empirical studies dealt with labour market effects of the NAFTA treaty, almost no comparable studies [2] exist for Europe. The Austrian example may therefore serve as a benchmark case of a country which is most heavily influenced in relative terms.

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[1] See Winter-Ebmer and Zweimüller (forthcoming) for the impact of migration on the Austrian labour market.

[2] Cadot and de Melo (1994) provide simulation results for the regional distribution of possible job creation and destruction caused by CEEC trade with France.

II. Labour Market

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