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“Austria – Sieve to the East:”  
Austria’s Neutrality during the East-West Economic War 1945/1948/1989

This survey is an analysis of three phases, the beginning and the end of the geo-political influences on “East-Trade“ in Austria in which we are quite consciously beginning our reflections in the second half of the year 1945, although it is well known that Austrian neutrality is a product of the State Treaty negotiations of 1955 and was only adopted by Parliament on October 26, 1955, as constitutional law. This 20-minute presentation will focus on the basic geo-political conditions for the export-trade but ultimately also on the import economy and not on an analysis of businesses from the point of view of the history of economics; some excellent analyses of this kind will indeed follow.

**1) The economic war began as early as 1945**

While Sweden and Switzerland could slowly adapt their neutral-political objectives to the emerging geopolitical confrontation as early as 1945, Austria, from the time of its founding as a state, was itself a part of the East-West conflict. The provisional government of Renner, established on Soviet initiative in Eastern Austria and Vienna, with representatives of the equally newly founded parties, SPÖ, ÖVP and KPÖ (i.e. Social Democrats, People’s Party and Communist Party) was in fact a breach of inter-allied agreements: Such an “early” government was not a part of the pact that had been made, and it was only with difficulty that the Western Allies could be convinced that it was not here not a case of a communist shadow government. In this politically highly charged atmosphere all business negotiations and the setting of all economic directions were followed with great attention.

Thus for example in the area of the oil industry, built up in the context of the German armaments industry, there were intensive negotiations over a common Soviet-Austrian industrial company. The Republic of Austria still consisted only of Lower Austria, Vienna and the Burgenland as well as the Mühlviertel in Upper Austria – as is known, the provisional state government of Renner still had no competence to govern in the Western Allied Zones – this Republic of Austria was supposed to bring into the company 13 million US dollars, the

Soviet share (12 million dollars) would have been made available in the form of the claimed oil fields. The project which was moreover connected with a Soviet-Austrian commercial treaty fell through ultimately because of a “coalition” which cut right across the Austrian party elites of the SPÖ and ÖVP and the bodies representing various interests. State Chancellor Karl Renner (SPÖ) voted for the Soviet-Austrian project, Adolf Schärf (SPÖ) against it, Julius Raab (ÖVP) supported Renner, Eduard Heisl (ÖVP) however presented the US-American and British reservations and massive political pressures which in September 1945 caused the negotiations to fail.<sup>1</sup> In the cabinet, Schärf did deny a connection, openly addressed by Ernst Fischer „a connection ...between interventions of foreign capitalist circles,”<sup>2</sup> but it is a fact that US-American and British diplomats intervened and that British and American print media took up the topic.

Whether in the end a mixed company solution of this kind would have paid off can in retrospect only be very vaguely analyzed. The political objective as in the East European states (Hungary, Rumania etc) can probably be denied. In any case up to 1958 Austria out of its “national wealth had to pay de facto oil reparations to the Soviet Union, which until the State Treaty of 1955 were neither controlled nor precisely estimated, since the Soviet petroleum management alone operated the oil wells. In the year 1955, as a result of excessive extraction, annual production had reached an estimated 3.7 million tons. Between 1955 and 1958, 6 million tons of oil had to be delivered to the Soviet Union – in the value of 2.7 billion schillings (US \$ 108,000,000).<sup>3</sup> Since in 1945 the Soviet Union had offered a 50:50 sharing of the net profit, a considerable profit might have accrued to the Austrian economy despite high original investments.

In this phase, the neutrality question did not play a role, nor did technology transfer, but rather the question of the economic dependence of Austria on communist states, or on states in which the Communist Party was increasingly setting the tone. From the Austrian point of view however the options were for the time being extremely difficult, as on the one hand there was a traditional inter-connection with the East in the realm of trade relations but also of foreign investments, and on the other hand the strong economic dependence on Germany was politically cut back overnight. Economic political plans like that of the Social Democrat

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<sup>1</sup> Karl R. Stadler, Adolf Schärf. Mensch, Politiker, Staatsmann, Vienna 1982, 226-231.

<sup>2</sup> cf. on this point, Gertrude Enderle-Burcel, Rudolf Jerabek (eds), Protokolle des Kabinettsrates der Provisorischen Regierung Karl Renner 1945, vol. 3, Wien 2003, 17; see also vol. 2, 419-429

<sup>3</sup> Karl Ausch, Licht und Irrlicht des österreichischen Wirtschaftswunders, Vienna 1965.

Julius Deutsch to create a Central European economic area failed similarly because of the emerging geopolitical dividing lines which since February 1946 had also broken out into open propaganda and become visible to the public.

While the economic literature on this topic up to this time – such as for example Jan Stankovsky<sup>4</sup> -- only refers from 1954 on to the application of the strategic US embargo by means of the IC=DV system( Import Certificate/Delivery Verification), concrete information can now be presented, drawn from US-files, and so this gap can be closed. As early as the autumn of 1948, an “East-West trade control program“ was developed by the US High Commissioner, the US Legation and the ECA Mission, at the highest level, together with Federal Chancellor FIgl and Foreign Minister Gruber.<sup>5</sup> On the basis of limitations placed on Austrian manoeuvrability by the Soviet presence, two US committees, the East-West Trade Committee” and the “Vienna Screening Committee” took over this task whereby legal trade with the “East” was to be kept under surveillance as well in consultation with the Austrian authorities -- in strategically sensitive cases. Also the transit trade was kept under observation and here the Soviet-run USIA firms were especially alleged to be the targets. The Screening Committee examined US Export Licenses for Austria, thus between 1948 and 1951 more than 4,500 applications of which 380 were reported to the Department of Commerce which were not to be approved.

Generally the export of “non-embargo strategic and non-strategic items” to Eastern Europe was politically condemned but accepted as being necessary for the acquisition of raw materials – thus, for example, coal from Poland. It was at that time already impossible to do more than keep an inadequate watch on transit business deals.

A big problem in 1952 was that USIA-export applications could only be rejected by the Federal Ministry for Trade and Reconstruction, since Soviet reprisals were feared in the shape of blocking transport through the Soviet Zone.<sup>6</sup> Nevertheless all USIA-export applications were presented to the US-Embassy and many USIA applications were denied by the trade section, Iron and Metals, for lack of foreign exchange.

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<sup>4</sup> Jab Stankovsky, Österreich und das Cocom, in: WIFO Monatsberichte 3/1990, 148-155, here 149.

<sup>5</sup> NA, RG 59, Lot Files, Lot 54 D 541, Box 3: Austria, East West Trade and Controls, 6.

<sup>6</sup> *ibid.*, Aide Memoire, Aug. 14, 1952.

Also compensation business deals – as for example the 1952 export of 1,354 tons of steel into the Soviet Zone of Germany against 60,000 tons of briquets (in the value of 840,000 US \$) -- were submitted to US authorities for permission, here to the US Special Mission for Economic Cooperation on the part of the Federal Ministry for Transport and Nationalized Companies. The volume of business had to be reduced under pressure from the US.<sup>7</sup>

From the international point of view, the USA was highly successful and even Great Britain had to give up its opposition to the US policy despite economic dependence on trade with the East, since the US Congress had tied the delivery of military aid to participation in this strategic embargo.<sup>8</sup>

According to a 1953 article in “Life”, in which Austria was already described as a “sieve to the East,” a change to the Swiss model and to the introduction of the IC/DV system ensued, i.e. to the introduction of clearance declarations. The Austrian importer only received an export license from the USA on presentation of the import certificate from the Ministry of Trade. A system on this model was again introduced in 1985 – this time on a legal basis.

## **2) The long shadow of the Cold War: Cocom-lists and political interventions despite neutrality after 1955**

After 1955 too, a role was played not only by the question of strategic technology transfer but also by the question of economic dependence on the Comecom countries. In this, strategic export goods only played a distinctly subordinate role. The diplomatic representative of the USA in Vienna, Llewellyn Thompson tried continually also in the realm of economic policy to influence indirectly the “foreign policy” course of Raab in the East-West-relationship after the State Treaty was concluded. The first “triggering case” was the “Russian loan,” after the parliamentary group of the Austrian People’s Party proposed on December 2 1955 in the Lower Austrian Regional Government to assume a federal guarantee for a “long-term loan up to the amount of 800 million S with a term of at least 20 years bearing interest up to 3% per annum to be taken up by the Union of Socialist Soviet Republics.<sup>9</sup> US diplomats argued quite openly in Vienna that -- despite the advantages of this loan with which a part of the Soviet

<sup>7</sup> *ibid.*, Written communication of Oct. 24, 1952.

<sup>8</sup> cf. on this, Luciano Segreto, Europe vs. United States or bellum omnium contra omnes? COCOM, National Economic Interests, Pressure Groups and Politics in East-West Trade in the 1950s and 1960s (EBHA Conference 2001 paper), 7.

<sup>9</sup> Kreisky to Thompson. Dec. 2, 1955. SBKA, Material Staatssekretär/ Staatsvertrag.

Schilling-credit balance could be combined, -- it could make future Western credits more difficult or prevent them altogether.<sup>10</sup> Moreover the World Bank had signaled that it did not want to grant credit for projects financed with Soviet capital.<sup>11</sup> Since “money cannot be tied down”, all Austria projects would be endangered by this.

Also an abolition of the terms of the Cocom-embargo, anchored in the Foreign Trade Law was prevented on the part of the US by “informal” warnings.<sup>12</sup> There are a whole series of other examples for the fact that the USA after the conclusion of the State Treaty and after the withdrawal of the occupation troops exerted pressure on the Austrian federal government – but also on regional governments as in the case of Lower Austria – to allow no “breaks” in Western economic integration or alternatively in the economic war against Eastern Europe and the Soviet Union. Austria had already de facto complied with the Cocom embargo terms before the Korean War.<sup>13</sup>

Attempts after the State Treaty to enforce a “neutral” position – with reference to the former business contacts of the former USIA business administered by the Soviets – were “nipped in the bud.” On the US side, the argument was openly made that a violation of the terms of the embargo would lead to stopping Marshall plan payments (the “ERP-fonds” had not yet been handed over with the counter part funds) as well as stopping the delivery of surplus goods and would endanger the import of US wares. Despite many considerations and despite reference to the economic “equality of treatment terms” in Art. 29 Abs 1 lit b., the Austrian federal government gave in on this question and followed the US line. Even neutral Switzerland had not succeeded here in an autonomous shaping of their external trade relations, and with the so-called Hotz-Linder Agreement of July 23, 1951, it accepted the economic embargo imposed under the signature of the USA 1949 against the East block.<sup>14</sup>

In practice this meant for Austria after 1955 that “brass pipes, sheet brass, condenser pipes and pointed chisels for drilling instruments” were classified as “embargoed wares” and therefore could not be exported to the “East.”<sup>15</sup> Up to the concluding of the State Treaty and the withdrawal of the Allies, such exports had been at least theoretically possible out of the Soviet occupation zone in Austria. The Austrian ambassador in Washington, just like the officials responsible for this in Vienna, received in each case the newest “list of commodities

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<sup>10</sup> Anleihe der Sowjetunion an Niederösterreich, Gespräch mit Botschaftsrat Willoughby. *ibid.*

<sup>11</sup> FRUS 1955-57, vol. XXVI, p.32.

<sup>12</sup> On the overall effect of these regulations on East West Trade, see Fritz Breuss, *Österreichs Außenwirtschaft 1945-1982*, Vienna 1983, pp.124ff.

<sup>13</sup> cf. on this, Rathkolb, *Historische Bewährungsproben*, p.136.

<sup>14</sup> André Schaller, *Schweizer Neutralität im West-Ost-Handel. Das Hotz-Linder-Agreement vom 23. Juli 1951* (=St. Galler Studien zur Politikwissenschaft 12), Bern 1987.

<sup>15</sup> Microfilm No.1413, *Wirtschaft, SBKA, Mat. Staatssekretär.*

included under the Battle Act.”<sup>16</sup> In a report of February 15, 1956 to the Council of Ministers, Foreign Minister Figl requested that “the terms of the embargo” should be complied with because “the instinct for economic self-preservation forced Austria to observe the terms of the embargo in order not to run the risk itself of being made subject to an embargo.”<sup>17</sup> “The American Embassy had “made serious remonstrances.”<sup>18</sup>

In the same way as the direct COCOM-members, the federal government tried to negotiate exceptions with the USA – usually not as successfully as the COCOM- members. Thus Federal Chancellor Raab wanted to push through an exemption permit with Foreign Minister Dulles in May 1958. In this specific case, it was a matter of the delivery of a rolling mill to Czechoslovakia with a considerable order in the amount of 1.9 million US dollars (of this \$976,000 were to go to the emergency managing firm, the former USIA firm Siemens-Schuckert-Werke).<sup>19</sup> As Raab’s intervention met with no success, he publicly criticized Dulles’ “intransigent attitude” and tried to bring about an “undercover” business deal through a Canadian group via the USSR.<sup>20</sup> Whether this „Austrian solution“ came to pass cannot be ascertained on the basis of the available documents. It remains a fact that Austria up to the end of the Cold War – and also partially afterwards – was bound to this embargo on such exports as required a permit through the Foreign Trade Law, even though again and again indirect business deals occurred as did US-interventions and stricter legal rules.<sup>21</sup>

In regard to the economic alignment of Austria, the diplomats in Vienna tried to make it clear to the central authorities in Washington that

"The continuance of the Western orientation of the Austrian economy, to which the operation of the Productivity Program can materially contribute, cannot fail but influence Austrian international policy toward the West. An international policy with stronger Eastern orientation could well result if the Austrian economy were to tend Eastward. Also, increased productivity leading to higher living standards would tend to discredit internal communism".<sup>22</sup>

<sup>16</sup> Memo of Conversation, Sept. 8, 1955, p. 2. NA, RG 59, 763.00/9-855, Box 3577.

<sup>17</sup> Vortrag an den Ministerrat, Feb. 15, 1956, p.4. Mikrofilm No. 1414, SBKA, Mat. Staatssekretär.

<sup>18</sup> *ibid.*, p.3.

<sup>19</sup> NA, RG 59, 763.00/5-158 or alternatively 763.00/5-858.

<sup>20</sup> Martin Fuchs, Tagebücher, 31. Mai 1958. Transcript in the possession of the author (Stenographic Original in the ÖIfZg.)

<sup>21</sup> cf. in general Gunnar Adler-Karlsson, *Der Fehlschlag. 20 Jahre Wirtschaftskrieg zwischen Ost und West*, Wien 1971, as well as the more recent Linda Melvern, David Hebditch, Nick Anning, *Techno-Bandits*, Boston 1984, pp.142-157; Gerald Braun, *Der Kalte Technologiekrieg. Zur Geschichte des West-Ost-Technologietransfers*, in: *International 5-6/1988*, S.53-56 and also latterly Jan Stankovsky, *Österreich und das COCOM*, in: *Monatsberichte des Österreichischen Instituts für Wirtschaftsforschung 3/1990*, pp.148-155.

<sup>22</sup> Message, Oct. 17, 1955. NA, RG 59, 763.5-MSAP/10-1755, p.3.

This quotation out of a report on the continuation of a Technical Exchange Program with a proposed budget of \$340,000 for 1956 can also be put down to the "big" foreign aid of the USA, the ERP-aid. On all levels the economy experts of the US Embassy in Vienna were aware that living standards, the lowest in Europe, had to be raised despite the financial burdens in regard to the Soviet Union arising from the State Treaty, and despite the high demands of Anglo-American oil companies stemming from the Viennese Memorandum. Investments in the formerly Soviet-run USIA firms were seen as correspondingly important, as was a general raising of the productivity of the Austrian economy.

Through this targeted economic aid, the Americans hoped unreservedly to strengthen Austria's integration into the West.

"The next few years will be decisive in influencing the orientation of Austrian 'neutrality'. It seems important, therefore, that US activities will be accepted by Austria as not infringing on her neutrality, and which will provide a basis for transmitting American ideas and influence should be pressed forward to the maximum extent".<sup>23</sup>

### 3 "Atomic Technology Transfer" and the "International Atomic Energy Authority."

Under this heading we shall do no more than point to the fact that naturally as early as 1945 German military technology was sought in Austria by internal search parties whereby the USA was highly successful in West Austria. In 1948 numerous Austrian scientists were still on special lists, and they, like numerous physicists in Vienna, could potentially have cooperated on the development of an atomic bomb in the Soviet Union, and would in the case of a division of Austria have fled from Vienna. If it had proved impossible for them to flee, the option of liquidation was altogether foreseen in US planning -- with no concern for the ideological position of those concerned.

Even in the last months before the conclusion of the State Treaty, close cooperation developed in connection with the Austrian interest in atomic technology. After the development of their own atomic capacities in the Soviet Union, this topic obviously did not play much of a role any more. Thus on February 9, 1955, Ambassador Gruber in the State Department signaled official interest in the peaceful use of atomic energy (training possibilities for Austrian scientists in the Argonne Laboratories; the construction of a test reactor).<sup>24</sup> Furthermore, in April 1956 the Austrian ambassador announced official interest in the establishment of the

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<sup>23</sup> *ibid.*

<sup>24</sup> Memo of Conversation, Feb. 8, 1955, S.3. *ibid.* 611.63/2-955, Box 2536.

planned "International Atomic Energy Agency"(=IAEA) in Vienna ("his arguments had been that location of the agency in Vienna would contribute to making Vienna once again a center of world affairs").<sup>25</sup> There were indeed reservations especially on the part of the British against a "Viennese solution," but the USA had still not decided. As already documented, the Britons had at this time no confidence in the neutrality of Austria.

From the point of view of "Realpolitik" the idea for "IAEA" was a US-domain. Already in December 1953, President Eisenhower had suggested setting up this authority in a UNO speech, "Atoms for Peace."<sup>26</sup> Since then US-experts had dominated these negotiations and the leadership role of the United States of America had expanded. An important factor in this was technological superiority which strengthened the concept of the US "Leadership."<sup>27</sup> Above all, the Eisenhower Administration tried to control the access to and the development of atomic technology, and through this "detour" to firm up the leadership role of the USA. Therefore Gruber had intervened in the right place and had cleverly "pulled out all the stops;" thus he inimated indirectly that the problem of housing and office space could be solved with reference to the Schönbrunn Palace and the Hofburg. Allegedly there were attempts of the Chairman of the US Atomic Energy Authority, Admiral Lewis L. Strauss, to establish the IAEA in Washington. The UNO bureaucracy also tended to act against Vienna and pushed Geneva as a site for the new authority.<sup>28</sup> The basic interest in atomic questions found its expression on June 30, 1956, in an agreement with the United States of America on scientific exchange of information on the peaceful use of atomic energy, and in the last resort, it proved that this basic interest brought the USA onto the side of Austria. At first however Austria could not make its mark against the Swiss because of the "wait and see" attitude of the Americans, not even after Austria was accepted into the United Nations (December 14, 1955). In 1956, the Austrian diplomats did not succeed in deciding the site-question in the discussion on ststues, but at least they succeeded in bringing the decisive "first" conference to Vienna.

When after this in January and February 1957 there were growing tendencies inside the UNO bureaucracy and also in the Soviet Union not only to move the first general conference of the IAEA from Vienna to Geneva but also to prejudice the site-question in this way, Austrian diplomats strengthened their interventions in the State Department.<sup>29</sup> In July, 1957, US

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<sup>25</sup> Memo of Conversation, April 19, 1956. *ibid.* 0/4-1956, Box 3577.

<sup>26</sup> FRUS, 1955-1957, vol.XX, p. 743.

<sup>27</sup> *ibid.*, p.752.

<sup>28</sup> Hans Thalberg, *Von der Kunst, Österreicher zu sein. Erinnerungen und Tagebuchnotizen (=Dokumente zu Alltag, Politik und Zeitgeschichte 6)*, Vienna, 1984, p. 222.

<sup>29</sup> Memo of Conversation, Jan. 17, 1957. NA, RG 59, 763.00/1-1757, p.3; *ibid.*, 7. Feb. 1957, 763.00/2-757, pp.1f.

experts made sure that the Vienna solution would hold. In this connection it was certainly an advantage that the Director of the Office of U.N. Political and Security Affairs, Ware Adams, and also Francis T. Williamson, in the Office of Western European Affairs of the State Department, were "old" Austria experts from the time of the occupation.<sup>30</sup> Preliminary decisions on such questions could be made at the middle level of diplomacy. The central advantage lay however in the fact that Austria had recognized earlier and more clearly than others the claim to leadership in atomic questions on the part of the US. In actual fact, after a suitably generous offer of space, Vienna was offered the "contract" in October 1957.

Attempts to push through the former foreign minister and then ambassador in the USA, Karl Gruber, as General Director of the IAEA failed however,<sup>31</sup> for already in October 1956 Admiral Strauss had intimated to John Foster Dulles that the Americans would not strong-arm the appointment of the executive secretary, in order to reserve for themselves the position of the General Director ("to put behind an American for the top billet").<sup>32</sup> Indeed the Soviet Union proved to be very willing to make compromises in the further negotiations and accepted the American, Sterling Cole -- despite many member voices who pushed for a Director General from a neutral country.<sup>33</sup>

In regard to the Austrian research reactor project there were however no problems; on the basis of a new agreement of January 20, 1959, the Republic of Austria received not only 50 kg Uranium on loan, but also financial aid of 350,000 US \$ for the setting up of a reactor in Seibersdorf or alternatively a smaller reactor in the Viennese Prater. The Seibersdorf project alone, carried out with the American Machine and Foundry Company, Atomics, was estimated already in 1958 to be worth 4,082,930 US\$.<sup>34</sup> In the end the involvement of US diplomats had also paid off for their own national private economy.

#### **4) The Return of the Cold War in the 1980s**

Increasingly the diverse controls of Austrian trade with the East carried out by US agencies disappeared into the darkness of history, after the Johnson administration established in 1966 that the Cocom-lists ultimately had not achieved very much. Defense Secretary Cyrus Vance and State Department Under-Secretary George Ball documented that the "Cocom selective

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<sup>30</sup> The Biographic Register 1957, Washington, D.C., undated, p.22 u. p.698

<sup>31</sup> Thalberg, Von der Kunst..., p.227.

<sup>32</sup> FRUS, 1955-1957, vol. XX, p.436.

<sup>33</sup> *ibid.*, p.745.

<sup>34</sup> Despatch, Aug.7, 1956. NA, RG 59, 863.1901/8-758, Box 4795.

embargo" had scarcely had any effects on the growth of the economy or the military capacities of the Soviet Union.<sup>35</sup> In the period of détente in the 1970s, technology transfer was in itself no longer a topic – certainly not in regard to Austrian exports or transit business deals.

A press conference of Fred Ikle and Richard Perle in the autumn of 1982 suddenly thrust Austria in to the limelight of the media as an exporter or gateway for the export of strategic technology into the Warsaw Pact countries. Austrian diplomacy was quite taken by surprise at this turn of events<sup>36</sup>, but obviously the State Department was not involved here. Subsequently the US Ministry of Trade increased the pressure in that new ordinances were issued whereby export licences to Austria were prohibited. The concrete imposition of these conditions on the control of strategic goods was left to the Austrian authorities. Negotiations became complicated however through a Wall Street article in which a US government secret agent was quoted as saying: "I dislike the Russians, but I hate the Austrians" -- on account of diverse technology transfers to the East. Above all the Ministry of Trade had targeted customs-free zones in Austria and maintained that 15% of all business people and firms to whom an export license to the "East" had been denied had their business headquarters in Austria.<sup>37</sup>

An important triggering case was a Joint Venture of VOEST with the American Microsystem Concern through the project Austria Microsysteme International GmbH (AMI). The issuing of the corresponding export licenses was however tied to strict US conditions. In a works in Unterpemstätten, computer chips were to be produced.

In the National Security Council however experts expressed their satisfaction as early as 1984 with signals that "Vienna" was ready to contain the technology transfer of goods with "dual-use." Obviously the actual transfer was not so great since the government officials held back quite strikingly and wanted above all not to create the impression that the USA was dictating the concrete legal changes. Corresponding press debates in Austria had obviously had an effect after Federal Chancellor Fred Sinowatz had rejected NATO demands for a ban on the

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<sup>35</sup> Segreto, Europe, 13.

<sup>36</sup> Oral communication of the Federal Minister ret'd, D. Dipl.-Kfm. Ferdinand Lacina

<sup>37</sup> Wall Street Journal, Sept. 16, 1987, p. 31.

export of technology produced in Austria.<sup>38</sup> The amendment of the Austrian Foreign Trade Law limited itself to the surveillance of the import of COCOM-embargo wares; a formal adoption of the COCOM lists was rejected.

Still in 1987 President Ronald Reagan went even further in a conversation with Ambassador Thomas Klestil and emphasized „that the huge volume of in-transit shipments through Austria make your country a target for illegal diversions of sensitive Western technology...A transit control regime would be an important indication that Austria is serious about protecting sensitive US technology”.<sup>39</sup> In the background notes for this meeting it becomes clear that the Austrian authorities here went far beyond their legal obligations: "Austrian authorities bent the rules to help us stop transit diversion two years ago. Assistance was extra-legal, however, and the same approach failed to stop many items of a large quantity of controlled computer-related equipment from being shipped to East Europe last year". Reagan also addressed the topic of technology transfer in a visit of Federal Chancellor Franz Vranitzky on May 21 but did not go into the same depths as the background notes. He signaled however that the USA also wanted to interfere in favor of a strict control of the inner-Austrian transit of technology.

In July 1987 -- shortly before a COCOM meeting --the breakthrough, from the US point of view -- was reached: Austrian government agencies had approved a change in the law and had moreover agreed to comprehensive administrative controls for the control of "in transit" goods. In a 12-page memorandum of a conversation the points were agreed in detail -- without the minutes being signed. Again the COCOM list was applied -- all goods listed there had to receive an export license.

Only in one case was the export of technology produced in Austria -- by contrast with Switzerland -- a problem for the Cocom experts. Switzerland and Sweden had already been raised to the status of "preferential treatment."<sup>40</sup> Only in 1988 was the Out-Put oriented surveillance introduced through a further amendment of the Foreign Trade Law and for the first time also a Cocom-list (with precise information on particular computers for example) became official. Also access to transit-wares was made possible for the first time.

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<sup>38</sup> Arbeiter Zeitung, Sept. 26,1984.

<sup>39</sup> Ronald Reagan Library, Simi Valley (CA), memo of conversation, Reagan – Klestil, April 27, 1987.

<sup>40</sup> Wall Street Journal, Sept. 16, 1987.