

## Austria: Europe's new role model?

After two months of official negotiations, the Austrian People's Party (ÖVP) and the Green Party will form Austria's new government after the Greens approved the coalition programme at a party conference on Saturday with 93%. The coalition is not only a novelty in Austria but in the entire eurozone



Leader of Austrian People's Party, Sebastian Kurz (L) and leader of the Austrian Green Party, Werner Kogler (R)

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The ÖVP, by far the strongest party since the early elections on 29 September, had given itself plenty of time to form a coalition but in the end, things happened very quickly at the start of the year. On Thursday last week, Sebastian Kurz, head of the ÖVP and designated chancellor, and Werner Kogler, party leader of the Greens and designated vice-chancellor, presented the key points of their government programme at a press conference. Tomorrow, the new government will be sworn in by Federal President Alexander Van der Bellen.

### The best of both worlds?

In the more than 300-page government programme, the two parties have defined their priorities. While the ÖVP made concessions in the area of environmental protection, the Greens accepted demands by the ÖVP regarding migration and integration such as the extension of the existing head scarf ban for girls up to the age of 14. Among other things, both parties are in favour of CO<sub>2</sub>

tariffs on an international and European level. How a CO2 tax, favoured by the Green party, will work and whether it will be introduced on a national level remains to be seen.

The ÖVP's focus will lie on these five areas:

- Reduce the tax burden but stick to a zero deficit policy: reduction of the first, second and third stage of the income tax tariff: from 25% to 20%, 35% to 30% and 42% to 40%
- Migration and immigration: external border protection
- Sustainable care: reform of nursing care and introduction of nursing insurance
- Security: increase police staffing, fight against organised crime
- Education: compulsory education, digital classrooms, German remedial teaching

The Green Party's priorities, as expected, surround environmental protection:

- Climate neutrality shall be reached by 2040, 10 years ahead of the EU target
- Eco-social tax reform
- Flight ticket levy: uniform regulation of €12 per flight ticket
- Revision of the registration tax for vehicles
- Increasing the accuracy of the commuter allowance, making the existing truck toll more ecological and stronger incentives for CO2-free company cars
- A task force for ecotax reform in 2022 will be established. The aim is to increase the price of CO2 emissions in particular
- By 2030, 100% electricity from renewable energy sources

Overall, the hierarchy between the senior partner and the junior partner in this coalition is visible, even if green features are clearly present. Also, the budgeting of the government's plans is not yet entirely clear. Although the flight ticket levy, an increase in the registration tax and a truck toll would generate some government income, reducing the tax burden or reaching climate neutrality by 2040 are costly plans. At the same time, however, a zero deficit policy will be maintained. As the economy cooled down last year and is likely to remain on a modest growth path this year, we forecast GDP growth of 1.1% for this year and we think 1.4% for 2021 will be challenging.

As the first coalition between a conservative and Green party, the new Austrian government will be an interesting test case for the rest of Europe, particularly Germany. Given the recent support for Green parties across Europe, such a government coalition could become a political option in more countries. The rallying cry of the new government is migration and climate change, topics which have become increasingly important in Europe. While Austria has made headlines with various scandals in recent years, it now has a chance to become a role model for the entire continent.

## Author

### Inga Fechner

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

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