

The Habsburg Empire was one of the three main powers of Europe during the fifteenth to nineteenth centuries. It included peoples belonging to 12 nations who spoke many more languages, yet for several hundred years until World War I, the Empire was recognized as one single ruling authority and a single economic unit.

After the break-up of the Habsburg Empire in 1918, the remaining German-speaking areas were constituted into the first Republic of Austria (1918–1938). This relatively small country approximately the area of today's Austria was unable to cope with the many difficulties of re-adaptation from the past. The collapse of the Empire had caused severe social and political dislocations; the separation of Vienna from its old hinterland had a deep wrenching effect on the region with head offices being cut off from their factories and manufacturers being separated from their former markets or traditional sources of raw materials.

The next two decades were characterized by internal instability, disorder and eventually by civil war. In 1938 came the *Anschluss* by which Austria was totally incorporated into Nazi-Germany and ceased to exist as a separate political state.

During the period 1938–1945 the Austrian economy was substantially re-oriented on a war footing. This conversion permanently changed to some degree the lines of economic activity away from the traditional eastern hinterland towards greater interlinkage with the economies of western Europe.

After the war ended in 1945 Austria remained separated into four zones by the occupying Allied Powers until the signing of the 1955 State Treaty. This agreement made Austria once again a sovereign and independent nation, constituted as the second Republic of Austria.

The 1955 State Treaty provided that Austria would become a neutral country by constitution. As such Austria is not a member of NATO; however, it was a founding member of the European Free Trade Association (EFTA), and more recently has signed a trade agreement with the European Economic Community (EEC) which allows free trade in most industrial products, excluding agriculture.