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# Between Affluence and Influence

Examining the Role  
of Russia and China in Austria

Tessa Szyszkowitz



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Austria

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# Executive Summary

**S**INCE THE OUTBREAK of the coronavirus pandemic, relations between China and the rest of the world have been put to a new test. However, even before this, cooperation between European countries and China has been under review. The rise of China has challenged small states like Austria to find ways to deal with a country which increasingly asserts itself as one of the big global players.

Strong economic ties to China are, of course, in Austria's interests. The government in Vienna therefore seeks close bilateral relations to the government and business community in Beijing. In April 2019, China and Austria signed a memorandum of understanding on third-party market cooperation. Within the framework of the Belt and Road Initiative, which China rolled out and Austria has joined, the two countries are setting up more favourable conditions for investment.

Similarly, Austria has strong economic ties with the Russian Federation. Due to the geographic proximity, Austria's relationship to Russia has always been much closer than to China. Russia has played a much bigger part in Austria's history for the simple reason that, as the Soviet Union, it was one of the four allies that liberated Austria from the Nazi regime, administering the country until it became independent and militarily neutral in 1955.

However, as this paper will show, there are concerns that China's and Russia's economic investments in Austria are not always free from strategic interests. Due to the rise of authoritarian politics in both China and Russia, relationships have come under strain in recent years.

This paper looks at the influence China and Russia are exerting in Austria to facilitate their economic and political interests. Political and media influence attempts, as well as common financial interests, are assessed, alongside an evaluation of how cultural institutions are used to make inroads into Austrian society. Alleged Chinese and Russian activity with regards to secret services and organised crime are also scrutinised.

On a political level, Austria usually tries to act in tune with EU Common Foreign and Security Policy decisions. But not always. In terms of Russia, Austria shows more pro-Kremlin tendencies than most other EU states. This works to Russia's advantage, because if it wants to influence the EU to lift the sanctions introduced after the illegal annexation of Crimea in 2014, it might be easier to start with a small member state.

Economic decisions are made using a case-by-case approach. China has invested strategically in sectors of the Austrian economy, such as aviation. Russia has a longstanding interest in Austria's energy infrastructure sector. However, due to the coronavirus crisis, all economic activity has slowed in the first half of 2020.



# Introduction

AUSTRIA, A COUNTRY of 8.8 million inhabitants, is among the smaller EU member states. Given its size relative to other European countries, it does not have the same economic and political significance as its neighbour, Germany – a major and influential global player. This paper will explore the influence strategies employed by Russia and China in Austria in relation to Austria's own national interests and foreign policy. Both Russia and China have had strategic interests in Austria since the end of the Second World War. However, given Austria's size and position in global politics, an emerging global superpower – like China, for example – might not consider investing in Austria with the same strategic necessity as it would in larger states. It is important to keep this in mind when examining the role of Russian and Chinese interests and influence in Europe, and in Austria in particular.

Austria has always perceived itself as inhabiting a special position as a militarily neutral country. Ten years after the Second World War, Austria gained its independence after the Soviet, US, British and French allies agreed to its neutral status, and the Austrian Parliament declared the country permanently neutral under the Declaration of Neutrality.<sup>1</sup> It did not join NATO, the Western military alliance, and simultaneously stayed outside of its Eastern equivalent, the Warsaw Pact. Politically, however, Austria saw itself to be part of the Western world. This meant that the Iron Curtain fell along the border between Austria and its neighbours, Czechoslovakia and Hungary. As a neutral country, Austria did not join the European Economic Community (EEC) for several decades, as its neutrality also called for economic independence. Austria's State Treaty of 1955 also clearly stated that it was to be politically and economically independent of Germany.<sup>2</sup> It was only in 1989 that Austria – together with other Eastern European states – started moving closer to the EEC and eventually became an EU member in 1995.

This unique history of neutrality had consequences. Given the perception of Austria's position between the East and West, global players saw Austria as a more open country; one that was not clearly defined as belonging to the Western sphere of influence. Vienna was used as a neutral meeting point for foreign leaders,<sup>3</sup> and Russia was keen for Austria to keep its neutral status even after the collapse of the Soviet Union.<sup>4</sup> This might explain Austria's closer connection with the Russian leadership in comparison to other European states.

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1. Josef L Kunz, 'Austria's Permanent Neutrality', *The American Journal of International Law* (Vol. 50, No. 2, April 1956), pp. 418–25.
  2. Republic of Austria, '1955 – State Treaty and Neutrality', <<https://www.parlament.gv.at/ENGL/PERK/HIS/REP2/1955/index.shtml>>, accessed 24 June 2020.
  3. Andrew Glass, 'JFK and Khrushchev Meet in Vienna, June 3, 1961', *Politico*, 2 June 2017.
  4. Jolyon Naegele, 'Russia: Austria's Neutral Status Resurfaces with Putin Visit', *Radio Free Europe/Radio Liberty (RFE/RL)*, 8 February 2001.



Since the disintegration of the Habsburg empire in 1918, Austria has always attempted to punch above its weight. Indeed, its neutral status after 1955 has allowed it to partially succeed in this regard, as the country established itself as diplomatic centre. One of the three regional headquarters of the UN was moved to Vienna in 1980. Austria also hosts other international organisations – namely, the Organization for Security and Cooperation in Europe (OSCE) and the International Atomic Energy Agency (IAEA).<sup>5</sup>

Austria continues to rely on its neutral status today, even if its neutrality has been somewhat compromised by the development of the Foreign and Security Policy of the EU.<sup>6</sup> The country continues to oppose plans for a common EU defence and security policy and the development of an EU army. It does, however, take part in certain EU missions, such as the newly founded Operation *EU NAVFOR MED IRINI* in the Mediterranean sea.<sup>7</sup>

The Allied occupation of Austria after the Second World War turned its capital into a playground for all their intelligence agencies. The Allied forces were officially tasked with supervising the denazification process in Austria while overseeing the establishment of democratic Austrian parties.<sup>8</sup> Even after Austria gained its independence, these foreign powers used Vienna as a meeting point for their intelligence agencies and for their operation, turning Vienna into a 'capital of spies' with 7,000 intelligence agents, some of them Russian.<sup>9</sup> In later years, Austria's welcoming environment towards diplomats and spies made it a desirable destination for secret operations from the East and West.<sup>10</sup>

Up until recently, Austria did not fully comply with regulations for financial transparency in its banking system, which encouraged shady foreign interests and operations.<sup>11</sup> As such, Austria became part of the Russian money laundering operation known as the 'Laundromat' scheme.<sup>12</sup>

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5. Alexandra Yatsyk, 'Russian World(s) in Vienna: Agents, Compatriots, and People', in Thomas Hoffman and Andrey Makarychev (eds), *Russia and the EU: Spaces of Interaction* (Abingdon: Routledge, 2019).
  6. EU, 'Foreign and Security Policy', <[https://europa.eu/european-union/topics/foreign-security-policy\\_en](https://europa.eu/european-union/topics/foreign-security-policy_en)>, accessed 29 June 2020. Most decisions are taken by the European Council and most – but not all – foreign and security policy decisions require the agreement of all EU member states.
  7. EU NAVFOR MED, 'The Operation Sets Sail', 7 May 2020, <<https://www.operationirini.eu/operation-eunavformed-irini-operation-sets-sail/>>, accessed 23 June 2020.
  8. Vasilij Christoforov, 'Sowjetische Geheimdienste in Österreich', in Stefan Karner and Barbara Stelzl-Marx (eds), *Die Rote Armee in Österreich* (Vienna: Oldenbourg, 2005), pp. 149–60.
  9. Yatsyk, 'Russian World(s) in Vienna'.
  10. Andrew S Weiss, 'With Friends Like These: The Kremlin's Far-Right and Populist Connections in Italy and Austria', Carnegie Endowment for International Peace, 27 February 2020.
  11. International Monetary Fund, 'Austria: Financial Sector Stability Assessment', Country Report No. 13/283, September 2013, pp. 24–25.
  12. Bill Alpert et al., 'Where Did the Money Go?', Organized Crime and Corruption Reporting Project (OCCRP), <<https://www.occrp.org/en/laundromat/profiles/>>, accessed 29 June 2020.

Of course, given Austria's geographical proximity and historical ties to Russia, it is likely to remain much closer to Russia than it could ever be with China. Due to these historically strong relations, influence attempts in Austria are much easier to orchestrate for Russia than for China. This is why, in this paper, there will be a greater focus on Russia's economic and political activity in Austria than China's. For example, while Russian President Vladimir Putin has visited Austria many times and as recently as 2018, Chinese President Xi Jinping has never been on an official state visit to Austria. Only China's third most senior leader, Li Zhanshu, visited Austria in 2018.<sup>13</sup>

Despite delays in its initial response to the coronavirus pandemic, Austria has responded effectively by using strict isolation measures to contain the virus's spread.<sup>14</sup> While the pandemic is projected to have a significant impact on Chinese and Russian investments in Austria – as well as trade, economic and political relations between the two countries and Austria – its wider impact on the Austrian economy is still unknown.

This paper demonstrates the difference between Chinese and Russian influence and interference in Austria in different spheres and on different levels. The outbreak of the coronavirus pandemic in the first half of 2020 has created uncertainty worldwide, and relations with China are currently under review. When the virus broke out in China and subsequently spread across the globe, Beijing sent protective equipment in large quantities to European countries, including Austria, thereby creating a 'medical silk road'.<sup>15</sup> As Gunter Hauser, a China expert, puts it: 'Behind China's corona-related activities stands a comprehensive plan'.<sup>16</sup> On the country's foreign policy, Hauser notes that 'government and strategically relevant companies are thinking long term, in decades rather than years, and not short term as Europeans do'.<sup>17</sup>

## Methodology

### *Interviews*

This paper draws on interviews conducted by the author with seven notable experts on Austrian–Chinese and Austrian–Russian relations. The aim of these interviews was to shed better light on the frequently reported relationships between Russian and Chinese officials with

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13. Julian Tucker and Larissa Stünkel, 'Between Scandals & Elections: Sino–Austrian Relations in the Era of Sharp Power', Institute for Security & Development Policy, Issue Brief, 19 June 2019, <<https://isdpeu/publication/sino-austrian-relations-in-the-era-of-sharp-power/>>, accessed 24 June 2020.
  14. Louise Miner and Rosie Wright, 'Austria Begins Reopening After "Very Early and Very Harsh" Lockdown', *euronews*, 20 April 2020, <<https://www.euronews.com/2020/04/20/austria-begins-reopening-after-very-early-and-very-harsh-lockdown>>, accessed 2 July 2020.
  15. Andreas Wez, Christoph Lehermayr and Christoph Zotter, '„Medizinische Seidenstraße": Chinas Corona-Hilfe ist nicht nur Segen', *Addendum*, 9 April 2020, <<https://www.addendum.org/coronavirus/chinas-corona-hilfe/>>, accessed 25 June 2020.
  16. *Ibid.*
  17. *Ibid.*

former and current Austrian politicians, which diplomats and journalists are more aware of and better placed to comment on. While some prefer not to be named, others are. The author conducted both face-to-face and telephone interviews in October and November 2019 with the following contacts: Emil Brix, former Austrian Ambassador to Russia, now director of the Diplomatic Academy of Vienna; Georg Zanger, a business law specialist and President of the Austrian–Chinese Business Association (ACBA); Andreas Breinbauer, Rector of the University of Applied Science of BFI in Vienna; Wan Jie Chen, Director of the Confucius Institute in Graz; and Susanne Weigelin-Schwiedrzik, Professor of China Studies at the University of Vienna.

### *Review of the Literature*

In addition to interviews, the author conducted a targeted review of the literature that captures academic publications and periodicals, as well as grey literature, including newspaper articles, media reports, and journalistic editorials and commentaries. This was necessary given the rapidly changing political developments resulting from the coronavirus pandemic and other domestic drivers.

Due to an apparent lack of interest demonstrated by Austrian authorities in investigating money laundering accusations against Austrian banks, it was necessary to focus on Austrian and international media reports. In relation to Russian and Chinese media outlets in Austria, which are not examined widely in the literature, the author examined other alternative online media reports. It should be noted that the author has translated into English any interview quotations conducted in German or any literature found in German with no alternative English source.

# I. Political Influence Attempts

AUSTRIA'S CLOSE RELATIONS to Russia go back to the early years of the Soviet Union. Austria was one of the first countries to recognise the Soviet Union in 1924, which Moscow perceived as a 'welcome surprise'.<sup>18</sup> These friendly relations continued after the Second World War and throughout negotiations on Austria's future status, which concluded with Austria's independence, and, crucially, its declaration of neutrality. 'Until today, there is a thinking that Austria only got its independence in 1955 because of the soft diplomacy applied by the Austrian negotiators in Moscow', says Emil Brix.<sup>19</sup> 'Russia, in return, sees Austria as a "Schläferstaat" [sleeper state]. The time will come when favours can be called in'.<sup>20</sup>

When relations between the EU and Russia soured after Russia's illegal annexation of Crimea in 2014 and the downing of a plane over Eastern Ukraine, very few European leaders continued to accept invitations to Russia. One of them was the then Chancellor of Austria and Social Democratic Party (SPÖ) politician, Christian Kern, who attended the St Petersburg International Economic Forum in 2016 and 2017.<sup>21</sup>

The strained relations between the EU and Russia did not stop Austrian officials from establishing a lobby group: the Sochi Dialogue. This is similar to the Petersburg Dialogue, which was created by the German government in 2001.<sup>22</sup> The Sochi Dialogue was founded in June 2018, three months after the poisoning of Sergei Skripal in Salisbury.<sup>23</sup> The forum has regular meetings under the auspices of Austria's former president of the Chamber of Commerce, Christoph Leitl, and diplomat Sigrid Löffler-Klestil. Russia is represented by former Russian Education Minister Andrei Fursenko.<sup>24</sup>

The Sochi Dialogue is supposed to focus less on political than on cultural and economic exchanges between the two countries.<sup>25</sup> In such a sensitive political climate, facilitating bilateral

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18. L Dreidemy et al. (eds), *Bananen, Cola, Zeitgeschichte: Oliver Rathkolb und das lange 20. Jahrhundert* (Vienna: Vandenhoeck & Ruprecht, 2015), p. 154.

19. Author interview with Emil Brix, Vienna, 18 November 2019.

20. *Ibid.*

21. Global Business Coalition, 'Outcomes of the St. Petersburg International Economic Forum 2017', 5 June 2017, <<http://globalbusinesscoalition.org/global-governance-news/outcomes-st-petersburg-international-economic-forum-2017/>>, accessed 16 June 2020.

22. Petersburg Dialogue, 'Ein Forum für den Dialog der Zivilgesellschaften', <<https://petersburger-dialog.de/ueber-den-petersburger-dialog/ein-forum-fuer-den-dialog-der-zivilgesellschaften/>>, accessed 16 June 2020.

23. Sochi Dialogue, 'Über den Dialog', <<https://sochidialog.com/about/>>, accessed 16 June 2020.

24. *Ibid.*

25. *Ibid.*

engagement and dialogue is especially helpful. Its next meeting was planned to coincide with the Salzburg Festival in the summer of 2020. However, due to the coronavirus pandemic, these plans are under revision at the time of writing.

Austria's former prime ministers have historically been very engaged in establishing and keeping good relations with Russian politicians and businessmen. Austrian politicians are often invited to join boards of Russian companies and they readily accept. For example, in 2018–19, former Chancellor and Austrian People's Party (ÖVP) politician, Wolfgang Schüssel, was on the board of Russia's largest telecommunications provider, MTS, of which 51% is owned by Russian oligarch, Vladimir Yevtushenkov.<sup>26</sup> Schüssel has also been on the supervisory board of Lukoil, a mineral oil company, since 2019.<sup>27</sup> Furthermore, former finance minister and ÖVP politician Hans-Jörg Schelling works as an advisor for the planned oil pipeline between Russia and Western Europe, Nord Stream 2,<sup>28</sup> and Kern sits on the supervisory board of the Russian train company, RZD.<sup>29</sup>

Sometimes, these close economic relations go even further and can create a disreputable public image of some of those involved. For example, former prime minister and SPÖ politician, Alfred Gusenbauer, was mentioned in the Mueller report,<sup>30</sup> which investigated the role of the Donald Trump administration in connection with Russian interference in the US elections in 2016. Trump's former campaign manager, Paul Manafort, was indicted, convicted and was serving a prison sentence for tax and bank fraud charges until May 2020, when he was released to home confinement due to health reasons. Manafort recruited the 'Hapsburg Group', an informal outfit that consists of former European leaders, including Gusenbauer.<sup>31</sup> According to the Mueller report, the lobbyists were paid to help give Ukraine a better image in the West, under the leadership of pro-Russian president, Viktor Yanukovich.<sup>32</sup> Gusenbauer denies these claims.<sup>33</sup>

As in the Russian case, Chinese influence in Austria usually comes less with bitter threats than with sweet promises. 'I have never heard any Chinese official suggesting in the slightest that

26. Eduard Steiner, 'Wolfgang Schüssel verliert Aufsichtsratsmandat in Russland', *Die Presse*, 28 May 2019.

27. Lukoil, 'Wolfgang Schüssel', <<https://www.lukoil.com/Company/CorporateGovernance/BoardofDirectors/WolfgangSchssel>>, accessed 10 May 2020.

28. *EUobserver*, 'Austria Ex-Finance Minister Advising Gazprom', 29 March 2018, <<https://euobserver.com/tickers/141478>>, accessed 24 June 2020.

29. *Russia Business Today*, 'Former Austrian Chancellor Christian Kern Joins Board of Russian Railways', 21 July 2019.

30. Theodoric Meyer and Josh Gerstein, 'Former Austrian Chancellor Appears to Have Lobbied as Part of Manafort Scheme', *Politico*, 23 February 2020.

31. Graham Stack, 'Exposed: The Ukrainian Politician Who Funded Paul Manafort's Secret EU Lobbying Campaign', OCCRP, 4 November 2019, <<https://www.occrp.org/en/investigations/exposed-the-ukrainian-politician-who-funded-paul-manafort-secret-eu-lobbying-campaign>>, accessed 24 June 2020.

32. *Addendum*, 'Alfred Gusenbauer der letzte „Hapsburger“', 17 September 2018.

33. Steven Erlanger and Jason Horowitz, 'European Ex-Officials Deny Being Paid by Manafort to Lobby for Ukraine', *New York Times*, 24 February 2018.

we should follow their opinion on anything political; nobody has ever expressed wishes for something specific', says Georg Zanger.<sup>34</sup> The Viennese lawyer established the ACBA in order to 'bring entrepreneurs together and foster their success'.<sup>35</sup> His *Verein* (or society) is purely financed by member subscriptions. Zanger notes how 'we want to be *Brückenbauer* [bridge builders] and we already have established an excellent network with mayors in Chinese cities, like Shanghai and Guangzhou'.<sup>36</sup>

This positive view of Chinese–Austrian relations might be clouded by business interests. China does show political sensitivity in certain areas and a willingness to deploy threats. For example, when the Dalai Lama visited Austria in 2012, China threatened to take back a giant panda bear given to Vienna's Schönbrunn Zoo.<sup>37</sup> This might be seen as a rather insignificant example of political pressure by some – but only if one is unaware of how popular this giant panda is in Austria, and how China uses the 'panda diplomacy' in its diplomatic relations. 'Austria's centrality as a broker between Europe and Russia in the Balkan region might have been the deciding factor for China's political elite to turn to its furry policy tools', write Julian Tucker and Larissa Stünkel.<sup>38</sup> As a demonstration of the current good relations between Austria and China, China donated a second giant panda in May 2019.

Both Russia and China seem to expect a certain anticipatory obedience, bordering on political self-censorship, from their Austrian partners. For example, Putin joked when he used the term 'good dictatorship' at a visit in Vienna in 2014. He was referring to the fact that he was visiting Vienna for the third time in a relatively short timeframe. One commentator later mentioned that 'his Austrian hosts smiled slightly forced at his sense of humour'.<sup>39</sup>

When most EU member states expelled Russian diplomats in solidarity with the UK government after the poisoning of Sergei Skripal and his daughter in March 2018 in Salisbury, the Austrian government made a point of going their own way. 'We will not take any national measures', Austria's Prime Minister Sebastian Kurz said in a joint statement with then Foreign Minister Karin Kneissl. 'Austria is a neutral country and sees itself as a bridge-builder between East and West'.<sup>40</sup> It is safe to say that the political leadership in Austria would not come to the conclusion that political self-censorship was at play in this instance. However, Austria's decision seemed to please Russian news agency TASS, which noted that 'Austria fends off London's pressure over its refusal to expel Russian diplomats'.<sup>41</sup>

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34. Author telephone interview with Georg Zanger, 12 November 2019.

35. Austrian Chinese Business Association (ACBA), <<https://www.acba.at/en/>>, accessed 16 June 2020.

36. Author telephone interview with Georg Zanger, 12 November 2019.

37. Andreas Pacher, 'China's Panda Diplomacy', *The Diplomat*, 2 November 2017.

38. Tucker and Stünkel, 'Between Scandals & Elections'.

39. Philipp Aichinger, 'Gute Diktatur', *Die Presse*, 27 February 2016.

40. Andrew Rettmann, 'Russia's EU Friends Decline to Expel Diplomats', *EUObserver*, 27 March 2018, <<https://euobserver.com/foreign/141457>>, accessed 24 June 2020.

41. TASS, 'Austria Fends Off London's Pressure Over Its Refusal to Expel Russian Diplomats', 28 March 2018.

As with Russia, Austria has shown a certain understanding of what is expected from a friendly government if you want to do business with China. Although this is not explicitly stated, extending an official invitation to the Dalai Lama would be considered an affront by China. Generally, countries joining the Belt and Road Initiative (BRI) are interested in discussions on 'how to enhance future strategic cooperation to enter a "new stage" of diplomatic relations'.<sup>42</sup> Today, there are 138 countries on the list of participating members in the BRI,<sup>43</sup> and Austria is one of them. At a state visit by Kurz to Beijing, the countries agreed a 19-point joint statement emphasising the desire of both sides to intensify and improve bilateral ties and cooperation in areas of common interest such as cooperation on law enforcement and exploring possibilities for collaborating on 5G digital infrastructure.<sup>44</sup>

Unlike with Russia, not many Austrian politicians have been invited to join the boards of Chinese companies. Yet, there is certainly interest on the Austrian side in doing business with China. Zanger points to a number of former high-ranking Austrian politicians who officially support ACBA.<sup>45</sup> For example, Kern is on its board. 'Christian Kern is involved in very concrete business deals with Chinese companies. We bring them together. Kern gets contacts through us'.<sup>46</sup> Zanger does not consider any Chinese interference in Austrian politics to be a consequence of his lobbying, stating that 'we don't engage in pure political activity. In my view, China does not want to instigate a world revolution. China is more interested in becoming self-sufficient'.<sup>47</sup>

Austria's relations with Russia, on the other hand, are very different. Unlike Xi, Putin has visited Austria several times. Most recently, he attended Kneissl's wedding in July 2018, where he danced with the bride herself. She was then photographed kneeling in front of him after their dance.<sup>48</sup> Images of this moment went viral.<sup>49</sup> It is not known whether this was planned as a public relations stunt or what the intended purpose of this display may have been. Kneissl has always maintained that she invited Putin spontaneously 'because I had an invitation left over'.<sup>50</sup> This rather eccentric explanation for a highly sensitive invitation might reflect her character: she was an independent expert on foreign politics before being nominated as foreign minister by the far-right Freedom Party of Austria (FPÖ), which was in a shortlived coalition with the ÖVP

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42. Tucker and Stünkel, 'Between Scandals & Elections'.

43. China Power Team, 'How Will the Belt and Road Initiative Advance China's Interests?', Center for Strategic and International Studies, 8 May 2017, last updated 18 October 2019, <<https://chinapower.csis.org/china-belt-and-road-initiative/>>, accessed 24 June 2020.

44. Tucker and Stünkel, 'Between Scandals & Elections'.

45. ACBA, 'Advisory Board', <<https://www.acba.at/en/about-us/advisory-board-1/>>, accessed 16 June 2020.

46. Author telephone interview with Georg Zanger, 12 November 2019.

47. *Ibid.*

48. See, for example, Kirsti Knolle, 'A Bow or a Curtsey? Austrian Minister's Gesture to Putin Sparks Furore', *Reuters*, 21 August 2018.

49. Yuliya Talmazan, 'Putin Dances at Austrian Minister's Wedding, Setting Off Alarm Bells Across Europe', *NBC News*, 19 August 2018.

50. *Die Presse*, 'Putin bei Kneissl-Hochzeit: "Hatte noch eine Einladung in der Hand"', 14 June 2019.



at the time. Simply put, Kneissl might have very well misjudged or underestimated the political significance of such a dance.

At the wedding, Putin was accompanied by a crew from RT – Russia’s government-funded international television network, which took and promptly distributed the images of the wedding worldwide.<sup>51</sup> Just a few months after the attempted murder of Skripal in March 2018, this invitation raised controversy in other European capitals.<sup>52</sup> No other EU member state had invited Putin to such a private visit, and Kneissl’s conduct gave Putin an opportunity to show himself as *persona grata*.

Even if it was a private initiative, the invitation did have a political context that should not be neglected. The FPÖ has maintained an especially close relationship with the United Russia party, loyal to the Kremlin, and signed a Cooperation Agreement in 2016.<sup>53</sup> The far-right Austrian party also built good relations with Russian right-wing elites. The anti-Western activist-philosopher, Aleksandr Dugin, hosted a closed-door conference together with businessman Konstantin Malofeev, a Russian nationalist, in Vienna in 2014.<sup>54</sup> While both have no official function in the Russian government, their appearance together with leading far-right politicians of EU member states showed that not all political forces in the EU were critical of Russia’s conduct in the Ukraine. Among the attendees of the conference were the then head of the FPÖ, Heinz-Christian Strache, and France’s Marion Maréchal, niece of Marine Le Pen.

This is not only of concern to Austria, but to the common foreign policy of the EU as well. At Kneissl’s wedding in July 2018, Austria’s chancellor, Sebastian Kurz, was also in attendance. At that time, Austria held the EU presidency, which rotates every six months among its members. According to Andrew S Weiss of the Carnegie Endowment for International Peace, ‘the event was intended to mobilize supporters of lessening Russia’s international isolation in the wake of [the] Crimea annexation’.<sup>55</sup>

Dugin’s closed-door conference in Vienna in 2014, as well as Putin’s presence at Kneissl’s wedding, has not only raised questions about Austria’s relationship to Russia, but of the EU’s to Russia as whole. Given Austria’s role in the EU, whatever happens in Austria inevitably has an impact on EU politics. Kurz has made it clear that although he would always stick to common EU decisions, he would also like to see the EU sanctions against Russia lifted.<sup>56</sup> The presence of

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51. RT, ‘Video Shows Putin Dancing with Austrian FM, Delivering Toast in German at Her Wedding’, 19 August 2018, <<https://www.rt.com/news/436310-video-putin-toast-wedding/>>, accessed 16 June 2020.

52. Josie Le Blond, ‘Cossacks and Flowers as Putin Leads Austrian Wedding Dance’, *The Guardian*, 18 August 2018.

53. *Reuters*, ‘Austrian Far Right Signs Deal with Putin’s Party, Touts Trump Ties’, 19 December 2016.

54. Stephan Löwenstein and Reinhard Vesper, ‘Eurasische Internationale’, *FAZ*, 4 June 2014, <<https://www.faz.net/aktuell/politik/ausland/europa/treffen-der-rechten-in-wien-eurasische-internationale-12972620.html>>, accessed 16 June 2020.

55. Weiss, ‘With Friends Like These’.

56. *EURACTIV*, ‘In Austria, Putin Calls for Lifting Sanctions, Kurz Sticks by EU Position’, 6 June 2018.



both Putin and Kurz at Kneissl's private wedding has been perceived as a sign of Austria's dovish approach to Russia.<sup>57</sup> Putin has, of course, made no secret of his desire to see the sanctions against Russia lifted as soon as possible – most recently, for example, he proposed at a G20 video conference that economic sanctions be frozen on humanitarian grounds in order to help countries severely affected by the coronavirus pandemic and 'to facilitate mutual deliveries of drugs, food, equipment and technology'.<sup>58</sup> But he also has not made any moves to retract the illegal annexation of Crimea. The sanctions were imposed following the Russian military intervention in Ukraine and are extended every six months.

So far, the close relations between Austria's political establishment and Russia have not resulted in a change of the sanctions regime – though some had expressed their concern that may end up being the case. At the very least, the wedding dance was used by Putin to push a wedge between EU member states. As Ukraine's former Foreign Minister Pavlo Klimkin noted:

I don't normally comment on high society, but if Austria's Ministry of Foreign Affairs is forced to justify itself and assure that its foreign policy course will not change in light of this 'private' visit, then things have taken on an interesting new form that brings a sad smile to my face.<sup>59</sup>

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57. Stephanie Liechtenstein, 'From Russia (to Austria) With Love?', *EUObserver*, 23 August 2018.

58. *RFE/RL*, 'Putin Makes Plea for Sanctions Relief at G20 Summit', 26 March 2020.

59. Melissa Eddy, 'The Bride Was a Dream in a Dirndl, But Putin Stole The Show', *New York Times*, 18 August 2018.

## II. Common Financial Interests

AUSTRIA HAS BEEN importing gas from the Soviet Union since 1968. It was the first country beyond the Iron Curtain to do so, ‘and close ties with the Russian business community and state have persisted since then’.<sup>60</sup> These ties are confirmed by Rainer Seele, the chairman of the executive board of OMV, who noted in 2018 that ‘in the past fifty years we have received reliable gas supplies from Russia ... without interruption. This is a good base for expanding the partnership with Gazprom long term’.<sup>61</sup> In an interview with the author, former Austrian Ambassador to Russia Emil Brix said that ‘if former Chancellor Wolfgang Schüssel went skiing with Vladimir Putin or if former Foreign Minister Karin Kneissl dances with the Russian president, Austria always has economic interests in mind’.<sup>62</sup>

Austria’s traditional status as a neutral country outside the larger blocs of NATO and – up until 1989 – the Soviet sphere allows the small republic to see itself as a meeting point for players from the East and West. ‘Austria is a turntable in trade for East and West’, argues Paul Lendvai, an Austro-Hungarian journalist and author.<sup>63</sup> Austria has also been a member of the EU since 1995. Vienna, therefore, could be said to serve as a springboard into the EU’s single market. Russian and Ukrainian businessmen, in particular, have certainly taken up the invitation to see Austria as a ‘home away from home’ for quite some time. The most famous case is Ukrainian oligarch, Dmytro Firtash, who has been living in Vienna since 2014. Although Austria’s Supreme Court ruled in 2019 that Firtash can be extradited to the US, where he is wanted for corruption, he still remains in Austria.<sup>64</sup>

Austria’s opaque banking system is an incentive to bring foreign money into the country. Austria was the last EU member state to ratify the regulations on exchange of information on bank accounts in 2014 and only implemented the new rules in 2016.<sup>65</sup> This marked the end of banking anonymity, which is still mentioned in Austria’s Constitution in Section 38 of the banking law, and can only be breached in accordance with the new banking rules.<sup>66</sup> A report by

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60. Tucker and Stünkel, ‘Between Scandals & Elections’.

61. OMV, ‘50 Years of Reliable Supplies of Russian Gas to Austria’, 1 June 2018, <<https://www.omv.com/en/news/50-years-of-reliable-supplies-of-Russian-gas-to-Austria>>, accessed 24 June 2020.

62. Author interview with Emil Brix, Vienna, 18 November 2019.

63. Paul Lendvai, ‘Österreichs Erfolg heisst Wolfgang Schüssel’, *Die Welt*, 2 February 2005.

64. Michael Nikbakhsh, ‘All the President’s Men’, *profil*, 23 October 2019, <<https://www.profil.at/oesterreich/firtash-trump-ukraine-affair-11186370>>, accessed 16 June 2020.

65. Federal Ministry of the Republic of Austria, ‘Automatic and International Information Exchange’, <<https://www.bmf.gv.at/en/topics/combating-fraud/Automatic-and-International-Information-Exchange.html>>, accessed 16 June 2020.

66. Rechtsinformationssystem des Bundes, ‘Bundesrecht konsolidiert: Gesamte Rechtsvorschrift für Bankwesengesetz, Fassung vom 25.6.2020’, <<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfr>

the Financial Action Task Force in 2016 documents progress in implementing rules to combating money laundering and terrorist financing.<sup>67</sup> Instead of banking anonymity, however, Austria makes it possible to set up private foundations without the requirement of an individual's name being attached to it.<sup>68</sup>

As a result, some of Austria's banks now have to answer to European and Austrian banking authorities as previous money laundering operations have come to light, which potentially illustrates Austria's position as part of the Russian 'Laundromat' scheme.<sup>69</sup> Foremost among them is Raiffeisen Bank. Hermitage Capital Management alleged that Raiffeisen Bank handled \$634 million – the majority of \$967 million of suspected funds.<sup>70</sup> Bill Browder, anti-money laundering activist and investor, argued that Austrian banks have for years ignored serious red flags about money being illegally transferred from Eastern European banks to Austria.<sup>71</sup> Some of these funds came from Russia, and should therefore not have been accepted without origin controls.<sup>72</sup> The case was previously investigated by the Austrian Financial Market Authority, but was closed without results.<sup>73</sup>

It was not only private banks that turned a blind eye to the origin of the money flowing into their accounts. The Austrian authorities did not always push for immediate action when suspicions arose: 'Austria had a bad reputation within the EU when it came to money laundering', argues money-laundering expert Brigitte Ungar.<sup>74</sup> One might suspect that they did not want to endanger relations with Russian investors, some of whom had excellent ties to the Kremlin.<sup>75</sup> As early as 2014, Valeria Gontareva, governor of the Ukrainian Central Bank from 2014 to 2017, did raise concerns with her Austrian counterpart at the National Bank, Ewald Novotny, about money

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age=Bundesnormen&Gesetzesnummer=10004827>, accessed 25 June 2020.

67. Financial Action Task Force (FATF), 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Austria: Mutual Evaluation Report', 2016.

68. Vienna Institute for International Dialogue and Cooperation, 'Österreich im Schattenfinanzindex 2020', <[https://www.vidc.org/fileadmin/user\\_upload/oesterreich\\_im\\_schattenfinanzindex\\_2020.pdf](https://www.vidc.org/fileadmin/user_upload/oesterreich_im_schattenfinanzindex_2020.pdf)>, accessed 16 June 2020.

69. The Russian 'Laundromat' scheme was designed to move billions of rubels out of Russia via a network of banks in Europe. See Harry Holmes, 'Troika Laundromat Fallout Hits Austrian Banks', OCCRP, 6 March 2019, <<https://www.occrp.org/en/daily/9316-troika-laundromat-fallout-hits-austrian-banks>>, accessed 24 June 2020.

70. Stephen Morris, 'Austrian Banks Dragged into Russian Money-Laundering Scandal', *Financial Times*, 5 March 2019.

71. *Ibid.*; Holmes, 'Troika Laundromat Fallout Hits Austrian Banks'.

72. *Addendum*, 'Geldwäscheverdacht: Anzeige trifft österreichische Banker', 5 March 2019, <<https://www.addendum.org/geldwaesche/raiffeisen/>>, accessed 24 June 2020.

73. Robert Treichler and Tessa Szyszkowitz, 'Neben der Spur', *profil*, 23 February 2012, <<https://www.profil.at/home/geldwaesche-neben-spur-320053>>, accessed 16 June 2020.

74. Joseph Gepp, 'Geldwäsche: Die Regeln werden immer strenger, doch das Problem bleibt', *profil*, 4 March 2019, <<https://www.profil.at/wirtschaft/geldwaesche-stroengere-regeln-problem-10671127>>, accessed 16 June 2020.

75. *Ibid.*

coming in from Ukraine while being laundered at Bank Meinel (now known as the Anglo Austrian Bank).<sup>76</sup> Yet, no actions have been taken in reaction to those concerns.<sup>77</sup> ‘The Austrians never did their homework’, Gontareva said in an interview.<sup>78</sup>

Finally, in November 2019, the European Central Bank withdrew the Anglo Austrian Bank’s banking licence.<sup>79</sup> It was said that it had moved €500 million in back-to-back trust loans from Eastern to Western Europe,<sup>80</sup> and that the bank had its own ‘Russian desk’.<sup>81</sup> One of its best clients was Vladimir Antonov, a Russian banker who controlled an offshore company in Belize and channelled €113 million through Vienna.<sup>82</sup> Anglo Austrian Bank filed for bankruptcy in March 2020.<sup>83</sup>

Due to their strong position in Central and Eastern European countries, Austria’s banks are of interest to both Russian and Chinese banks and investors. ICBC, one of China’s biggest banks, opened an office in Vienna in 2019 to help finance infrastructure projects for the BRI and China’s 17+1 initiative in Eastern Europe.<sup>84</sup>

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76. Michael Nikbakhsh, ‘Die Akte Meinel: „Ihre Bank unterstützt Geldwäsche in der Ukraine“’, *profil*, 18 November 2019, <<https://www.profil.at/wirtschaft/akte-meinel-ihre-bank-geldwaesche-ukraine-11208243>>, accessed 16 June 2020.

77. FATF, ‘Annual Report 2016–2017’, 2018.

78. Nikbakhsh, ‘Die Akte Meinel’.

79. FMA, ‘Withdrawal of Licence of Anglo Austrian AAB Bank AG (Formerly Meinel Bank AG) Once Again in Force’, 7 February 2020, <<https://www.fma.gv.at/en/withdrawal-of-licence-of-anglo-austrian-aab-bank-ag-formerly-meinel-bank-ag-once-again-in-force/>>, accessed 24 June 2020.

80. Šarūnas Černiauskas, Vlad Lavrov and Michael Nikbakhsh, ‘The Vienna Bank Job’, OCCRP, 18 November 2019, <<https://www.occrp.org/en/members/28-ccwatch/cc-watch-indepth/11133-the-vienna-bank-job>>, accessed 24 June 2020.

81. Nikbakhsh, ‘Die Akte Meinel’.

82. Michael Nikbakhsh, ‘Die Akte Meinel: Der Fall Antonov’, *profil*, 18 November 2019, <<https://www.profil.at/oesterreich/akte-meinel-fall-antonov-11208743>>, accessed 16 May 2020.

83. Šarūnas Černiauskas, ‘Anglo Austrian Bank Files for Bankruptcy’, OCCRP, 2 March 2020, <<https://www.occrp.org/en/daily/11726-anglo-austrian-bank-files-for-bankruptcy>>, accessed 24 June 2020.

84. ICBC, ‘ICBC Austria Bank GmbH Officially Opens in Vienna’, 22 May 2019, <<https://www.icbc.com.cn/icbc/en/newsupdates/icbc%20news/ICBCAustriaBankGmbHOfficiallyOpensinVienna.htm>>, accessed 16 June 2020.



### III. Media Influence Attempts

THE CHINESE USE of the phrase '*Jian chuan chu hai*' literally translates to 'to borrow a boat to go to sea'. As Ivana Karásková notes, 'it aims at identifying outlets that can carry messages on behalf of China whether through outright acquisition, co-ownership and/or forming partnerships through content-sharing'.<sup>85</sup> For example, Chinese Ambassador to Austria Li Xiaosi speaks on Ö1, an Austrian radio station, whenever he sees it necessary to defend the Chinese response to the student protests in Hong Kong.<sup>86</sup>

According to the latest estimates, there are around 15,000 Chinese migrants living in Austria today, most of whom reside in Vienna.<sup>87</sup> Unofficial statistics, however, estimate that number to be 30,000, which would include naturalised citizens, asylum seekers and illegal migrants, as well as those born in Austria.<sup>88</sup>

Even if the Chinese community is relatively small, it has its own media outlets and does not rely on government-controlled Chinese newspaper and television channels. There are several Chinese-language papers in Austria. *Huaxinbao* and *Nouvelles d'Europe* are two of the larger ones, which also exist in other EU member states and are financed by adverts from large Chinese companies.<sup>89</sup> These newspapers avoid being critical of the Chinese government and could be seen as regime-friendly,<sup>90</sup> which is not uncharacteristic of Chinese media outlets in other European countries.

Initially, Austro-Chinese Internet platforms seemed to allow for more diverse opinions, but this changed over time. For example, the Austro-Chinese web forum 'outuo.net' provided the Chinese community in Vienna with a platform for diaspora news for a number of years. In his PhD thesis, Carsten Schäfer states:

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85. Ivana Karásková, 'How China Influences Media in Central and Eastern Europe', *The Diplomat*, 19 November 2019.

86. ORF, 'Ö1 Mittagsjournal', 20 August 2019, <<https://oe1.orf.at/programm/20190820/561371>>, accessed 17 June 2020.

87. Hülya Tektas, 'Bis zu 30.000 Chinesen in Österreich', *Die Presse*, 8 May 2012.

88. *Ibid.*

89. Carsten Schäfer, 'Auslandschinesen in Österreich', Master's thesis, University of Vienna, 2009, p. 94, <[http://othes.univie.ac.at/10858/1/2010-08-17\\_0747114.pdf](http://othes.univie.ac.at/10858/1/2010-08-17_0747114.pdf)>, accessed 24 June 2020.

90. Carsten Schäfer, 'Whose Diaspora? Rethinking Diaspora Politics: China's Overseas Chinese Engagement in Transnational Spaces', in Emília Lana de Freitas Castro and Sergio Maia Tavares Marques (eds), *Current Challenges in Migration Policy and Law* (London: Transnational Press London, 2020), p. 78.

The contact zone [www.outuo.net](http://www.outuo.net) is a mirror of the far advanced processes of a deep social transformation, in which phenomena like increasing global migration and the creation of new transport and communication technologies, but also the geostrategic global changes like the rise of China or domestic political debates in Austria come together.<sup>91</sup>

By June 2020, however, [outuo.net](http://www.outuo.net) had disappeared from the Internet.<sup>92</sup> Schäfer suggests that criticism of the Chinese government in Chinese media outlets is rare. The Chinese community, as well as the general Austrian public, are regularly subjected to an official image of China as it is portrayed in government-owned Chinese media. 'Chinese state media as well as government delegations work with a lot of effort to create a pro-communist identity politics abroad', writes Schäfer.<sup>93</sup> 'Some Chinese migrants, who are close to the KPCh [Die Kommunistische Partei Chinas/Chinese Communist Party] and members of the Chinese state media, use Chinese language events and platforms for targeted attacks on democratic values and aim to spread political values which are close to those of KPCh'.<sup>94</sup>

So far, less successful attempts include the establishment of an outlet for the China Global Television Network (CGTN) – the English-language channel which is part of the biggest Chinese TV station, China Central Television (CCTV) – in Austria. The international news channel is based in Beijing and is often referred to as a mouthpiece of the Chinese government.<sup>95</sup> So far, this official channel has six international channels in English, Russian and French, but not in German. It has no licence to broadcast in Austria, although it is possible to view the English-language version of CGTN's news channel online.

Some other countries have established global channels with state financing as well, such as the BBC or Deutsche Welle, which broadcast in English and national languages to provide viewers with an 'unbiased' media outlet. As the mission statement of Deutsche Welle states, 'we provide our journalistic content to people worldwide, giving them the freedom to make up their own minds and the information required to form their own opinions'.<sup>96</sup> In comparison, the mission statement of CGTN makes a rather bold statement about its intentions: 'CGTN aims to differentiate itself from other media organizations by providing more balanced reporting. The platforms focus on nations, regions, and stories that are often underreported by other

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91. Carsten Schäfer, '„Nachfahren des Drachen“ und „echte Wiener“? Identitäten und Inkorporationsmuster chinesischer Migranten in Österreich am Beispiel des Webforums [www.outuo.net](http://www.outuo.net)', PhD thesis, University of Vienna, 2017, p. 772, <<http://othes.univie.ac.at/51872/1/52635.pdf>>, accessed 24 June 2020.

92. The only trace left in June 2020 was this: Outou Community, <<https://m.hhlink.com/hhlink/ViewWebsiteCopy.aspx?i=y&u=www.outuo.net>>, accessed 16 June 2020.

93. Schäfer, '„Nachfahren des Drachen“ und „echte Wiener“?', p. 777.

94. *Ibid.*

95. *The Economist*, 'China is Spending Billions on its Foreign-Language Media', 14 June 2018.

96. *Deutsche Welle*, 'Who We Are', <<https://www.dw.com/en/about-dw/profile/s-30688>>, accessed 16 June 2020.

international media'.<sup>97</sup> There are concerns in the US and the UK about the undue political influence on journalists working for CGTN.<sup>98</sup> In Austria, however, this debate has not progressed very far – the market is far too small for CGTN to establish its own German-language service. If plans for any Chinese channel in Germany are to go ahead, Austria will be forced to consider granting CGTN a licence to operate.

Russia has also not been successful in establishing its international TV channel, RT, in Austria. This is potentially connected with some concern about its political messaging. 'When RT was founded in 2005, it was mandated to only show positive images of Russia abroad', Gerhard Mangott, Professor for International Relations at the University of Innsbruck, explained in an interview. 'This changed in 2009. RT started to show malfunction in administrations in the West and addressed a counter public', he added.<sup>99</sup>

RT Germany has existed since 2014, but only online. Russian-language print media is also not very influential in Austria. The newspaper *Dawai!* and a magazine called *Austrian Style* mostly target tourists and they are distributed at no charge. As of 2017, the number of Russian migrants in Austria was estimated to be a little over 35,500<sup>100</sup> – a relatively small number that does not render a host country like Austria to be a priority for the Russian leadership to establish media outlets for the Russian community there. Perhaps establishing Putin-friendly outlets in Austria is also not a priority for the Kremlin's public relations strategists because building friendly bilateral relations directly with Austrian politicians is a more effective way of establishing influence.<sup>101</sup> Overall, the Austrian media is perceived to be rather 'kind' to the Russian government anyway.

In recent years, Russia has been effectively employing social media tactics to influence political affairs. The images of Putin dancing with Kneissl demonstrate the extent to which social media can be used much more effectively than classic print or online media on websites to generate reactions and influence decision-making.

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97. CGTN, 'About Us – China Global Television Network', <<https://www.cgtn.com/about-us>>, accessed 25 June 2020.

98. Patricia Nilsson, 'China's State Broadcaster Set for UK Launch', *Financial Times*, 29 August 2019; Paul Mozur, 'Live From America's Capital, a TV Station Run by China's Communist Party', *New York Times*, 28 February 2019.

99. Gerhard Mangott, 'Es ist ein Informationskrieg', *ORF*, 29 August 2018, <<https://orf.at/v2/stories/2452115/2452266/>>, accessed 17 June 2020.

100. Office for National Statistics of Austria, 'Bevölkerung 2017 nach detaillierter Staatsangehörigkeit, Geschlecht und Bundesland', <[https://www.statistik.at/wcm/idc/idcplg?IdcService=GET\\_PDF\\_FILE&RevisionSelectionMethod=LatestReleased&dDocName=078579](https://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=078579)>, accessed 16 June 2020.

101. Andrei P Tsyganov, *Russia's Foreign Policy: Change and Continuity in National Identity*, 5<sup>th</sup> Edition (London: Rowman & Littlefield, 2019), p. 242.





## IV. Critical Technology, Energy Companies and Economic Cooperation

IN APRIL 2019, China and Austria signed a memorandum of understanding (MOU) on third-party market cooperation.<sup>102</sup> Within the BRI framework, the two countries are setting up more favourable conditions for investment. According to the MOU:

The MOU will further strengthen the cooperation in the policy innovation, legal standardization and governance mechanism of domestic circulation, discuss both countries' advanced practices in innovating circulation, expand consumption and modern supply chain construction, promote the two countries to use modern circulation technology and mode, boost the transformation and upgrade of trade in goods and services, and enhance the exchange and cooperation of China-Austria domestic trade to a higher level.<sup>103</sup>

The countries highlight the complementary nature of their economies: 'Austria has unique advantages in fields including mechanical equipment manufacturing, environmental protection, engineering design and healthcare. China has rich experience in fields such as infrastructure, energy development, machinery and equipment and financing', says Wang Jianjung, Director General of the Department for Foreign Capital and Overseas Investment at the National Development and Reform Commission.<sup>104</sup>

Wan Jie Chen, Director of the Confucius Institute at the University of Graz in Austria, agrees with Jianjung: 'While 99 percent of Austrian companies are small and medium-sized firms, many of them have advanced technologies. Combining China's large-scale production capabilities and Austria's high tech – I believe there is a promising future'.<sup>105</sup>

But Austria is not highly represented in Chinese foreign investments. It is a small country with a limited range of assets of interest. Chinese companies have only made 100 investments

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102. Ministry of Commerce People's Republic of China, 'China and Austria Sign the Memorandum of Understanding on Deepening the Exchanges and Cooperation in Modern Circulation Area', 11 April 2018, <<http://english.mofcom.gov.cn/article/newsrelease/significantnews/201804/20180402732458.shtml>>, accessed 16 June 2020.

103. *Ibid.*

104. Ouyang Shijia, 'China to Boost Cooperation with Austria', *China Daily*, 27 April 2019, <<http://www.chinadaily.com.cn/a/201904/27/WS5cc39104a3104842260b8a93.html>>, accessed 16 June 2020.

105. *Ibid.*

worth €3.4 billion in total.<sup>106</sup> Still, some strategically noteworthy deals were closed over the last few years. According to Andreas Breinbauer, 'Chinese companies are buying strategically. The BRI provides a complete package for the internationalisation and expansion of Chinese companies'.<sup>107</sup> According to China's 'Made in China 2025' strategy, the country wants to become the global leader in 10 chosen industrial sectors. Aviation is one of them.<sup>108</sup>

In 2017, Wanfeng Aviation Industry Corporation bought Diamond Aircraft Holding, an aircraft company specialising in manufacturing light airplanes. With this deal, all of Diamond Aircraft Industries, the second-largest aerospace producer in Austria, was transferred to a Chinese partner.<sup>109</sup> Wanfeng Industries is one of the largest private automotive, aerospace and military industry companies in China.<sup>110</sup>

In 2009, Future Advanced Composite Components, a producer of interior panels for airplanes in Ried im Innkreis, was acquired by Xian Aircraft Corporation.<sup>111</sup> China's Wolong Holding Group bought former A-Tec Industries subsidiary ATB Austria Antriebstechnik in Spielberg in Styria in 2011.<sup>112</sup>

In 2012, Steyr Motors GmbH agreed to sell all of its shares to a Chinese investment group under the condition that existing facilities in Austria remained part of the worldwide production hub.<sup>113</sup> Steyr Motors and subsidiaries Steyr Motors Liegenschaften GmbH and Steyr Motors North America were subsequently sold to Phoenix Tree HSC Investment (Wuhan) Co. Ltd., a Hong Kong-based financial investor seeking to leverage European technology and Chinese 'cost and market potentials'.<sup>114</sup> Phoenix Tree is investing in European as well as Chinese companies to strengthen European innovation, research and development competencies and access

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106. Between 2010 and 2014, Austria received between \$500 million and \$1 billion in Chinese investments. See Baker & McKenzie, 'Reaching New Heights: An Update on Chinese Investment into Europe', 2015, <[https://www.bakermckenzie.com/-/media/files/insight/publications/2016/03/reaching-new-heights/ar\\_emea\\_reachingnewheights\\_mar16.pdf?la=en](https://www.bakermckenzie.com/-/media/files/insight/publications/2016/03/reaching-new-heights/ar_emea_reachingnewheights_mar16.pdf?la=en)>, accessed 16 June 2020.

107. Author interview with Andreas Breinbauer, Vienna, 7 October 2019.

108. Institute for Security & Development Policy, 'Made in China 2025', June 2018, <<https://isdpeu/content/uploads/2018/06/Made-in-China-Backgrounder.pdf>>, accessed 16 June 2020.

109. S L Fuller, 'China's Wanfeng Completes Takeover of Diamond Aircraft Group', *Aviation Today*, 4 January 2018.

110. Diamond Aircraft Industries, 'Diamond Aircraft Group Acquired by Wanfeng Aviation Industry', 23 December 2017, <<https://www.diamondaircraft.com/en/about-diamond/newsroom/news/article/diamond-aircraft-group-acquired-by-wanfeng-aviation-industry/>>, accessed 24 June 2020.

111. *China.org*, 'FACC Acquired by Chinese Aircraft Company', 4 December 2009.

112. ATB, 'About ATB', <<http://www.atb-motors.com/EN/ATB%20Group/About%20ATB/About+ATB.aspx>>, accessed 16 June 2020.

113. Steyrmotors, 'Passion Meets Innovation', 10 June 2015, <<http://www.steyr-motors.com/news/news-single/passion-meets-innovation/552d1a232403cd85e04e387a0d0f4ccf/#:~:text=In%202012%2C%20the%20Chinese%20investor,to%20generate%20continent%2Dspanning%2-Osynergies>>, accessed 24 June 2020.

114. Phoenix Tree, <<https://tree-phoenix.com/>>, accessed 16 June 2020.

Western markets, while providing Chinese advantages, such as high market potential and low production costs.

‘To be able to stay competitive we need new potential distribution channels and markets providing fast and sustainable growth’, says Steyr shareholder Rudolf Streicher, former minister and presidential candidate for the Social Democrats in Austria. ‘We are looking forward ... to the further development of the location in Steyr to a global engineering centre’.<sup>115</sup>

The politically sensitive topic of the day is whether Austria will continue working with Huawei to build a 5G network based on Chinese technology. After a warm welcome and initial investments by Huawei of €211 million within the past five years,<sup>116</sup> it is now becoming more difficult for Austrian companies to deepen their relationship with Huawei. Since the US has called on European countries not to continue working with the Chinese company, some are rethinking their cooperation with Huawei. For the second stage of the Huawei 5G project, many European countries are under immense pressure to stop cooperating with the Chinese company. While Austria is only a small part of this, Europe as a whole remains the biggest market for 5G networks outside of China itself.

So far, Huawei works with all of the three largest mobile companies in Austria – A1, Magenta and 3 – and is building a research and development lab in Vienna.<sup>117</sup> A1 announced its newly built 5G network in 350 Austrian locations in cooperation with Huawei in January 2020. Austrian Chancellor Kurz has not yet excluded working with Huawei, but has cautioned that he will coordinate with other EU member states on further cooperation.<sup>118</sup>

Austria’s mobile phone company Magenta has built 58 5G antennas with Huawei equipment in 2019 and, if Huawei is not given the go-ahead for the second stage in 2020, would be required to dismantle this infrastructure.<sup>119</sup> Magenta is part of Deutsche Telekom and a go-ahead for Magenta will depend on Deutsche Telekom’s decision to continue working with Huawei. Deutsche Telekom is active in the US and risks losing business there if it continues to work with Huawei in Germany and Austria. So far, the German company has decided to exclude Huawei from sensitive

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115. Phoenix Tree and Steyr Motors, ‘Steyr Motors Walks into a New and Bright Future’, press release, September 2012, <[http://www.steyr-motors.com/uploads/media/press\\_release\\_\\_PTC\\_en.pdf](http://www.steyr-motors.com/uploads/media/press_release__PTC_en.pdf)>, accessed 29 June 2020.

116. *Wirtschaftszeit*, ‘Huawei Technologies Investiert 211 Mio. Euro In Den Österreichischen Markt’, 5 March 2020, <<https://wien.wirtschaftszeit.at/unternehmen-detail/article/huawei-technologies-investiert-211-mio-euro-in-den-oesterreichischen-markt>>, accessed 16 June 2020.

117. RWR Advisory Group, ‘Huawei Deepens R&D, Training Presence in Europe Following US Job Cuts’, 24 September 2019, <<https://www.rwradvisory.com/huawei-deepens-rd-training-presence-in-europe-following-us-job-cuts/>>, accessed 24 June 2020.

118. David Kotrba, ‘A1 startet 5G-Netz mit 350 Sendern’, *Futurezone*, 20 January 2020, <<https://futurezone.at/digital-life/a1-kuendigt-5g-netz-mit-350-sendern-an/400731123>>, accessed 29 June 2020.

119. Markus Sulzbacher, ‘Magenta könnte bestehendes 5G-Netz wieder abbauen’, *Der Standard*, 19 February 2020.

parts of its network but opposes a full ban.<sup>120</sup> This more cautious approach started before the coronavirus outbreak, and it is unclear how the pandemic will affect further cooperation. The 5G network of Austrian company 3 was established by ZTE, a Chinese network provider.<sup>121</sup>

In terms of Chinese foreign takeovers, Austria had less to report than other European countries in 2019. While 39 transactions were counted in Germany in the second half of 2019 – France had 18 and Italy had 14 – Austria, for the first time since 2010, had none.<sup>122</sup> Due to the coronavirus pandemic, investments have stalled everywhere in the first half of 2020. Experts expect a re-evaluation of foreign investments moving forward in order to reduce European dependence on Chinese producers.<sup>123</sup> That said, a decisive move towards ‘nearshoring’ is unlikely due to high production costs in Europe compared to China.<sup>124</sup>

While Chinese investments in Austria seem to have slowed down, Russian investments have remained strong.<sup>125</sup> Germany, Russia, the US and the Netherlands accounted for almost 60% of Austria’s foreign direct investment stock in 2018.<sup>126</sup> While 2019 was a good year for continued investments and trade between Austria and Russia, 2020 presents significant challenges as a result of the coronavirus pandemic. ‘Russia’s international trade will probably shrink 40 percent due to Covid-19 in 2020’, predicts a report from the Austrian Economic Chamber in Moscow.<sup>127</sup>

In the 1990s, several Russian banks chose Vienna as their European headquarters due to its geographical location and its banking anonymity.<sup>128</sup> However, Sberbank and VTB are currently in the process of relocating to Frankfurt. Upon landing on the EU’s sanctions list, their operations have been complicated and their Russian management has accordingly been aiming to bundle European operations in one place: ‘We had Paris, Vienna, Frankfurt and London as principal

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120. Thomas Heuzeroth, ‘Jetzt wendet sich die deutsche Wirtschaft gegen Huawei’, *Die Welt*, 24 November 2019.

121. Sulzbacher, ‘Magenta könnte bestehendes 5G-Netz wieder abbauen’.

122. EY, ‘EY-Analyse Chinesische Investoren in Europa 2019’, 6 February 2020, <[https://www.ey.com/de\\_at/news/2020/02/ey-mittelstandsbarometer-oesterreich-2020-2-fachkraeftemangel](https://www.ey.com/de_at/news/2020/02/ey-mittelstandsbarometer-oesterreich-2020-2-fachkraeftemangel)>, accessed 24 June 2020.

123. Andrew Small, ‘The Meaning of Systemic Rivalry: Europe and China Beyond the Pandemic’, Policy Brief, European Council on Foreign Relations, 13 May 2020, <[https://www.ecfr.eu/publications/summary/the\\_meaning\\_of\\_systemic\\_rivalry\\_europe\\_and\\_china\\_beyond\\_the\\_pandemic](https://www.ecfr.eu/publications/summary/the_meaning_of_systemic_rivalry_europe_and_china_beyond_the_pandemic)>, accessed 25 June 2020.

124. EY, ‘Attractiveness Survey Österreich 2020’, 28 May 2020, <[https://www.ey.com/de\\_at/news/2020/05/ey-attractiveness-survey-oesterreich-2020](https://www.ey.com/de_at/news/2020/05/ey-attractiveness-survey-oesterreich-2020)>, accessed 24 June 2020.

125. Nordea, ‘Country Profile Austria’, <<https://www.nordeatrade.com/en/explore-new-market/austria/investment>>, accessed 16 June 2020.

126. *Ibid.*

127. Außenwirtschaftscenter Moskau, ‘Wirtschaftsbericht Russische Föderation’, May 2020, p. 6, <<https://www.wko.at/service/aussenwirtschaft/russische-foederation-wirtschaftsbericht.pdf>>, accessed 16 June 2020.

128. Nordea, ‘Country Profile Austria’.

offices', says Alex Metherell from VTB, 'but we have been transferring our balance sheet from London and Vienna to Frankfurt. It means we can have risk in one place'.<sup>129</sup>

Up until the oil price crisis in April 2020 and the coronavirus pandemic, energy cooperation between Russia and Austria continued unhindered. The Austrian energy company ÖMV was cooperating profitably with its Russian equivalent, Gazprom, and was set to help with the implementation of the Russian Nord Stream 2 gas pipeline despite new attempts in June 2020 to introduce new sanctions against the project in the US.<sup>130</sup>

Surprisingly, although Russian trade with the EU drastically dropped as a result of the EU-imposed sanctions against Russia in 2014, Russian investments in Austria have increased.<sup>131</sup> In 2019, Russian direct investments in Austria increased by €1.6 billion to €26.7 billion.<sup>132</sup> The source of the majority of investments continues to be energy sector companies, like Gazprom and Lukoil, although other industries like tourism and banking have also generated notable investments.<sup>133</sup> As Putin told a group of Russian and Austrian business leaders in June 2018: 'Our bilateral trade has increased by 40 percent [on the previous year] to reach \$4bn. Russia is the second largest investor in the Austrian economy. Russian investment is nearly at \$24bn and Austria's investments in Russia are approaching \$5bn'.<sup>134</sup>

Some Russian oligarchs have chosen to invest in Austria. Names like Rashid Sardarov, Elena Baturina or Valentin Bukhtoyarov have been mentioned in the media.<sup>135</sup> Generally, those individuals who buy property or investment in Austria choose to keep this spending private. One exception is the former head of Rusal, Oleg Deripaska. In 2007, he invested in Strabag, an Austrian construction company, and continues to own 26% of its shares through his company Rasperia.<sup>136</sup> The private investments of Russian businessmen in Austria became relevant when their political connections to the leadership of the Russian Federation came under scrutiny. Deripaska's investment projects have since faced significant challenges: after being added to the US sanctions list in 2017, he stopped receiving dividends from any of his Austrian investments. He was not, however, forced to sell his shares.<sup>137</sup>

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129. Chris Newlands, 'Russia's VTB Cuts 100 Staff in London as US Sanctions Bite', *Financial News*, 15 January 2019.

130. Paweł Jakubowski and Anna Mikulska, 'New U.S. Sanctions For Nord Stream 2? What's At Stake', *Forbes*, 6 June 2020.

131. Außenwirtschaftscenter Moskau, 'Wirtschaftsbericht Russische Föderation', p. 7.

132. *Ibid.*, p. 11.

133. *Ibid.*

134. President of Russia, 'Meeting with Russian and Austrian Business Leaders', 5 June 2018.

135. Florian Horcicka, 'Russische Milliardäre in Österreich', 7 November 2011, *trend.*, <<https://www.trend.at/wirtschaft/business/russische-milliardaere-oesterreich-311307>>, accessed 25 June 2020.

136. Strabag, 'Corporate History', <[https://www.strabag.com/databases/internet/\\_public/content30.nsf/web30?Openagent&id=875CD1E3B3A31795C1257F750038C134&men1=2&sid=260&h=3](https://www.strabag.com/databases/internet/_public/content30.nsf/web30?Openagent&id=875CD1E3B3A31795C1257F750038C134&men1=2&sid=260&h=3)>, accessed 16 June 2020.

137. Kevin Knitterscheidt, 'Strabag behält Millionen-Dividende von russischem Oligarchen Deripaska ein', *Handelsblatt*, 13 June 2018.



## V. Cultural Inroads

**C**HINA AND RUSSIA adopt alternative cultural influence strategies. China focuses on building influence through its cultural institutes in higher education structures and strengthening economic relations through exchange programmes, while Russia has not invested much thought in this particular area.

Austria has a long cultural relationship with both Russia and China, with the two countries demonstrating considerable interest in the classical music that Austria traditionally specialises in.<sup>138</sup> Many cultural events are organised each year by the Austrian Cultural Institute in Moscow, with Austrian musicians and artists travelling to Russia to perform, while Russian orchestras and artists regularly travel to Austria to perform as well. The Russian Culture Institute in Vienna also offers language courses for children and adults and has a large library of Russian literature.<sup>139</sup>

For a small country like Austria, soft power through music and literature is a significant opportunity for attracting attention and deepening diplomatic relations. Austria does not have much political clout, economic power or military strength on its own, and so must rely on such strategies to develop its foreign policy. This chapter examines recent developments in cultural relations with Russia and China.

China has established a global network of cultural institutes in the past 15 years, which are closely monitored by the Chinese Ministry of Education. In Austria, Confucius Institutes have been established in Vienna, Graz and Salzburg. They are funded by the Chinese government and teach Mandarin as well as Chinese history and culture. But there is more to this relationship than mere cultural exchange. 'Our Confucius Institute offers courses to learn the Chinese language', says Wan Jie Chen, Director of the Confucius Institute in Graz, the capital of Styria in Austria. 'But we do more than a Goethe Institut would do. We not only offer language courses and cultural bridge building. We also establish a platform for economic and technological exchange between China and Austria', he adds.<sup>140</sup>

The Confucius Institute, where he is based, is a joint venture funded by the University of Graz and its partner university in China, Jiangsu University. According to Chen, the main mission of

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138. See, for example, Austrian Cultural Forum Moscow, <<http://www.akfmo.org/en/events/eventdetails.php?id=326>>, accessed 2 July 2020.

139. Russisches Kulturinstitut Wien, 'Bibliothek', <<http://russischeskulturinstitut.at/de/bibliothek>>, accessed 2 July 2020.

140. Author telephone interview with Wan Jie Chen, 12 November 2019.



the Institute is furthering economic cooperation. 'Students who study Chinese with us can then work in internships in Chinese companies', says Chen.<sup>141</sup>

According to Chen, Hanban – the Beijing headquarters of the Confucius Institute – organises and pays for some of the seminars at the Confucius Institute in Graz. Is there interference from Hanban officials in course decisions in Graz? After all, the non-profit organisation affiliated with the Ministry of Education is headed by a high-ranking member of the Communist Party. 'We are open to everyone'. When asked whether he would invite the Dalai Lama, Chen responds: 'Why should we? We always have to ask: is there a special occasion to invite someone?'.<sup>142</sup>

Not everyone in Austria sees this development without concern. Susanne Weigelin-Schwiedrzik, a Professor of China Studies, prefers to keep her courses independent from Chinese funding in order to avoid undue influence by Chinese sponsors. At her Institute of East Asian Studies, part of the University of Vienna, she sometimes accepts projects financed by Taiwan. 'We do all sectors of China studies, including language courses and history courses', she says. 'I am open to all opinions, including those of Taiwan and Singapore as well as the Chinese diaspora'.<sup>143</sup>

The Viennese Confucius Institute is also part of the University of Vienna, but it is not directly connected to the academic department of Sinology. The Institute reports directly to the head of the university. For students thinking of building a career with universities in China, the question of self-censorship is hard to answer. 'It is a big challenge for them', says Weigelin-Schwiedrzik. 'Some topics cannot be covered in China. This is why some students come from China to Vienna for their PhD thesis. We counsel students on how to position themselves, if they plan to work at Chinese universities. It is much more difficult today than it was 10 years ago. If we want to understand China, we need to cooperate with it'. Cooperation with state authorities, however, has been minimal. Her only interaction with Hanban was when they offered to pay for additional posts for professors in Vienna. 'I answered that I do not see a need for this', recounts Weigelin-Schwiedrzik, and she never heard from Hanban again.<sup>144</sup>

As most Austrian universities are state-funded like in the rest of continental Europe, undue influence through privately funded programmes by Chinese universities or Chinese state companies is rare. There is only one programme at the Technical University of Graz, which is funded by the state-owned China Electronics Technology Company (CETC).<sup>145</sup> CETC is China's leading manufacturer of military electronics, including drone swarms and radars. The programme started in 2015 with the establishment of a Sino–Austrian Electronic Technology Innovation Centre. It runs a joint programme on smart water management in order to establish systems for

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141. *Ibid.*

142. *Ibid.*

143. Author telephone interview with Susanne Weigelin-Schwiedrzik, 15 November 2019.

144. *Ibid.*

145. Unitracker, <<https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2019-11/unitracker-tab1.jpg>>, accessed 29 June 2020.

robust monitoring and controlling of water networks in China.<sup>146</sup> CETC subsequently chose Graz as its European headquarters.<sup>147</sup>

Even at the private Diplomatic Academy in Vienna, which specialises in teaching diplomacy to students from around the world, there are only a few programmes developed and funded in cooperation with Fudan University in Shanghai or the official Chinese Diplomatic Academy in Beijing. Students sent from China are taught a course in European integration. The Academy also helps with internships in international organisations like the UN and OPEC, which are based in Vienna.<sup>148</sup>

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146. ABA, 'Chinesisches Technologieunternehmen baut Europazentrale in Österreich auf', 23 November 2016, <<https://investinaustria.at/de/news/2016/11/cetc.php>>, accessed 16 June 2020.

147. Alex Joske, 'The China Defence Universities Tracker', Australian Strategic Policy Institute, 25 November 2019.

148. Author interview with Emil Brix, Vienna, 18 November 2019.



## VI. Intelligence Agencies

SINCE 1945, VIENNA has been ‘a centre for espionage’ and the meeting place for spies of all origins.<sup>149</sup> The Austrian capital was not chosen for prisoner exchanges by accident. In 2010, double agent Sergei Skripal was exchanged for Russian agents at Vienna’s airport in Schwechat.<sup>150</sup> Russia, for example, has ‘a city within the city’<sup>151</sup> in Kaisermühlen, an Eastern district of Vienna that also houses the headquarters of the UN.

After the Second World War, Austria was a small republic trying to find its way back to democracy after the experience of the Third Reich. In order to gain back its independence, the Austrian government convinced the four Allied powers to establish Austria as a neutral state between the West and East in its attempt to avoid partition.<sup>152</sup> While Austria was politically part of the Western democratic world, it did not join a military organisation like NATO.

‘Austria is regarded as a preferred operation area and an international hub for foreign intelligence services’, explained a 2018 report by the BVT, an Austrian domestic intelligence agency. The report adds:

That means that in the eyes of foreign intelligence services, this country provides favourable conditions for them due to a number of essential factors, such as its geographical position, its membership in the EU and its scientific and economic strength, particularly in the fields of technology and the energy industry. In addition, the capital Vienna is the headquarter of a number of international organisations, such as – for example – the UN. ... However, Austria must also be regarded as a country other intelligence services are interested to influence and as a target of espionage. The number of diplomatic representations and intelligence officers posted to this country remains as high as ever.<sup>153</sup>

Austria wanted to play host to important international organisations and stay somewhat neutral with respect to the ideological divisions of the time. ‘The Viennese liked to pretend their city was the eternal Viennese Congress, everyone should just continue to dance here’, says security expert Thomas Riegler.<sup>154</sup>

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149. Bethany Bell, ‘Vienna, Nest of Spies: Why Austria is Still Centre for Espionage’, *BBC News*, 17 November 2018.

150. Richard Boudreaux and Evan Perez, ‘U.S., Russia Swap Agents to End Crisis’, *Wall Street Journal*, 10 July 2010.

151. Thomas Riegler, *Österreichs Geheime Dienste* (Vienna: Klever-Verlag, 2019), p. 83.

152. Roy A Austensen, ‘Geschichte des Staatsvertrages 1945–1955: Österreichs Weg zur Neutralität by Gerald Stourzh’, *The Journal of Modern History* (Vol. 57, No. 1, March 1985), pp. 177–78.

153. Austrian Federal Ministry of the Interior, ‘Verfassungsschutzbericht 2018’, 2019, p. 81. Translated by the author.

154. Author interview with Thomas Riegler, Vienna, 18 November 2019.

But it also meant that, according to Riegler, ‘mafia bosses from Eastern Europe could operate in Vienna without being disturbed. As long as they did not murder and kill in the city’.<sup>155</sup> This did, however, happen on occasion. Vienna has experienced several assassinations of Kurdish, Iranian, Palestinian, Israeli, Chechen, Georgian and Eastern European politicians, as well as private individuals, over the past 40 years. Some of these incidents concerned victims originating from former Soviet republics. In 1975, for example, Carlos the Jackal staged an attack on the OPEC headquarters in Vienna, killing three people and taking 90 hostage. The attackers were later able to leave the country on an airplane. In 1981, a member of the Palestinian terrorist group, the Abu Nidal Organization (ANO), killed Vienna’s Social Democratic city councillor, Heinz Nittel, who had helped establish the Jewish Welcome Service in Vienna and was the President of the Austrian–Israeli Friendship League.<sup>156</sup> The three attackers left the country after having served a jail sentence of about 15 years.<sup>157</sup> In 1985, the ANO attacked the Israeli airline El Al’s ticket counter at the airport in Vienna, killing three civilians.<sup>158</sup>

In 1996, Georgian oligarch David Sanikidze was shot and killed in Vienna.<sup>159</sup> And, in 2015, Rakhat Aliyev, the Kazakh diplomat and former son-in-law of then President Nursultan Nazarbayev, was found dead in his prison cell in Vienna while awaiting trial.<sup>160</sup> There are a few other cases of murders or suspicious deaths within Chechen and Balkan circles, which may be connected to mafia infighting.<sup>161</sup> ‘The Austrian authorities were always quick to drop charges and let suspects leave the country in order to avoid being dragged into their idea of conflict resolution any further’, says Riegler.<sup>162</sup>

While some groups have recently become more aggressive, the secret police is in dire need of updating its working methods. A 2019 report by the Club de Berne raised serious concerns about security in Austria’s internal secret service, the BVT.<sup>163</sup> The agency’s in-house IT system

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155. *Ibid.*

156. *Kronen Zeitung*, ‘Nittel-Mord-Auftraggeber wird in Salzburg gestellt’, 28 October 2019, <<https://www.krone.at/2031588>>, accessed 16 June 2020.

157. *Austrian Press Agency*, ‘Trauriger Jahrestag: Wiener Stadtrat Heinz Nittel wurde am 1. Mai 1981 von palästinensischen Terroristen ermordet’, 29 April 2016, <[https://www.ots.at/presseaussendung/OTS\\_20160429\\_OTS0191/trauriger-jahrestag-wiener-stadtrat-heinz-nittel-wurde-am-1-mai-1981-von-palaestinensischen-terroristen-ermordet](https://www.ots.at/presseaussendung/OTS_20160429_OTS0191/trauriger-jahrestag-wiener-stadtrat-heinz-nittel-wurde-am-1-mai-1981-von-palaestinensischen-terroristen-ermordet)>, accessed 16 June 2020.

158. Israeli Security Agency, ‘Twin Attacks at the Airports of Vienna and Rome (Dec. 27, 1985), 26 December 1985, <<https://www.shabak.gov.il/english/heritage/affairs/Pages/AttacksattheAirports1985.aspx>>, accessed 16 June 2020.

159. Elena Scherschneva-Koller, *Postsowjetische Organisierte Kriminalität – Bekämpfung der „Vory y zakone“ in Österreich* (Hamburg: Bachelor + Master Publishing, 2012), p. 13.

160. Pete Baumgartner, ‘Lawyers for Kazakh President’s Late Son-in-Law Vow to Fight on for Murder Probe’, *RFE/RL*, 16 February 2017.

161. *BBC News*, ‘Austrian Court Convicts Chechens over Dissident’s Death’, 1 June 2011.

162. Author interview with Thomas Riegler, Vienna, 18 November 2019.

163. Club de Berne is an intelligence-sharing forum between the intelligence services of the 28 EU member states plus Norway and Switzerland.

was highly vulnerable and could give hackers easy access to classified information shared by Club de Berne members through their Poseidon Network. The BVT was found to be using antivirus programmes bought from Kaspersky, a company headquartered in Moscow, which other European intelligence agencies no longer use.<sup>164</sup>

Austrian intelligence agencies have made headlines in recent years when their Western partners lost confidence in them following the inclusion of the far-right FPÖ in a coalition with the ÖVP. The FPÖ is seen as untrustworthy by other EU member states due to its close contacts with Russian parties and politicians. Only a few months into the coalition, the Ministry of the Interior, where the BVT is located, was promptly raided by a police unit sent by then Minister of the Interior Herbert Kickl. Kickl, a leading member of the FPÖ, did not seem to trust the officials in his own ministry. At the raid, classified information held there was confiscated.<sup>165</sup>

After that, German and other Western security services lowered their cooperation with the Austrians due to fears that the new government might share classified information with Russia.<sup>166</sup> However, after the FPÖ lost the 2019 general elections and the ÖVP assumed control over the Ministry of Interior, those concerns have lost their urgency.

While Vienna traditionally hosts significant numbers of intelligence agents from various countries, Austria's own surveillance capabilities are still those of a small country. This makes it harder to mount the appropriate surveillance for foreign operators. Surprisingly, as one of the China-watchers remarks, there are few, if any, officials in the Austrian secret services who speak Mandarin.<sup>167</sup>

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164. *Die Presse*, 'Berner Club ortet grobe Sicherheitslücken beim BVT', 12 November 2019.

165. Tessa Szyszkowitz, "'The Third Man' Revisted: Security Intelligence and the Far-Right in Austria', *RUSI Newsbrief*, 23 March 2018.

166. *EURACTIV*, 'UK, Dutch Spy Agencies Curb Intel Flow to Austria over Russia Ties', 10 April 2019.

167. Author interview with anonymous source, November 2019.



## VII. Organised Crime

**G**IVEN THE WEAKNESSES of Austrian intelligence agencies, sources interviewed for this paper argue that international organised crime groups operate with significant latitude in the country.

One example of Chinese organised criminal activity in Austria are ‘Teigtascherlfabriken’ (‘little dumpling factories’). In August 2019, one and a half tonnes of illegally produced Chinese dumplings were found in an apartment. By October 2019, the police had found five such factories all over Vienna.<sup>168</sup> Over the years, a lucrative dumpling business has been established in Austria. Producing dumplings in private homes in Vienna, these were then sold to 500 Asian restaurants located across the city. The dumplings were produced without a license, tax liabilities or passing standardised hygiene tests and workers were found hiding in cupboards in different locations in Vienna. By March 2020, 11 illegal dumpling factories had been found by the police.<sup>169</sup>

‘Teigtaschen’ could be part of a wider Chinese operation of human trafficking which runs through Vienna from Eastern Europe, often via the Balkans, on to other parts of the EU.<sup>170</sup> Other organised Chinese criminal operations are thought to exist in Vienna, including the trafficking of Chinese women to Austria and the rest of the EU for prostitution. In 2017, a Chinese trafficker ring was ousted. 150 victims, all Chinese women, were liberated from forced prostitution. The Federal Criminal Police Office called it ‘Operation Sequing’.<sup>171</sup> As a small country, Austria still sees a certain ‘special role’ for itself in the Balkan region, where the Habsburg empire once played an important, and often divisive, role. Given the strategic importance of the Balkans for Russian and Chinese investments today, it is worth studying the historical context of the previous power of influence in that particular region.

For historical reasons – Bosnia and Herzegovina were part of the Habsburg empire until the First World War<sup>172</sup> – Austria’s military intelligence has traditionally focused more on the Balkan region than elsewhere. Today, it has a few hundred soldiers stationed in Bosnia, the biggest military mission outside Austria’s own borders.<sup>173</sup> There are plans to establish a military academy there, and Bosnian soldiers are currently being trained in Austria. The problem – as always – is a lack of funding, so these operations remain limited.

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168. *Der Standard*, ‘Fünfte illegale Teigtascherlfabrik in Wien entdeckt’, 27 October 2019.

169. Austrian Press Agency, ‘Finanzpolizei entdeckte in Wien noch mehr Teigtascherlfabriken’, 9 March 2020, <<https://www.vienna.at/finanzpolizei-entdeckte-in-wien-noch-mehr-illegale-teigtascherl-fabriken/6547132>>, accessed 2 July 2020.

170. European Commission, ‘Together Against Trafficking in Human Beings – Austria’, <<https://ec.europa.eu/anti-trafficking/member-states/Austria>>, accessed 24 June 2020.

171. Johannes Pucher and Gabriele Scherndl, ‘Unter dem Radar: Wiens chinesische Community abseits der Teigtascherlmafia’, *Der Standard*, 15 December 2019.

172. Marc Stefan Peters, ‘Bosnian Crisis’, *International Encyclopedia of the First World War*, last updated 23 March 2017, <[https://encyclopedia.1914-1918-online.net/article/bosnian\\_crisis](https://encyclopedia.1914-1918-online.net/article/bosnian_crisis)>, accessed 25 June 2020.

173. Austrian Armed Forces, ‘The Austrian Armed Forces in Bosnia and Herzegovina’, *Truppendienst International* (Vol. 3, No. 2, 2010).



‘Southeast-Europe is the focus of direct investments, cultural diplomacy and undercover operations from bigger and medium powers like China, Russia, Iran and Saudi Arabia’, writes Riegler.<sup>174</sup> ‘Balkan criminal networks flourished during the 1990s as part of a system which helped fund the wars in the former Yugoslavia and provide cover for the massive transfer of state assets into private hands. In a short time, they put down deep roots which have proved extremely durable’, says Misha Glenny, an expert on international organised crime:

This, combined with the rich tradition of smuggling across the land route which connects Central Asia and the Middle East to Europe, has meant that these networks are very adept at switching from shifting one commodity to another. During the wars, huge smuggling operations moved billions of euros worth of untaxed cigarettes across the Balkans; after the wars, cocaine and heroin came to dominate the market; while in 2014–15, the same syndicates adjusted to exploit the rich possibilities offered by the movement of hundreds of thousands of migrants across the region.<sup>175</sup>

The so-called ‘Balkan Route’ (or ‘Western Balkan Route’) gained infamy during the refugee crisis of 2015, when hundreds of thousands of refugees from the Middle East came through Turkey, the Mediterranean Sea, Greece, Bulgaria and Hungary to Austria and Germany, and further to other parts of northern Europe.<sup>176</sup> After a lorry with 71 dead bodies was found on the highway near the Austrian town of Parndorf in August 2015, the plight of refugees and migrants being trafficked into the EU under deplorable conditions came under the spotlight.<sup>177</sup> The surrounding scandal did not diminish the profitability of the ‘Balkan Route’ in the long term, for international organised criminals are still using that route for smuggling goods or people illegally into Europe.<sup>178</sup>

The Balkan intelligence findings of Austria’s security operations are of interest to Russia and perhaps also to China, as both powers are keen on gaining influence in the region,<sup>179</sup> which can also be described as the ‘waiting room’ to the EU.<sup>180</sup> ‘All this contributes to further undermining the already weak state structures in the region – with possible consequences for Austria’s security. This is why the military secret service is watching developments so closely’.<sup>181</sup>

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174. Riegler, *Österreichs Geheime Dienste*, p. 12.

175. Author telephone interview with Misha Glenny, 26 June 2020.

176. Frontex, ‘Migratory Routes – Western Balkan Route’, <<https://frontex.europa.eu/along-eu-borders/migratory-routes/western-balkan-route/>>, accessed 29 June 2020.

177. Sara Bellezza and Tiziana Calandrino, *Criminalization of Flight and Escape Aid* (Berlin: Borderline Europe, 2017).

178. Author telephone interview with Misha Glenny, 26 June 2020.

179. Walter Kemp, ‘Crooked Kaleidoscope: Organized Crime in the Balkans’, Global Initiative Against Transnational Organized Crime, June 2017.

180. Vladimir Shopov, ‘Five Mounting Challenges for China in the Western Balkans’, 17 June 2020, <[https://www.ecfr.eu/article/commentary\\_five\\_mounting\\_challenges\\_for\\_china\\_in\\_the\\_western\\_balkans](https://www.ecfr.eu/article/commentary_five_mounting_challenges_for_china_in_the_western_balkans)>, accessed 25 June 2020.

181. Riegler, *Österreichs Geheime Dienste*, p. 13.

# Conclusions

**W**HILE CHINA ADOPTS a long-term strategic approach to building influence through its cultural institutes in higher education structures and strengthening economic relations through exchange programmes, Russia has not invested much thought in this particular area. Furthermore, while China has bought into strategically important industrial sectors in Austria, such as aviation companies, Russia does not even have an official investment strategy aside from energy infrastructure, which is crucial to the gas- and oil-exporting country. Rather, Russian investment is characterised by private individuals from the former Soviet Union investing in homes and benefiting from the friendly Austrian climate. This is characterised by the laxity of Austrian banking practices, which have not only failed to prevent money laundering but have also – in some instances – facilitated these dealings.

Russian- or Chinese-language media outlets remain relatively limited in Austria today. Their respective state-funded TV networks have no licence to broadcast in the country. There are Russian- and Chinese-language newspapers, though these only reach a relatively small migrant community in Austria. Russia does not need to invest much in Russian-language media in Austria, given the Austrian media's friendly approach towards Russia. Any attempt to influence the general Austrian public seems to be taking place through interviews in mainstream Austrian media outlets with notable Chinese officials, or ad hoc and private political interventions between high-level officials in both governments.

Russia's focus rests more on direct contact with Austrian politicians. The country could always hope to gain influence – bordering on interference – through the sheer force of Putin's personal engagement with Austrian politicians. It also has the advantage of being perceived as a close and lucrative economic partner for many former Austrian politicians. As Austria's historical and geographical connection to Russia is much stronger and closer than to China, it is difficult to precisely compare both countries' influence in and on the small republic.

'Russia is definitely more aggressive in its foreign policy than China', argues Brix.<sup>182</sup> Russia works with classical methods – diplomacy, espionage, favours and sometimes threats. China is more innovative and strategic. The BRI sets out a vision of connection, exploration and mutual benefit, and comes across as much less aggressive. On the contrary, for Russia, anti-Western language is quite common given the pressures of its domestic situation: 'In Russia, there is a lot of talk about the decadent West. In China, you don't hear this kind of propaganda', says Brix.<sup>183</sup>

China's leadership, it seems, still perceives it to be challenging to 'keep China together'. Developing living standards and becoming self-sufficient is more interesting for China's

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182. Author interview with Emil Brix, Vienna, 18 November 2019.

183. *Ibid.*

leadership than exporting its political model to Europe. ‘Beijing is not interested in the political systems of the states in which they invest. Chinese authorities have one priority: economic projects. They are not interested in the export of socialism with Chinese characteristics’, argue Raimund Löw and Kerstin Witt-Löw.<sup>184</sup> China is, therefore, also less interested in undermining the EU, focusing more on profiting from trade deals. This differs from Russia, where aligning with EU sceptics to weaken pro-European forces is considered a legitimate foreign policy goal.

In the past five years, Austria felt it could profit from Russia’s relative political isolation in Western Europe. The previous coalition of the conservative ÖVP and the far-right FPÖ engaged in particularly friendly relations with the Russian Federation. It remains to be seen if the current coalition of conservatives and the Green Party will cool these warm relations, given the Green Party’s history as an outspoken advocate against human rights violations.

In this respect, a similar case could be made for relations with China. Under Xi, the country has become less transparent in recent years and the latest attempts to silence the democratic protests in Hong Kong will hardly be the last time China shows disregard for human rights. At the EU–China summit in June 2020, the EU raised its concerns on the deteriorating human rights situation.<sup>185</sup> Representatives also stressed the need for an EU-China Comprehensive Investment Agreement to address ‘the current asymmetries in market access’.<sup>186</sup>

EU relations with China and Russia also affect bilateral relations. Austria’s government will need to find a way, like any other Western democracy, to follow economic interests without compromising its political values.

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184. Raimund Löw and Kerstin Witt-Löw, *Weltmacht China* (Vienna: Residenz Verlag, 2018), pp. 215–16.

185. European Council, ‘EU-China Summit: Defending EU Interests and Values in a Complex and Vital Partnership – Press Release by President Michel and President von der Leyen’, 22 June 2020, <<https://www.consilium.europa.eu/en/press/press-releases/2020/06/22/eu-china-summit-defending-eu-interests-and-values-in-a-complex-and-vital-partnership/>>, accessed 26 June 2020.

186. *Ibid.*

# About the Author

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