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DAS STREBEN NACH MACHT  
UND EINFLUSS ENTLANG  
DER DONAU UND AUF DEM BALKAN

**IN FOCUS:**

SEEKING INFLUENCE AND POWER  
ALONG THE DANUBE AND ACROSS  
THE BALKANS

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*Tessa Szyszkowitz*

## BETWEEN AFFLUENCE AND INFLUENCE. EXAMINING THE ROLE OF RUSSIA AND CHINA IN AUSTRIA



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Zusammenfassung:

### ZWISCHEN WOHLSTAND UND EINFLUSS. DIE ROLLE RUSSLANDS UND CHINAS IN ÖSTERREICH

Österreich hat ein starkes Interesse an enger wirtschaftlicher Zusammenarbeit mit der Volksrepublik China und mit der Russischen Föderation. Dank der geographischen Nähe sind die Beziehungen Österreichs zu Russland enger. Doch beide Staaten sind nicht unproblematische Wirtschaftspartner. China schützt seinen Markt bisher stärker vor ausländischen Beteiligungen als Österreich und geht innenpolitisch gegen Minderheiten und Kritiker in bedenklicher Weise vor. Russland hat sich seit Jahren von demokratischen Prinzipien entfernt, was die Behandlung der Opposition in Russland und die Verfolgung von Kritikern im europäischen Ausland betrifft. Auch die versuchte Einmischung in die Politik der EU-Staaten und der USA ist offensichtlich geworden. Diese Studie untersucht die Rolle Chinas und Russlands in Österreich. Wie versuchen die beiden Staaten ihren Einfluss zu nutzen, um ihre wirtschaftlichen und politischen Interessen zu fördern? Dies geschieht über mediale Kanäle und kulturelle Institutionen, aber auch im wirtschaftlichen und finanziellen Sektor. Seine traditionelle Position als neutraler Staat erlaubt dem kleinen EU-Mitglied, zumindest aus eigener Sicht, eine flexiblere Vorgehensweise. Österreich agiert zwar gemeinhin in Abstimmung mit der EU, hat aber Russland gegenüber bisher einen etwas abweichenden Kurs verfolgt.

### INTRODUCTION

This study is based on an Occasional Paper published with the Royal United Services Institute for Defence and Security Studies (RUSI) in July 2020. It was updated in February 2021 for this issue of JIPSS. It will explore the influence strategies employed by Russia and China in Austria in relation to Austria's own national interests and foreign policy. Austria has always perceived itself in a special position as a militarily neutral country. Politically, however,

Austria saw itself part of the Western world. Austria's State Treaty of 1955 also clearly stated that it was to be politically and economically independent of Germany.<sup>1</sup> It was only after 1989 that Austria – together with other Eastern European states – started moving closer to the European Economic Community, the forerunner of the EU. Austria eventually became an EU member in 1995. This unique history of neutrality had consequences. Given the perception of Austria's position between 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>2</sup> and Russia was keen on Austria keeping its neutral status even after the collapse of the Soviet Union.<sup>3</sup> This might explain Austria's closer connection with the Russian leadership in comparison to other European states.

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 an important 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>4</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>5</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 the Permanent Structured Cooperation of the EU (PESCO). The European Defence Fund (EDF), a key instrument

for the financing of PESCO-projects, was created during the Austrian presidency in 2018.<sup>6</sup> Austria also participates 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 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, turning Vienna into a “capital of spies” with 7,000 intelligence agents, some of them Russian.<sup>9</sup> In later years of the Cold War, Austria's welcoming environment towards diplomats and spies made it a desired 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>

Given Austria's geographical and historical proximity to Russia, it is likely to entertain closer relations



Fig. 1: The OSCE in Vienna is one example of Austria's role as a diplomatic center.

with Russia than with the People's Republic of 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 held an official state visit to Austria. Only China's third most senior leader, Li Zhanshu, visited Austria in 2018.<sup>13</sup>

## METHODOLOGY

This paper draws on interviews conducted by the author with notable experts on Austrian-Chinese and Austrian-Russian relations. While some prefer not to be named, others are. The author conducted both face-to-face and telephone interviews in October and November 2019, some of them updated in January 2021.<sup>14</sup> In addition to interviews, the author conducted a targeted review of the literature that captures academic publications and periodicals, as well as 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. It should be noted that the author

has translated to English any interview quotations conducted in German or any literature found in German with no alternative English source.

## POLITICAL INFLUENCE ATTEMPTS

Austria's close relations to Russia date back to the early years of the Soviet Union. "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>15</sup> "Russia, in return, sees Austria as a 'Schläferstaat' [sleeper state]. The time will come when favours can be called in."<sup>16</sup> When relations between the EU and Russia soured after the Russian annexation of Crimea in 2014 and the downing of a commercial airplane 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) Chairman, Christian Kern, who attended the St. Petersburg International Economic Forum in 2016 and 2017.<sup>17</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 the German



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Fig. 2: Russian President Putin with then Austrian Foreign Minister Karin Kneissl during his state visit to Austria in 2018.



Fig. 3: President Putin meeting with Austrian President Alexander van der Bellen during an official visit in the context of the Sochi Dialogue.

government created in 2001.<sup>18</sup> The Sochi Dialogue was founded in June 2018 – three months after the poisoning of Sergei Skripal in Salisbury.<sup>19</sup> The forum has regular meetings under the auspices of Austria's former president of the Chamber of Commerce, Christoph Leitl, and diplomat Margot Klestil-Löffler. Russia is represented by former Russian Education Minister Andrei Fursenko.<sup>20</sup> The Sochi Dialogue is supposed to focus less on political than on cultural and economic exchanges between the two countries.<sup>21</sup> A hybrid conference of online and physical talks in participation with the Sochi Dialogue was organized during the Salzburg Festival in the summer of 2020. Due to Covid restrictions, Russian participants could not travel to Austria.

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) Chairman, Wolfgang Schüssel, was on the board of Russia's largest telecommunications provider, MTS, of which 51% is owned by Russian oligarch, Vladimir Yevtushenkov.<sup>22</sup> Schüssel has also been on the supervisory board of Lukoil, a mineral oil company, since 2019.<sup>23</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>24</sup> and Christian Kern sits on the supervisory board of the Russian train company, RZD.<sup>25</sup>

Sometimes, these close economic relations go even further and can create a disreputable public image of some of those involved. For example, former Chancellor and SPÖ Chairman, Alfred Gusenbauer, was mentioned in the Mueller report,<sup>26</sup> which inves-

tigated the role of Donald Trump's administration in connection with Russian interference in the US elections in 2016. Trump's former campaign manager, Paul Manafort, recruited the "Hapsburg Group", an informal outfit that consisted of former European leaders, including Gusenbauer.<sup>27</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>28</sup> Gusenbauer denies these claims.<sup>29</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 we should follow their opinion on anything political; nobody has ever expressed wishes for something specific", says Georg Zanger.<sup>30</sup> The Viennese lawyer established the Austrian Chinese Business Association in order to "bring entrepreneurs together and foster their success."<sup>31</sup> His "Verein" (or society) is purely financed by membership fees. Zanger notes how "we want to be bridge builders and we already have established an excellent network with mayors in Chinese cities, like Shanghai and Guangzhou."<sup>32</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>33</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. As a demonstration of the current good relations between Austria and China, China donated a second giant panda in May 2019.



Fig. 4: Former Austrian Chancellor Wolfgang Schüssel, like other politicians, is very active in keeping good relations with Russia.



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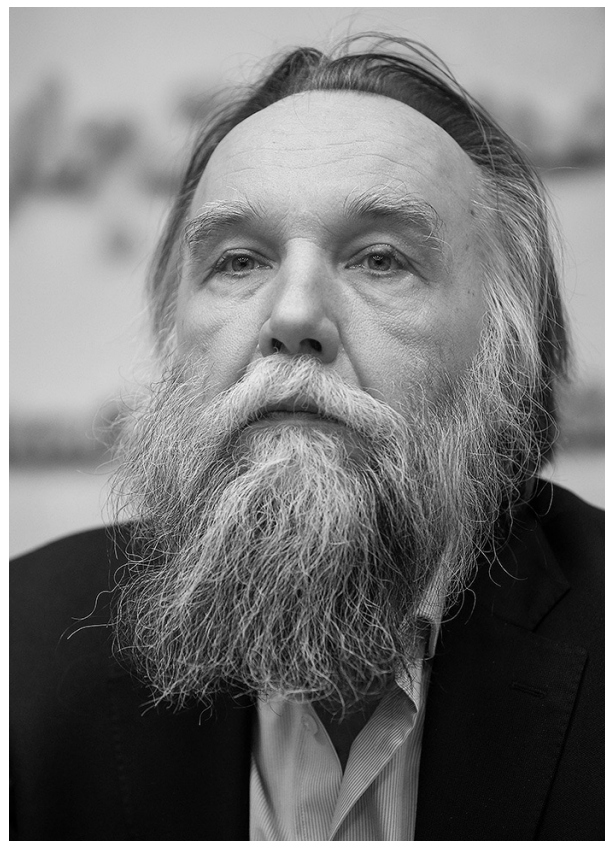
Fig. 5: The Dalai Lama during his visit to Vienna in 2012.

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>34</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 Chancellor 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>35</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 the Russian news agency TASS, which noted that “Austria fends off London’s pressure over its refusal to expel Russian diplomats.”<sup>36</sup>

Most EU member states refrained from inviting President Putin in recent years. Again, Austria has followed a different policy. Putin attended Karin Kneissl’s wedding in July 2018, where he danced with the bride herself. She was then photographed performing a curtsy in front of him after their dance.<sup>37</sup> Images of this moment went viral.<sup>38</sup> Kneissl 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 short-lived coalition with the ÖVP at the time. She might have very well misjudged or underestimated the political significance of such a dance. Even if it was a private initiative, the invitation did have a political context that should not be neglected. Kneissl was rewarded by her guest by being nominated to the board of Russian oil giant Rosneft in March 2021. 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>39</sup> The FPÖ also built good relations with Russian right-wing elites. The anti-Western activist-philosopher, Aleksandr Dugin, hosted a closed-door meeting together with businessman Konstantin Malofeev, a Russian nationalist, in Vienna in 2014.<sup>40</sup> Among the attendees were the then head of the FPÖ, Heinz-Christian Strache, and France’s Marion Maréchal, niece of Marine Le Pen.<sup>41</sup>

At Kneissl’s wedding in 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



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Fig. 6: Aleksandr Dugin hosted a closed-door conference with businessman Konstantin Malofeev in Vienna in 2014.

Peace, “the event was intended to mobilize supporters of lessening Russia’s international isolation in the wake of Crimea annexation.”<sup>42</sup> The EU imposed economic sanctions following the Russian military intervention in Ukraine. They are extended every six months. The next review is scheduled for 31 July 2021. The presence of both Putin and Kurz at Kneissl’s wedding has been perceived as sign of Austria’s dovish approach to Russia.<sup>43</sup> Given Austria’s role in the EU, whatever happens in Austria inevitably has an impact on EU politics. 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 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>44</sup>

The political atmosphere has somewhat changed since the government coalition between ÖVP and FPÖ ended in May 2019. The new coalition between ÖVP and the Green Party since January 2020 has slightly changed course. In August 2020 a Russian diplomat was expelled for being involved in industrial espionage.<sup>45</sup> After the Russian opposition politician Alexej Navalny was poisoned with the nerve agent Novichok in Tomsk in August 2020, relations between Russia and the EU became even more tense. Angela Merkel intervened with Vladimir Putin personally to bring Navalny to Berlin, where he received medical treatment and was able to recover. The European Union agreed on personal sanctions against six high-ranking Russian officials under the framework of the proliferation of chemical weapons. In December 2020 the EU Council agreed on giving itself a framework for personal sanctions in case of human rights breaches. After his return to Moscow Navalny was sentenced for over three years in prison. The EU decided on sanctions against four Russian individuals responsible for Navalny’s verdict. The Austrian government supported the decision.

As with Russia, Austria has shown a certain flexibility in its politics with China when it comes to doing business. 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>46</sup> Today, there are 138 countries on the list of participating members in the BRI,<sup>47</sup> and Austria is one of them. At a state visit by Sebastian 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>48</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 the Austrian Chinese business Association (ACBA).<sup>49</sup> For example “Christian Kern is involved in very concrete business deals with Chinese companies.”<sup>50</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.”<sup>51</sup>

## COMMON FINANCIAL INTERESTS

Austria has been importing gas from the Soviet Union since 1968. These close ties are confirmed by Rainer Seele, the chairman of the executive board of the Austrian oil and gas company 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>52</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>53</sup> Austria’s traditional status as a neutral country 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>54</sup> 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 olig-

arch, 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 United States, where he is wanted for corruption, he still remains in Austria.<sup>55</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>56</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>57</sup> A report by the Financial Action Task Force in 2016 shows that documents progress in implementing rules to combating money laundering and terrorist financing.<sup>58</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>59</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 illustrate Austria's position as part of the Russian Laundromat scheme.<sup>60</sup> Foremost among them is Raiffeisen Bank. Accusations by Hermitage Capital Management alleged that Raiffeisen Bank handled \$ 634 million – the majority of \$ 967 million of suspected funds.<sup>61</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>62</sup> Some of these funds came from Russia, and should therefore not have been accepted without origin controls.<sup>63</sup> The case was previously investigated by the Austrian Financial Market Authority, but was closed without results.<sup>64</sup>

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>65</sup> One might suspect that they did not want to endanger relations with Russian investors, some of which had excellent ties to the Kremlin.<sup>66</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 com-

ing in from Ukraine while being laundered at Bank Meinel (now known as the Anglo Austrian Bank).<sup>67</sup> Yet, no actions have been taken in reaction to those concerns.<sup>68</sup> Finally, in November 2019, the European Central Bank withdrew the Anglo Austrian Bank's banking licence.<sup>69</sup> It was said that it had moved € 500 million in back-to-back trust loans from Eastern to Western Europe,<sup>70</sup> and that the bank had its own "Russian desk".<sup>71</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>72</sup> Anglo Austrian Bank filed for bankruptcy in March 2020.<sup>73</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>74</sup>



Fig. 7: The entrance of the ICBC in Vienna.

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## MEDIA INFLUENCE ATTEMPTS

Chinese officials regularly address Austrian media, if they want to voice their views on events in China. 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>75</sup> The same goes for Russian officials. President Vladimir Putin even gave one of his rare exclusive interviews to ORF anchor man Armin Wolf in 2018.<sup>76</sup> Russia also uses social media as PR-tools as seen at Kneissl's wedding.<sup>77</sup> 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>78</sup> Just a few months after the attempted murder of Skripal in March 2018, this invitation raised controversy

in other European capitals.<sup>79</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 more problematic is the activity of Russian internet trolls trying to spread false information.<sup>80</sup> This happens in Austria as in other European Union countries. The EU even set up an agency trying to fight fake news with facts.<sup>81</sup>

There are also 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>82</sup> These newspapers avoid being critical of the Chinese government and could be seen as regime-friendly,<sup>83</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: "The contact zone 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>84</sup> By June 2020, however, outuo.net had disappeared from the Internet.<sup>85</sup>

So far, less successful attempts include the establishment of an outlet for the China Global Television Network (CGTN) in Austria. The international news channel is based in Beijing and is often referred to as a mouthpiece of the Chinese government.<sup>86</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. There are only few attempts for cooperation between Chinese media and Austrian media. China Radio International of China Media Group and the Austrian Journalist Club ÖJC broadcast a series of reports called "Tandem China Österreich" via the Viennese community TV channel Okto.<sup>87</sup>

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>88</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. 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 and sending out internet trolls to spread misinformation is a more effective way of establishing influence.<sup>89</sup>

## 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>90</sup> Within the BRI framework, the two countries are setting up more favourable conditions for investment.<sup>91</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>92</sup> Wan Jie Chen, Director of the Confucius Institute at the University of Graz in Austria, agrees with Jianjung: "While 99% 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>93</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 worth € 3.4 billion in total.<sup>94</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>95</sup> According to China’s “Made in China 2025” strategy, the country wants to become the global leader in ten chosen industrial sectors. Aviation is one of them.<sup>96</sup>

In 2017, Wanfeng Aviation Industry Corporation bought Diamond Aircraft Holding, an aircraft company specialising in manufacturing light airplanes. With this deal, 100% of Diamond, the second largest aerospace-producer in Austria, was transferred to a Chinese partner.<sup>97</sup> Wanfeng Industries is one of the largest private automotive, aerospace and military industry companies in China.<sup>98</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>99</sup> Chinese Wolong-Group bought former A-Tec-daughter ATB Austria Antriebstechnik in Spielberg in Styria in 2011.<sup>100</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>101</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>102</sup> Threatened with bankruptcy, Steyr Motors was sold in 2019 to the French aerospace company Thales Group.<sup>103</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>104</sup> it is now becoming more difficult for Austrian companies to deepen their relationship with Huawei. Since the US has called on European countries to discontinue 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 Drei – and is building an R&D lab in Vienna.<sup>105</sup> A1 announced its newly built 5G network in 350 Austrian locations in cooperation with Huawei in January 2020. Austria’s Chancellor Kurz indicated that the country will continue working with Huawei, but has cautioned that he will coordinate with other EU member states on further cooperation.<sup>106</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>107</sup> The 5G network of Austrian company Drei was established by ZTE, a Chinese network provider.<sup>108</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 14 – Austria, for the first time since 2010, had none.<sup>109</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>110</sup> That said, a decisive move towards “nearshoring” is unlikely due to high production costs in Europe compared to China.<sup>111</sup>

In a recent study Austrian companies trading with China have complained about being disadvantaged

compared to Chinese companies because “of restricted access for their companies to the market in China.”<sup>112</sup> The Austrian government coalition of the conservative ÖVP and the Green party is committed to work on a new national strategy for China until 2024 which will reflect all aspects of Austrian-Chinese relations. There is a new



Fig. 8: Huawei and the company’s involvement in the building of the 5G network remains a difficult topic in Europe.

sense developing on the political level that China is not a simple trading partner given its size and its assertive approach to trade, while the understanding

of human rights of the Chinese leadership is deplorable – especially towards the democratic protests in Hong Kong, but also towards ethnic minorities within China – compared to the standards of the EU and Austria. The Coronavirus pandemic has also shown how dependent certain sectors in Europa – and also Austria – are concerning Chinese supply chains for certain products. Some of these concerns and disadvantages – like the limited market access for European companies in China – are supposed to be addressed and even rectified by the EU-China-Investment-Agreement which was agreed between EU and China on 30 December 2020. China not only agrees to open its market, but also promises to fight against forced labor in China.<sup>113</sup> If this indeed can lead to significant changes will be seen once the agreement is ratified.

While Chinese investments in Austria seem to have slowed down, Russian investments have remained strong.<sup>114</sup> Germany, Russia, the US and the Netherlands accounted for almost 60% of Austria's foreign direct investment stock in 2018.<sup>115</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. 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 OMV 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>116</sup> The attempted poisoning of the Russian opposition politician Alexej Navalny in August 2020 did not change the commitment of the Austrian government to continue being part of the Nord Stream 2 project, which involves the Austrian OMV. While the German government was contemplating pulling out of the common project, the Austrian government did not see the necessity to do so.

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 become bigger.<sup>117</sup> In 2019, Russian direct investments in Austria increased by € 1.6 billion to € 26.7 billion.<sup>118</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>119</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>120</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>121</sup> Generally, those individuals who buy property or investment in Austria choose to keep their investments 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>122</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>123</sup>

## CULTURAL INROADS

China 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. 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. 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



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Fig. 9: Oleg Deripaska's investments into the STRABAG have faced significant challenges after being added to the US sanction list.

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 and Graz. Salzburg University has a Chinese Study Center which has similar functions, offering language courses and scientific cooperation with Chinese universities.<sup>124</sup> 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>125</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 the Institute is furthering economic cooperation. "Students who study Chinese with us can then work in internships in Chinese companies," says Chen.<sup>126</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>127</sup> Not everyone in Austria sees this development without concern. Susanne Weigelin-Schwidetzky, a Profes-

sor of China Studies, preferred to keep her courses independent from Chinese funding in order to avoid undue influence by Chinese sponsors. Before her retirement from the Institute of East Asian Studies, part of the University of Vienna, at the end of 2020, she sometimes accepted projects – conferences and lectures – financed by Taiwan. “We did all sectors of China studies, including language courses and history courses”, she said. “I was open to all opinions, including those of Taiwan and Singapore as well as the Chinese diaspora.”<sup>128</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>129</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>130</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 robust monitoring and controlling of water networks in China.<sup>131</sup> CETC subsequently chose Graz as its European headquarters.<sup>132</sup>

Even at the 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>133</sup>

## INTELLIGENCE AGENCIES

Since 1945, Vienna has been “a centre for espionage” and the meeting place for spies of all origins.<sup>134</sup> The Austrian capital was not chosen for prisoner exchanges by accident. In 2010, double agent Sergei Skripal, later poisoned in Salisbury in 2018, was exchanged for Russian agents at Vienna’s airport in Schwechat.<sup>135</sup> Russia, for example, has “a city within the city”<sup>136</sup> in Kaisermühlen, an Eastern district of Vienna that also houses the headquarters of the UN. “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 servi-

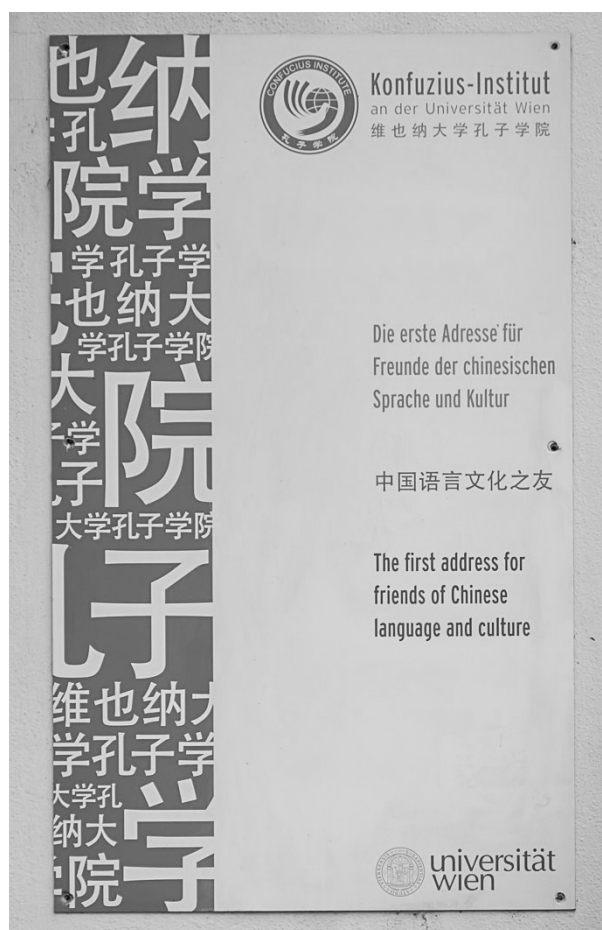


Fig. 10: The Konfuzius Institut at the University of Vienna.



Fig. 11: OPEC building in Vienna.

ces, 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>137</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>138</sup> 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>139</sup> This did, however, happen on occasion. Vienna 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 1996, Georgian oligarch David Sanikidze was shot and killed in Vienna.<sup>140</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>141</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>142</sup> The most recent victim was Mamichan Umarow, a critic of Chechen president Ramzan Kadyrov. Umarow was killed outside of Vienna in July 2020. His killers – both themselves Chechen by origin – were arrested and await trial. In another case a former Chechen independence fighter, who wanted to erect a Caucasus Emirate between 2010 and 2013 and later fled to Vienna, was first convicted in July 2020 to ten years in prison for crimes against the Russian army. The Austrian High Court overruled this verdict in November 2020. The suspect awaits retrial.<sup>143</sup>

While some actors like the Chechen president have become more aggressive, killing three suspects

alone in EU states in 2020, the Austrian 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>144</sup> The agency's in-house IT system 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>145</sup> In January 2020 the Austrian Foreign Office became a victim of a cyber attack by Russia "in order to gain access to information."<sup>146</sup> 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>147</sup>

Austrian intelligence agencies have made headlines in recent years when their Western partners lost confidence in them following the inclusion of the 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 BVT 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>148</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>149</sup> However, after the FPÖ lost the 2019 general elections and the ÖVP assumed control over the Ministry of Interior, the concerns of Austria's Western security partners have lost their urgency. In Austria though, police and courts are still busy investigating some of the murky deals between FPÖ politicians and Russian and Ukrainian contacts involving high level business deals in Austria – including buying a seat in parliament – which have become apparent in recent months and are currently subject of arrests and further investigations.

One BVT official apparently gave classified information regularly to Jan Marsalek – then chief opera-

tion officer at German payment processor Wirecard, which imploded in 2020 in one of the biggest fraud scandals in German-Austrian history.<sup>150</sup> According to reports, Marsalek channeled the insider information via the Austrian-Russian Friendship group ORFG on to other sources.<sup>151</sup> When Wirecard collapsed, Marsalek was helped by the same BVT official to flee arrest in Austria by private plane from the town Bad Vöslau to Minsk in Belorussia.<sup>152</sup> The third Austrian involved in this adventure was a former member of parliament for the FPÖ, Thomas Schellenberger. The Austrian businessman had entered parliament as an FPÖ backed member in 2013 – somewhat surprisingly as he had no previous political career. According to a civil court case and reports in the Austrian press, Schellenberger's seat was bought by Ukrainian oligarchs, among them Igor Kolomoyskiy, for ten million Euro which supposedly were paid to the FPÖ leadership.<sup>153</sup> The FPÖ denies this.

## ORGANISED CRIME

Given 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>154</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 license, tax liabilities or passing standardised hygiene tests and workers were found hiding in cupboards in different locations in Vienna. "Teigtaschen" could be part of a wider Chinese operation which runs through Vienna from Eastern Europe, often via the Balkans, on to other parts of the EU.<sup>155</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 Seqing".<sup>156</sup> One observer notes the existence

of online platforms where trafficking and prostitution are discussed openly without surveillance by authorities.<sup>157</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.

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>158</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>159</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.

For historical reasons – Bosnia and Herzegovina were part of the Habsburg empire from 1878 until the First World War<sup>160</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 borders.<sup>161</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. “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 security expert Thomas Riegler.<sup>162</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.<sup>163</sup>

The Balkan intelligence findings of Austria’s security operations are of interest to Russia and

perhaps also to China – as well as Turkey and several Arab States – as both powers are keen on gaining influence in the region,<sup>164</sup> which can also be described as the “waiting room” to the EU.<sup>165</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>166</sup> writes Thomas Riegler.

## CONCLUSION

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>167</sup> As Gunter Hauser, a China expert, puts it: “Behind China’s corona-related activities stands a comprehensive plan.”<sup>168</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>169</sup>

While 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. While China has bought into strategically important industrial sectors in Austria, such as aviation companies, Russia – although a centralized power – apparently does not 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 Russia and the former Soviet Union countries 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. As other countries, Austria has been targeted by Russian trolls on the internet trying to spread false information in order to strengthen pro-Kremlin views and weaken pro-European forces in Austria.

When it comes to Austria, the Russian leadership 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.

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 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 and Kerstin Witt-Löw.<sup>172</sup> “What they are very much interested in though is an alignment of trading partners in political areas they consider as part of the Peoples Republic’s core interests: Taiwan, Tibet and everything linked to national security questions from Hong Kong to Xinjiang. Given the increasingly authoritarian course of China’s central government this might lead to increasing tensions with the Europeans”, adds Löw.<sup>173</sup>



Fig. 12: The EU-China Summit 2020 had to be conducted as a video conference due to COVID-19.

“Russia is definitely more aggressive in its foreign policy than China”,<sup>170</sup> argues Emil Brix. Russia works with classical methods – diplomacy, espionage, favours and sometimes threats. China is more innovative and strategic. The Belt and Road Initiative 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>171</sup>

China appears to be, therefore, less interested in undermining the EU, focusing more on profiting from trade deals. There is, however, reason to watch the development of more hostile engagement of Chinese actors closely as recent reports about the “Zhenhua files” showed – a Chinese company collected data about Austrian politicians.<sup>174</sup>

In the past seven years, Austria felt it could profit from Russia’s relative political isolation in Western Europe. The previous ÖVP-FPÖ coalition engaged in particularly friendly relations with the Russian Federation. Under the current coalition of Conserva-

tives and the Green Party relations have so far not changed dramatically, although the Green Party has a history as an outspoken advocate against human rights violations. Foreign policy lies mostly in the hands of conservative Chancellor Sebastian Kurz. A similar picture can be seen when it comes to relations between Austria and China. Under President Xi, China has become less transparent in recent years. The latest attempts to silence the democratic protests in Hong Kong and the mistreatment of the Uighur minority in Xinjiang 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>175</sup> The EU-China Investment Agreement, agreed on December 30, 2020, could affect the current asymmetries in market access positively. According to the agreement, China takes commitment in relation to international conventions on forced labor which it has not ratified yet. But if China will indeed change its course remains to be seen.

In conclusion, 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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