



Almost Best Friends: Austria's Relations with Germany

Adam S. Czarторыski

No other neighbour is as closely connected to Austria as Germany. For years, bilateral relations have been based on deep economic connection and mutual understanding of interests. However, Austria under Chancellor Sebastian Kurz is more and more often and more decisively able to express a different opinion from Germany on important issues in European politics.

The basis of the good neighbourly relations between Austria and Germany is not only geographic proximity but also a common language, culture, and history. Through them, the societies of both countries have close relations, and antagonisms, although present at times, have never been strong enough to significantly harm them. The countries' bilateral relations are also based on close economic cooperation and the convergence of interests in many key areas, such as their support for the Nord Stream 2 (NS2) gas pipeline. Although Germany is the partner in a stronger position, Austria is often presented as a role model, for example, in developing the universal availability of COVID-19 self-testing. In Germany, a large part of the political elite and public opinion observe with interest the coalition government in Austria between the centre-right and the Greens [because a similar configuration may occur after the autumn Bundestag elections](#).

However, differences of opinion are emerging more and more often and began to be particularly visible after Kurz (ÖVP) became Chancellor in 2017. He not only maintains his critical position on German migration policy but also expresses a different opinion from Germany on some issues related to the European response to the COVID-19 pandemic ([corona bonds](#)) or the policy of applying restrictions.

Pillars of Relations. A key area of mutual relations is the economy. The value of trade between Austria and Germany in 2020 was €100.2 billion (for comparison, between Germany and Poland, it was €122.9 billion). In this exchange, Germany has a surplus of about €20 billion. Given the size of the economies of both countries, their trade relations are marked by asymmetry: Germany is

Austria's most important trading partner, while Austria only ranks at the end of the top 10 in German trade statistics.

Austria has particularly close ties with neighbouring German federal states Bavaria (export: about €17 billion per year; import: about €15 billion) and Baden-Württemberg (export: about €7.5 billion; import: about €9.5 billion). Half of German companies locating direct investments in Austria come from these two federal states. Their involvement is supported by good infrastructure, an institutional environment for business, and proximity to the Balkan countries, which are an attractive market for German companies. In total, the amount of German investments in Austria is €54 billion. In turn, Austrian companies have invested €31 billion in Germany. Means of support for bilateral cooperation include scientific and research projects, which mainly concern digitisation and the energy transformation, as well as migration, civil security, and healthcare.

The second pillar of the Austrian-German community of interests is composed of energy and climate. Both countries are gradually increasing the share of renewable energy in their energy mix: Germany is over 50% while Austria is over 70%. The NS2 is also in the area of mutual interest, on the construction of which both countries have been cooperating from the beginning (German companies Uniper and Wintershall finance 20% of the cost together, Austrian OMV 10%). However, involvement in this investment is becoming an increasing burden on their international image [due to Russia's attempt to poison the leader of the opposition, Alexei Navalny](#). Austria and Germany treat the construction of the gas pipeline as an important project,

not only in business but also in politics. Therefore, they see no reason to link Navalny's case to NS2.

The third pillar is a shared vision of the international order, the EU and its role in the world. Austria and Germany speak for closer economic cooperation between the EU, a common Union voice on solutions to the climate crisis, and the improvement of cooperation between its members in international politics, especially in times of the pandemic. Both countries agree that the main economic competitors of the EU are the U.S. and China, and in relations with Russia, economic issues (continuation of NS2) should be separated from political issues (openness to further individual sanctions after Navalny's conviction).

Areas of Discrepancy. The greatest dissonance in mutual relations is visible in migration policy. Austria under Kurz consistently criticises German policy in this area. This is related to Kurz himself, who since the beginning of the migration crisis in 2015, while still the minister of foreign affairs in the SPÖ-ÖVP government, has opposed the policy of open borders, in which he saw a threat to the security of not only Austria but also the entire EU. Over time, this position began to gain more and more supporters in Germany: anti-immigrant sentiment in the society grew and the ratings of the ruling CDU fell. [This led to a tightening of the law in 2019, introducing, among others, the Orderly Return Act, regulating the faster deportation of persons who violate the law or who do not have grounds for obtaining asylum.](#) However, this change did not eliminate the differences between the two countries. Also, Kurz's second government, created in 2019 with the Greens, despite strong opposition from the coalition partner, still officially opts for limiting irregular immigration to the EU, and also wants to tighten controls at the EU's external borders. It is also in favour of shifting the focus to long-term support for immigrants' countries of origin. This attitude of the Austrian government clashes with Germany's policy, which is still more open to welcoming them. The still existing dissonance on the refugee issue emerged with renewed force after Austria's refusal to accept minors from the Greek Mória Refugee Camp in September 2020. This decision was criticised by German Chancellor Angela Merkel, who negatively assessed Austria's role in European migration policy.

Austria and Germany also differ in their approaches to the range of pandemic restrictions. Germany criticised Austria's partial loosening of the rules on 8 February, seeing in it the threat of an increase in infections, especially in Bavaria, which borders Austria. In addition, bearing in mind the spread of the South African variant of the virus in

neighbouring Tyrol, the Bavarian government classed this Austrian federal state as a "virus mutation area" and introduced temporary controls on the German-Austrian border, thus hindering the freedom of movement between the two countries and raising opposition from the Austrian government.

Another source of discrepancies is also the financial discipline of the EU and the control of the rules for spending additional funds. The sharpest dissonance was revealed during the negotiations on the form and amount of aid for EU members to counteract the effects of the COVID-19 pandemic. Belonging to the so-called "frugal" coalition, Austria successfully opposed the large amount of non-repayable grants forced by Germany and France, [leading to their reduction in favour of low-interest loans.](#)

Conclusions and Perspectives. Despite the existing disproportions, Austria and Germany have more in common than what separates them. The emerging divergences are not permanent and both sides have mechanisms of political dialogue that allow them to react to problems and minimise their effects. Due to the intense economic cooperation and the trust built up over decades of partnership, even the difficult experience of the COVID-19 pandemic, including the tightening of controls on the German-Austrian border in February this year, will not harm their relations.

The political challenge for both countries is to eliminate the dissonance between them in migration policy. Chancellor Kurz will probably want to persuade the new German Chancellor of his vision of how to solve migration problems. Among the potential candidates for the Chancellor of Germany, it would be easiest for Kurz to cooperate with Markus Söder, the chairman of the CSU who represents a sceptical position similar to the Austrian one regarding the migration policy of Merkel's government, with whom he has already met many times, rather than with [Armin Laschet, chairman of the CDU](#), or Olaf Scholz, the current finance minister of the SPD.

From Poland's perspective, in relations between Austria and Germany, the efforts of both countries to complete the NS2 gas pipeline are disadvantageous. The migration policy pursued by Austria is consistent with Poland's position. [The position of Germany towards the Three Seas Initiative \(TSI\)](#), which combines German interests with Polish and Austrian interests, is also favourable. As an observer, Germany increasingly sees the TSI's potential to strengthen cooperation with Central European countries and accelerate the development of infrastructure in the region.