

# How big business financed a radical right-wing party in Austria

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The public prosecutor's office in Munich recently extended its enquiry into the enormous losses incurred by Germany's Bayern LB (Bavarian State Bank) in its dealings with the Hypo Alpe Adria Bank (HGAA) in Austria. At the same time, a commission of enquiry was appointed in the Bavarian state parliament. Since then, details about cooperation between banks, state institutions, political parties and criminal elements have become increasingly evident.

The so-called "rescuing" of the Hypo Alpe Adria Bank cost the Bavarian treasury almost €5 billion. This is to be shouldered by the population in the form of cuts in social spending. Meanwhile, it has become glaringly obvious that—together with a group of super-rich investors—the radical right-wing Carinthian state government and the political party of former Carinthian Prime Minister Jörg Haider were among the principal beneficiaries of the BayernLB's shady and apparently semi-criminal transactions.

Two-and-a-half years ago, the BayernLB state bank became majority shareholder in the HGAA and was soon saddled with heavy losses. In the wake of the financial crisis last year, the Bavarian state contributed €10 billion to save Germany's second biggest state bank from insolvency.

In mid-December last year, the HGAA, which lost billions of euros in dubious and extremely risky business deals in the Balkans and eastern Europe, faced imminent bankruptcy. Confronted with this situation, the Austrian government, consisting of the Social Democratic Party (SPÖ) and the conservative People's Party (ÖVP), took over the bank in order to protect its investors. The previous owners of the HGAA—the BayernLB bank, the state of Carinthia and the Graz Mutual Insurance Company (GRAWE)—were paid a sum of €1.

The Bavarian state government, responsible for

monitoring the business of the BayernLB, authorised purchase of the HGAA shares in 2007. On the administrative board of the BayernLB at the time were major figures from the Christian Social Union (CSU) party, such as former Bavarian prime minister Günther Beckstein, former CSU party chairman Erwin Huber and former Bavarian finance minister Kurt Faltlhauser. Despite the known risks and apprehensions expressed in some quarters, they all agreed to the risky financial undertaking.

Facts coming to light reveal that the HGAA was, at the time, already a catastrophic loss-maker, and the obvious risks of the purchase were deliberately concealed or intentionally ignored by the BayernLB supervisory board.

While numerous media outlets speak or write of incompetence and failures in monitoring, the most important issue is being overlooked. The BayernLB's involvement with the Hypo Alpe Adria Bank was the result of a political decision to buttress the radical right-wing policies of Jörg Haider.

A recent account of the bank's funding projects was particularly informative. The list of recipients of loans was headed by Jörg Haider's party, the Alliance for Austria's Future (BZÖ). Undergoing a split from the Freedom Party (FPÖ) at the time, Haider's party was in debt to the HGAA to the tune of €2.6 million. The BZÖ's parliamentary fraction had debts of a further €892,000.

In 2004, Haider had secured the loan from the Hypo Alpe Adria Bank by pawning until 2014 the BZÖ's future income from the state's subsidies for political parties.

The SPÖ in Carinthia also received generous loans from the HGAA, amounting to €1.25 million, in order to bolster the social democrats. Reinhart Rohr, head of the Carinthian SPÖ, considered this normal procedure, despite knowing about the shady business practices involved. He told the Vienna *Standard* newspaper that, "The Hypo is our own personal bank."

This explains why the social democrats are showing little enthusiasm about the current commission of enquiry into the banking scandal. They cooperated with the BZÖ in the state government between 2004 and 2009 and were well informed about Haider's dealings.

Right-wing forces in Austria didn't only finance their politics via the banking deal; they also exploited it to enrich themselves. One of the investors was Karl-Heinz Grasser, Austria's finance minister from 2000 to 2007. Grasser, a protégé of Haider who made his political career in the FPÖ, used a Swiss trust company to claim shares in HGAA assets amounting to more than €500,000. After the breakup of the Luxembourg investment company Berlin & Co. Sarl, which participated in the HGAA takeover when it was sold to the BayernLB in October 2007, Grasser emerged from the wheeling and dealing with more than €250,000 in profits.

Grasser had another noteworthy connection with the HGAA. The destination of his first business trip as Austrian finance minister in the FPÖ/ÖVP coalition government was Croatia, where he intervened on behalf of the Bank of Carinthia. The Croatian government had raised doubts about the continuation of state-backed guarantees for the HGAA, stemming from the Tudjman era, which could have led to a loss of over a billion Austrian shillings. After Grasser applied considerable pressure by threatening Croatia's future membership in the European Union, Zagreb agreed to maintain the guarantee.

Another financial operation currently under investigation concerns the SK Austria football club in the provincial capital of Klagenfurt. In May 2007, the HGAA laid out €5 million to acquire rights to have the Klagenfurt football stadium bear its name, the "Hypo Group Arena." Behind the club, pulling the strings, was Jörg Haider. The SK Austria functionaries were handpicked by the BZÖ. The club's vice-president was Karl Heinz Petritz, Haider's secretary.

Apart from former finance minister Grasser, a whole series of other investors from Germany and Austria profited from the HGAA acquisition. The Austrian *Profil* magazine recently published a list of 46 names from elitist circles.

The Flick empire's Südufer Ltd, the Piëch Private Foundation, former railway head Heinz Dürr and Nestlé's former head Helmut Maucher also held investments, as did several shady Swiss trust companies.

Hubert Stärker, president of the Federation of Employers' Associations in Bavaria, also appeared on the

list. At the time, this CSU politician held a position on the administrative board of BayernLB. Financial adviser Tilo Berlin set up the business connections with the HGAA and BayernLB. He had begun his career with the Deutsche Bank and rose to board member of the State Bank of Baden-Württemberg. In 2002, he set up the Berlin & Co. Corporation with headquarters in Hamburg. He headed his Berlin & Co. Holding Ltd. in Klagenfurt.

At the end of December 2006, Berlin bought 25 percent of the HGAA shares. Everything points to the fact that, by that time, he already knew BayernLB was going to take over the HGAA. Berlin and Werner Schmidt, the former head of BayernLB, had known each other for a long time, having been together on the executive board of the State Bank of Baden-Württemberg.

Having clinched the deal with BayernLB, Tilo Berlin became boss of HGAA. Schmidt had to give up his position in 2008 and soon signed on to a lucrative consultancy contract with the HGAA. After the bank had completely collapsed, Berlin again left the HGAA in April of last year.

While criminal proceedings are currently under way against Schmidt and Berlin, the Bavarian CSU is trying to cover up the affair. Two weeks ago, the CSU fraction in the state parliament nominated Thomas Kreuzer as leader of the parliamentary commission of enquiry.

Kreuzer, a lawyer, has been a member of the CSU for more than three decades. Since 2003, he has been deputy leader of the CSU state parliament fraction and is regarded as a loyal party stalwart. He cooperates closely with the fraction's chairman, Georg Schmid, who—as member of the BayernLB administrative board—approved the purchase of the HGAA and is demonstratively supported by the CSU party boss, Horst Seehofer.



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