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German Government Intervenes to Halt Defense Delivery to Russia

By The Moscow Times

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Germany on Wednesday made its first public intervention in business dealings with Russia since the escalation of the crisis over Ukraine, telling defense contractor Rheinmetall it could not send combat simulation gear to Russia.

Germany has close economic ties with Russia, its main supplier of gas. But Chancellor Angela Merkel has taken a leading role in diplomatic efforts to stop President Vladimir Putin from annexing the Ukrainian region of Crimea.

Germany and its Western allies have already imposed a first level of sanctions on Russia, such as travel bans, asset freezes and suspending visa talks. Merkel will discuss tougher sanctions with European Union leaders at a summit beginning on Thursday.

After Rheinmetall said earlier on Wednesday it intended to honor contractual obligations to deliver about 100 million euros ($139 million) worth of technology to a Russian combat

training centre, Reuters asked the Economy Ministry for comment.

"The German government considers the export of the combat simulation centre to Russia unacceptable in the current circumstances," the ministry replied in a statement.

The company described the order, initiated about two years ago, as near completion, and said it had no further orders outstanding from Russia or Ukraine.

The conomy Ministry said it was in contact with the company and added: "At the moment no such export is foreseen."

On Monday, after news that German utility RWE was going to sell its oil and gas production arm DEA to a group of investors led by Russian billionaire Mikhail Fridman, the Economy Ministry said it saw no immediate threat to German energy supplies — but left the door open to future intervention.

Under German law, the government can veto sales to foreign companies if they pose any risk for German security.

Senior figures from Merkel's party, the Christian Democratic Union, urged the government to scrutinize the 5.1 billion euro ($7.1 billion) energy deal, warning that Germany already relies too much on Russia for energy.

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