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German Trade Body Fears Sanctions Will Dent Business With Russia

By The Moscow Times

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BERLIN — Germany's main trade body said Thursday it was worried that Germany's economic relations with Russia will deteriorate further after the European Union ratcheted up sanctions on Moscow for its involvement in the crisis in Ukraine.

European Union leaders agreed Wednesday to impose sanctions on Russian companies deemed to have contributed to destabilizing Ukraine and to block new loans to Russia through two multilateral lenders.

Jens Nagel of Germany's BGA trade association said it was unavoidable for Brussels and Washington to toughen sanctions despite the impact on business, but said he was worried the process would keep "spiraling" upwards.

"I would not put it past President Vladimir Putin to impose retaliatory measures to save face, as was the case after the first level of sanctions," Nagel told Reuters.

German exports to Russia dropped by 14 percent to about 10 billion euros ($13.5 billion) in the first four months of the year, according to the latest data from the Statistics Office.

Some 6,200 German firms are active in Russia with 20 billion euros ($27 billion) of investments here, while some 300,000 German jobs are dependent on trade with Russia, according to estimates by Germany's Committee on Eastern European Economic Relations.

Two months ago, German industry was campaigning to dissuade German Chancellor Angela Merkel from imposing tougher sanctions on Russia over Ukraine, warning of lasting damage to domestic firms and the broader economy. But industry leaders now speak of the "primacy of politics" over business interests.

The new sanctions are a significant increase in EU pressure on Russia but they fall short of the harder-hitting measures announced by the U.S., which targeted key institutions including Gazprom, Rosneft and other energy and defense companies.

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