Merkel plays down future Russian gas dependence

AFP, *Hanover*

German Chancellor Angela Merkel played down Berlin's future energy dependence on Russia in view of its nuclear power phase-out, at talks with President Dmitry Medvedev on Tuesday.

Merkel said that Germany, the top importer of Russian gas, would develop its coal-fired plants, energy efficiency and renewable power sources as it closed its reactors by 2022 so that its needs would stay within a "reasonable range".

She told a German-Russian forum in this northern city ahead of an annual joint cabinet meeting: "I just want to say that I think that perhaps this idea that the sky is the limit when it comes to our gas imports is a little exaggerated."

She said that "this is not meant to be an anti-Gazprom speech," referring to the Russian state-owned energy giant.

"But I just wanted to say that our targets are not completely out of this world. They lie in a reasonable range that can surely be met by Gazprom."

Russian Deputy Prime Minister Viktor Zubkov said with a smile that if gas exports to Germany rose by 30-35 percent in the coming years "that would not be bad".

Merkel said: "We'll see, we'll see."

Germany's decision, sealed this month, to shutter all of its nuclear reactors within 11 years has left it scrambling to nail down other energy sources, making gas and oil-rich Russia an even more attractive partner.

AFP

German Chancellor Angela Merkel and Russian Prime Minister Dmitry Medvedev and their delegations sit at the table during the plenary session of the 13th annual German-Russian cabinet meeting in Hanover in Germany yesterday.

Last Thursday, Gazprom and Germany's number-two utilities group RWE announced exclusive negotiations on a sweeping deal to construct power plants in Europe.

And Russia aims to boost deliveries of gas to Germany through the Nord Stream pipeline being built under the Baltic Sea and due to go online in October.

But even with growing trade ties -- Russian exports to Germany reached 31.8 billion euros ($45.0 billion) last year with 26.4 billion euros' worth of goods going the other way -- Medvedev said the countries should be able to have frank talks about their differences.

"It is better to argue than to be silent," he said.

On a key point of contention between the countries -- freedom of travel -- Merkel acknowledged that Germany had been the "brake" on liberalisation of visa rules between Russia and the European Union.

"We discussed this issue with President Medvedev and agreed we must develop a step-by-step plan," she said, adding that this could include exceptions for hospital workers and gradual easing of restrictions for students and tourists.

"I think if Germany begins to be a bit more open then Europe will follow suit."

The 13th so-called "government consultations" are aimed at bolstering ties between the wartime foes and advancing the modernisation of Russia's political and legal systems after the fall of communism.

Merkel and Medvedev placed wreaths at a memorial for a group of prisoners murdered by the Nazis in Hanover in May 1945 including 154 Soviet citizens, then attended a breakfast with Russian and German business executives.

The leaders are to ink 15 economic, political and environmental agreements, oversee the signing of several business contracts and hold talks on international hotspots including North Africa and the Middle East.

This year's meeting, however, was prefaced by an embarrassing debate surrounding a democracy prize from a private German foundation that was to go to Russian Prime Minister Vladimir Putin.

Organisers announced at the weekend that they would rescind their invitation to Putin to accept the Quadriga Prize after a storm of protest in Berlin over his disputed record on human rights, media freedom and the Chechnya conflict.

Although Russia's ambassador to Germany complained about a "very distasteful and indecent" flap, both governments insisted it would not mar the talks.

Gold eases from record highs, eyes euro summit

REUTERS, *London*

Gold prices eased a touch on Tuesday after earlier hitting record highs, as a rebound in assets seen as higher risk, such as shares and the euro, took some of the heat out of appetite for safe havens.

Gold prices remained elevated, however, as investors continued to favour the metal amid heightened concerns that the debt crisis engulfing Greece may ensnare Italy and Spain, and as time grew short for raising the US debt ceiling.

Spot gold hit a peak of $1,609.51 an ounce and edged down 0.1 percent to $1,601.96 an ounce at 1125 GMT. It is up 13 percent so far this year.

"In Europe we've seen huge demand for metal in some areas, and huge amounts of scrap coming in others, but demand seems to be winning the day," said Simon Weeks, head of precious metals at the Bank of Nova Scotia.

"Exchange-traded funds in the last five sessions have gained just over 50 tonnes, so there is clearly money coming back in," he added. "It's not going to be one-way traffic, but the fundamental issues and concerns haven't gone away.... and people have realised that gold is important as a currency."

The euro rose broadly on Tuesday as debt yields of some weaker euro zone countries retreated, taking a breather after sliding to record lows against the Swiss franc -- which is commonly seen as a safe store of value -- on Monday.

German government bond prices fell as lower-rated euro zone debt stabilized slightly, prompting investors to book profits in Bunds after their rally to near 8-month highs, while European shares rose after a sharp fall in the previous session.

But jitters remained in the financial markets given divisions among policymakers ahead of Thursday's euro zone summit, with few expecting a permanent solution to the region's debt crisis.

Eurozone grapples with Greek debt deadlock

AFP, *Brussels*

Eurozone governments wrestled on Tuesday with tough options to break an impasse over a new Greek bailout ahead of a critical summit as pressure mounts on them to solve an epic debt crisis.

After several turbulent days for the euro and European stock markets, the eurozone is scrambling to seal a deal and prevent the crisis from dragging down bigger nations, with Italy and Spain in the firing line.

Spain had to offer increased rates to borrow short-term money on Tuesday, but long-term borrowing rates for Spain and Italy eased although remained exceptionally high.

Greece also borrowed short-term money at slightly easier, but still high, rates. Germany and France, at odds over Berlin's insistance on involving private bond holders in the second Greek bailout, voiced optimism that an agreement demanded by the markets would emerge at the summit on Thursday.

"I am confident," French Finance Minister Francois Baroin said in Washington, where the US Treasury Secretary Timothy Geithner renewed calls for European leaders to find a lasting solution.

"There are a lot of discussions on the telephone. People are working hard on a solution which allows -- and this is the aim of France's position -- the avoidance of a (sovereign) default or a credit event," he said.

Senior government officials from eurozone nations are holding regular talks, including in Brussels on Tuesday, in the hope of reaching a deal by Thursday, one year after Greece received a bailout of 110 billion euros ($154 billion) from the European Union and International Monetary Fund.

Late on Monday, a special tax on eurozone banks emerged as a potential compromise after governments had struggled for weeks to agree on involving the private sector in the second bailout without triggering a devastating default.

AFP

Pedestrians walk in front of a branch of Eurobank in central Athens.

Germany, the eurozone's paymaster, Finland and the Netherlands want banks, insurers and other private investors bear some of the burden rather than just leave it to the taxpayer to stump up again.

The European Central Bank and other eurozone states are opposed because forcing private investors to effectively take losses on their holdings of Greek government bonds would amount to a default.

"A credit event, selective default or default must be avoided," ECB president Jean-Claude Trichet told the Slovak daily Hospodarske Noviny.

"We ask the eurozone governments to find appropriate solutions as soon as possible," he said, repeating ECB warnings that the bank will cease financing the Greek banking sector if the rescue puts Athens into default.

But an ECB governor, Ewald Nowotny, broke ranks, telling CNBC television that proposals that would trigger a "short-lived selective default" should be studied because it "would not really have major negative consequences."

France had suggested that the banks could participate on a "voluntary" basis but credit ratings agencies said that this would not avert a default rating.

French European Affairs Minister Jean Leonetti said on Monday the bank tax proposal "would have the advantage of not involving the private banks directly and so avoid the problem of a potential default."

EU officials have also mooted a convoluted plan to lend Greece money with which it can buy back its own debt at a reduced price on secondary bond markets, effectively postponing its repayments to give it breathing space.

German Chancellor Angela Merkel has made clear she wants a deal on the table by Thursday after she forced EU president Herman Van Rompuy to cancel plans for a meeting last Friday following a raucous week in the markets.

She even warned at the weekend that she would attend Thursday's summit only if a concrete result was in the offing, but her spokesman indicated that she would go to Brussels after all.

"The government is working on all levels with all its strength on preparing for Thursday a good result, a decent result, a result that sends out a strong and clear signal to the markets," her spokesman Steffen Seibert said on Monday.

Billionaire Zara founder stands down as chairman

AFP, *Madrid*

The billionaire founder of Spain's Inditex, the world's biggest fashion retailer and owner of the Zara brand, handed over the running of the group to his deputy on Tuesday.

A board meeting approved the appointment of managing director Pablo Isla as chairman to succeed Amancio Ortega, Spain's richest man and seventh in the world according Forbes magazine with a fortune estimated at $31 billion (22 billion euros).

Isla, 46, a former co-chairman of the tobacco group Altadis, has been with Inditex since 2005. "It is a very emotional day for us," a tearful Isla told the board.

"I want to express my admiration for the person of Amancio Ortega, as head of the company and on a personal and ethical level."

Ortega, 75, had announced the move in January, saying in a letter that it would not prevent him "from remaining with the group and its board."

The son of a railwayman, Ortega left school at 13, to work as a salesman in a shirt store in the northwestern city of La Coruna. Just four years later, he set up his own business, initially handling wholesales.

He opened his first Zara boutique in 1975, in La Coruna. More followed, and he expanded into Portugal in 1988, the United States in 1989, France in 1990.

In 1979, he owned just six stores in the northwestern region of Galicia. Now the group has 5,000 shops and about 100,000 employees

British PM pushes trade in Nigeria, but scandal looms

AFP, *Lagos*

British Prime Minister David Cameron visited Nigeria on Tuesday, pushing a message of trade, aid and democracy before making an early return home to deal with the spiralling phone hacking crisis.

Cameron has come under increasing pressure over the scandal, and media tycoon Rupert Murdoch's appearance before a British parliamentary committee Tuesday looked set to overshadow his visit to Africa's largest oil producer.

After talks with President Jacob Zuma in South Africa on Monday, Cameron flew into Lagos at the head of a business delegation to call on Africans to use trade, aid and political reform to make the most of "Africa's moment".

But he was due to return home on Tuesday afternoon, several hours earlier than planned, to deal with the phone hacking crisis which has widened since he left London on Sunday afternoon with the resignations of two top policemen.

Murdoch, son James and former top aide Rebekah Brooks on Tuesday faced a dramatic showdown with British lawmakers over the scandal.

Despite the turmoil dominating the headlines at home, Cameron continued his schedule as planned Tuesday morning, first by visiting a clinic where he met women bringing their babies to be vaccinated against yellow fever.

He later gave a speech to Lagos Business School at the Pan African University, ahead of talks with President Goodluck Jonathan.

Addressing academics and business leaders, Cameron defended Britain's decision to spend 0.7 percent of gross national income on aid from 2013, and in its efforts to help those suffering from the drought in the Horn of Africa.

At a time of major budget cuts at home, the aid budget is controversial.

But he said aid should be used in a "catalytic way" to boost infrastructure and reduce trade barriers, saying that this, increased trade and a shift towards greater democracy on the continent could help transform Africa.

"It is now possible to imagine an Africa no longer dependent on aid, and a real source of growth for the whole world," Cameron and Jonathan said in a joint opinion piece published in Nigeria's Guardian newspaper.

British Prime Minister David Cameron (L) waves next to Lagos State Governor Babatunde Fashola after delivering a speech on growth and trade to delegates at The Pan African University Business School in Lagos yesterday.

AFP