TOKYO: A woman walks by an electronic stock board of a securities firm in Tokyo yesterday. Asian stocks mostly edged lower yesterday as investors assessed a report on Chinese quarterly economic growth while Japanese shares dropped after an earthquake. — AP

Germans worry about return of euro crisis

'A storm is brewing'

BERLIN: The eurozone crisis is back -at least in the minds of many Germans. Since last summer, the influx of hundreds of thousands of refugees from the war-torn Middle East has overshadowed all else, dominating the political debate in Berlin and the front pages of German newspapers.

But over the past weeks a shift has taken place. With the tide of arriving migrants slowing to a trickle, angst over Europe's long-suffering currency bloc has returned - with a vengeance. "A storm is brewing," warned an editorial in the left-leaning daily Sueddeutsche Zeitung this week.

"Sometimes the fate of a people is decided in moments where there is not so much drama. That is what is happening now with Europe's currency union." The renewed focus on the euro zone is tied to a series of distinct yet interconnected developments that have deepened the sense of anxiety in Germany's political and media establishment.

These include the shift away from austerity in southern Europe, the loose money polices of the European Central Bank and recent changes in the German political landscape. One month ago, the Alternative for Germany (AfD), a right-wing populist party that had railed against Chancellor Angela Merkel's open-door refugee policies, surged into three state parliaments, stunning the established parties and forcing them into a strategic rethink.

Merkel's conservatives emerged from this discussion convinced that they must do everything in their power to shift the domestic debate away from refugees, officials told Reuters.

Since then, party leaders, led by Finance Minister Wolfgang Schaeuble, have stepped up their verbal attacks on the ECB's low interest rate policies. Their fear is that the AfD, founded three years ago as an anti-euro party, could seize on this theme too in the run-up to the next federal election in 2017.

One senior coalition leader described the rates debate as "the next big theme for the AfD". Low rates are an especially sensitive topic in Germany because they are seen as eroding the savings of millions of people who have squirrelled away cash in banks for their retirement. The AfD was quick to jump on ECB President Mario Draghi's comment last month that "helicopter money" - whereby a central bank hands cash directly to eurozone citizens to bolster inflation - was a "very interesting" concept. "It is an opportune time to complain about the ECB right now," a senior official close to Merkel acknowledged this week.

REFORM FATIGUE

The ECB is also coming under fire for another reason: the sense in Germany that its loose policies have diminished the pressure on southern European countries to reform their economies and reduce still-swollen debt piles and deficits. Berlin has watched on in horror this year as one euro zone country after another has signalled a departure from the consolidation path that Merkel and Schaeuble insisted upon at the height of the euro crisis.

In Portugal, a new Socialist government backed by far-left allies in parliament announced plans last month to lift the minimum wage by 20 percent, cut value-added tax for restaurants by a whopping 10 percentage points and reintroduce four public holidays.

Further afield, attempts by the French government to reform the labour market have stalled in the face of protests. And both Italy and Spain have signalled that they have little interest in listening to the European Union about lowering their deficits. Meanwhile, German frustration with Greece is bubbling over again as reform talks between Athens and its creditors drag on. This week the normally reserved German head of the euro zone's rescue fund, Klaus Regling, complained that Greek reform implementation was the worst in all of Europe.

German newspapers have been full of charts showing rising debt levels across the euro zone's southern periphery. Germany and its eurozone partners still hold sway over Greece, which needs funds from its third bailout to pay its bills and avoid bankruptcy.

But Berlin is realising that its influence in other countries, which never received a bailout in the first place or have already exited their programs, is limited. Although still strong at home, Merkel has emerged weakened in Europe from the refugee crisis. And in the eyes of many of her partners, Germany no longer enjoys the moral high ground on economic issues.

At a time when the eurozone is putting pressure on Greece to save on pensions, Merkel's coalition is considering reforms that would funnel more money to the elderly - another measure, it seems, which is designed to thwart the rise of the AfD. — Reuters

France: UK post-Brexit trade deal would mean paying to EU budget

PARIS: France's economy minister, Emmanuel Macron, told those advocating an exit of Britain from the European Union they were wrong if they thought they could clinch a trade deal with the remaining EU without contributing to the bloc's budget.

In a video interview with the Financial Times published online yesterday, Macron said Britain could strike a trade deal similar to the one Norway or Switzerland have, but that it would still have to contribute towards the EU budget and even then would not automatically receive full-fledged access to the single market.

Asked whether the "Leave campaign" was right to argue that Britain would be able to negotiate the same trade deal with the EU if it left than the one it currently enjoys as a member, he said:

"I think that's a big mistake. The best possible trade deal is the one you have and especially the one just renegotiated with the rest of the EU. "So those who pretend that passporting will be preserved exactly following the same rules without any contribution to the budget, are making a big, a big mistake because it's completely wrong," Macron added.

"So for sure, you can renegotiate a trade arrangement, but this trade deal will be less favourable to the UK than being part of the club," he said. He also said Britain would also have to face volatility between the June referendum on Brexit and the time it implements any trade deal, which would take one to two years.

Macron, who has sought to pressure the European Commission and EU members into imposing higher tariffs on cheap Chinese steel imports, said Britain would struggle to stand up to China outside the 28-member union. "Do you think you will be in a situation to protect your steel industry tomorrow if you are alone as the UK economy facing the Chinese one?" he asked. "I do believe it's much more efficient to be part of the EU." — Reuters

Global stock markets stage pullback

LONDON: Global equities took a step back yesterday from this week's rally after news that China's powerhouse economy grew at its slowest rate in seven years during the first quarter. Japanese investors were cautious following a powerful 6.5-magnitude earthquake that struck the country overnight, killing least nine people and forcing the closure of the factories of several major manufacturers. The oil market moves centre-stage this weekend, when major crude producers descend on Doha on Sunday to discuss a possible deal to curb output.

"The strong weekly performance in European markets stalled on Friday," said CMC Markets analyst Jasper Lawler. "Data showing the slowest growth in China for seven years and doubts whether oil producers can agree on an output freeze this weekend in Doha are both good reason to take profits."

Shares around the world have piled higher this week as a string of upbeat data from China and a surge in oil prices fuelled hopes for the global economy.

Taking cash off table

However, investors decided to take their cash off the table Friday, sending most stock markets lower.

Frankfurt, London and Paris shed about half a percent in European deals. Hong Kong, Shanghai and Seoul each shed 0.1 percent. Tokyo meanwhile gave up 0.4 percent, with big-name firms including Sony, Toyota and Honda among the key losers. Sony dived 3.2 percent and Honda one percent.

However, the losses around the region were limited, while China released another batch of economic data. Beijing said the Chinese economy, a crucial driver of global growth, expanded 6.7 percent in January-March.

That was the weakest quarterly result since the depths of the financial crisis in 2009, but was in line with expectations. The government also released forecast-beating investment, sales and industrial output figures for last month that reinforced hopes a growth slowdown in the economy may be bottoming out. — AFP