# Europe drafts emergency energy plan with eye on Russia gas shut-down

REUTERS, *London*

The European Union could ban gas exports and limit industrial use as part of emergency measures to protect household energy supplies this winter, a source told Reuters, as it braces for a possible halt in Russian gas as a result of the Ukraine crisis.

Russia is Europe's biggest supplier of oil, coal and natural gas, and its pipelines through Ukraine are currently the subject of political manoeuvering - not for the first time - as Europe and Moscow clash over the latter's military action in Ukraine.

Kiev is warning that Russia plans to halt gas supplies while Moscow says Ukraine could siphon off energy destined for the European Union - which has just threatened new sanctions if Moscow fails to pull its forces out of Ukraine.

While buyers of oil and coal can find new suppliers relatively quickly, southeast Europe receives most of its gas from Kremlin-controlled Gazprom.

Tankers from Qatar and Algeria bring liquefied natural gas (LNG) to Europe via ports along the Atlantic and Mediterranean oceans, but European buyers often re-sell those cargoes abroad for higher prices rather than supplying their domestic market.

A source at the EU Commission said it was considering a ban on the practice of re-selling to bolster reserves. "In the short-term, we are very worried about winter supplies in southeast Europe," said the source, who has direct knowledge of the Commission's energy emergency plans.

"Our best hope in case of a cut is emergency measure 994/2010 which could prevent LNG from leaving Europe as well as limit industrial gas use in order to protect households," the source said.

European Union Regulation number 994/2010, passed in 2010 to safeguard gas supplies, could include banning gas companies from selling LNG tankers outside of Europe, keeping more gas in reserve, and ordering industry to stop using gas.

European Energy Commissioner Guenther Oettinger said last week during negotiations with Ukraine and Russia that the bloc was preparing a "Plan B" to protect gas supplies in the worst case scenario.

Hungary, likely to be among the countries most affected by a cut in supplies, said it was monitoring the need for further increases in strategic reserves. The Development Ministry told Reuters it was also looking at "potential regulatory methods that would prompt market players to build reserves beyond the regulatory minimum."

Cutting industrial consumption would hurt an already shaky European economy, while banning utilities from selling liquefied natural gas (LNG) tanker cargoes overseas would hurt their revenues.

European utilities have been preparing for a supply cut by injecting as much gas as possible into storage and as a result, the region's storage facilities are filled to 90 percent, or 70 billion cubic metres (bcm), equivalent to 15 percent of Europe's annual demand.

Whatever the bloc does, it will struggle to compensate fully if Russian gas stops coming to Europe, political and industry sources say. Gas prices have risen 35 percent since July due to this threat.

Russia meets around a third of EU demand for oil, coal and natural gas, according to EU data. In return it receives some $250 billion a year, or around two-thirds of government revenue.

The problem with a potential cut is that continental Europe's pipeline infrastructure was built from East-to-West in order to import Russian gas.

Efforts to build more supplies going the other way, such as LNG from Atlantic terminals, are not sufficiently developed to meet this winter's demand in southeast Europe.


MEDIAVEST

**Nehal Ahmed, director for marketing at Grameenphone; Allan Bonke, chief marketing officer, and Ranganathan Somanathan, chief operating officer of Starcom MediaVest Group (Southeast Asia), attend the launch of Mediavest's operations as a media agency in Bangladesh, at a programme at a local hotel in Dhaka on Monday.**

MTB

**Vishal Krishnan, senior regional operations manager of MoneyGram, and Anis A Khan, managing director of Mutual Trust Bank, pose with the winners of MTB–MG Teller Incentive Programme, at a ceremony at MTB Centre in Gulshan, Dhaka recently.**


HSBC

**HSBC and ActionAid have recently distributed gifts among children. The gifts were collected from the bank's staff and clients during Ramadan under its annual Joy of Giving campaign. Officials of both organisations were present at the ceremony.**

# Japan's Abenomics feared in trouble as challenges build

REUTERS, *Tokyo*

Prime Minister Shinzo Abe's plan for Japan's economy to generate self-sustained growth on the back of his three policy "arrows" of massive monetary easing, spending and reform appears to be faltering -- but no magic solution is in sight.

Abe's aides and advisers are promising to forge ahead with painful structural reforms, while spreading the benefits of "Abenomics" to regional areas and drafting a long-term vision for addressing Japan's shrinking population.

But gloomy economic data suggests the plan is not succeeding as hoped and the only short-term contingency plans appear to be further central bank stimulus or delaying a second rise in the sales tax set for October 2015.

"Abenomics is in trouble - because it's not happening fast enough," said Robert Feldman, head of research at Morgan Stanley MUFG in Tokyo, who like many others says Abe must move faster on steps such as labour market reform to boost productivity.

Failure could leave Japan's economy stuck in a low-growth mode or worse, unable to begin to curb public debt already more than twice the size of a $5 trillion economy, the biggest burden in the industrialised world.

Abe's public support, now hovering around 50 percent, depends heavily on the economy. Most voters favour delaying next year's sales tax rise to 10 percent after an initial hike in April to 8 percent from 5 percent dented a fragile recovery.

"Will raising the sales tax a second time just when the economy is moving toward recovery really be a plus for the people's livelihoods?" Koichi Hagiuda, an aide to Abe in his Liberal Democratic Party, said in an interview.

"But there is also a risk to postponing it. Might not Japan lose the confidence of international society?" Hagiuda added.

The two-stage rise in the consumption tax is Japan's boldest move in nearly two decades to rein in government debt.

Abe will formally launch stage two of his administration on Wednesday when he reshuffles his cabinet, although key members are expected to stay on.

The new cabinet will take over after a slew of troubling data including an annualised 6.8 percent drop in GDP in the April-June quarter.

Potentially more worrisome, real wages have fallen for 13 straight months as wage growth lags price rises, data on Tuesday showed.

That drop is casting doubt on a central tenet of Abenomics - that stimulus and higher prices would lift company profits and lead to higher wages, spurring consumption and making growth self-sustaining.

"In order for income effects to work, wages must increase," Etsuro Honda, a key architect of Abe's reflationary policies, told Reuters.

Honda said the sales tax rise should be delayed until 2017 and only imposed then if wage rises catch up with inflation and the BOJ's 2 percent inflation target has been met.

Policymakers say that, unlike the initial round of Abenomics, when the Bank of Japan unleashed an intense burst of stimulus followed by public works and other government spending, the "third arrow" of deregulation and other structural reforms will take both time and political will.

"The growth strategy is not a single arrow. There are many things that must be done that were put off during 20 years of deflation," said one private economist who advises Abe's government on policies.

# Pharma exports in fast lane

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Manufacturers also need an uninterrupted supply of power and gas to the production units, he said.

The country's pharma market is currently valued at Tk 12,000 crore. "We need special economic zones for the pharma industry with tax benefits. The API Park in Munshiganj must be completed without any more delay."

He emphasised collaboration between the industry and universities to promote research activities, particularly in developing specialised drug delivery systems.

A special chemistry course needs to be introduced in universities to strengthen the API capabilities, he said.

"We also need improvements in pharmaceutical regulatory and legal affairs."

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# Costly electricity weighs on budget

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In August, the government extended the timeframe of quick rental power plants for another four years to 2018 amid criticism.

In September 2012, the government extended the timeframe for two years. The timeframe of the power plants was supposed to expire in October this year.

The country only produces less 2 percent of its electricity from coal although it sits on about 3.3 billion tonnes of quality coal reserves. Gas accounts for 75 percent of power generation.

The future power expansion programme must be based on a least-cost expansion path and not just the convenience of the hugely expensive small rental plants, the report said.

"Even more important, renewed efforts are needed to institute a national coal policy and invest more resources in gas exploration and production."

# BB to focus on good governance in five-year plan

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Some of the scams were big and rattled the entire financial sector.

The Hall-Mark scam that involves more than Tk 2,600 crore from state-owned Sonali Bank and the Bismillah Towels scam involving around Tk 1,200 crore of Prime Bank and Janata Bank were two big frauds in recent times.

State-owned BASIC Bank crossed all limits when the government-appointed board led by Sheikh Abdul Hye Bacchu allegedly embezzled around Tk 5,000 crore between 2010 and 2013. Many of the loans were given on forged documents.

Rahman said he is going to emphasise good governance in the next strategic planning.

"We will set up a leadership development and excellence centre in Chittagong to train banks' chairmen, chief executives and other senior officials on good governance," Rahman said.

# Japan wage growth surges in July

BBC NEWS

Japanese wages unexpectedly logged their strongest increase since 1997, providing a boost to the government's battle against deflation.

Labour cash earnings rose by 2.6 percent in July compared to a year ago, beating forecasts of a slowdown to 0.9 percent.

Special payments, or summer bonuses, grew by an annual 7.1 percent in July from a revised 2 percent gain in June.

# Islamic bonds' maturity period cut by half

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However, officials said growth of Islamic banking has been dented in absence of a separate money market for such banks. Inter-Islamic banks call money rate and repo rate, the two instruments used in day-to-day liquidity management in the banking sector, were not introduced for them.

The return or profit on the only available Mudaraba Islamic bond, which Islamic banks use to meet the mandatory liquidity ratio, is also low.

Islamic banks have created a fund under the central bank management to issue bonds and trade the instruments among themselves, mainly for the purpose of maintaining statutory liquidity ratio.

The amount of money under the fund stood at Tk 10,977 crore as of August this year. Against the fund, bonds worth Tk 2,582 crore have been created. The government, however, does not buy any Islamic bonds.

# Seed market grows, led by private firms

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The share of the private sector in seed supply rose to 34 percent in fiscal 2012-13 from 23 percent in the previous year and only 11 percent in 2005-06, according to the agriculture ministry.

Private seed companies and traders have more than 90 percent stakes in the hybrid segment of seeds for maize, vegetables and spices mainly because of the expansion of hybrid cultivation.

The private firms also raised their share in rice seed trade. The sector supplied 24 percent of the total demand for rice seeds in fiscal 2012-13, up from only 4.31 percent in 2005-06.


**SK Sur Chowdhury, deputy governor of Bangladesh Bank, looks on as Provash Chandra Mallick, general manager for agricultural credit and financial inclusion of the central bank, and Moshiur Rahman Chowdhury, deputy managing director of AB Bank, sign an agreement for a jute sector refinance scheme, at a programme recently.**

AB BANK