

# Friendship no more: how Russian gas is a problem for Germany

REUTERS, Berlin

For decades, the Friendship pipeline has delivered oil from Russia to Europe, heating German homes even in the darkest days of the Cold War.

But a new pipeline that will carry gas direct from Russia under the Baltic Sea to Germany is doing rather less for friendship, driving a wedge between Germany and its allies and giving Chancellor Angela Merkel a headache.

For US President Donald Trump, Nord Stream 2 is a "horrific" pipeline that will increase Germany's dependence on Russian energy. Ukraine, fighting Russian-backed separatists, fears the new pipeline will allow Moscow to cut it out of the lucrative and strategically crucial gas transit business.

It comes at an awkward time for Merkel. With the fraying of the transatlantic alliance and an assertive Russia and China, she has acknowledged that Germany must take more of a political leadership role in Europe.

"The global order is under pressure," Merkel said last month. "That's a challenge for us ... Germany's responsibility is growing; Germany has more work to do."

In April she accepted for the first time that there were "political considerations" to Nord Stream 2, a project she had until then described as a commercial venture.

Most European countries want Germany to do more to project European influence and

protect eastern neighbors that are nervous of Russian encroachment.

But letting Russia sell gas to Germany while avoiding Ukraine does the opposite, depriving Kiev of transit revenues and making it, Poland and the Baltic states more vulnerable to cuts in gas supplies.

"The price would be an even greater loss of trust from the Baltics, Poland and Ukraine," said Roderich Kiesewetter, a Merkel ally on the parliamentary foreign affairs committee.

"We Germans always say that holding the West together is our 'center of gravity', but the Russian approach has succeeded in dragging Germany, at least in terms of energy policy, out of this western solidarity."

Many analysts say the business case for Nord Stream 2 is thin. Another pipeline already links Russia and Germany under the Baltic. Nord Stream 2 will double capacity but future demand is uncertain.

On the flip side, German industry likes anything that will provide energy more cheaply.

Merkel's Social Democrat coalition partners, the leading voices in Germany calling for a conciliatory approach towards Russia, are also in favor.

The issue has divided Berlin's political class. The parties agreed in their coalition talks earlier this year to make a commitment to the pipeline, but did not put it in writing.

According to Margarita Assenova, an analyst

at the Centre for European Policy Analysis who is critical of Nord Stream 2, Russia can double gas exports to Europe via existing Ukrainian pipelines without building the new conduit.

But despite opposition from European partners, from Washington and from within Merkel's party, Nord Stream 2 continues. Germany's diplomatic ambitions are being thwarted by the project's brutal business logic.

On the other hand, it has the strong backing of Gazprom, Russia's state-owned energy giant which owns Nord Stream 2 AG, the project company. Its boss Matthias Warnig, once an East German spy tasked with reporting on West German business, is seen as one of Berlin's most formidable lobbyists.

The pipeline is one of a network of Kremlin-sponsored projects seemingly designed to circumvent Ukraine, the largest and most troublesome of the countries once ruled from Moscow. They include Turk Stream, which crosses the Black Sea to bypass Ukraine to the south.

Lawmakers say Warnig has responded to their skeptical queries about the project by promising to take their concerns direct to Russian President Vladimir Putin, adding to the sense that the pipeline serves the Kremlin's strategic interests.

But, for Gazprom, it makes sense: transit across a country with which Russia is in an undeclared war is risky and increasingly unreliable as Ukraine's Soviet-era pipelines grow older.

## PwC appoints tech consulting sales head



STAR BUSINESS DESK

PwC Bangladesh has recently appointed Rumesa Hussain as the head of sales of their technology consulting practice.

Rumesa has over 20 years' experience in the technology domain and has led the marketing, sales and corporate affairs teams of several multinationals, PwC Bangladesh said in a statement yesterday.

She got a bachelor's degree in business administration from the University of Maryland, Germany and an MBA degree from the University of Malaya, Malaysia.

## HSBC gets new head of retail banking

STAR BUSINESS DESK

Ahmed Saiful Islam has been appointed as the head of retail banking at HSBC in Bangladesh with effect from August 2.

Islam succeeds Faizur Rahman who, after almost two decades with the bank, has decided to pursue a career in a different industry, HSBC said in a statement yesterday.

In his 12 years with the bank, Islam has held various senior roles including the position of country chief operating officer.

Islam has an MBA in international business from the Asian Institute of Technology, Thailand and a BBA honours from the Institute of Business Administration at the University of Dhaka.



## MTB Unit Fund declares 13.25pc cash dividend

STAR BUSINESS DESK

MTB Unit Fund's trustee committee has declared a cash dividend of 13.25 percent per unit for fiscal 2017-18, says a press release.

The unit holders, whose name appeared in the MTB Unit Fund register on June 30, will be entitled to receive the dividend.

Alliance Capital Asset Management is the asset manager, Bangladesh General Insurance Company the trustee, Mutual Trust Bank the sponsor and Brac Bank the custodian of the fund.

## Reliance Communications, Sweden's Ericsson reach \$80m settlement

REUTERS

Reliance Communications Ltd (RCom) said on Monday it had received approval from the Supreme Court to proceed with the sale of its wireless assets to Reliance Jio after it agreed to pay 5.5 billion rupees (\$80.06 million) to settle dues with Swedish telecom gearmaker Ericsson.

In May, India's bankruptcy court admitted a plea by Ericsson seeking insolvency resolution against RCom over unpaid service dues, potentially derailing the company's 250 billion rupee plan to sell assets to Reliance Jio.

Ericsson had signed a seven-year deal in 2014 to operate and manage RCom's nationwide telecom network, and sought 11.55 billion rupees (\$171.16 million) from the company and two of its subsidiaries.



MA Mannan, chairman of Butterfly Marketing Ltd, hands over a key of a brand new Hyundai Accent to Mosharof Hossain, Gulshan 1 showroom manager of the company, for being the highest achiever of its 2017's sales target.

## BB to file lawsuit in NY court by January

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Earlier, a high level meeting decided that a case will be filed in a third country if the money cannot be recovered. In that case, the lawsuit will be lodged with a New York court, he said. As per US law, a lawsuit related to damage claim has to be filed within three years from the occurrence of an incident, the official said. So, the damage claim must be filed by February.

## Six victims' families receive compensation

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The remaining 17 Bangladeshi victims' families will get compensation after they receive the succession order.

"The compensation process has been delayed because of legal complexities -- the families of the deceased had to obtain succession."

All the families of the deceased will get at least \$50,000 in insurance coverage and the survivors will get up to \$1 lakh depending on the severity of injury and the treatment cost, Shamim said.

The deceased Nepalese and Chinese will also get the same amount of compensation. Nepal has not started the process of compensation payment yet.

Among the nine Bangladeshi survivors, most are still receiving treatment. The insurance company has spent \$1 million so far on the treatment.

US-Bangla took insurance coverage of \$107 million through two local insurance companies: Sena Kalyan Insurance Company and Sadharan Bima Corporation.

Of the sum, \$7 million coverage was for the aircraft and \$100 million as passenger liabilities.

Of the liability portion, about 1 percent is shared between Sena Kalyan Insurance and Sadharan Bima while the rest are reinsured with foreign insurance companies, including Catlin and Halifax, both subsidiaries of global insurance giant Lloyds, and General Insurance Corporation of India.

Sadharan Bima had already paid the full coverage of \$7 million to the airline.

## Improve infrastructure to woo investors: MCCI

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In the fourth-quarter of last fiscal year, some risk factors such as power and gas shortage and weak infrastructure appeared as major obstacles to the expansion of economic activity as those disrupted industrial production and discouraged new investment.

There are other downside risks such as the poor implementation of public investment programmes, the growing requirement of subsidy payments by the state to different public sector agencies, including the state-owned banks, and growing income inequalities.

"The corruption-ridden banking sector is perhaps the biggest downside risk now, which will call for strict vigilance by the

central bank and the finance ministry to bring discipline to the sector."

The review said the overall economic situation is positive as indicated by steady improvements in the major economic trends.

There has been steady progress in agriculture sector, moderately good growth in industrial sector despite a crisis in the power sector, decline in inflation rate, macroeconomic stability, build-up of a comfortable foreign exchange reserve and good progress in achieving Sustainable Development Goals, it said.

All these boost people's confidence in the country's ability to attain accelerated economic growth and emerge as a middle-income country by the turn of the present decade, it added.

## BGMEA fears shipment slowdown

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Movement of exports and imports over the Dhaka-Chittagong highways has been hampered over the last past week for different reasons and the demonstration and transport strike compounded the woes of goods-laden trucks, he said.

Rahman said the BGMEA expressed solidarity with the movement of young students as they taught the nation a lesson on morality in everyday life.

"We are noticing that normalcy in transport is yet to be restored although it has started returning in people's lives," he said.

An adequate number of transport vehicles are not plying the roads, he said, adding that such a chaotic situation also brought a lot of suffering for people.

If the goods cannot be transported on time, factory owners will have to face order cancellations, offer discounts to buyers or go for expensive air shipments to maintain strict lead times, Rahman added.

"We are passing through a very difficult time as competing countries are performing well in the global apparel markets. So in such times we need a peaceful and business-friendly environment," Rahman said.

## China's July exports to maintain solid growth

REUTERS, Beijing

China's exports are expected to have maintained solid growth in July despite new tariffs on billions of dollars of shipments to the United States, though the outlook has darkened as both sides raised the stakes in a trade conflict that has rattled financial markets.

China proposed retaliatory tariffs on \$60 billion worth of US goods ranging from liquefied natural gas (LNG) to some aircraft on Friday, following a proposal by the administration of US President Donald Trump for a higher 25 percent tariff on \$200 billion worth of Chinese imports.

The increasingly heated rhetoric between Beijing and Washington has rattled global markets worried about the impact on world trade and growth, with few signs either side is willing to make significant concessions.

Economists say that tariffs on \$34 billion of China's exports to the United States, which went into effect on July 6, so far are not having a significant impact on overall Chinese exports.

July exports are predicted to have risen 10 percent year-on-year, according to median estimates from 37 economists, compared to 11.2 percent growth in June. While July's forecast does not point to any sharp slowdown, economists do see headwinds mounting for China's massive export sector.

"In addition to the tariffs impact, there might be some impact from front-loading of orders in previous months," said Betty Wang, Senior China Economist at ANZ in Hong Kong.

"There will be some gradual impacts that could be seen over the following months, as this is the first month the tariffs were implemented."

ANZ forecasts China's exports rose 6.4 percent in July. Markets will be closely watching the data on two-way trade between the world's two biggest



Cars to be exported are seen at a port in China.

economies, as well as China's trade surplus with the United States, a sore point in the trade relationship.

The \$34 billion of Chinese exports impacted by current tariffs amount to less than 7 percent of its total exports to the United States last year. Trump, however, has effectively threatened to slap tariffs on all of China's shipments to the United States, the Asian giant's largest export market.

China's surplus with the US swelled to a record in June as exports continued to rise, though signs of front-loading orders suggest the spike may

have been a one-off.

China's imports are expected to have risen 16.2 percent in July, picking up from 14.1 percent growth in June.

The poll showed China's overall trade surplus likely fell to \$39.33 billion in July, from \$41.61 billion in June, though that amount would be China's second-highest surplus of the year.

There was no separate forecast on China's trade surplus with the United States which has continued to grow even as its total surplus has narrowed over the last two years.