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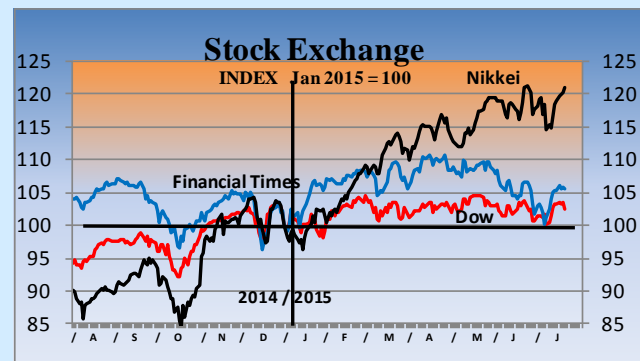
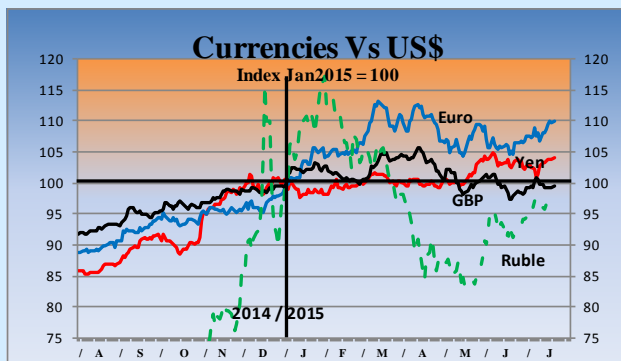
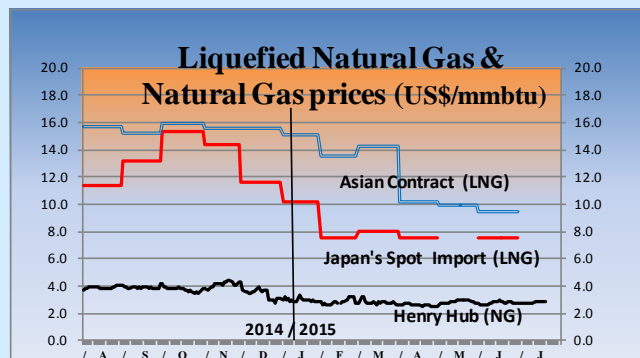
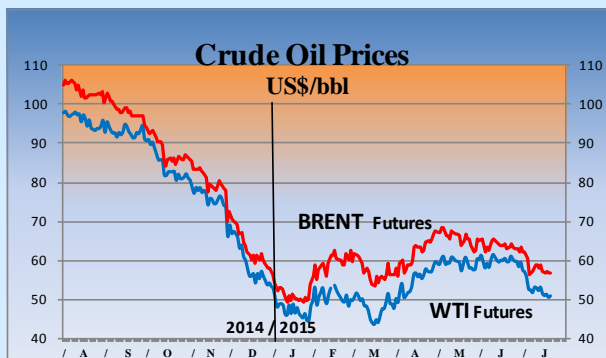
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Summary

【World Monitoring】

1. (US) Major Internal Split over TPP among Both Democrats and Republicans

While arguments concerning the Trans Pacific Partnership (TPP) are attracting attention, the collision of opinions in Congress is complex, including a split of opinions within each party, not just between the Democrats and Republicans.

2. (EU) G7 Seeking to Enhance Energy Security

The G7 leaders who assembled for the summit meeting at Elmau, Germany held in-depth discussions regarding climate change and energy. Japan, the country hosting the next G7 summit meeting in 2016, is expected to make a strong commitment.

3. (China) Strengthening Measures against Global Warming

The Chinese government submitted the INDC to the United Nations, pledging to achieve the peaking of CO₂ around 2030 and to make best efforts to peak early. Domestically, China is strengthening efforts to bring forward peak CO₂ emissions.

4. (Middle East) The Iran Nuclear Deal Is Finally Done

After almost 3 weeks of intensive negotiations, Iran and world powers agreed on the text of the long term deal. Military strikes against ISIS/ISIL are failing to dominate, alternating between gaining and losing ground. In Turkey, the AKP ruling party lost its absolute majority in Parliament.

5. (Russia) Quagmire in Ukraine and Extension of EU Sanctions

Despite the growing economic drawbacks of the sanctions against Russia for both Russia and European nations, the EU decided to extend the sanctions. Japan's diplomatic skills will be tested as it attempts to "continue dialog with Russia" as discussed at the G7 summit meeting.

1. US: Major Internal Split over TPP among Both Democrats and Republicans

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A major focus of media reporting in the last month has been the development of debates concerning the Trade Promotion Authority (TPA) bill in Congress. With any trade agreement that the administration has negotiated with the government of another country, TPA, similar to what used to be called fast track negotiation authority up to the 1990s, allows the Congress only to vote for its full approval or disapproval without requesting modification of any details, subject to conditions such as advance notification to Congress and limiting the scope of negotiations. As the President aims to conclude the TPP and the TTIP (U.S.-EU Transatlantic Trade and Investment Partnership), the Republican Party, which supports free trade, is positive about the granting of TPA while the Democratic Party, with major support from the labor unions, is against it. The Democrats have proposed Trade Adjustment Assistance (TAA) measures that include supporting workers who would lose their jobs due to increased imports. However, the House of Representatives only passed the TPA bill but not the TAA bill initially (it eventually passed the TAA bill as well). The Senate passed the TPA bill with the support from some Democrats.

Commenting on the split of opinions on free trade between the President and the Democrats in Congress, Eric Cantor, Republican Leader of the United States in the House of Representatives, compared the split within the Democratic Party with the Civil War. Former President Clinton, who became president in 1993, was a middle-of-the-roader among Democrats, and believed that free trade contributes to economic growth. The Democratic Party of today, however, is dominated by liberals, who are becoming more powerful year by year. Indeed, President Obama was a liberal when he was a senator. However, the Democrats in Congress are now critical of the President's keenness to conclude the TPP, saying that he has lost sympathy for the ordinary person.

The Republican Party suffers similarly from an internal split. Senator Marco Rubio, a candidate for the 2016 presidential election, and some conservative Republicans are objecting that TPA gives too much power to the Executive Office of the President, criticizing the secretiveness of TPP negotiations, fearing that the United States may be forced to relax immigration restrictions, causing some workers to lose their jobs, and pointing out the risk of increasing the size of government through the enlargement of public financial institutions that could occur under the pretext of supporting exports. Senator Cantor himself cannot ignore these affairs, particularly in view of his earlier experience of losing his post because of hard-liners within the Republican Party.

Similar complexities exist in the conflict between the Democrats and Republicans regarding the freeway bill that expired at the end of July. The cost of maintaining the roads that are managed by the Federal Government cannot be covered by the federal gasoline tax alone, making it difficult to renew aged infrastructure. The Democratic Party emphasized the importance of public works for generating jobs, and wanted to discuss increasing the tax, but the Republican Party was against it. In June, however, non-partisan members of the Senate Committee on Environment and Public Works approved a bill permitting expenditure of 275 billion dollars (over six years), but it is unclear whether the Federal Government will be able to allocate proper sources of revenues. Logically, securing revenues should be the responsibility of the Committee on Ways and Means. However, within this Committee opinions are split on how to increase tax revenues (or how to broaden the tax base) while pursuing the aim, on which both the Democrats and Republicans agree, of reducing the effective corporation tax rate.

The Republican Party has proposed setting up a federal infrastructure investment bank using funds collected by requesting state governments to return to the Federal Treasury the unused parts of infrastructure funds received from the Federal Government in the past. This idea was first proposed by the Obama Administration in 2008; however, since it was assumed that the Federal Government intended to procure capital of 10 billion dollars, the idea was not practical and therefore not discussed seriously. Trade and infrastructure are major pending issues for the Obama Administration, which has now less than 17 months to go. Infrastructure in particular is expected to be a subject of debate in the 2016 presidential election campaign. With the complex split of opinions in Congress, it will be interesting to see how the discussions develop.

2. EU: G7 Seeking to Enhance Energy Security

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From the 7th to the 8th of June 2015, a G7 summit meeting was held in Elmau, Germany. The Leaders Declaration from this meeting, like the previous one in Brussels in 2014, reflected in-depth discussions on climate change and energy.

Regarding climate change, the G7 leaders reaffirmed their strong commitment to arrive at a consensus at COP21 in December 2015, supporting the *sharing with all parties to the UNFCCC the upper end of the latest IPCC recommendation of 40 to 70% reductions [of greenhouse gas emissions] by 2050 compared to 2010*. Moreover, the G7 Leaders Declaration states that the G7 welcomes *the announcement or proposal of post-2020 emission targets by all its members as well as the submission of intended nationally determined contributions (INDC)*, and so on, strongly calling for respective countries to give their full commitment in preparation for COP21.

Regarding energy, the G7 leaders reaffirmed their commitment to joint actions to strengthen energy security, stating that they would welcome *the G7 Hamburg Initiative for Sustainable Energy Security*. This initiative had been adopted at the G7 energy ministers' meeting held in May prior to the G7 summit meeting.

A chief characteristic of recent summit meetings, particularly of the G7 summit meetings since the G7 Brussels summit in 2014, has been the focus on energy security. This is probably related to the growing seriousness of the Ukraine crisis and the Russian problem which are major issues for the G7. In the G7 energy ministers' meeting that preceded the G7 summit meeting in 2014, they adopted the Rome G7 Energy Initiative for Energy Security, including the development of flexible, transparent and competitive energy markets and the diversification of energy sources/suppliers in the list of core principles. The newly adopted Hamburg Initiative states that, based on the principles set forth in the Rome Initiative, they have agreed to take the following six concrete joint actions:

- (1) Promoting efforts to strengthen the resilience and flexibility of gas markets (including aspects of emergency response, contractual arrangements, gas storage facilities, etc.)
- (2) Exchange and work on energy vulnerability assessments regarding the security of supply in the electricity sector and its interdependencies
- (3) Commitment to improving the cybersecurity of the energy sector
- (4) Supporting vulnerable countries, including Ukraine, in their efforts to strengthen energy security
- (5) Analysis of main energy efficiency measures and their implementation in G7 countries
- (6) Exchange of best practice information on clean energy research, development and demonstration

The G7 energy ministers are expected to provide their leaders with reports on the progress achieved in the joint actions agreed in the Hamburg Initiative for decision-making at the summit meeting in 2016. By the time of the next G7 summit meeting, COP21 and the Fourth LNG Producer-Consumer Conference are scheduled to be held, and there should be some progress in the EU's Energy Union. There are high expectations for Japan, as the host of the next G7 summit meeting, to step up its efforts to address climate change and improve energy security.

3. China: Strengthening Measures against Global Warming

Li Zhidong, Visiting Researcher

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As negotiations regarding the post-2020 framework for preventing global warming are under way in preparation for COP21, China is strengthening its efforts in both international negotiations and domestic measures.

China's long-term reduction target, the focus of international negotiations, was announced by President Xi Jinping at the U.S.-China summit meeting in November last year. That is to achieve the peaking of CO₂ around 2030 and to make best efforts to peak early, and to increase the share of non-fossil energy in primary energy consumption to about 20% by 2030. A statement regarding the Intended Nationally Determined Contributions (INDC) formulated mainly around these targets was discussed on June 12 this year at a meeting of the National Leading Group on Climate Change, Energy Conservation and Emissions Reduction convened by Prime Minister Li Keqiang, and submitted to the United Nations on June 30. Reducing CO₂ emissions per unit of GDP (emission intensity) by 60-65% from the 2005 level by 2030 is also added to the targets. According to Xie Zhenhua, Special Representative for Climate Change Affairs, achieving the targets is expected to require the investment of more than 41 trillion yuan (approx. 820 trillion yen).

Moreover, China is strengthening its partnership with major countries and regions around the world. In making a U.S.-China Joint Announcement on Climate Change last November, China defined its long-term targets for the first time, jointly with the United States. Subsequently, China issued a joint announcement with EU in Brussels on June 29 this year. As for the cooperation with developing countries, the Chinese government made a joint announcement on climate change with the Indian government on May 15, and with the Brazilian government on May 19. These joint announcements reaffirmed basic principles including the observation of the Common but Differentiated Responsibilities and Respective Capabilities (CBDR/RC) principle, and stated respective countries' commitment to the early submission of INDC. Furthermore, Prime Minister Li announced in the above-mentioned National Leading Group meeting that China will set up a fund for south-south cooperation on climate change to provide assistance and support to other developing countries including the small island nations, the least developed countries and African countries.

Through domestic initiatives, in 2014 China succeeded in reducing emission intensity by 33.8% from the 2005 level. While China has notified the United Nations of its target to reduce the emission intensity by 40-45% from the 2005 level by 2020 through voluntary actions, He Jiankun, deputy director of China's National Expert Committee on Climate Change, stated clearly on June 18 during a joint symposium held by Tsinghua University and Harvard University that China is capable of achieving a reduction of more than 45%. The Chinese government, on the other hand, released "Made in China 2025" plan on May 19, stating the target of reducing the emission intensity in industry sector from the 2015 level by 22% in 2020, and by 40% in 2025. As one of the key measures to achieve the target, China has decided to accelerate the establishment of an emissions trading market. On the Low Carbon Day ceremony of June 17, Su Wei, China's chief climate negotiator, announced China's intention to establish a unified national emissions trading market around 2016 based on the results of experiments in local emissions trading now being conducted in seven regions. All those actions aim to achieve reductions exceeding the original target for 2020 along with the early peaking of emissions.

But when are CO₂ emissions in China really going to peak? According to studies conducted by more than a dozen institutions including the Energy Research Institute of China, published in April, titled "China 2050 High Renewable Energy Penetration Scenario and Roadmap Study", emissions are expected to peak in 2030 in the reference scenario, or in 2025 in the high renewable energy penetration scenario. A study published in May by China's National Center for Climate Change Strategy and International Cooperation (NCSC) regarding "Climate Change and Total Coal Consumption Control" proposes a strategy of reaching peak CO₂ emissions in 2025 by aiming to reach peak coal consumption by 2020. The key issue is whether China will really be able to achieve its forecasts.

4. Middle East: The Iran Nuclear Deal Is Finally Done

Koichiro Tanaka, Managing Director &
President of JIME Center

The Iran nuclear talks in Vienna was concluded with the announcement of the Joint Comprehensive Plan of Action (JCPOA). The sticking points regarding the inspection of military facilities and the UN arms embargo were resolved after extensive discussions among the concerned parties. Now, JCPOA will have to face the reviewing process of the US Congress where criticism on the nuclear negotiation has never been strong as today..

Continuously battered by strong counter-attacks in Iraq and Syria, the Coalition Forces led by the United States are failing to overpower Islamic State (ISIS/ISIL). Nevertheless, although ISIS/ISIL appeared to have regained its momentum on the ground, in mid June they lost Tal Abyad, a city in northern Syria near the Turkish border, after a battle with YPG, a local Kurdish force. The United States announced the dispatch of an additional 450 military advisors to Iraq in order to strengthen the Iraqi military forces with which they will have to collaborate in ground battles. However, the Iraqi government is likely to remain dependent on Shiite militia for a foreseeable future.

ISIS/ISIL continues to extend into other countries. Following the multiple bomb attacks targeting Shiite mosques in Sana'a, in which ISIS/ISIL claimed responsibility for, on June 26, terrorist attacks, purportedly by ISIS/ISIL, killed and injured many people in Kuwait and Tunisia. The Taliban of Afghanistan, in rivalry with ISIS/ISIL for the title of the Caliphate, rejects the interference of ISIS/ISIL in Afghanistan's affairs, resulting in conflicts among various extremist groups.

In the Turkish general election, the AKP ruling party led by President Erdogan lost its absolute majority in the Parliament while HDP, a Kurdish nationalist party, gained a massive increase in votes. The election result seems to reflect dissatisfaction with the President who has become increasingly authoritarian in the last few years as well as with the AKP's diplomatic policies regarding the Syrian civil war. In spite of internal problems, Turkey has announced a plan to station about 3,000 Turkish troops in Qatar, with which Turkey enjoys good relations, under a security cooperation agreement. Turkish military forces will thus return to the Gulf region after about 100 years since the Ottoman Empire.

Details of Saudi Arabia's external propaganda activities were exposed by the disclosure of confidential diplomatic correspondence on Wikileaks, and the Saudi government was quick to react, telling its people to watch out for "false information". Mohammad bin Salman, Deputy Crown Prince and Minister of Defense, the rising star of the Kingdom, held talks with President Putin of Russia in Saint Petersburg, and signed an agreement for cooperation in petroleum, space development and nuclear power.

The UN-mediated peace talks for Yemen held in Geneva failed to reach a cease-fire agreement as the representatives from the Houthis refused to talk directly with the representatives of the Hadi refugee government. A Shiite leader in Bahrain was sentenced to four years in prison without suspension for the crime of threatening security by rabble-rousing. In Egypt, the death sentence handed down to former president Morsi was upheld in the appeal court.

5. Russia: Quagmire in Ukraine and Extension of EU Sanctions

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With President Putin as the host, the annual Saint Petersburg Economic Forum was held from June 18 to 20. While Western countries' sanctions against Russia on account of the Ukraine Crisis still remain in effect, more than 800 businessmen from abroad, representing 450 corporations from various sectors including the energy sector, gathered at the forum. This year's forum exceeded the previous forum held in May last year in the level of participating corporate representatives and number of participants. During the forum, President Putin admitted that Russia was struggling to get funding in foreign markets, but made a bluff, insisting that the Russian economy had not slowed down as much as feared at the end of 2014, and the economy had already begun to recover steadily. In reality, however, GDP growth in Russia in the first five months of 2015 was 3.2% lower than the same period of the previous year. Moreover, both inside and outside Russia, there are growing concerns that economic conditions in Russia may worsen toward the end of the year. Kudrin, former Minister of Finance, has warned that Russia has "entered a serious economic crisis".

The EUs' exports to and imports from Russia in 2014 were 13% down and 12% down from the previous year, respectively. According to a study that appeared in *Die Welt*, a major German newspaper, on June 19, the EU member states may suffer losses of 100 billion euros or more if they continue economic sanctions against Russia. Still, on June 22, the EU Foreign Affairs Council (made up of the Ministers of Foreign Affairs of EU Member States) decided to extend the economic sanctions against Russia beyond the end of July this year to the end of January 2016. This decision required the unanimous support of all the EU member states. President Putin tried but failed to undermine the decision by approaching some EU member states such as Greece, Cyprus and Hungary with the idea of strengthening their bilateral economic relations with Russia.

In June, the battle between Ukraine government forces and pro-Russia armed forces in eastern Ukraine started to intensify again. In Donetsk Oblast (province), the base of armed forces, the largest armed conflict since the Minsk Protocol of February this year took place. In some EU member states and the United States, there are now stronger calls to strengthen the North Atlantic Treaty Organization (NATO) forces to be ready for emergency. Meanwhile, President Putin is retaining a hardline stance, announcing plans to increase Russia's nuclear capacity within 2015.

The conflict between Russia and Western countries is becoming a test of endurance. While the West insists that the lifting of sanctions requires full compliance with the Minsk Protocol, President Putin maintains that Russia can do nothing at present. Ignoring international criticism, he refuses to admit Russia's involvement in providing military personnel and arms to pro-Russia armed forces. Furthermore, he inked a presidential decree on May 28 to include "information about human losses in special operations executed in peacetime" in the list of state secrets. Even within Russia, this decision is being criticized by those who suspect its purpose is to prevent the leakage of information about the increasing number of deaths of Russian soldiers in Ukraine.

At the G7 summit meeting in Elmau, Prime Minister Abe met with leaders from other countries to discuss the necessity of continuing dialog with Russia while clearly stating the key policy of not approving any attempt to "change the existing state of affairs by force" including any such attempt in Crimea. The diplomatic skills of Japan are being tested as Japan, amid the worsening Ukraine crisis, faces the question of whether it can actually continue dialog with Russia in a manner acceptable to the international community.

Sources of Graphs on Top Page:

Oil prices (futures)	Financial Times
Natural gas	DOE-EIA
LNG contract prices	World Bank
LNG spot prices	METI
Exchange Rates	x-rates.com
Stock Exchange	Financial Times

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