



# IEEJ e-NEWSLETTER

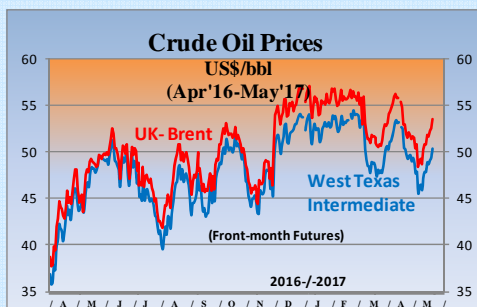
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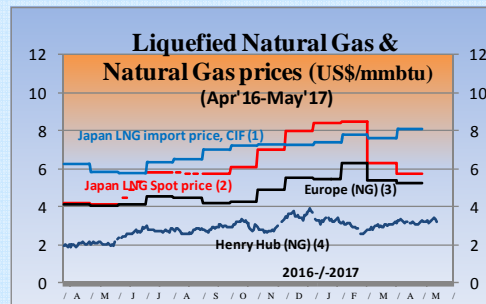
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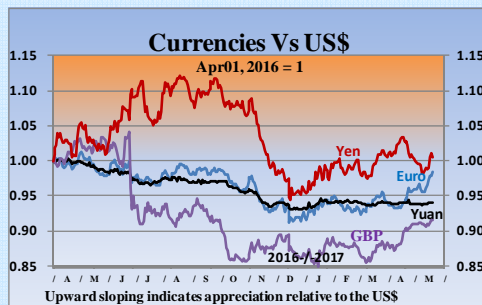


Source: DOE-EIA, NASDAQ



Sources:

- (1) Ministry of Finance "Japan Trade Statistics"
- (2) Ministry of Economy, Trade and Industry (contract month basis)
- (3) Estimated by World Bank and World Gas Intelligence
- (4) DOE-EIA, NYMEX (Front-month Futures)
- (5) Investing.com



Source: x-rates.com



Source: Financial Times

## Contents

### 【Energy Market and Policy Trends】

1. **US: Renewed Attention on the Trump Administration's Foreign Policy**
2. **EU: Brexit Negotiations to Start**
3. **China: Has the Summit Set the Course of US-China Relations in the New Era?**
4. **Russia: Rising US-Russia Tensions and the Fight against Terrorism**



## Summary

### **【World Monitoring】**

#### **1. US: Renewed Attention on the Trump Administration's Foreign Policy**

A The Trump administration's foreign policy is attracting renewed attention following the missile attacks on Syria and rising tensions with North Korea. These policies and the use of military power, which seem peculiar, require close monitoring.

#### **2. EU: Brexit Negotiations to Start**

On March 29, the British Prime Minister Theresa May sent a letter to the European Council notifying the EU of Britain's intention to leave. Both the EU and Britain are now finalizing their negotiation policies. The result of Britain's general election, which was brought forward to June 8, could also be interesting.

#### **3. China: Has the Summit Set the Course of US-China Relations in the New Era?**

On April 6 and 7, President Xi Jinping and President Trump held their first summit meeting. Major Chinese media firms have praised the meeting for "building mutual trust" and "charting the course of bilateral ties".

#### **4. Russia: Rising US-Russia Tensions and the Fight against Terrorism**

Russia is facing a battle against terrorism at home while also dealing with rising tensions and worsening relations with the US over Syria and North Korea. With Prime Minister Abe scheduled to visit Russia, the direction of Japan-Russia relations must be monitored.



## **1. US: Renewed Attention on the Trump Administration's Foreign Policy Gathers**

**Ayako Sugino**, Senior Researcher  
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As tension mounts between the US and North Korea over nuclear testing and missile launches, the Trump administration's foreign policy is attracting renewed attention. Mr. Trump has consistently stated that the US is no longer the world's policeman, will not interfere in foreign disputes, and will not intervene to force a change of government in other countries. His official promise to rebuild the US's military muscle is not for maintaining the international order, but is said to be based on President Reagan's philosophy that a strong military deters America's enemies and fosters peace without battle. The president has criticized NATO and the Japan-US security alliance as free-riding without shouldering a fair share of the burden. Recently, this series of remarks raised concerns that America would return to isolationism and cease to protect Japan based on the Japan-US Security Treaty, forcing Japan to face the worsening East Asia security environment on its own, including China's expanding military influence and North Korea's nuclear developments.

And yet a recent series of events has caught international attention: US missile strikes on Syria in response to the alleged use of chemical weapons by the Assad regime, the use of a Massive Ordnance Air Blast (MOAB) bomb in a sweeping operation against ISIS in Afghanistan, and the dispatch of an aircraft carrier battle group to monitor North Korea. These moves suggest that President Trump has returned to internationalism, a philosophy long shared by both Democrats and Republicans that US intervention is necessary to keep the international order. However, we must not overlook the "peculiarity" of the Trump administration's use of military power, as with many of its other actions.

First is the criticism that the administration's use of military power was without an operation. While the National Security Council and the Department of Defense are currently reviewing the strategy against ISIS, for nuclear weapons, and for each region, the MOAB was dropped before the ISIS strategy had been fixed. President Trump has also criticized the Obama administration's ISIS sweeping operations (in Syria and Libya). Obama's operations were based on the Congressional resolutions of 2001 and 2002 which gave the green light to attack Afghanistan and start the war with Iraq, and which, according to the administration's interpretation, authorized the president to conduct the war against terror. President Trump had previously argued that the targets and areas of President Obama's ISIS sweeping operation are beyond the scope of Congressional authorization and that a new authorization for war should be sought. However, he changed his opinion after taking office and decided to go ahead with



the attack. This has invited criticism even from Congressional Republicans, and there is concern over the risk of the President making decisions on his own without Congressional support and the possible consequences.

Furthermore, President Trump announced plans, regardless of his campaign promises, to not designate China as a currency manipulator in order to secure its cooperation on the problem of North Korea. This deviates from the policy of past administrations of keeping the economy separate from national security, and suggests that the US may allow China to freely exploit the US's economic interests so long as it cooperates regarding North Korea. Meanwhile, Defense Secretary Mattis stated at a Congressional hearing that climate change is one of the threats to US national security. In the area of energy and environmental policy, President Trump's trust in Secretary Mattis could help anchor the US in the framework of international cooperation.



## 2. EU: Brexit Negotiations to Start

**Kei Shimogori**, Researcher  
Nuclear Energy Group, Strategy Research Unit

On March 29, the British Prime Minister Theresa May sent a letter to the European Council notifying the EU of Britain's intention to leave. This notification invokes the procedure for Britain's withdrawal from the EU pursuant to Article 50 of the Lisbon Treaty.

In response to Britain's notification, on April 5, the European Parliament adopted a resolution setting forth its key principles and conditions for approving Britain's withdrawal agreement. With the resolution, any agreement that the EU and Britain will reach in the future will require the approval of the European Parliament. The resolution indicates four points: (1) It warns against any trade-off between security and the future EU-UK economic relationship, (2) requires Britain to fulfill all of its existing commitments, (3) reiterates the indivisibility of the four freedoms of the single market, namely the free movement of goods, capital, services, and people, and opposes any sort of cherry-picking, and (4) determines that only when “substantial progress” has been made in talks on how the UK is to leave the EU can discussions on possible transitional arrangements begin.

Meanwhile, in Britain, the government is proposing the Great Repeal Bill to avoid any legal confusion after repealing the European Communities Act of 1972, which incorporates the European Union law into domestic law and stipulates its primacy. The Bill converts into domestic laws any EU rules that directly apply to EU member countries, and keeps all domestic laws that have been established to implement EU directives. The Bill needs to be deliberated and passed in both houses of Parliament.

In its letter to the European Council, the British government expresses understanding and respect for the EU's stance on the indivisibility of the four freedoms of the single market and its intolerance to cherry-picking. However, the British government thinks that the EU and Britain need to discuss the bilateral relationship on economic and national security while still discussing how Britain is to leave the EU, disagreeing with the EU on item (4). Particularly, regarding the bilateral free trade agreement, the British government is keen to urgently start negotiations on technical issues for financial services, the network industry and other sectors, which could become a major bone of contention going forward. Meanwhile, by leaving the EU, Britain will also be leaving the European Atomic Energy Community (Euratom). If a treaty to replace the Euratom Treaty cannot be completed with the relevant countries, the free movement of goods and people (skills) in nuclear power will not be guaranteed, which could impact Britain's plans to build multiple new plants. Thus, Britain will also face issues such as signing a transitional agreement and extending the applicability of the Euratom provisions.



President Tusk of the European Council announced that the European Council will be summoned on April 29. The meeting plans to adopt the negotiation guidelines setting the overall position and principles for negotiating with Britain. According to the schedule released by the Council, negotiations lasting approximately 18 months will start following a European Commission recommendation and the European Council's decision to start the negotiations. Ahead of the effective start of the negotiations, the British parliament approved the holding of a general election on June 8. As Prime Minister May seeks to strengthen the government's footing ahead of the negotiations, attention must be paid to whether the ruling party can increase its popularity.



### **3. China: Has the Summit Set the Course of US-China Relations in the New Era?**

**Li Zhidong**, Visiting Researcher  
Professor at Graduate School, Nagaoka University of Technology

On April 6 and 7, President Xi Jinping and President Trump held their first summit meeting, which lasted over seven hours, at the US president's estate in Florida. Though there was no joint statement or joint press conference, the two leaders smiled and shook hands after the meeting, and conveyed their newly established trust to the international community. Major Chinese media firms all reported that the meeting "charted the course of bilateral ties in a new era (Xinhua News Agency)". Though such self-praise can be discounted, the following key points should be noted.

First, the two countries agreed to "manage and control their differences based on mutual respect". This has considerable significance. Since its establishment in 2013, the Xi Jinping - Li Keqiang leadership has always aimed to build "a new type of major country relations", which ultimately the former Obama administration had not accepted. This time, although the "new type of relations" was not referred to, the principles of "no confrontation, no conflict, mutual respect, and always searching for win-win", which form the basis of this concept, appeared to have prevailed throughout the meeting.

It is also important that a new framework for high-level dialogue was established for deepening bilateral ties in the four areas of (1) diplomacy and security, (2) comprehensive economy, (3) law enforcement and cybersecurity, and (4) society and culture. The former Chinese leadership and the former Obama administration also had a framework for strategic and economic dialogues, but even in China there was skepticism of its effectiveness and some were eager for a fresh start.<sup>1</sup> The framework was reset this time by capitalizing on the inauguration of President Trump, who does not hesitate to criticize the former administration. Reflecting the focus of both leaders on effectiveness, the first meetings on dialogues (1) and (2) were held during this presidential visit.

Further, regarding the US-China trade imbalance, which is the highest priority for President Trump who advocates "America First", the leaders agreed on a 100-day plan to conduct structural analyses and root-cause investigation and formulate improvement measures, achieving "concrete accomplishments" which US Commerce Secretary Wilbur Ross particularly emphasized. According to Cui Tiankai, Chinese Ambassador to the US, the Chinese side suggested drawing up the plan to develop a healthier and stronger trade relationship by rectifying the imbalance, and also to ensure certain "preliminary results" ahead

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<sup>1</sup> For example, see <http://www.epochtimes.com/gb/17/4/14/n9039170.htm>, Page 7, Asahi Shimbun, April 9



of President Trump's visit to China, which he has accepted.<sup>2</sup> While specific measures for correcting trade imbalance are to be developed, China intends to expand its domestic demand and import aircraft and energies such as shale gas-derived LNG, which it cannot cover only with domestic supplies. Further, to encourage even broader economic cooperation, President Xi told President Trump that the US would be welcome to participate in the “Belt and Road” project, China's broad economic initiative.

Meanwhile, regarding nuclear and missile development by North Korea, which is of great concern to Japan too, the leaders agreed that the "situation has reached a serious stage". However, China merely emphasized its current position, reiterating the complete implementation of the UN sanctions against North Korea and "peace and stability on the Korean Peninsula and a peaceful resolution through dialogue and discussion", unlike the US which suggested the possible use of military force.

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<sup>2</sup> For example, see [http://news.ifeng.com/a/20170417/50949361\\_0.shtml](http://news.ifeng.com/a/20170417/50949361_0.shtml).





#### **4. Russia: Rising US-Russia Tensions and the Fight against Terrorism**

**Sanae Kurita**, Senior Researcher  
Global Energy Group 2, Strategy Research Unit

The confrontation between the US and Russia over Syria and North Korea is intensifying. On April 6, the Trump administration launched a cruise missile attack on Syria's Assad administration which was allegedly to have used chemical weapons. The next day, the 7th, Russia's President Putin, who backs the Assad regime, condemned the attack in a statement as "a violation of international law and an invasion of a sovereign state" and said that it would gravely damage US-Russia relations.

Further, during the visit by US State Secretary Tillerson to Moscow on April 12, President Putin stated his view that the trust between Russia and the US has worsened at the working level under the Trump administration, particularly in the military area. He also denied that Assad had used chemical weapons, reiterating his support. The State Secretary was received in Russia with unusual coldness, with Foreign Minister Lavrov also condemning the US attack on Syria as illegal. President Putin had once described President Trump as a strong man and the Russian media had showered praise on him, but the situation has since changed completely.

On the same day, April 12, Russia vetoed the UN Security Council (UNSC) resolution led by the US, the UK, and France seeking the cooperation of the Syrian government in a chemical weapons investigation in the country. On April 19, Russia expressed disagreement and vetoed the UNSC's press statement that criticized the missile launch by North Korea on the 16th. The statement, however, was approved unanimously on the 20th as the US accepted Russia's demand to add the conventional term "resolution through dialogue". The situation was settled this time by the US displaying some understanding of Russia's angry reaction, but overall, tension is rising between the two countries.

Back home, Russia is facing a battle against terrorism. On April 3, a suicide terrorist bombing occurred on a subway in Saint Petersburg, where President Putin was staying for a summit with the president of Belarus, killing and injuring more than 50 people. A second explosive device was found in another subway station in the city. According to media reports, the suicide bomber was a Russian national born in Kyrgyz Republic, and several suspects from central Asia were also arrested. As the Russian economy deteriorates and workers from central Asia become increasingly alienated, more central Asians appear to be joining IS out of frustration with Russia.



On March 20, a so-called Japan-Russia two-plus-two meeting of foreign and defense ministers was held in Tokyo after an interval of three years and four months, and the countries expressed the same stance regarding cooperating on North Korea's nuclear and missile issues. However, their views on national security differed starkly, with Russia expressing concerns over the US's missile defense system and Japan protesting Russia's deployment of missiles in the Northern Territories. As tensions mount between the US and Russia, Prime Minister Abe is scheduled to visit Russia at the end of April. The direction of Japan-Russia relations is also likely to receive international attention.



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**Energy and Economy Indicators of Japan**

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