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**FREE TRADE AGREEMENT BETWEEN JAPAN AND EU CONTRIBUTING TO THE
LIBERALIZATION AND GLOBALIZATION****1. World Trade is developing despite America First**

Liberalization of the world economy in foreign trade means the removal of national restrictions that preclude free trade between states. In particular, it deals with the removal of barriers to the provision of goods, services, capital and persons («four freedoms»), so that the framework conditions of international transactions correspond to those of national transactions. Since the Second World War, these efforts have been reinforced by bi-lateral and multilateral agreements (for example the General Agreement on Tariffs and Trade (GATT)) to liberalize world trade and thereby exploit the globalization of economic relations that is technically possible through communication and mobility advance.

After years of negotiations, Japan and the European Union (EU) agreed on the Japan-European-Free-Trade-Area (JEFTA) free trade agreement in these weeks (autumn 2017). They are particularly important in the context of US President Donald Trump's protectionist remarks under the slogan «America First», because they make it clear that efforts to develop international economic relations through free world trade are far from over (NTV, 2017).

2. A Free Trade Area is not a Common Market

EU Commission President Jean-Claude Juncker and Japanese Prime Minister Shinzo Abe presented the contract in Brussels. Both sides had already agreed in July 2017 on the principles of the trade agreement. The negotiations on the free trade agreement started in 2013.

JEFTA is targeting a free trade area, a form of international integration in which two or more countries commit themselves to reducing as much as possible of existing trade restrictions prior to the negotiations. In the resulting free trade zone an unrestricted exchange of goods should be established, as it is customary within national economies.

The European Union and Japan together make up a third of global economic output. For Japan, the EU is the third largest trading partner. Japan ranks sixth in the list of EU trading partners. Last year, European companies exported goods valued at around 58 billion euros to Japan. During the same period, the EU imported Japanese goods worth around 66 billion euros (NTV, 2017). So far, European companies have been paying around € 1 billion a year in tariffs on their trade with Japan. Their removal could increase the EU's economic output by 0.7 percent and Japan's trade by one third (Grabitz, M., 2017).

Thus, the JAFTA is a treaty that is by all means significant in terms of the world economy, from which significant effects can emanate and which sends out a clear signal against the recent rise in protectionism. However, unlike in the Customs Union, there is no uniform regulation of relations with non-member countries in the free trade area. The JEFTA is

thus essentially a bilateral agreement of its member countries. Although Member States are reducing existing tariff barriers among each other, they continue to operate a separate customs policy towards third countries. As a form of integration, the free trade area thus differs significantly from a customs union, in which the member countries agree on a common customs policy with third countries in addition to free trade, thus renouncing the sovereignty of the national customs policy. In a sense, a customs union already implies political integration. Freedom from service and capital transactions are usually agreed in some areas only in a free trade zone.

However, a free trade area also differs significantly from a common market, as implemented in the European Union, where, in addition to the freedom of trade, there are the broadest freedom of service and capital movements and freedom of passenger traffic desired or realized. The latter includes free migration and job choice of citizens in the common economic area.

A recently disputed agreement of this kind is the North American Free Trade Agreement (NAFTA). It was signed in 1992 by the United States, Mexico and Canada. After ratification, the agreement entered into force in 1994. It removes most of the customs duties in trade between Member States. In addition, it eliminates a number of investment restrictions, including restrictions on investment in banking and insurance and other financial services sectors. The agreement liberalises the rest of the trade in services and improves the protection of intellectual property. Any commercial disputes within the framework of NAFTA are regulated by a special procedure. Beyond the cooperation of the contracting parties, NAFTA promotes regional and international cooperation. At that time, the US was apparently still a strong proponent of free trade, at least on the American continent. A number of supplementary agreements, which are not part of the NAFTA agreements themselves, deal with labour market and environmental issues and provide for the eventualities of malfunctioning in mutual trade. There is also a special agreement on financing environmental protection measures at the US-Mexico border (Deutsche Bank, 1998). It is of great importance, however, that in such a free trade area there is no freedom of movement of persons, which would create a common labour market. The free migration of individuals remains illegal!

3. Free Trade Areas force Structural Adjustment and Modernization

As a result, many US companies have relocated some of their labour-intensive production to Mexico's relative low-cost country to strengthen their national and international competitiveness. This in turn has strengthened economic development and contributed to the modernization of the northern states of Mexico. Another consequence was a significant spread of Mexican income distribution and the formation of a north-south divide of income, which has triggered a migration that is pushing not only north of Mexico, but also the United States.

In the US, the NAFTA agreement has contributed to the disadvantages of outdated and obsolete production sites and the de-industrialization of old industrial regions. This has the effect that in the US failed to prepare old industrial regions in good time by the expansion of infrastructure and training and retraining of the workforce for the necessary change and thus the preservation or replacement of economic structures. This has created economically backward regions, while regions have developed into modern economic regions that previously had no industrial development. In this way, regional divergences have developed that contribute to social and political upheavals. Together with the prob-

lem of immigration from Central America, it triggers resentment (xenophobia) and fundamentally changes the voting behaviour of many Americans. As a result, failures of previous US governments have contributed significantly to the current domestic political situation, and their effects are now being blamed for the effects of the Free Trade Area.

An at least verbally expressed tendency towards protectionist measures is a consequence of these omissions. However increased protectionism would damage the well-established modern and export-oriented sectors of the US economy (including the IT sector), as massive counter-protectionism would be expected (Lang, F.P. 2017 a). In addition, protectionism would be in favour of obsolete sectors such as For example, coal and steel, whose inability to compete on the international level, will continue to boost and cost-prohibit the necessary structural change. These developments show beyond NAFTA that without an accompanying, modernizing structural policy, a free trade agreement can certainly lead to considerable differences in interests and tensions that could endanger its long-term existence. If this experience is heeded, a free-trade agreement between highly developed, modern states such as JEFTA's partner countries can stimulate intra-industrial competition between them and fuel innovation through a forced acceleration of structural change. There will inevitably be losers and winners between whom politics must ensure a reconciliation of interests, which may be based on the interests of long-term prosperity rather than protectionist measures (Lang, F.P. 2017 a).

4. Conclusions

The JEFTA agreement now has to be presented to the member states and the European Parliament. It is unclear whether it also needs the approval of the parliaments of the member states (NTV, 2017). The contract contains, what was critically noted, no information on investor protection, because the EU and Japan could not reach an agreement here. Critics fear that companies can now sue states and governments over democratically unjustified arbitration tribunals and thus prevent unwelcome laws and much more (Grabitz, M. 2017).

The German government and the EU emphasize that the economic dimension of the Free Trade Agreement also reflects its political dimensions, as Europe and Japan will be brought closer together through the agreement and forced to cooperate more intensively. Both are linked by a «solid value partnership» expressed in respect for democracy and human rights. Thus, Germany and the EU rightly signal how closely they are on the side of Japan, which is directly threatened by North Korean nuclear bombs (NTV, 2017). Furthermore, the agreement makes it clear that powerful parts of the global economy can not be dissuaded from the hitherto backwardness of the US from the hitherto welfare-promoting way of globalization, to which, given the demographic trends, globally there is no alternative anyway.

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