

EU and Japan sign largest-ever Free Trade Agreement

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The European Union (EU) and Japan last week agreed in principle to ratify a free trade agreement (FTA) that is seen as a pointed challenge to the Trump administration's "America First" nationalism and threats of trade war.

Despite being hyped as a victory for free trade over protectionism, the FTA signals the accelerating division of the world into competing trade blocs and the growing danger of trade conflict and war.

The FTA, the result of four years of intense secret negotiations, must now be ratified by each member state of the EU and the Japanese parliament—a complicated process without guaranteed success.

Nevertheless, the trade deal covers 640 million people, 30 percent of the world's gross domestic product and 40 percent of global trade by volume. It is the largest of its kind ever negotiated. If ratified, it would be the biggest trading bloc in the world, ahead of the US-led North American Free Trade Agreement (NAFTA).

Economic analysts have focused on the FTA's reduction of tariffs on automobiles and dairy products. Several media outlets labelled it the "cars and cheeses deal." Under its terms, the EU will lower restrictions on Japanese automakers in European markets, while Japan will reciprocate by eliminating its traditionally high tariffs on wine and dairy imports over the next 10-15 years.

The agreement has been portrayed as a boon for European agriculture, which, due to increased competition and reduced subsidies, has been losing jobs and profits, particularly in the dairy industry. Similarly in Japan, the deal has been touted as a major boost for automakers. This was a key factor in Japan agreeing to negotiations in 2013, following the ratification of a similar agreement between the EU and South Korea in 2012.

Despite these supposed benefits, progress in talks was slow and mired in sharp disagreements until the election of Donald Trump. His junking of the Trans-Pacific Partnership (TPP), involving the US, Japan and 10 other

nations, was a significant blow to Japanese Prime Minister Shinzo Abe, who hoped the bloc would help revive the stagnant Japanese economy.

As for the EU, the FTA deal with Japan is part of efforts to shift its economic and strategic dependence away from the US—a drive led by Germany, which has come under attack by Trump for supposedly unfair trade practices.

In thinly-veiled references to Trump, the European Commission and Japanese Ministry of Foreign Affairs both spoke of the need to reach an agreement as soon as possible to "counter the protectionist movements," as the latter put it.

A joint statement signed by Donald Tusk, Jean-Claude Juncker (presidents of the European Union and European Commission respectively) and Prime Minister Abe affirmed "our joint commitment to international standards for an even closer cooperation in the future."

The statement emphasised that the agreement would "demonstrate to the world—and to our citizens—that free trade, with clear and transparent rules fully respecting and enhancing our values, remains an important tool to promote prosperity in our societies."

In Washington, the message was received clearly. Media headlines read "EU, Japan Speed Up Trade Talks to Counter Threat of US Protectionism" (*Wall Street Journal*) and "As EU and Japan Strengthen Trade Ties, US Risks Losing Its Voice" (*New York Times*). Sections of the ruling elite are hostile to Trump's protectionism and regard the lack of American participation in similar deals as lost economic opportunities.

The loud proclamations by Japanese and EU leaders of the importance of free trade are also aimed at countering protectionist advocates within Europe and Japan—such as the British Tory government of Prime Minister Theresa May.

A *Financial Times* article noted that the UK would not benefit from the FTA's provisions after 2019 as a result

of last year's Brexit referendum. Quoting EU and UK officials, the article, entitled "EU-Japan trade deal poses risks for post-Brexit UK," warned that Japanese capital investment currently in Britain would be diverted to Europe, with serious consequences for the automobile industry. On these grounds, it rejected claims by May that the UK could negotiate such treaties without the support of Europe.

In Japan, the FTA has been presented as a major victory for Abe, whose Liberal Democratic Party (LDP) is currently in crisis due to recent political scandals and heavy losses at regional elections in Tokyo. Abe confronts protectionist tendencies within the LDP and invested considerable political capital in ratifying the TPP before Trump sank it.

Despite claims that the EU-Japan FTA represents an advance for prosperity and democracy, geopolitical considerations and an anticipation of profits were the main concern of the ruling classes in Europe and Japan.

Globalisation itself is a progressive development, representing the integration of the productive forces on a world scale. Under capitalism, however, it leads only to the increased exploitation of workers. Free trade agreements have been utilised over the past 30 years to enable transnational corporations to slash the living standards and wages of workers, by pitting them in cut-throat competitions against one another.

Indeed, the social devastation caused by agreements such as NAFTA has enabled right-wing ideologues such as Trump, assisted by the trade unions, to pose as defenders of working people by promoting nationalist measures like protectionism. Protectionism, however, provides no solution for workers. It will only heighten the worsening global economic crisis, trade conflict and the danger of war, while undermining the unity of the working class.



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