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EU-US trade talks launched amid French fury with Brussels

By George Parker and Vanessa Houlder in Lough Erne, Northern Ireland, and James Politi in Washington



Barack Obama and European leaders on Monday launched talks on “the biggest bilateral trade deal in history”, an initiative that the US president has put at the heart of his second-term economic agenda.

Mr Obama announced that talks on a transatlantic trade and investment deal would begin in Washington next month. While EU leaders admit the negotiations will be “difficult”, they believe they can be wrapped up within two years.

Mr Obama urged politicians to “look beyond narrow concerns and focus on the big picture” of a trade deal covering countries representing half of the world’s economy. David Cameron, British prime minister, claimed an agreement would be worth £100bn for the EU, £80bn for the US and £85bn for the rest of the world.

Mr Obama hopes that greater access to the European market for US companies will boost exports and provide a jolt to growth and employment without increasing budget deficits. The initiative could also help defuse criticism that the US is neglecting traditional allies in Europe as it shifts its strategic focus to Asia.

Washington remains worried, however, that the scope of the agreement will narrow dramatically over the course of the talks as specific industries are carved out on the European side, limiting its economic impact.

Monday’s launch of the talks, at a Group of Eight summit in Northern Ireland, was overshadowed by the row over “reactionary” French protectionism.

The head of the EU’s executive laid bare his frustration – shared by the US, Britain and Germany – in an interview with the International Herald Tribune.

“Some say they belong to the left, but in fact they are culturally extremely reactionary,” José Manuel Barroso said, in what appeared to be a clear swipe at French President François Hollande. Although he did not specifically name France, Mr Barroso said critics of liberalised trade in films and music had “no understanding of the benefits that globalisation brings also from a cultural point of view”.

Jean-Christophe Cambadélis, a senior official in Mr Hollande’s Socialist party, described Mr Barroso’s remarks as “bewildering and intolerable”. An EC spokesman said his comments were aimed at critics of the commission’s liberal stance, not the Hollande government.

In the US, political reaction was mostly positive, but key lawmakers said any deal needed to be “comprehensive” with no exclusions such as France’s carve-out for cultural issues. “If the negotiations ultimately do exclude audio visual . . . it is hard to see how the whole thing will keep from unravelling,” a Republican aide in the Senate said.

The EU-US trade agreement has been touted as an inexpensive way to jump-start two continental economies struggling with slow growth and high unemployment, while also giving fresh impetus to the transatlantic relationship.

The combined commercial clout of the EU and US should also allow them to set standards for the global economy for years to come, checking the rise of emerging powers such as China and India.

Although EU negotiators hope they may be able to introduce audio-visual services into the talks at a later stage, Paris’s blockade looks set to continue. That will have uncertain consequences, with the US likely to retaliate by refusing to lift trade barriers in other sectors, such as in public procurement.

Mr Barroso said he hoped to see “rapid progress” while British diplomats believe an agreement – which aims to sweep away regulatory barriers to trade – could be concluded within 12-18 months.

With reporting by Peter Spiegel in Brussels

Summit summary

Trade

The last-ditch compromise between France and the EU over excluding audio-

visual industries in US trade negotiations did not stop the quarrelling. France hit out at José Manuel Barroso, European Commission president, for his remarks that France's fears were "culturally extremely reactionary".

G8 host and UK prime minister David Cameron still got his way though and the formal launch of the EU-US talks were announced with the aim of completing in two years.

Economy

The debate on the global economy was expected to focus on the recent market gyrations and Japan's plan to revive growth and exit years of deflation.

Earlier in the day, Herman Van Rompuy, president of the European Council, said that the euro was "no longer under an existential threat" and that the EU's strategy was "moving Europe in the right direction".

Syria

Friction between Russia, and the US and its allies over the arming of Syrian fighters took the centre stage ahead of a meeting on the sidelines of the summit between US and Russian presidents attempting to find common ground.

The debate over intervention in Syria's escalating conflict is expected to continue on Tuesday along with a broader discussion on terrorism.

Tuesday

Day two of the summit will bring key tax debates, with leaders expected to agree on two action plans on improving transparency, and possibly also on automatic information exchange.

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