

EU trade chief hopes to clinch US trade deal by late 2014

By Robin Emmott

BRUSSELS, Feb 27 (Reuters) - The United States and European Union cannot afford to let transatlantic trade talks fail after they are launched in June, the EU's trade chief said on Wednesday, warning that both sides' standing and prosperity in the world depended on their success.

Washington and Brussels will begin talks towards a deal encompassing half the world's economic output just a few months after the EU launches talks with Japan in March, EU Trade Commissioner Karel De Gucht told the Reuters Euro Zone summit.

Benefits to the U.S. and EU economies, suffering from the aftermath of global financial crisis, could be tangible even before a deal is signed, while wrapping up talks by the end of 2014 was "not impossible" De Gucht said in Brussels.

"This is about the weight of the western, free world in world economic and political affairs," said De Gucht, one of the EU's most powerful commissioners who is negotiating trade deals with more than 80 countries on behalf of the EU's 27 countries.

"Once we have started, failing is not an option. It would be very detrimental for both the European Union and the United States if we were not to succeed," he said.

U.S. President Barack Obama endorsed talks this month and the EU's leaders have also backed the plan, hoping a deal with Washington will help Europe pull out of its debt crisis.

At a time when the euro zone is in recession and the United States expects only modest growth this year, an EU-U.S. trade deal could add 0.5 percent a year to the EU economy and 0.4 percent to the U.S. economy by 2027.

De Gucht said the deal was so weighty that signs of progress, before completion of a deal, could have a positive economic effect. But the reverse was also true, he warned.

Following the collapse of global trade talks in 2008, both the United States and Europe have sought to tie up as many free-trade agreements as possible and this bilateral accord represent the pinnacle of those ambitions.

Such a deal was first discussed three decades ago and considered too difficult because of policies protecting the farm sector on both sides of the Atlantic.

De Gucht said agriculture would be part of the discussions. "We have chosen the path of a deep and comprehensive agreement," he said, saying barriers for companies in areas ranging from data protection to regulation and government contracts could disappear.

De Gucht, a former Belgian foreign minister, said while there were no deadline, November 2014 represented a good target for a U.S. accord because his term as trade commissioner ends

then and the United States holds midterm elections. After that, six months could be lost, he said.

De Gucht also said the current value of the euro did not represent a problem for the EU's exporters. "The euro is not at a forbidding level" for European trade, he said.

JAPAN, CANADA

Not content with an accord with the United States, the European Union will launch trade talks with Japan, the world's third largest economy at the end of March in Tokyo, De Gucht said. But he said the going would be slower.

An EU-Japan accord would bring together two trading partners responsible for a third of global economic output and could create 400,000 jobs in Europe alone. But the complexity of the negotiations meant it could take several years to reach a deal.

"This is a negotiation that is going to take time. I don't think you could do it in less than three years," De Gucht said.

"With the United States, we have to crack a number of very hard nuts, but we at least we know them. In Japan, it's very much about internally changing a mentality," he said.

France and Italy have been worried about the impact of foreign imports from Japan on their auto industries when they are already suffering from the impact of the euro zone debt crisis and falling sales across the continent.

But De Gucht said that by the time a pact was signed, European automakers should have had more than enough time to adapt with a sustainable new business model.

"It's so far away it cannot be an excuse not to restructure our car sector," De Gucht said. "There is no reason at all to use (Japan trade talks) as a scapegoat."

Canada is another of the EU's prizes if Brussels can wrap up a deal, which would be the European Union's first with a major world economy. Talks started in 2009 but De Gucht walked away from signing an agreement at the latest round of negotiations in Ottawa that were meant to wrap things up.

Negotiations are held up over contentious issues including agricultural exports, intellectual property and the ability being to bid for government contracts.

"We do not have an agreement and I'm not pleased with what is on the table now," De Gucht said. "They have a very sensitive offensive interest, which is agriculture. I think we can make a deal on that. But the reward for that on the European side also has to be very clear," he said, urging Ottawa to open up more.