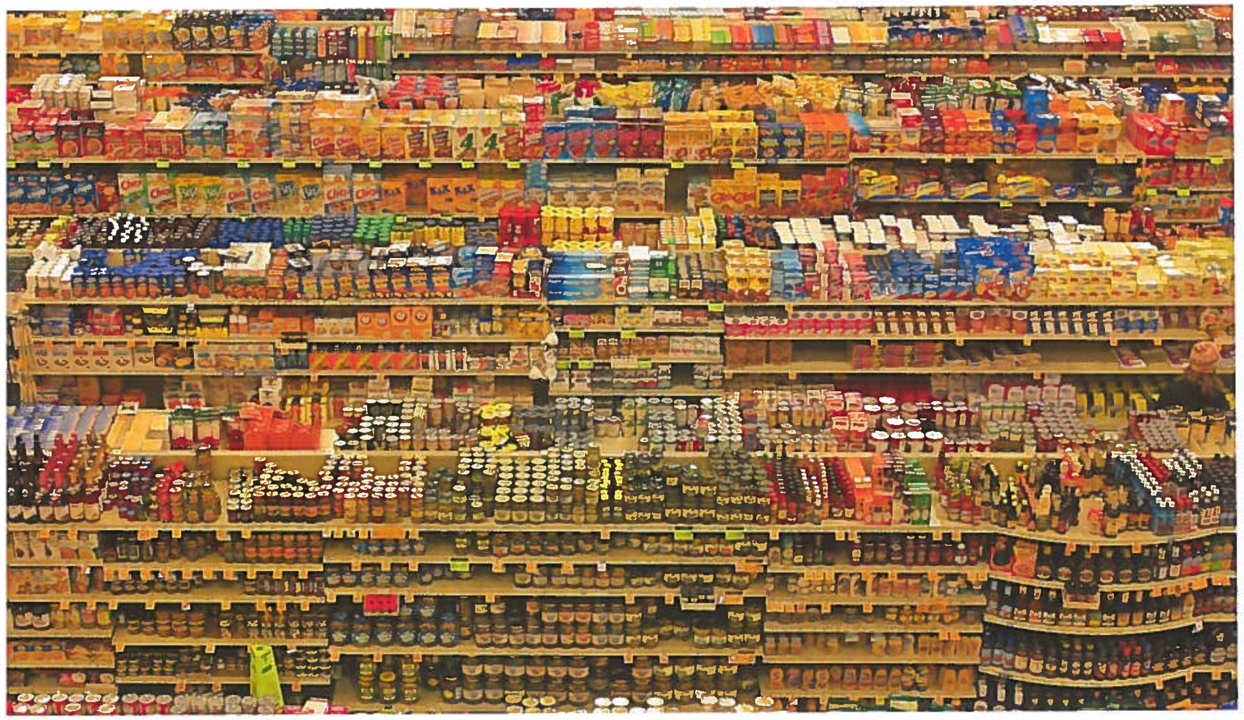
TTIP: A NEW INITIATIVE
that should raise the bar in aligning consumer protection

Europe and the United States have everything to gain from TTIP as the initiative aims to further open up transatlantic trade. Yet there is still a need to reach agreement over what that openness means in today's climate.

by Pascal Lamy



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"THE PREVIOUS MODEL WAS ROOTED IN PROTECTION; **THE NEW MODEL CONCERNS PRECAUTION."**

The erstwhile model for opening up trade involved cutting back on measures designed to protect producers against foreign competition, mainly through customs duties and the use of subsidies. This has been the way of things since the first agreements between the kings of Crete and the pharaohs of Egypt, right up until present today. Nowadays, however, such protectionist measures no longer pose any real barrier between Europe and the United States, with average customs duties in the region of 1-3%. Opening up trade has become a different ball game: a new exercise that consists in targeting other types of barrier, mainly standards and regulations, which are generally designed to protect both producers and consumers against risks. The previous model was rooted in protection; the new model concerns precaution: 20% of transatlantic negotiations focus on traditional barriers while 80% target regulations dictated by the precautionary principle across a raft of fields including food safety, toys, cars, banking, insurance and financial products. These rules are usually enacted by regulators who operate differently in Europe and the United States. In the past, the focus was on tackling the measures themselves with a clear goal in mind: doing away with customs duties. In today's world, the focus is no longer on eliminating measures that now protect consumers since nobody wants to curb these precautionary provisions; instead, the aim is to reduce the differences between such measures with a geopolitical and geoeconomic goal in mind, since it is in Europe and the United States that this level of protection is the highest, which means that, if an agreement is reached, these standards will in most cases become global norms. Consequently, European and American producers bound by these regulations will benefit from significant comparative advantages once their competitors are no longer in a position to establish other rules.

ALIGNING PRECAUTIONARY MEASURES

These "negotiations" (a term I dislike for reasons I will explain later) provide a forum for debate on two fronts. The first involves setting the target I have just mentioned—a process that has been botched on both sides of the Atlantic. The European Commission has talked about a conventional free-trade agreement but has failed to clarify the real issues at stake. Precaution and protection are two different things, and by neglecting to explain the fundamental difference between the two, the Commission has led people to believe we would be reducing precautionary measures as we did with customs duties. As a result, there has been an understandable backlash in public opinion at the prospect of such a risk. In the past, producers were opposed to opening up trade in this fashion because of the ensuing increase in competition, while consumers were all for it. That situation has now been turned on its head: producers favour the move because it will give them a larger market and economies of scale through the introduction of common standards, while consumers quite naturally voice concerns

Key Points

- 80% of negotiations relate to regulations dictated by the precautionary principle.
- It is absurd to suggest that negotiations can be finalized in two years.
- If this is a mixed agreement, it will require to be ratified unanimously by the Twenty-Eight.