

'Precautionism' the new commerce bogeyman

International relations

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London | The great danger to global trade from the coronavirus pandemic is not protectionism but "precautionism", warns former World Trade Organisation boss Pascal Lamy.

Anxious, pandemic-scarred governments will increasingly slap rules and red tape on imports, often driven by health and safety concerns. And unlike tariffs, the global trade umpire has scant institutional capacity to tackle these precautionary barriers.

His warning came after China's decision to freeze meat imports from four of Australia's biggest abattoirs last week, based on technical errors to do with labelling and health certificates.

"In the classical world of trade, we had problems with protectionism – measures to protect producers from foreign competition. We now will have problems with 'precautionism' – measures to protect people from risks," Mr Lamy told *The Australian Financial Review*.

"The name of the game will be de-risking ... Brace for a world scene which will have more obstacles to trade."

Mr Lamy, who is now emeritus president of the Jacques Delors Institute and convener of the Paris Peace Forum, said that while tariffs were relatively straightforward, the problem with risk was that it "lies in the eye of the beholder".



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Pascal Lamy, former World Trade Organisation boss, left

"What is good food? What is a safe toy? What is a proper pesticide residue level? What is the right standard for an architect or accountant you can trust, not to talk about a doctor? This creates a new challenge for levelling the playing field."

The challenge of fixing a precautionist dispute was more complex than resolving a spat over tariffs or quotas, he argued.

"If it's about protecting your producers, getting rid of the obstacle is very simple: you get rid of the tariff, and once you've done that you are at zero, the job is done and you can go home," he said.

"If it's about precaution, the problem is not about reducing the measure, it's about reducing the discrepancy between the measures in order to create a level playing field."

What's more, in a protectionist measure such as a tariff, the lowest rate is the benchmark. But in the world of precaution, the highest standard is the benchmark.

"You can never go down. The only way to harmonise or mutually recognise is up."

He said many companies would be prepared to increase their safety and security standards, even at higher upfront cost, because a globally uniform standard opened up the chance for greater economies of scale in production. But the journey to getting worldwide agreement on almost any health, safety or environmental standard would be difficult.

The WTO and its unheralded technical committees could deal with only about 10 per cent of disputes on precautionism: those cases that were in

fact protectionism, "where you pretend to protect your people and in reality you protect your producers".

Elsewhere, efforts to harmonise standards and regulatory barriers were a patchwork, or "archipelago", he said, referring to the International Standardisation Organisation (ISO).

"Nobody knows who ISO is, nobody reports on what ISO does, it's a bunch of specialists," Mr Lamy said.

"There are standards of food safety that is done by an obscure subsidiary of WHO and FAO. There is the animal health office in Paris, which is very efficient."

He called for a new architecture, including the participation of regulators, not just trade negotiators and diplomats, to try to prevent or mitigate these new post-COVID obstructions to trade.

"There will need to be a system that creates the necessary interaction between these trade issues and the regulatory issues in order to reduce discrepancies. But this is very complex, it's politically very sensitive," he said.

Mr Lamy said this sensitivity had scuppered the Transatlantic Trade Partnership: "The moment you start talking about hormones in beef or GMOs in cereals, you have a big political problem."

And the coronavirus pandemic would only make this tougher. "If it's about protecting consumers, about safety and security, risk, precaution ... COVID-19 has understandably raised the emotional temperature on safety and security."