

ITSSD: EU REGULATORY AGENDA TARGETS U.S. ADVANTAGE IN INTERNATIONAL TRADE - SPELLS ECONOMIC DISASTER FOR AMERICAN BUSINESS

Princeton, NJ – August 8, 2005 – The Institute for Trade, Standards and Sustainable Development (ITSSD), a Princeton, NJ-based think-tank (www.itssd.org), today released an important new study entitled, *"Precautionary Preference: How Europe's New Regulatory Protectionism Imperils American Free Enterprise"*©.

While Washington debates the political consequences of the recently-passed CAFTA, international trade and regulatory law expert, Lawrence Kogan and the ITSSD sound the alarm on a less obvious but much more dangerous long-term threat to American business: a tsunami of high cost and non-science-based European regulations, technical product standards, and social responsibility mandates targeting all U.S. industries that has finally begun to break along American shores.

Such measures are premised on an evolving 'better-safe-than sorry' European legal norm known as the "Precautionary Principle", and they are now being thrust upon U.S. companies at an alarming rate. "Reminiscent of an earlier era of European colonialism, Americans are being subject to arbitrary high cost rules without their constructive input or consent – 'Regulation Without Representation'", Kogan remarked.

"The same fear-based, anti-corporate and luddite mindset that has been proven so destructive to European companies and economies has been incorporated into EU Commission international trade policy and systematically exported to America and the world" said Kogan. "Nothing less than America's very free enterprise system, individual freedoms and international interests – its core political and economic values -- are at stake," he concluded.

The ITSSD study documents in detail how the European Commission, United Nations and environmental and social activist communities are injecting the precautionary principle into the U.S. for the purpose of changing U.S. law and business practices. The study also discusses how this effort threatens the American legal and free enterprise systems that serve as the cornerstone of the U.S. national economy and as the source of the U.S. comparative advantage in international trade that Europe seeks to eliminate. The study's analysis tracks these initiatives 'from Brussels to Washington to Wall Street'.

The ITSSD study furthermore identifies the indispensable role that such activists play in employing reputation destroying 'name and shame' campaigns against U.S.-based multinationals and their many U.S. small and medium-sized business suppliers. The study notes how these initiatives are being introduced in state and federal legislatures or otherwise imposed through the use of 'supply-chain management' practices. Such practices incorporate 'soft-law' environment, labor and corporate social responsibility requirements (standards) that significantly raise business operating costs and strain existing business-to-business and business-to-government relationships, without providing any environmental benefits. The aim, apparently, is to compel a sea-change in U.S. business and financial practices by adversely affecting public company reputations and stock market values.

The ITSSD study, moreover, emphasizes how Europe's regulatory preference for 'better safe than sorry' goes way beyond any traditional tariff or non-tariff trade barrier in protecting European industries' global competitiveness. It provides direct evidence that such a preference for greater health and environmental safety is actually economics-based. By imposing the same high cost of regulation and standardization to which EU companies are subject in Europe on American

industry, the EU will be better able to 'level' the global economic playing field for its lagging, inefficient or otherwise technologically under-developed and R&D-deficient industries. The purpose ultimately is to undermine the global economic reach of American companies, large and small.

The ITSSD study concludes that, precisely because Europe's precautionary preference involves changing not only international law but also the domestic laws of other nations (i.e., it violates both WTO law and U.S. sovereignty), this intrusion must be immediately countered. The threat that it poses to the American free enterprise system, entrepreneurial risk-taking, technological innovation, intellectual property rights, high-tech jobs creation, and core American values (e.g., individualism) must thus be extinguished at all costs. This will allow the U.S. to pursue a *positive paradigm* of sustainable development that preserves opportunities for economic expansion as it addresses environmental concerns, both for the benefit of future generations of Americans.

The Full Version of the study is accessible on the ITSSD website at:

<http://www.itssd.org/White%20Papers/PrecautionaryPreference-EURegProtectionism-FULLVERSION.pdf>

The Executive Summary is accessible at:

<http://www.itssd.org/White%20Papers/PrecautionaryPreference-EURegProtectionism-EXECSUMM.pdf>

The ITSSD is a non-partisan non-profit organization devoted to the promotion of a positive paradigm of sustainable development consistent with free market and World Trade Organization principles. To learn more about the ITSSD, please visit <http://www.itssd.org>.

Interviews with Mr. Kogan can be scheduled by calling 703-548-1160.