

# THE ECONOMIC TIMES

## **View: Beware of the precautionary approach to regulation**

*Following the EU's logically flawed and consumer-unfriendly precautionary principle would hobble India's dynamic economy, especially at a time when Covid-19 is destroying the global economy. Growth in key areas like renewable energy production would be a serious casualty if Gol goes the hyper-precautionary way of assessing and regulating chemicals.*

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**By John C Hulsman**

Covid-19, the political risk event of our generation, will change many things. Not least of these is the continued sufferance of illogical, highly detrimental economic philosophies of the world, ideologies that India simply can no longer afford to tolerate.

Foremost among these is the EU's championing of the precautionary principle. The precautionary approach to regulation means that merely the suspicion of harm a product can do in the future — not necessarily based on any empirical evidence — is enough to doom it. Such an approach has resulted in the economic sclerosis evident today in most countries in Europe. The principle exhorts governments to set standards and act vigorously to outlaw products if they merely suspect something may go wrong, a far lower burden of regulatory proof entirely open to the bias of the regulators, often over shaky environmental or health grounds.

In a utopian effort to somehow do entirely away with risk, the precautionary principle ignores the reality that proving a product to be 'undangerous' can simply never be accomplished. If all genetically modified (GM) foods are to be banned, for instance, it is because under the precautionary principle, they could count future possible imaginary dangers, while ignoring the overwhelming, documented historical fact that such foods have definitively ended endemic famines.

Instead of curbing innovation, countries should adhere to the cost-benefit paradigm of regulation, forcing bureaucrats to outline all the benefits of a product, as well as its possible dangers.

Other like-minded nations must defend the cost-benefit paradigm, as only its common sense weighing of advantages and dangers corresponds to the reality that regulators must actually deal with. Further, the EU's drastic regulatory actions against, say, silicones, provides a cautionary tale for India, which, like Brazil and South Korea, is considering its own regulatory futures.

Silicones are oils, lubricants or rubber-like substances often used as sealants against water and air penetration, serving as first-rate thermal and electrical insulation. Silicone-enabled products range from electric car batteries to energy-efficient LED (light-emitting diode) lights to wind turbines and solar panels. But based entirely on its precautionary principle, EU regulators have sought a series of restrictions on the use of three crucial silicone ingredients.

Following the EU's logically flawed and consumer-unfriendly precautionary principle would hobble India's dynamic economy, especially at a time when Covid-19 is destroying the global economy.

Growth in key areas like renewable energy production — a stated policy objective of the Indian government — would be a serious casualty if Gol goes the hyper-precautionary way of assessing and regulating chemicals.

Regulators around the world should adhere to better principles to produce the best, most effective regulations that simultaneously protect human health and the environment, while promoting innovation that powers economic growth and consumer choice.

*The writer is member, US Council on Foreign Relations.*