

The Variable Geometry Approach to International Economic Integration

Peter Lloyd*

Abstract

Negotiations among nations on policies to promote international economic integration have widened in recent years to cover new issues; for example, foreign direct investment rules, policies to promote competition, the international movement of labor, the environment and monetary union. In these negotiations, a consensus among the parties negotiating is usually lacking and many of these negotiations have stalled. Variable geometry has emerged as a possible strategy to accommodate differences in views among nations. Variable geometry may apply to either a regional agreement or a multilateral agreement. The term first appeared in documents and treaties of the European Union but it has arisen in other negotiations, particularly in the WTO where it is being discussed as a possible method of breaking through the impasse in the recent failed negotiations of the Doha Development Round of the World Trade Organization (WTO).

There are other negotiating strategies which are designed to introduce flexibility in many-country negotiations in other ways. Bhagwati (1991, p. 77 and 1993, p. 45) proposed the idea of "open clubs" as a strategy for negotiating regional trade (or integration) agreements. The idea in this context is that a group of countries negotiating a regional agreement, agree as a part of these negotiations to accept subsequently any other country which wants to join the group on the same terms. This is a strategy suited to a larger group of countries among which a subset is initially willing to enter an agreement. Like variable geometry within a fixed group, it is an opt-in provision. It is variable geometry with respect to membership of the group and all of the commitments and obligations which its members have agreed to.

Key Words: Geometry, Economic Integration, WTO

* Professor of Economics -University of Melbourne, Australia

1. INTRODUCTION

Negotiations among nations on policies to promote international economic integration have widened in recent years to cover new issues; for example, foreign direct investment rules, policies to promote competition, the international movement of labour, the environment and monetary union. In these negotiations, a consensus among the parties negotiating is usually lacking and many of these negotiations have stalled. Variable geometry has emerged as a possible strategy to accommodate differences in views among nations.

In order to allow a differential or variable speed of obligations among the negotiating parties, there must be more than two negotiating parties; plainly with only two parties, as in bilateral agreements, there can be no variable geometry. And the negotiations normally span more than one issue. Variable geometry is a strategy that allows negotiations of one or more particular issues to lead to an agreement that is not binding on all of the parties to the agreement. In practice, it is a strategy found in many-issue many-country negotiations. Variable geometry is an alternative to strategies that require all parties to be bound by all of the terms agreed in a complex many-country many-issue negotiation.

Variable geometry may apply to either a regional agreement or a multilateral agreement. The term first appeared in documents and treaties of the European Union but it has arisen in other negotiations, particularly in the WTO where it is being discussed as a possible method of breaking through the impasse in the recent failed negotiations of the Doha Development Round of the World Trade Organisation (WTO).

Since almost all negotiations relating to regional agreements in the last ten years or so have covered many issues beyond border access for goods and services, these regional agreements may properly be called regional *integration* agreements. Similarly negotiations in the World Trade Organisation since the Uruguay Round have covered many integration issues that go beyond border access for goods and services.

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agreement. Like variable geometry within a fixed group, it is an opt-in provision. It is variable geometry with respect to membership of the group and all of the commitments and obligations which its members have agreed to.

In relation to the scope of issues, the term has been given different interpretations in different contexts. Sections 2.2, 2.3 and 2.4 discuss the history of variable geometry in the EU, the WTO and APEC respectively. Section 2.4 examines the experience with variable geometries after their introduction. Section 2.5 considers how variable geometry might be used in future negotiations at the WTO.

1.2 VARIABLE GEOMETRY IN THE EUROPEAN UNIT

The experience of the EU will be examined first because it is both the origin of the strategy and has some of the clearest examples. Moreover, this EU regional experience has strongly influenced the attitude of the EU and some other countries in their view of the possibilities of variable geometries in the WTO and APEC.

In the EU, variable geometry emerged in the later stages of the evolution of the EU integration. It has been described by various terms – “variable geometry”, “two-speed Europe”, “Europe à la carte”, “closer cooperation” and “enhanced cooperation”. These terms are usually treated as synonyms but there are subtle differences among them. The two outstanding examples of variable geometry are the Schengen Agreement and the Economic and Monetary Union (EMU).

The 1985 Schengen Agreement, and the 1990 Schengen Convention which supplemented it, relate to the free movement of persons among the signatories, the Schengen States. Since the freedom of movement is guaranteed within the Union for all persons who are nationals of an EU Member State, it relates to the intra-union movement of non-EU nationals wishing to move among Member States. The Schengen States have also agreed to establish common controls at their external borders and adopted a common visa policy. For the signatories, the effect was to allow the removal of all internal border controls on the movement of persons, both EU nationals and non-EU nationals. It implements complete freedom of movement of all persons residing in or admitted to a Schengen State. The territory without internal borders is known as the Schengen Area.

Of the 15 “old” Members States at the time of the negotiations, Ireland and the United Kingdom were not been willing to remove controls

on the intra-EU movement of non-EU nationals, and they retained their national border controls on the movement of these persons from other EU Member States.

Provision for a Monetary Union was formulated in the Maastricht Treaty on European Union of 1992 though the agreement proceeded by three stages and the initial Monetary Union did not come into effect until 1 January 1999. The European Economic and Monetary Union (EMU) involve adoption of a common currency (the Euro) and a common monetary policy administered by a common central bank (the European Central Bank or ECB). Member States that are not members of EMU retain their own currencies and central banks. At the time of its formation 12 of the 15 Member States opted in; the three member states that did not sign were the United Kingdom, Ireland and Denmark. Member States opting in to the EMU must meet specified conditions. They must meet a detailed set of convergence criteria and they must have their national currency in the European Exchange Rate Mechanism (ERM II) for two years.

A third example in the EU is the 1991 Social Policy Agreement. It set out the policy objectives for the 1989 Social Charter relating to employment and working conditions and other social policies. 11 of the then 12 Member States signed this agreement. The United Kingdom opted out (or, more accurately, did not opt in). Following the election of a new Labour Government in 1997, the United Kingdom announced that it would drop its opt-out. The Social Policy Agreement was then incorporated into the Social Chapter of the EC Treaty through the Treaty of Amsterdam.

Looking at the three examples together, one feature is that, at the time of their formation, they involved different subsets of the members of the EU. The UK is the only country that opted out of all three. Another feature is that all involved the adoption of common policies in one policy area.

As a general strategy, variable geometry was first officially incorporated in the Treaty on European Union. It is now referred to as a provision for “enhanced cooperation”. In addition to the general arrangements, provision for enhanced cooperation was made in some other treaties, as in the Treaty establishing the European Community after the 1997 Treaty of Amsterdam. The provision was relaxed in the 2001 Treaty of Nice with a view to making it less restrictive in the context of the enlargement of the Union to 27 Member States and more general; the right of veto which member States enjoyed over the establishment of enhanced cooperation was removed, the number of Member States required was changed from the

majority to a fixed number of eight, its scope was extended to the common foreign and security policy (the so-called “second pillar”) and to police and judicial cooperation (the “third pillar”), and a new requirement that enhanced cooperation must contribute to enhancing integration within the Union and not undermine the single market or create a barrier or discriminate among States was added. The current general rules are reproduced in the Appendix. This provision is authorised by a qualified majority of the European Council, acting on a proposal from the European Commission and after consulting the European Parliament.

Variable geometry agreements are outside the “*acquis communautaire*”, the body of common rights and obligations which bind all Member States within the European Union. In effect, the EU has two tracks towards greater integration, the *acquis communautaire* and variable geometry. In the case of the Schengen Agreement and Convention, the rules adopted are known together as the “Schengen *acquis*”, which is binding on Schengen States only.

The Economist (2004) compared the variances of EU policies to a lake that has many deep parts (areas in which all countries have common policies) and many shallow parts (areas in which countries pursue different policies). Others have characterized it as an arrangement that has allowed the French and German governments that wanted to proceed further in integration policies than some others, particularly the UK, to do so. The UK reluctance to accept obligations in these areas is due to a number of factors. As a country it has been less convinced of the benefits of integration in general. Its laws and institutions evolved separately from those of the continental countries.

These recent provisions regularized the practices that had evolved earlier in certain areas. However, the new provisions of the Treaty of Amsterdam and the Treaty of Nice have not yet been used.

2.3 VARIABLE GEOMETRY IN THE WTO

Variable geometry strategies have been used a number of times during the period of GATT negotiations, though not under that name.

The most important of the GATT variable geometries are the nine Tokyo Round Codes that emerged as a part of the outcome of the Tokyo Round multilateral negotiations completed in 1979. There were irreconcilable differences among the Contracting Parties in the negotiations on these areas that prevented agreement among all Contracting Parties. The Tokyo Round

Codes were stand-alone agreements with their own signatories and institutional procedures.

The Codes were as follows:

- The Agreement on Technical Barriers
- The Agreement on Government Procurement
- The Agreement on Interpretation and Application of Articles VI, XVI and XXII (known as the Subsidies Code)
- The Agreement on Implementation of Article VII (known as the Customs Valuation Code)
- The Agreement on Import Licensing Procedures
- The Agreement on Implementation of Article VI (known as the Anti-dumping Code)
- The Agreement on Bovine Meat
- The International Dairy Agreement
- The Agreement on Civil Aircraft

Of these, the last three covered aspects of market access in three sectors of goods trade on which agreement among all parties could not be reached. The first 6 covered separate areas of rules relating to trade in goods. Some of these were already within the scope of the rules of the GATT but were considered to need tightening or extending. Some were largely or wholly outside the then existing rules; this applied to the Agreement on Technical Barriers and to the Agreement on Government Procurement (where GATT Article III.8 excluded government procurement from National Treatment obligations). These two agreements resemble most closely the variable geometries of the EU.

These codes had two distinguishing features. First, they were opt-in agreements. Second, code reciprocity applied only to other code signatories, not on an MFN basis. For those codes which dealt with rules rather than market access, reciprocity means that the commitments in areas such as consultation, notification and the exchange of information were restricted to the signatories.

As part of the Marrakesh Agreement concluding the Uruguay Round in 1994, five of the Tokyo Round Codes were renegotiated and became part of the “single undertaking” that is binding on all Members of the new organisation, the WTO. The term “single undertaking” first appeared in GATT language in the 1986 Punta del Este Ministerial Declaration which

launched the Uruguay Round and it was incorporated in the Marrakesh Agreement establishing the WTO.

The other four remaining agreements - the Agreement on Government Procurement, the Agreements on Bovine Meat, the Agreement on Civil Aircraft, and the International Dairy Agreement - however, were not included in the single undertaking. They were given the designation of “plurilateral agreements” to distinguish them from the multilateral agreements in the WTO. The terms of a plurilateral agreement are binding only on those members that sign the agreement. Reciprocity is extended only to members.

These agreement in the Tokyo Round codes and the later plurilateral agreements gave the GATT/WTO a structure similar to that of the EU. There was a single undertaking binding on all parties and supplementary agreements binding only on those parties that signed these agreements and whose benefits were limited to the signatories, paralleling the *acquis communautaire* and the variable geometries of the EU.

GATT and WTO negotiations have adopted a number of strategies other than variable geometry to give flexibility to the negotiations. The one that most resembles variable geometry is the approach called “critical mass” in the GATT/WTO lexicon. This approach was adopted in the negotiation of the Information Technology Agreement and the services agreements after the conclusion of the Uruguay Round and before the beginning of the Doha Development Round (1995-2000). They too are opt-in agreements with the added feature that participants form a sufficient mass to bring the agreements into force.

The ITA agreement stipulated that the participants representing 90 per cent of world trade would have to accept and sign before the agreement came into force. Originally only 29 signatories signed but after the Singapore Ministerial a number of other countries signed and the agreement came into force. Other countries chose not to opt in. However, the terms are applied on an MFN basis and do not discriminate against non-signatories, thus multilateralising the agreement. Thus, the ITA is not a plurilateral agreement and not a variable geometry but, like the plurilaterals and the Tokyo Round Codes, it is outside the single undertaking.

The services agreements negotiated between the conclusion of the Uruguay Round and the opening of the Doha Development Round were negotiated on the same basis. This applies to the Agreement on Basic Telecommunications and the Agreement on Financial Services. Like the ITA,

these agreements are applied on an MFN basis and they are, therefore, multilateral agreements.

There are also a number of other circumstances in which the rules of the GATT and WTO have not been applied uniformly among members. These include Grandfather Clauses, aspects of the various agreements on textiles and clothing before the Uruguay Round, special treatment for socialist countries relating to state trading in goods under various GATT articles and, mostly importantly, Special and Differential Treatment for Developing Countries introduced in the Tokyo Round. These clauses and agreements too are binding on all members of the WTO and do not breach MFN. VanGrasstek and Sauv  (2006) list a number of ways in which GATT rules and obligations have been applied ‘inconsistently’, that is, in different ways to different groups of members of the GATT or WTO. Developing countries in particular have weaker obligations. Non-uniformity or non-consistency is, however, a broader concept than variable geometry.

After this review of variable geometries in the EU and the WTO, a more precise definition that covers both organisations and distinguishes variable geometries from other forms of flexibility can be given. A variable geometry has two features. First, it is an opt-in agreement devised by a proper subset of a larger group of countries. Second, its benefits are restricted to the subset of countries. The second feature distinguishes variable geometries from closely-related agreements such as ‘critical mass’ agreements which are multilateral. This definition covers both market access and rules agreements. In the case of agreements relating to market access, the benefits are restricted by non-MFN reciprocity. In the case of agreements relating to rules, the benefits are confined to members by some other feature of the agreement: for example, in the case of the EMU, the common currency limits benefits from the elimination of exchange costs and exchange risks and a common monetary policy to the members or, in the case of the Schengen area, the benefits of greater freedom of movement of people are limited to a reciprocal exchange among the members of the area.

2.4 VARIABLE GEOMETRY IN THE APEC REGION

APEC is an organisation that adopted the goal of ‘free and open trade and investment in the region’ at the 1994 Bogor Meeting of Leaders. This is an ambitious though vague goal. It also has a broad programme of harmonising regulatory practices across the region.

Recently there has been serious discussion in academic circles and in the APEC forum itself of the possibility of forming a regional agreement

spanning all of the countries in the APEC region, a Free Trade Area of the Asia-Pacific (FTAAP as it has been dubbed). However, the difficulties are formidable. There is great diversity among the economies in terms of policies relating to trade in goods, services, investment and beyond-the-border issues. None of the three major economies of the APEC region - Japan, China and the USA - has a bilateral with either of the other two. In a recent volume surveying the possibilities (Morrison and Pedrosa, 2007), the consensus view was that a single area-wide agreement was not politically feasible at the present time.

In a review of forms of linkages between existing bilateral and other regional agreements in the region, Scollay (2007) notes that increasingly bilateral trade agreements in the region cover integration issues other than those relating to cross-border trade in goods and services but that the extent and style of these “trade-plus” agreements varies widely among the more than 40 RTAs in this region. APEC is a forum with many member economies, in fact, 21 members. In terms of the number of members, it approaches the EU. And many issues would be involved in any negotiation. Variable geometry is an obvious strategy in the region. Scollay (2007, p. 185) argues that it “might offer the best prospects for convergence”.

He puts forward two variants. In one, there could be a single agreement in which the members assume different ranges and levels of obligations on the basis of agreed criteria. In the other, there could be a core agreement to which all members subscribe coexisting with other agreements in which subsets of the members take on additional obligations. The latter is an EU-style geometry.

He notes a general problem in that some of the larger APEC economies have developed an “FTA template”; that is, a form of single undertaking for new prospective partners. This is particularly true of the US whose post-NAFTA bilaterals are all closely modelled on NAFTA. (This includes AUSFTA.) The US template contains a number of features which some APEC countries do not share. It is most unlikely that a NAFTA template, even with some modifications, would be acceptable to China or Japan as a core agreement. If an area-wide agreement had a core agreement other than a NAFTA template, what would it be? And would it be acceptable to the US? Similarly, this strategy would require commonality of policies in the subset or subsets of countries forming supplementary agreements. A great deal of convergence towards greater commonality of style is a pre-condition for this kind of geometry. APEC is currently seeking to develop a set of model provisions for RTAs among its member states in order to

promote convergence of policies. It is proving difficult to get a consensus and, in any case, these provisions would be non-binding. There is no sign of a consensus emerging on laws and rules that would be binding.

2.5 WHAT HAS HAPPENED TO THE VARIABLE GEOMETRIES

The country composition and structure of the variable geometries in the EU did not last. The original 1985 Schengen Agreement was signed by five (out of nine) members of the EEC: these were the original six less Italy. After the formation of the European Union in 1992, the Schengen Area expanded to 13 (out of 15) Member States. (Although it signed the Agreement, special provisions continue to apply one of the original three opt-outs, Denmark.) Moreover, the scope of the common policies had expanded. The 1997 Treaty of Amsterdam brought the Schengen Agreement into the EU legal framework. This Treaty also provided that the two who remained outside the Schengen Area - the UK and Ireland - could take part in some or all of the arrangements. In fact, the UK and Ireland have done so with regard to some arrangements, though both maintain their own national border controls. The gradual extension of the Schengen Area led two countries outside the EU, Iceland and Norway, to take part in the Schengen cooperation, including the removal of national border controls. (These two countries along with EU Member States Denmark, Sweden and Finland belong to the Nordic Passport Union, which had abolished internal border checks.) As part of the terms of their accession, the 10 Member States that joined the EU in 2004 and the two that joined the EU in 2007 (Bulgaria and Romania) are bound by the entire Schengen acquis, though there is a transition period during which certain provisions will not apply to them until border controls have been abolished. Nine of these countries have now joined the Schengen area, bringing the total number of participants to 24 (out of 27 Member States).

At the time of its creation in 1999, 12 of the then 15 Member States of the EU joined the EMU. The UK, Denmark and Sweden have remained outside. The 10 countries that joined the EU in 2004 and the two that joined in 2007 must join the EMU after they meet the convergence criteria. All intend to join the third stage – the adoption of the Euro and membership of the ECB - in the next 10 years. Slovenia, Cyprus and Malta have already joined the EMU. This brings the number of countries in the Euro zone to 15 (out of 27) with 9 more on track.

Similarly, the structure of the Tokyo Round Codes and the Uruguay Round plurilateral agreements outside the single undertaking did not last. As

noted in Section 2, five of the Tokyo Round Codes were renegotiated in the Uruguay Round and became part of the “single undertaking” and thus binding on all Members of the new organisation. Of the remaining four, the Dairy and the Bovine Meat Agreements expired on 31 December 1997. The Agreement on Trade in Aircraft is largely redundant as its disciplines were mostly incorporated in the Uruguay Round Agreement on Subsidies and Countervailing Measures, which is a part of the single undertaking. This leaves the Agreement on Government Procurement as the only variable geometry survivor of the Tokyo Round Codes.

Thus, of all variable geometries introduced in the EU and the WTO, in the EU only EMU and in the WTO only the Agreement on Government Procurement have survived subsequent policy developments.

2.6 NEW VARIABLE GEOMETRY IN THE WTO?

Should variable geometries be used in future regional or global agreements?

Variable geometry is usually presented as a negotiation strategy that introduces some flexibility. It allows the subset of countries bound by the agreement to go further than the group as a whole is willing to do. In many-issue negotiations, it may thereby allow the total commitment across all issues to be enhanced.

There are two areas of international policymaking at the present time where variable geometries are an obvious strategy. These are climate change and the WTO negotiations.

Climate change is clearly an area where the views of national governments and their willingness to make commitments to adopt policies that might mitigate climate change or the consequences of climate change vary greatly. Take carbon emissions reductions. The Kyoto Agreement was a compromise between different views and in the end it was not signed by a number of countries, notably the USA and large Developing Countries such as China and India because they were unwilling to make the commitments that other countries made. Variable geometry is a clear possibility here for future negotiations. But I want to concentrate on the WTO negotiations as it is an even more pressing problem (and one about which I know more).

In the WTO, the breakdown of the current Doha Development Round multilateral negotiations at Cancun in September 2003 and the failure again in July 2008 has raised doubts about the current methods of negotiating in the WTO and prompted a number of writers to suggest ways of

introducing greater flexibility. More generally, the Warwick Commission (2007) suggested we need a reflection exercise to rethink the multilateral trade system and others have echoed this view.

We need first to outline the features of the Doha Round attempt at trade negotiations.

The scope of issues being considered by negotiations in the current Doha Development Round is broader than those considered in the Uruguay Round. And the number of countries have increased. These have made negotiations more difficult. Others have suggested that the problem lies with the method of negotiation. One central feature is the concept of a single undertaking. Paragraph 47 of the Doha Ministerial Declaration declares that the outcome of these negotiations shall be treated as parts of a single undertaking; the only exception is the improvements and clarifications of the Dispute Settlement Understanding. Thus the outcome is to be treated as a package. In the words of the WTO itself “nothing is agreed until everything is agreed”. After the July failure, in a keynote address to the 2008 WTO Public forum the Director-General outlined the negotiation problem in the following terms:

“Three principal constraints today represent a challenge to our work: the first is the bottom-up approach, under which members must themselves always take the lead in tabling negotiating proposals and compromise solutions; the second is the concept of a “single undertaking”, which implies that in a round of negotiations with 20 different topics, nothing is agreed until all is agreed; and the third is the decision-taking by consensus, which is reasonably close to unanimity.” (Lamy, 2008).

These three features operating together have made negotiations very difficult in many areas.

At the same Forum, the European Commission (2008) proposed variable geometry à la EU as a possible solution. A number of economists and commentators have also put forward “variable geometry” as a way around impasses in these negotiations (see, for example, Lawrence, Bressand and Ito, 2001; Patel, 2003; Cornford, 2004; Lawrence, 2006 and VanGrasstek and Sauv , 2006).

Others have suggested reintroducing “critical mass” as a method of negotiation (for example, the Warwick Commission, 2007, pp. 30-32; Gallagher and Stoler, forthcoming; Evenett, forthcoming).

The features of such a variable geometry approach to negotiations would have to be determined. First, there is a strong case for abolishing the single undertaking. Not participating in a particular agreement that they did

not want or like might make some countries more willing to accept an overall package. In the Uruguay Round, many Developing Countries were persuaded to accept the TRIPS and TRIMS Agreements because of improved market access for their exports and other gains. Subsequently, these agreements have been a source of resentment and regret by some developing countries that has given rise to a background of ill will and inhibited the DDR negotiations.

Then, there is the possibility of reintroducing variable geometry agreements whose benefits apply only to the participating Members.

There is a strong argument for making any variable geometry agreements concluded among a subset of WTO Members non-discriminatory. This is *de jure* (but sadly not *de facto*) a fundamental principle of the WTO.

A question arises as to whether there should be any general rules or pre-conditions for the start of variable geometry negotiations. The EU Treaty on European Union contains a list of “provisions” relating to variable geometry relations in this regional agreement. These are reproduced in the Appendix. Lawrence (2006) proposes a list of “operating rules” if the WTO were to be managed as a club-of-clubs. In relation to the reintroduction of critical mass negotiations in the WTO, the Warwick Commission (2007) and Gallagher and Stoler (forthcoming) list a number of features. These negotiations should require a “sufficient” number of countries; they should be open to all Members, non-discriminatory, subject to standard WTO dispute settlement procedures, and tariff-based.

The key aspect of these rules or pre-conditions is the question as to whether the variable geometry arrangement should be permanent or temporary. Both the EU and the WTO have shown a definite tendency to regard a variable geometry union as a temporary step towards the eventual inclusion of all members into the negotiated arrangements. In its current treaty provisions, the EU clearly regards an “enhanced cooperation” agreement as a transitional phase. It is described as “a last resort”, to be established [only] when “such cooperation cannot be attained within a reasonable period by the Union as a whole”, with participation in its deliberations open to all members, and “such cooperation shall be open at any time to all member States”. That is, there can be two speeds but the eventual goal is the same for all Member States.

In my view, the question of a permanent or a temporary union and, more generally, all of the procedures that should be followed in a variable geometry negotiation depend crucially on the objectives of the organisation

or group conducting them. In this regard the experience of the EU is salutary.

The first of the EU conditions for its variable geometry is the requirement that “enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process.” This states clearly that the interest of all Member States is paramount. In the original EU negotiations of the EMU, for example, the debate focused on whether the sub-set of countries pursuing the goal of a monetary union was an “optimal currency area”. Subsequently, however, the EU came to the view that membership of the EMU is a part of the *acquis* that should bind all Member States.

From this point of view, there is a great contrast between the EU and the WTO. The WTO lacks a clear objective and, because of this, it lacks a vision of where it is heading. The Preamble to the Marrakesh Agreement setting up the WTO, like that of the preamble to the GATT before it, has two proximate objectives; the first is “reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade” and the second is “the elimination of discriminatory treatment in international trade relations”. The first of these proximate objectives, coupled with the other bottoms-up feature of the negotiations strategy noted by the present Director-General, have brought about negotiations in which attempts to reduce border barriers to trade are essentially incrementalism. They have been swamped by the (perceived) self-interest of the participating Members that have resisted almost every attempt to lower barriers. The WTO desperately needs, in my opinion, a strong and clear objective. Without such an objective, the WTO negotiations to improve market access and reduce subsidies have been directionless.

I would prefer an objective of free (and therefore non-discriminatory) trade for the WTO. Indeed, it is hard to conceive of any other long term objective.¹ In this regard the EU currently has the objective of complete integration, which is even stronger than the original objective of a “common market” and considerably stronger than free-at-the-border trade. This has guided the evolution of its variable geometry exercises.

2.7 CONCLUDING REMARKS

Variable geometry offers new possibilities as a general strategy in negotiations leading to greater integration of global markets. But, the experience of both the EU and the WTO have shown that the design of workable variable geometries is complex and difficult.

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