

Embedded Ecologism and Institutional Inequality:
Linking Trade, Environment and Social Cohesion in the G8

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Amidst the vibrant contemporary debate over “globalization,” there are few elements that command such consensus among proponents and critics alike as the assumption that this multidimensional and contested process has at its core a foundational ideology of “neo-liberalism”. This ideology is seen as having arisen during the turbulent 1970’s, acquired policy dominance in the 1980’s under the impact of Margaret Thatcher and Ronald Reagan, and achieved practical implementation in the 1990’s as the end of the cold war and the triumph of free market ideals took hold. As it grew from an initial “Ronald Thatcherism” to a full blown “disciplinary neo-liberalism” (Gill 2000), it seems to have transformed and then replaced the prior ideological foundation of “embedded liberalism” that the victorious world war two allies constructed as the core of the institutionalized order they created in 1945 (Ruggie 1985, Ikenberry 1998/9). That liberal order had combined external multilateral liberalization of traded goods and trade finance with fixed but adjustable exchange rates, various forms of capital controls, and above all a large sphere for state intervention to achieve employment and broader social objectives in a still protected national sphere. In its place has now allegedly come a celebration of internationally free markets for goods, services, direct and portfolio investment and intellectual property, of the need for domestic privatization and deregulation, and of the virtues of constricting the domestic role of the economic and social regulatory state. The new ideology and processes, it is charged, ‘tends to atomise human communities and destroys the integrity of the ecological structures that support all life,’ thereby generating a “crisis of social reproduction on a world scale, a crisis that is ecological as well as social” (Gill 2000:1).

Such an ideological revolution is seen as all the more powerful and permanent for having been institutionalized in the international organizations at the centre of the global political economy. The International Monetary Fund (IMF), once the guardian of embedded liberalism, has seen its preference for fixed and pegged exchange rates swept away, to be replaced by the late 1990's by an embrace of the virtues of market-driven floating, capital account liberalization, and a routine prescription that countries receiving financial assistance must withdraw from state intervention in wide reaches of the economy long under government control. In the trade system, the exception-ridden rules of the old General Agreement on Tariffs and Trade (GATT) have been replaced, effective January 1, 1995, by those of the new World Trade Organization (WTO), featuring a single undertaking with wide ranging disciplines on goods, services, investment and intellectual property, an effective dispute settlement mechanism, regular review of national trade policies, a more robust secretariat, built in processes of further liberalization, and periodic ministerial oversight. And at the center of disciplinary neoliberalism is said to stand a Group of Seven (G7) acting, along with the international financial institutions, in the 1980's and 1990's in a "deliberate and strategic manner" (Gill 2000:21, Gill 1999).

As the twentieth century passed into the twenty-first, however, this process of proliferating finance and trade liberalization and the consensus on neo-liberalism that sustained it, came under severe and sustained attack. The defeat of the Multilateral Agreement on Investment (MAI) in the Organization for Economic Co-operation and Development (OECD), the 50,000 protesters on the streets of Seattle at the WTO's December 1999 ministerial

meeting to launch the Millennium Round, the equally energetic demonstrations in Bangkok for UNCTAD, in Washington and Prague for the IMF, and in Davos for the World Economic Forum in the following years, showed that the faith in neo-liberalism, or at least its incarnation in Anglo-American liberalism or the “Washington consensus,” was being assaulted, arrested, adjusted and even potentially abandoned. Indeed, the leaders of both the IMF and WTO proclaimed their acceptance of the values of the protestors (Johnson 2000) and proceeded with programs of often far-reaching institutional reform (Kaiser, Kirton and Daniels 2000, Kirton, Daniels and Freytag 2001).

Is the G7 indeed at the deliberate and strategic center of constructing and enforcing a ‘disciplinary neoliberalism’ and of mounting the necessary defences or making the marginal adjustments to allow this ideology to continue amidst these new voices of dissent? Those seeing such a major transformation in the reigning ideology of global governance are right to suspect that the G7 would lie at the heart of such change. For it is in the G7 and its companion institution with Russia included, the Group of Eight (G8) that the leaders and ranking ministers of the world’s most powerful market democracies regularly assemble to deliberate, set new directions and make decisions on a wide range of finance, trade, and social issues, to articulate new visions of the interrelationship among these issues, and to implement their visions through instructions to and reforms of the established international organizations (Hajnal 1999). While some regard the G7/G8 as a body that the post cold war globalization of the 1990’s has rendered ineffective (Bergsten and Henning 1996, Whyman 1995, Smyser 1993), others have claimed that it has become

an increasingly effective centre of global governance in the new era, for better (Kirton 1999, Bayne 1999) or worse (Helleiner 2001, Gill 1999). Even those who see it more modestly as a lightly institutionalized caucus or “ginger group” for the rich and powerful, agree that the principles and norms it creates and promulgates can have important governance effects (Hodges 1999, Baker 2000).

Among those regarding the G7/G8 as a consequential center of global governance, the global financial crisis of 1997-9, and the succession of civil society protests which subsequent efforts at liberalization aroused, spawned a debate among three schools of thought. The first suggested that the G7/G8, in the face of crisis, had largely and properly maintained the new neo-liberal emphasis, and produced a market friendly international institutional reform effort to reinforce a now contested core (Sally 2001, Freytag 2001, Donges and Tillman 2001, Theuringer 2001, Dluhosch 2001). The second argued that the G7 and the IMF had, amidst compounding crisis, altered their rhetoric at the margin, while maintaining their longstanding neo-liberal commitments (Gill 2000, Dallaire forthcoming 2001, Therrien and Dallaire 1999). The third asserted that neither reinforced neo-liberalism nor marginal adjustment but a genuine move to a new consensus on socially sustainable globalization was what the 1997-9 crisis and the G7's effective global governance in response had brought (Kirton 2001). None, however, grounded its argument in a detailed examination of the core principles, norms and commitments of the G7 and now G8 since its 1975 inception, to identify what its seminal values were, how they might

have changed in subsequent decades, and thus what new directions the 1997-9 crisis might have brought.

This paper conducts such an examination. It surveys the principles and norms that the G7 has collectively articulated since its 1975 establishment in the key areas of trade, the environment and social cohesion, to identify the priority it has assigned to each, the intersections it has identified among these realms, and the balance it has offered for the governance of this integrated domain. It concentrates on the content and strength of the G7's initial consensus, when and how that consensus might have eroded, and when and how a new consensus might have emerged. On that basis, it suggests, largely inductively, the sources of such ideological consensus and change as may have occurred. In particular it identifies moves toward and from the articulation of a normative order based on the sustainable development ideal in which trade liberalization, environmental enhancement and social cohesion are tightly integrated and equally balanced. In doing so they generate a foundation for what might be termed a modern "embedded ecologism" that extends and reinforces the embedded liberalism of old.

This focus on the normative order governing the trade-environment-social cohesion interface is justified on several grounds. Most generally, it is in the trade realm that the liberalization justified by embedded liberalism began, and that the new WTO extended in the 1990's to a degree even beyond that which the IMF proved able to accomplish for finance. Second, it was the demand for social and employment protection, grounded in full

and stable employment and welfare programs, that justified the claim for nation state intervention and control of capital accounts by the consensus of embedded liberalism in 1945 and by the civil society protesters at present. Third, one of the important reasons for the failure to launch a new Millennium Round and for the strength of subsequent protests was the demand of environmentalists that the new trading system take far greater account than the old GATT and new WTO of the environmental and social impacts of the system, and of the way in which trade liberalization could serve as a proactive instrument of ecological enhancement, social cohesion and sustainable development on a global scale. And finally, the G7 has since its start always dealt with trade, employment and environmental issues as part of its core agenda (Kirton 1989, Kirton 1990, Kirton and Richardson 1995), and has secured high compliance by member countries with the trade and environment commitments it has reached (Von Furstenberg and Daniels 1991, Kokotsis 1999, Juicevic 2000). At the same time, the G7/G8 remains a “hard case” for finding the emergence of a new normative order in which trade liberalization, environmental enhancement and social cohesion are tightly integrated and equally balanced, given the G7’s apparent creation as an “economic” summit, its alleged dominance by the Americans and their leadership (Putnam and Bayne 1987), its creation of a ministerial forum for trade liberalization (in 1981) long before that for trade (in 1992/4), and its status as the bastion of neoliberalism in the judgment of its critics (Gill 1999).¹

¹ It is an easy case only in the sense that as an institution not bound by an international law encoded charter, and delivered by national leaders, it has a flexibility in setting new normative directions that the 1945

This analysis reveals that since its 1975 inception, the G7 has continually asserted and progressively developed a doctrine of “embedded ecologism.” This doctrine has defended the employment and social welfare values at the core of the 1945 consensus on embedded liberalism, while reinforcing them with a new array of ecological values that it has integrated into the employment and trade spheres in protective and proactive ways. In its fully developed form, the doctrine of “embedded ecologism” asserts that employment and social cohesion (and the democratic practices and polities they sustain) are fundamental to the G7’s mission, that environmental protection as well as trade liberalization fosters such objectives, and that trade liberalization should take place only insofar as it protects and promotes environmental and labour values. External liberalization is thus bounded both by domestic welfare and by domestic and global ecological concerns.

While the elements of “embedded ecologism” were evident at the G7 Summit’s outset, the effort to elaborate edifice encountered two major challenges. First, during its first quarter century, the G7 adopted a conception of trade liberalization far more aggressive than that of 1945 and 1975, added investment and finance (but not capital account) liberalization to it, and entrenched its new conception in the powerful institution of the WTO that it did much to create. Second, prompted by the OECD, the G7 turned during the 1980’s from a macroeconomic trade and growth-based conception of employment to one privileging market-oriented structural policies. In both cases the weight of these economic and trade

generation of international institutions lack. This flexibility, however, can be exercised equally easily in any of the three ways the competing schools of thought suggest.

focused international organizations generated an institutional imbalance in the G7's evolving consensus of "embedded ecologism", in ways that assigned ecological and social values a subordinate place. Yet at the start of its fourth seven-year cycle in 1996, the G7 moved, in advance of the 1997-9 global financial crisis and 1999 assaults on trade, investment and financial liberalization, to address the challenges of globalization and restore the balance of earlier years. This task proved to be easier in the trade-labour realm, where the G7/G8 could readily mandate the WTO to work with the International labour Organization (ILO) to extend and implement the principles the G7 struck. In the trade-environment realm, however, the G7 was left to affirm the principles of equality and integration, and cast increasing doubt on the WTO's record in realizing them, without moving to address the more fundamental institutional imbalance that the absence a World Environmental Organization created.

1. Affirming the Trilogy: The Rambouillet Foundation, 1975

For an apparently economic summit focused on replacing the international finance regime that had died at American hands on August 15, 1971, the G7 at its first gathering at Rambouillet, France in November 1975 gave considerable and prominent attention to trade, social and environmental matters in its brief, but seminal, concluding communiqué. What might be considered the "Rambouillet Charter" of the G7 opened with the statement

that the institution's ultimate concern was with the "human, social and political implications" of "economic problems common to our countries." It noted: "We are each responsible for the government of an open, democratic society, dedicated to individual liberty and social advancement." It pledged: "...to reduce the waste of human resources involved in unemployment," to make "new efforts in the areas of world trade..." and to "...avoid resorting to measures by which they could try to solve their problems at the expense of others, with damaging consequences in the economic, social, and political fields." It also promised "...to reduce our dependence on imported energy through conservation and the development of alternative sources."

It is noteworthy that social concerns were identified as the overriding value, and were the first to be listed among the trade-environment-society trilogy. In this social realm, social advancement joined individual liberty as the two key ultimate values. Society was thus viewed and valued as a collectivity that was more than an amalgam of competing individuals each pursuing his or her own self interest. The first identified challenge to social advancement was unemployment, portrayed as a social problem arising from poor overall growth. Trade arose as a defensive, other-directed concern, with the emphasis on combating protectionism and on its direct negative social consequences in foreign societies. Finally, it is striking that an environmental value was included from the start. It was, however, the traditional, narrow one of conservation, portrayed as an instrument rather than a value in its own right, and given equal weight to development of alternative

sources in a communique that celebrated growth. It was not linked to the trade or the social domains.

Thus at the start the G7 set social advancement as well as individual liberty as its two overarching values, saw trade as fostering the social cohesion that would be damaged by the unemployment that protectionism bred, and considered energy conservation as an instrumental priority in its effort to restore economic growth. Thus all three values - social cohesion, trade liberalization and environmental protection -were there from the very start, with social cohesion occupying the top spot, and the trade-employment-social cohesion link clearly drawn.

2. Forging the Trade-Environment Link: The First Cycle, 1975-1981

During the next several years, this seminal set of principles was reaffirmed and reinforced. Unemployment was the major problem identified by the Summit, although inflation had a large and increasingly co-equal place. The solution to the unemployment problem lay in non-inflationary growth and trade, which came first by resisting protectionism and secondly by launching new trade liberalization negotiations and opening markets. Environment, first as resource conservation and then as environmental protection in the energy sector, remained a value. And in 1979 it was linked directly and positively to the trade domain.

Thus, 1977 saw unemployment labeled the most urgent problem with youth unemployment singled out for special concern. 1978 noted unemployment “hit hardest at the most vulnerable section of the population” and that “its economic cost is high and its human cost higher still.” The 1979 “oil shock” summit asserted that energy price increases would lead to more unemployment, while 1980 declared increasing employment to be the goal. 1981 said reducing unemployment along with inflation was the highest priority but, in a preview of the 1980’s, signaled that the answer lay primarily not in growth alone but in higher investment and domestic structural change.

During this time broader social concerns appeared regularly. The 1976 communique called for “partnership among all groups within our societies” while that of 1977 spoke of the “continuing strength of our societies and the proven democratic values that give them vitality.” 1978 declared a determination to use social policy to help sectors in difficulty. 1979 stated that oil price increases had very serious social consequences and would endanger stability. 1980 affirmed the “ability of our democratic societies, based on individual freedom and social solidarity” to meet the challenges they faced. It called for “continuing dialogue among the social partners.”

During these years, the emphasis on trade expanded from defensively combating protectionism to offensively securing greater liberalization of trade and then capital. The initial pledge against protectionism moved to ever more detailed promises to “avoid the

imposition of new trade barriers” (1977), to standstill and rollback, and to strengthen the multilateral trade system, while stating directly that protectionism would cause unemployment (1977). The G7 also became increasingly specific and ambitious in calling for the conclusion of the Tokyo Round, and by 1981 for the ministerial conference that would lead to the launch of a new Round. By 1979 it began to expand its vision, calling for the “removal of impediments to the international flow of trade and capital.”

Yet the environment was the area where the greatest expansion took place. While the topic disappeared briefly from the 1976 communique, by 1977 energy conservation had returned. By Bonn 1978, the approval of energy efficiency and renewables was accompanied by the first appearance of “the environment” itself in the generic pledge: “In energy development, the environment and human safety must be safeguarded with greatest care.” By 1979, in response to the second oil shock, the G7 reaffirmed the value of energy conservation. It also offered its first trade-environment norm in its pledge “to increase as far as possible coal use, production and trade, without damage to the environment.” This linkage, while affirming the connection and value of the environment to trade, was still specific to the coal sector, reactive, protective and unbalanced, in that it allowed trade to expand if it could be done while holding environmental quality constant,

This link was then joined by a proactive, preventative one that was surprisingly prescient in regard to the future issue of climate change. It read: “We need to expand alternative sources of energy, especially those which will help to prevent further pollution,

particularly increases of carbon dioxide and sulphur dioxide in the atmosphere.” 1980 added building standards, fuel-efficient vehicles, standards for automobile fuel efficiency and public transport as desirable measures. And 1981 culminated with the expansive economy-wide, if protective vision: “In shaping our long term economic policies, care should be taken to preserve the environment and the resource base of our planet.” By the end of its first cycle then, the G7 had forged the trade-environment link directly, accorded protective equality to the environment, called for a preventative approach, presciently singled out central issues, specified microeconomic, sector specific measures, and made environmental preservation integral to economic development as a whole.

3. Trade for Environment: The Second Cycle, 1982-1988

The second summit cycle, from 1982 to 1988, saw a move of unemployment from a macroeconomic to a market-oriented microeconomic issue, and a broader and deeper emphasis on trade liberalization. Yet it also saw, after an early downgrade, a major expansion of ecological values by the cycle’s end. The first two elements of this shift are consistent with the advent of a new neo-liberal rather than embedded liberal consensus, as first Margaret Thatcher and then Ronald Reagan acquired prominence within the G7. However even here social values continued to be affirmed in a body where the continental European socialists of Germany’s Helmut Schmidt and France’s Francois Mitterrand were influential. Moreover environmental values proliferated in breadth and depth as

Germany's Helmut Kohl and Canada's Brian Mulroney entered the G7 in 1983 and 1985 respectively, and the otherwise much maligned Bonn 1985 Summit proved to be a watershed. Finally by 1987-88 the trade environment link was forged in ways that protected environmental and other social values as comprehensive trade liberalization proceeded, and that mobilized trade and investment liberalization and technology transfer as an instrument for environmental goals. The North American Free Trade Agreement (NAFTA) principle of "trade-for-the environment" was thus introduced.² Even as the 1988 Toronto Summit recognized the "globalization" of markets, it endorsed the concept of sustainable development and declared that trade liberalization should assist in the achievement of a broad range of social and environmental goals.

In the social domain, the 1982 Summit, hosted by French President Francois Mitterrand, began with the declaration that full employment was the objective, and added preserving the "cultural heritage of our peoples" as a further goal. Williamsburg in 1983 highlighted youth unemployment and cultural development and introduced labour market policies as a way of creating employment. London in 1984 elaborated a wide range of measures for the latter, including facilitating the mobility of labour and capital. Bonn in 1985 began by proclaiming the goals of increasing job opportunities and reducing social inequalities, while adding higher employment, "maintaining appropriate social policies for those in need," creating new, permanent jobs especially for the young and combating social

² For an analysis of the environmental principles in the NAFTA regime see Rugman, Kirton and Soloway (1999).

inequality. Naples in 1986 noted, in a curious reversal, that high unemployment could impair growth, and called in response for a full range of structural adjustment policies, high technology, small business promotion and a strengthening of market oriented incentives for employment. 1987 continued the emphasis on employment and structural adaptation, specifying measures such as the functioning of international financial markets for the latter. 1988 added structural reforms would continue “while mitigating adverse effects on social groups.”

In the trade field, the G7 began its second cycle with ambitious objectives, reinforced by the trade ministers Quadrilateral forum the leaders had created at their Summit in 1981. The 1982 leaders’ communique began by asserting that the growth of world trade was a “necessary” element for growth and the employment and stability they would bring, that freer flows of trade and capital would create them and that trade in new technologies was desirable. 1983 spoke of expanding trade with developing countries, while 1984 asked reciprocally for developed countries to open their markets to developing countries and for an early decision on a new negotiating round. 1985 began with an overall goal of halting protectionism, declared open multilateral trade essential and called for an early and substantial reduction of barriers to trade, a growth in exports and a more balanced expansion of international trade. 1986 asked for an early launch of a new Round, specified that it should include services, intellectual property and Foreign Direct Investment (FDI), and demanded action on agriculture, while recognizing “the importance of agriculture to the well-being of rural communities.” 1987 called for improvements to the functioning of

the GATT, an appeal emphasized even more strongly in 1988 and one that eventually led to the birth of the WTO.

In the field of environment, the G7 started slowly. The 1982 communique spoke only in passing of the need to economize on energy, 1983 endorsed energy conservation and added: “We have agreed to strengthen co-operation in protection of the environment, in better use of natural resources...” 1984 recognized “the international dimension of environmental problems and the role of environmental factors in economic development.” It asked for a Working Group to identify the need for research on the air, water and ground media, and relevant industrial co-operation.

1985 marked a major watershed. It placed ‘the preservation of natural resources’ in an equal first place with ‘the future of the world economy’ as the ultimate responsibility of the G7. It declared essential new approaches “to anticipate and prevent damage to the environment,” added the problems of acid deposition, climactic change, soils, fresh water and the seas and regional seas and promised “We shall develop and apply the “polluter pays” principle more widely. It also called for measurement, co-operation with developing countries and co-operation among G7 environment ministers *within existing international bodies*, especially the OECD (emphasis added). There was no environmental parallel to the 1987 and 1988 calls for strengthening of the functioning of the GATT. In 1986 the environment was confined to a single paragraph that added nothing new. Yet 1987 called

on the United Nations Environmental Program (UNEP) for action on measurement (but not trade), and added endangered species and tropical forests as key concerns.

Most importantly, the 1987 Venice Summit added two direct trade-environment principles. The first read: “The long term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.” The second pledged: “We also intend to examine further environmental issues such as ... promotion of international trade in low pollution products, low polluting industrial plants and other environmental protection technologies.” Toronto in 1988 reaffirmed and reversed the causal flow of the connection in the agriculture field, putting the ecological and social objectives at the top. It read: “market oriented agricultural policies should assist in the achievement of important objectives such as preserving rural areas and family farming, raising quality standards and protecting the environment.” It added that in doing so “ways should be developed to take account of food security and social concerns.”

Thus by the time the second cycle ended, and the age of more comprehensive, globalisation driven trade and investment liberalization and market-oriented employment policies began, the essential elements of “embedded ecogism” had been firmly put in place. The trade-environment-social cohesion link had been directly and comprehensively

forged, in the broad and important domain of agriculture. It was recognized that employment and a wide range of social values (from cultural diversity to family farming) were central, would be affected by, and must be protected or compensated in, trade liberalization and the move to market oriented labour policies. The same was true for the environment (including food security). Moreover liberalization, in agriculture and in trade, investment and technology more generally, was called upon to be a proactive instrument for the fulfillment of ecological objectives. The principle of using trade liberalization for the higher goal of environmental enhancement had arrived.

4. Completing the Triangle and Institutionalizing Imbalance: The Third Cycle, 1989-1995

These principles provided a foundation for a major expansion and deepening of the G7's concern with trade, employment, social, and environmental values during its third cycle. During this time all three component areas saw a large increase in their range, detail and ambition. Moreover, the Summit began regularly to generate a set of direct trade-environment and employment-environment linkages, which, when joined with the earlier trade-employment linkage, completed the integrated triangular conception. Indeed, by the end of the cycle, the G7 had directly linked all three values together. And while the third cycle witnessed an increase in the G7's liberalization demands, employment, now joined by environmental integrity, assumed pride of place.

Yet the third cycle also saw an important transformation at its end, especially in the trade-environment domain. For the evolving cadence of affirming ever tighter, more balanced, and reciprocal relationships among trade-environment and trade-labour was broken by the 1994 choice of the old OECD and the new WTO as the bodies to develop and operationalize the connections. In 1995, as the WTO began its first year of operation, the G7 explicitly mandated that continued trade liberalization would be the overriding parameter for the trade-environment and trade-labour balances being struck.

The 1989 Paris Summit, the greenest in G7 history, began by affirming the urgent need to create jobs, promote social justice, and protect the environment. It also forged the first environment – social cohesion link, by declaring: “Such environmental degradation endangers species and undermines the well-being of individuals and societies.” Indeed, it recognized the G7’s responsibilities for social protection by pledging co-operation to preserve a “healthy and balanced global environment in order to meet shared economic and social obligations.” It also added the most comprehensive, far-reaching and balanced trade-environment link to date, stating: “Environmental protection is integral to such issues as trade, development, energy, transport, agriculture and planning. Therefore, environmental considerations must be taken into account in economic decision-making. In fact good economic policies and good environmental policies are mutually reinforcing.”

The 1990 Houston Summit opened by affirming the trilogy of a “Skilled and motivated labor force whose fundamental rights are protected,” an “open system of international

trade and payments,” and “an environment safeguarded for future generations.” However it only noted the social and not environmental impacts of agricultural trade liberalization, and dealt only indirectly with trade-environment links, through its endorsement of voluntary environmental labeling.

London 1991, however, forged a direct, broad and now operational link. At the regional level it offered integration and balance, by asking the new European Energy Charter “to promote free and undistorted energy trade,” and to protect the environment.” Yet multilaterally, when it offered in its trade section a second trade-for environment precept, it began the process of reinforcing institutional imbalance by investing responsibility for elaborating the trade-environment link in the economic and trade institutions alone. It stated: “Open markets help to create the resources needed to protect the environment. We therefore commend the OECD’s pioneering work in ensuring that trade and environment policies are mutually supporting. We look to the General Agreement on Tariffs and Trade (GATT) to define how trade measures can properly be used for environmental purposes.” A new balance was thus struck in the growth-mediated, “trickle down” linkage and in investing the responsibility for forging the link, analytically to an economic organization and operationally to the trade organization, with no recognition that any environmental institution could or should play a role.

The 1992 Munich Summit surprisingly said nothing about trade-environment or environment-employment linkages. This was perhaps in part because of its focus on the

United Nations Conference on Environment and Development (UNCED) in Rio that summer. It may also have arisen from the fact that the G7 had assigned the issue to the OECD and WTO the previous year, and because environmental issues were treated by the G7's first ever meeting of ministers of the environment held in the spring. Yet 1993 opened with the now traditional trilogy of jobs, trade and the environment as defining values, and stated that an open multilateral trading system was good for employment. It also forged two employment-environment links. It declared international co-operation on the environment and environmental policies should offer opportunities for employment. On trade-environment, vis a vis developing countries, it stated "To this end we will pursue a comprehensive approach covering not only aid but also trade [and] investment...taking environmental aspects into account."

The 1994 Naples Summit brought all three relationships together. It asked that structural employment policies protect the environment, and forged the employment-environment link by declaring: "Environmental policies can contribute to employment." In the first passage combining all three values in parallel it again affirmed, this time more strongly, its faith in the GATT/WTO to forge by itself both the trade-environment and now trade-labour link. It stated: "We welcome the work on the relation between trade and the environment in the new WTO. We call for intensified efforts to improve our understanding of new issues including employment and labour standards and their implications for trade policies."

The trend toward WTO implementative capture was reinforced a year later. Halifax 1995 reaffirmed that environmental protection as well as trade created long-term employment. Yet the shift to a trade-first approach was apparent in its that: “Consistent with the goal of continued trade liberalization, we will pursue work on trade and environment to ensure that rules and policies in these different areas are compatible [and on] trade, employment and labour standards.” Continuing trade liberalization was now added as the overall parameter within which all linkage efforts must take place.

5. Restoring the Balance: The Fourth, “Globalization” Cycle, 1996-

The fourth Summit cycle, starting in 1996, unfolded amidst the process of “globalization.” “Globalization” formed the major thematic preoccupation of the G7/G8 itself, and subsequently bred a focus on the Asian-turned-global financial crisis of 1997-9 and its accompanying social trauma. The fourth cycle also saw the full incorporation of the Russians into the new G8 forum, to which the G7’s environment agenda migrated. It further witnessed the deepening and broadening of the new generation of domestic ministerial G7/G8 forums that had begun with employment and the environment in 1994. During this time, the G7 embraced globalization, social cohesion and sustainable development with equal ardour. The G7’s “embedded ecologism”, only recently subject to institutionalized trade capture, was quickly restored and extended, first normatively within the G7 and subsequently institutionally in the centres the G8 steered the issue toward. In a

rare display of the G7/G8's prescience and proactiveness, the shift took place from the start, before the global financial crisis hit.

The 1996 Lyon Summit began with a celebration of how globalization offered the benefits of “an unprecedented expansion of investment and trade” and the “proliferation of skilled jobs.” Yet it also underscored the need to ensure more and better jobs, the sustainability of member's social security systems, and to “prevent and fight against social exclusion.” It recognized the need to address “the relationship between trade and internationally recognized core labour standards” and to promote these and the protection of the environment in its relations with developing countries. In the trade-environment field, it restored an earlier balance and added a challenge to the WTO: “Global liberalization of trade and a high level of environmental protection should be mutually supportive. It will be important, for example, to ensure that WTO rules and multilateral environmental agreements and ecolabelling programs are complementary. The Singapore Ministerial Conference of the WTO will be an important opportunity to demonstrate the ability and willingness to integrate environmental protection and thus sustainable development concerns into the multilateral trade system.”

1997 saw sustainable development restored to the list of defining values, the concern with social inclusion continued, and a demand for the full integration of environment, economic and social policies added. It affirmed the value of food security, and the need to harness the information revolution for sustainable development in Africa, to protect vulnerable

groups and to prevent social conflict. It added a new trade-environment commitment that moved into the realm of finance, while maintaining the G7's faith in the OECD. Under "Environmental Standards for Export Credit Agencies" the G7 stated: "Private sector financial flows from industrial nations have a significant impact on sustainable development worldwide. Governments should help promote sustainable practices by taking environmental factors into account when providing financing support for investment in infrastructure and equipment. We attach importance to the work on this in the OECD and will review progress at our meeting next year."

1998 opened with the trilogy of safeguarding the environment, trade liberalization, and "combating social exclusion." It called for inclusion throughout the world and to this end approved the implementation of core labour standards and the continued collaboration between ILO and WTO secretariats, in accordance with the proposals of both organizations. While striking an institutional balance in the trade-labour realm, it forged no new trade-environment links, perhaps in part because its easy trade-labour formula was institutionally not available in the trade-environment realm.

The 1999 Summit saw a major expansion of trade-environment linkages, as part of its creation of a new "Cologne consensus" on socially sustainable globalization (Kirton Daniels and Freytag 2001). It emphasized the value of social inclusion and the need to "provide social safety nets that support employment". Moreover, for the first time ever, it produced a section on "Strengthening Social Safeguards." Here it declared: "Social

security policies, including social safety nets, must be strong enough to encourage and enable individuals to embrace global change and liberalization and to improve their chances on the labour market, while enhancing social cohesion.” It thus put the social dimension as a necessary foundation for the liberalization project to continue, and declared the enhancement of social cohesion as a new and proactive goal. It further declared that respect for “core labour standards are further indispensable prerequisites for social stability” and stressed the importance of WTO-ILO cooperation on the social dimensions of globalization and trade liberalization.

In the trade-environment realm, 1999 was similarly far-reaching. It established four trade-environment principles or commitments, in the environmental as well as the trade section of the communiqué. It set a deadline for the completion of the OECD export financing work. More importantly, it signaled a loss of confidence in the WTO efforts to date and expanded the problematique to include social welfare. It stated: “We will also seek a more effective way within the WTO for addressing the trade and environment relationship and promoting sustainable development and social and economic welfare worldwide.”

Moreover, it moved beyond the WTO alone as the institutional forum for the linkage effort by urging “greater cooperation and policy coherence among international financial, economic and labour organizations.” Most ambitiously and broadly, it declared “that environmental considerations should be taken *fully* into account in the upcoming round of WTO negotiations. This should include a clarification of the relationship between both multilateral environmental agreements and *key environmental principles* and WTO rules”

(emphasis added). It was now key environmental principles (left unspecified) rather than specific provisions that had to be fully taken into account in a revised WTO.

By 2000, after the global financial crisis had ended, and as the Summit hosting moved to Japan, the new “Cologne consensus” remained. Amidst a general emphasis on strengthening social safety nets, the Okinawa Summit offered three trade-labour/social linkages. It again asked for effective WTO-ILO co-operation on the social dimension of globalization and trade liberalization, and offered more open markets to developing countries with sound social policies, while affirming that the multilateral trade system had brought social progress.

In the trade-environment domain, Okinawa drew three linkages. It endorsed the OECD work on export credit policies, broadened it to involve the multilateral development banks, and reaffirmed the commitment to develop common environmental guidelines. It promised to combat illegal logging as a part of a sustainable forest management approach. Most broadly, it declared that among the objectives of its desired new MTN Round would be to “ensure that trade and social policies, and trade and environment policies are compatible and mutually supportive.” The need for integration and equality in both domains had been accepted.

6. Conclusion: Causes of Normative Continuity and Change

What accounts for the relative continuity and progressive elaboration of the doctrine of “embedded ecologism” in the G7/G8, for the adjustments in response to the ambitious trade liberalization and market oriented labour market policies of the 1980’s, and for the move from 1996 onward to a deeper and broader consensus on socially sustainable globalization? The continuity can be attributed to the close connection that employment and social cohesion have to the common democratic principle at the heart of the G7/G8, to the character of the forum as one directly delivered by popularly elected leaders uniquely sensitive to their public’s concerns, and, in the foundational years of the first generation of leaders, to the memories of the depression as well as the inflation that had brought Hitler to power and led to the tragedies of the second world war. These features of the concert equality model of Summit cooperation (Kirton and Daniels 1999) are reinforced by the fact that several member countries, rather than just the Americans, contributed to building the edifice of “embedded ecologism” during the years when they hosted the Summit. At the same time, no single country or leader hosting more than one Summit proved to be a consistent leader, either in advancing the consensus or in mounting the two assaults that eroded it for a time. While Germany was active in 1985 and 1999, Italy in 1987, and Canada in 1988, each failed to maintain the momentum of trade-environment leadership in, respectively, 1992, 1994 and 1995. And the arrival of neither Margaret Thatcher nor Ronald Reagan adequately account for when the aggressive trade liberalization and market-oriented labour policies began. Nor is the prevalence of a common political orientation a convincing explanation, although the dominance of socialist and liberal governments in the late 1990’s, together with the hosting of the 1999 Summit by

Germany's red-green coalition, had some impact in generating the Cologne consensus on socially sensitive globalization that year

Nor is crisis a convincing explanation. While the second oil shock of 1979 had some impact in catalyzing a trade-environment linkage, the recessions of 1981-2 and 1990-1 did not. Indeed, the first began a move to market-oriented labour policies, and the second toward a privileging of trade liberalization. Most importantly, the move towards restoring and enriching "embedded ecologism," as part of the focus on globalization, began in 1996, two years before the global financial crisis struck.

A more promising explanation lies in the broader arena of international institutions within which the G7 operates, and in the imbalances favouring economics and trade in this domain. In particular, the analytic work of the OECD and the operational efforts of the WTO, organizations which the G7 dominated and founded, both skewed the work of a G7 with no comparable implementative capacity of its own. Indeed the failure of the UNCED in 1992 to produce an environmental organization of comparable stature to that of the WTO established in 1995 fuelled the imbalance of the early and mid 1990's, until the failure of the WTO to strike an balance that accorded with the G7's carefully constructed principles of "embedded ecologism" became clear. Even then the presence of an ILO in the broader multilateral community made it easier for the G7 to find a way to restore the desired balance in the social domain. Even within the G7, the weight of a trade ministers Quadrilateral forum established in 1981 and meeting several times a year, compared to an

environmental ministers forum institutionalized only in 1994 and meeting only once a year, provides an institutional imbalance from the start. While the model of “democratic institutionalism” has long argued that the presence of strong institutions in the G7 system and in the broader multilateral community (under G7 control) generates G7 members’ compliance with their collective G7 commitments, they may well be equally consequential in determining the content of those commitments, and the principles and norms which guide them, as well (Kirton and Daniels 1999, Kokotsis 1999).

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Appendix: Trade-Environment Linkages in the G7/G8 Communiqués, 1975-2000

1979: “to increase as far as possible coal use, production and trade, without damage to the environment.”

1987: “The long term objective is to allow market signals to influence the orientation of agricultural production, by way of a progressive and concerted reduction of agricultural support, as well as by other appropriate means, giving consideration to social and other concerns, such as food security, environmental protection and overall employment.”

1987: “We also intend to examine further...promotion of international trade in low pollution products, low polluting industrial plants and other environmental protection technologies.”

1988: “Market oriented agricultural policies should assist in the achievement of important objectives such as preserving rural areas and family farming, raising quality standards and protecting the environment.” It added that in doing so “ways should be developed to take account of food security and social concerns.”

1989: “Environmental protection is integral to such issues as trade, development, energy, transport, agriculture and planning. Therefore, environmental considerations must be taken into account in economic decisionmaking. In fact good economic policies and good environmental policies are mutually reinforcing.”

1991: Open markets help to create the resources needed to protect the environment. We therefore commend the OECD’s pioneering work in ensuring that trade and environment policies are mutually supporting. We look to the general Agreement on tariffs and Trade (GATT) to define how trade measures can properly be used for environmental purposes.”

1993: “To this end we will pursue a comprehensive approach covering not only aid but also trade, investment...taking environmental aspects into account.”

1994: “We welcome the work on the relation between trade and the environment in the new WTO. We call for intensified efforts to improve our understanding of new issues including employment and labour standards and their implications for trade policies.”

1995: “Consistent with the goal of continued trade liberalization, we will pursue work on trade and environment to ensure that rules and policies in these different areas are compatible (and on) trade, employment and labour standards.” (Paragraph 43)

1996: “Global liberalization of trade and a high level of environmental protection should be mutually supportive. It will be important, for example, to ensure that WTO rules and multilateral environmental agreements and ecolabelling programs are complementary. The

Singapore Ministerial Conference of the WTO will be an important opportunity to demonstrate the ability and willingness to integrate environmental protection and thus sustainable development concerns into the multilateral trade system.”

1997: Environmental Standards for Export Credit Agencies: “Private sector financial flows from industrial nations have a significant impact on sustainable development worldwide. Governments should help promote sustainable practices by taking environmental factors into account when providing financing support for investment in infrastructure and equipment. We attach importance to the work on this in the OECD and will review progress at our meeting next year.” (Para 24).

1999: “We will also seek a more effective way within the WTO for addressing the trade and environment relationship and promoting sustainable development and social and economic welfare worldwide.” (Para 9)

1999: “We also urge greater cooperation and policy coherence among international financial, economic and labour organizations.” (Para 10)

1999: “We agree that environmental considerations should be taken *fully* into account in the upcoming round of WTO negotiations. This should include a clarification of the relationship between both multilateral environmental agreements and *key environmental principles* and WTO rules.” (Para 31)

1999: “We will work within the OECD towards common environmental guidelines for export finance agencies. We aim to complete this work by the 2001 G8 Summit.”

2000: “...we are firmly committed to a new round of WTO trade negotiations with an ambitious, balanced and inclusive agenda, reflecting the interests of all WTO members. We agree that the objective of such negotiations should be to enhance market access, develop and strengthen WTO rules and disciplines, support developing countries in achieving economic growth and integration into the global trading system, and ensure that trade and social policies, and trade and environment policies are compatible and mutually supportive.” (Para 36)

2000: “We will also examine how best we can combat illegal logging, including export and procurement policies.” (Para 67)

2000: “Export credit policies may have very significant environmental impacts. We welcome the adoption of the OECD work plan to be completed by 2001. We reaffirm our commitment to develop common environmental guidelines, drawing on relevant MDB experience, for export credit agencies by the 2001 G8 Summit.”