

**The Summit Process
and Collective Security:
Future Responsibility Sharing**

A Study Group Report

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Preface

In October last year, after its autumn plenary meeting, the Group of Thirty set up a study group to examine burdensharing among nations. Sylvia Ostry, chairman of the Center for International Studies at the University of Toronto, chaired the study group. The other members were:

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This paper is the result of their consultations and discussions. All the members except Charles Taylor served in their personal capacity. This paper reflects their views, rather than the policies of their agencies, organizations or institutions.

1. Introduction

The 1991 Summit

The chief adversary of democratic capitalism has become its supplant. Nowhere was this more evident than when Soviet President Gorbachev attended the 1991 G-7 Summit. This fact alone made the Summit an historic occasion that marked a turning point in world events.

But the problems of the Soviet Union and the other topical issues on the agenda this summer illustrated not so much the advent of a “new world order” as a potentially serious state of global disorder. They point to a more profound problem that needs to be faced urgently: how to strengthen the system of international cooperation among industrial nations.

This system is newly at risk. Made up of a latticework of institutions, policies and agreements among nations, its backbone is the common interests and mutual goodwill of the leading industrial countries. This goodwill is fraying at the edges and there are signs that nationalism is on the rise. In Europe and North America, renewed hostility toward Japan over its one-sided trade and investment flows is evident. In Japan, a nascent nationalism is finding political voice in a way that was unthinkable even a year or two ago. In several of the G-7 countries there are residual resentments about the way the Gulf War was waged and paid for.

Why is this? Many potential sources of tension existed in the past. Why is the atmosphere today less congenial than before?

The answer is that nationalist sentiments in each country were held in check by a common perceived external threat — the Soviet Union and

its proxies. Now that Soviet adventurism in the Third World has waned, the Warsaw Pact is dismantled, the risk of invasion of Western Europe is greatly diminished and communism is a spent ideological force, the major industrial countries have lost some of their cohesive purpose. The imperative to subsume national interests behind common goals has been greatly weakened.

But many threats to collective security remain. They are just more diffuse, diverse and complex. They include: rising ethnic rivalries in several parts of the world; environmental deterioration; a weak global economy; narcotics trade and sporadic terrorism; continuing trade protectionism and barriers to investment; endemic poverty; and international migration on a disruptive scale. The objective need for collective leadership is arguably stronger than it ever was.

The Goal of this Paper

This paper reviews the sharing of responsibility for global security among the major industrial nations, considers the implications for the Summit process and makes some practical recommendations on strengthening the current system.

We talk about "responsibility" sharing rather than "burden" sharing because the issue is not always one of dividing up some common burden. For example, reciprocal trade liberalization should benefit both partners; and a nation that cleans up its own environment benefits as much as its neighbors — usually more. We discuss global "security" rather than global "governance", because there is no political will or mandate to give up as much national sovereignty as that term implies. We use the term "security" in a broad sense of providing for the secure welfare of people, and concentrate on those actions that entail providing international "public goods" through cooperation. By the "Summit process" we mean not only the annual Heads of State meetings, but also the preparation for and the follow-on from those meetings.

We focus on the G-7 and their Heads of State because, as is widely recognized, this is one of the most powerful and potentially effective groupings of nations. Between them, these seven countries account for

two-thirds of world gross national product (GNP). They have a wide range of mutual interests that result from their common adherence to democratic forms of government, the strong economic ties among them and their similar high level of economic development. When they choose to endorse any major international initiative, there is usually a good chance of subsequent effective multilateral action.

Main Recommendations

We recommend that, before the next Summit, the Heads of State step back from the specific issues on their agenda and consider the more fundamental problem of providing for future world security. If they cannot fit together the pieces of a new world order, who can? Ad hoc solutions to some collective security problems have worked in the recent past — indeed, brilliantly so during the Gulf Crisis last year. But there is no reason to gamble that they will work as well in the future.

The Summit process itself should be strengthened, to lay a firm basis for future collective leadership. No doubt many things can be done toward this end. We advocate three practical steps:

- Set a new *core agenda* for future Summits — Urgent matters, like the aftermath of the Gulf Crisis and assistance for the Soviet Union will, of course, continue to have a major place in the Summit deliberations, but the Heads of State should regularly and systematically address several continuing issues.
- Define, manage and monitor *responsibility sharing* systematically and comprehensively — This would involve developing agreed performance measures and joint objectives and strategies among the G-7 countries in several areas.
- *Improve follow-on arrangements* for Summit initiatives — One possibility is to institute G-7 inter-ministerial meetings in addition to those for the finance ministers, along the lines of the European Community Council of Ministers mechanism.

The rest of this paper discusses and substantiates these recommendations in more detail.

2. The Context For Reform

How the Summits Evolved

Although they are called “Economic Summits”, this has become a misnomer in recent years. The importance of economic policy coordination in the Summit process has declined. Even as the agenda has extended beyond macro-economic stabilization, the Summits’ economic impact has become marginal. This year, there is manifest tension among the G-7 finance ministers on exchange and interest rate policies and, given how national interests are aligned, a major breakthrough will be difficult to achieve.

The Summits now are primarily political, and political circumstances have been in flux in the past five years or so. The staple issues of macro-economic policy coordination — monetary and fiscal policy, as well as exchange rate coordination and the systematic reduction of external imbalances — have seemed less significant beside the non-macro-economic problems that have arisen on narcotics, terrorism, the environment, the Soviet Union, the Gulf and the progress of the Uruguay Round of trade negotiations. The agenda has become event-driven and episodic.

Several trends have been at work for some time, contributing to the unstable global political landscape that has shaped the events on which Summit participants have concentrated. Among the most important long-term trends have been:

- the relative economic decline of the United States among the industrial countries;

- the corresponding rise in Japan's fortunes; and
 - West European economic and political coalescence.
- Three more recent seminal developments have been:
- the Soviet Union's collapse;
 - its abandonment of Eastern Europe and the consequent economic and political transformation of that region; and
 - the Gulf War's confirmation of the United States as the world's leading military power.

The main implication of the longer term trends is that the United States can no longer shoulder the burden for global security — military or otherwise — without European and Japanese participation. The political and economic benefits that accrue for the United States are increasingly likely to fall short of the costs, if it pursues global strategies unilaterally. Contrast the collective effort of setting up the European Bank for Reconstruction and Development (EBRD) to assist with the transformation of Eastern Europe and the Soviet Union with the unilateral initiative of reconstruction that the United States undertook at the end of World War II when it launched the Marshall Plan.

The more recent weakening of the Soviet Union and the allied success in the Gulf War have equally far-reaching implications. Not only has Eastern Europe been liberated, but throughout the Third World, totalitarianism is falling out of fashion.

Several nation states seem to be crumbling, pitting the principles of self-determination and national sovereignty against one another. Which side should the industrial countries take in regional and civil conflicts?

The experience of collective leadership in the Gulf War was not all positive. True, the United States and its allies formed and mobilized an extraordinarily effective multilateral force, but the ad hoc approach used there had some shortcomings. The distribution of risks and burdens remains controversial as does the resulting political condition of Iraq and the rest of the Middle East.

In sum, the distribution of national power has changed enormously since the Summits began. This was a major factor pulling the agenda of the Summits away from purely macro-economic policy coordination toward the particular political events of the day. Now perhaps the

underlying long-term trends and recent seminal developments, and their implications for future security, should be collectively addressed.

The Usefulness of the Summits

The Summits are popular among the participating Heads of State for personal and political reasons. They are a chance to talk to their peers and demonstrate their membership in an exclusive club, and for the statesmanlike photo opportunities they provide. (These are important as reasons why the Summit process is durable.) More substantively, the Summits establish personal links that improve communication and reduce the chances of misunderstandings among the seven nations, particularly in times of crisis.

But have they materially furthered policy coordination? This is a controversial, much studied subject. It has been difficult to judge what would have happened without any coordination and to decide now much coordination has been the result of the Summits, as opposed to other initiatives at different levels and in different forums. Still, most informed observers and policymakers would probably agree that there were occasions when economic coordination in general and the G-7 Summits in particular were effective and beneficial, such as:

- the Bonn Summit, for macro-economic adjustment;
- the Louvre Accord, for currency stabilization; and
- the Houston Summit, for the endorsement of the EBRD, and the approach to the aid to Eastern Europe and the Soviet Union.

While coordination efforts in other spheres, such as defense or the environment or trade liberalization are equally difficult to measure, they are if anything more clearly necessary and mutually beneficial. For example, the compatibility of equipment and strategy achieved in NATO in the past 10 years was important to the alliance in the Gulf. Equally, the protection of Western Europe for the past 40 years depended entirely on high levels of cooperation within NATO. But, on defense, the Summits have not added a great deal. More important have been NATO, the US bilateral initiatives and, recently, the Western European Union (WEU) and the Council on Security Cooperation in Europe (CSCE), and even

the UN Security Council.

The evidence suggests that Summits do work, but not with predictable efficacy. They have probably been useful in macro-economic coordination and in launching — or supporting — institutional initiatives in other areas. But their coverage of issues has been uneven.

The question now is, how can their batting average be improved?

3. A New Core Agenda

Our first proposal is to split the Summit agenda into two: a new “core agenda” and a topical agenda. The Summit will always be event-driven and crisis-oriented to some extent, so that the topical agenda will inevitably take up a large part of the time. But a core agenda that deals with a defined list of issues of ongoing policy coordination and cooperation would be a valuable addition. For it would allow the Heads of State to review progress and priorities and, at the same time, should set the stage for a balanced and more shared perspective on the discussion of the topical agenda.

The List

For the core agenda to be useful, it has to be comprehensive and, at the same time, it has to be structured and short. It cannot leave out important subjects and it cannot have 20 or 30 items. There are now few matters of state that are purely domestic — thanks to the effects of international trade, investment, communications and travel on our national economic and cultural lives. The range of issues to cover is wide. It follows that each of the few topics on the core agenda must be fairly broad. Here are five candidates:

- *Aid* — including debt relief and debt reduction. Since the debt crisis of the early 1980s, it has been a recurrent Summit topic. It now embraces the Soviet Union and Eastern Europe. But it also is a vital part of government-to-government relations between the industrial nations and the Third World. How aid programs develop in the future will influence international migration, pov-

erty alleviation and the furtherance of human rights.

- *Environment* — an international concern for many years, but a matter of high politics for only the past few years as the extent of what is at stake has become clear.
- *Trade and investment* — increasingly two sides of the same coin, and both related to the issues of market and technology access. They have only been summarily tackled as Summit topics. While trade and investment liberalization have been critical to economic growth over the past forty years, they still raise difficult domestic political issues in every G-7 country.
- *Defense* — including arms control and other international matters that involve protecting the weak by the threat and force of arms, such as coordinated action against drug trafficking and terrorism. Drug trafficking and terrorism have been on the Summit agenda in the past and have slipped off. National defense has not been, but in the wake of the Gulf Crisis, it may well be if the Heads of State take the view that they have common defense interests that may not be addressed as such in the plethora of other international forums that deal with the subject.
- *Economic Policy Coordination* — including short-term stabilization and long-term structural adjustment. Short-term economic stabilization — macro-economic policy coordination — has been the only item on the core agenda in the past, and there it should stay. But, in addition, structural adjustment aimed, for example, at lowering chronic deficits or surpluses or raising savings rates, deserves a place on the agenda.

It may be that the various sub-topics subsumed here could be rearranged in some other way. Equally, there may be a compelling case that could be made for the addition or subtraction of a specific sub-topic from consideration within the core agenda. But broadly speaking, these major topics, as they are defined here, do seem to capture the issues of common welfare that require high-level agreement for effective policy coordination, where collective leadership by the G-7 could play a critical constructive role.

Simplifying the Issues

Each of these five topics is immensely complex in its own right. Defense cooperation, for example, requires (i) agreed objectives, (ii) acceptable apportionment of the costs, risks and responsibilities and (iii) a shared strategy. In addition, (iv) tactics, and systems of (v) command, (vi) organization and (vii) weapons must all be reasonably compatible.

There is a comparable hierarchy of tasks that can be coordinated for each item on the core agenda — and for several sub-items too, such as efforts to combat drug trafficking.

However, the Summit need only consider the broad objectives, the apportionment of responsibilities, and strategy. And, of course, like any corporate board, it only need consider the points on the agenda where there have been material developments or where material policy changes are deemed necessary.

Policy Linkages and Trade-offs

In the future, the Summits should have a special role in managing the links between international policies in different areas and in establishing trade-offs between nations.

Linkages, such as those between trade and defense, are well recognized: trade in defense-related technology has long been controlled and the issue of its effect on competitiveness among the G-7 is well identified, although not resolved; post Cold War, arms sales to developing countries are under scrutiny; in the Gulf Crisis aftermath, the proliferation of weapons of mass destruction have become a major issue.

Equally, aid and the environment are interlinked through conditionality and the composition of national and multilateral aid programs. Global poverty is related to environmental degradation, as well as to terrorism, migration and the drug trade.

Macro-economic policy coordination and trade are linked through the politics of protection and through the effects of the business cycle, structural adjustment and exchange rates on trade flows.

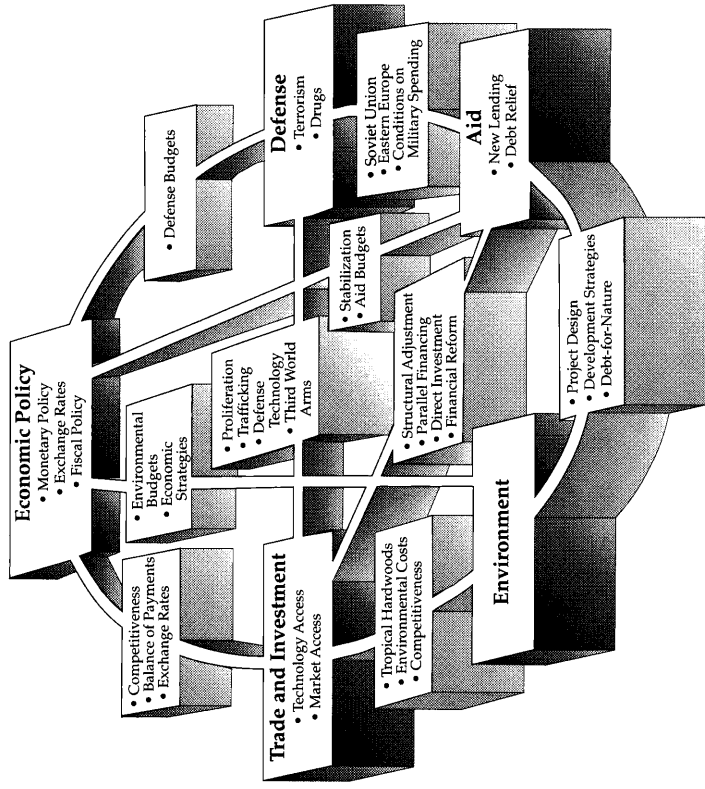
Chart 1 illustrates these and other links between agenda items:

several require high-level coordination.

Regarding trade-offs, past experience suggests that, as a rule, they work best between closely related issues. A bargain such as “the United States will do more for defense in the Gulf if Germany does more for defense in Northern Europe” is likely to be more acceptable and durable than one across disparate subjects — such as “Japanese aid for US defense.” But the very different comparative advantages of the G-7 countries and increasing sensitivity about sharing responsibilities means that in the future some of these further-ranging trade-offs may have to be made. In that case, the challenge is to make them more durable and to ensure as far as possible that each nation does bear its “fair share” overall.

Where both trade-offs and interlinkages are concerned, the Heads of State are uniquely placed to set up problem-solving frameworks and to direct resources toward cooperative solutions.

Chart 1. The Linkages Between Core Agenda Topics



4. Surveillance and Performance

Our second proposal is there be an agreed surveillance system supporting the Summit deliberations. It may be possible to identify objectives, but the refinement of strategy and discussion of responsibilities is impossible without some common understanding of the relative and absolute performance of different countries — in the first instance, of the G-7 countries themselves.

Such a system already exists in one area — macro-economic policy coordination. In each other area of aid, defense, the environment and trade and investment liberalization, there are systems of performance monitoring at different stages of development. How surveillance and performance monitoring *within* each area should be refined and developed we will touch on briefly at the end of this section. First we consider what would constitute good performance measures and, at the highest level, what summary measures of performance might look like.

Good Measures

Ideal measures of performance would credit countries for their contribution to global public goods; “goods” in the broadest sense of things that improve global security or welfare that are “public” in the sense that it is difficult to exclude any country from the benefits. A protected ozone layer or a more peaceful world are examples of global public goods. And performance measures should ideally capture a nation’s efforts that go over and beyond what directly benefits itself.

In addition, good measures would be:

- *relevant* — actionable and important;

- *reductive* — summarize a great deal of information;
- *clear* — easy to understand;
- *monitorable* — available in a timely fashion;
- *proportionate* — to the ability of a country to contribute, perhaps in terms of its population or GNP or gross domestic product (GDP);
- *precise* — but not spuriously accurate or arbitrary;
- *discrete* — meaning non-overlapping aspects of performance, to avoid double counting and netting problems;
- *robust* — leading to results insensitive to small changes in definitions and methods; and
- *comparable* — through some theory that assigns weights and determines a calculus of aggregation or through some rougher method of joint presentation.

However, these are ideals. In the real world of international policy coordination, statistics are defined differently in different countries; there are basic differences about objectives, priorities, and strategies and therefore different views about what ought to be measured; and there are different views about how policy instruments affect objectives. Because of lags in data collection, recent measures are often tentative and current measures are often estimated and subject to major revisions. And there are several conceptual problems, not least those to do with the very notion of global public goods.

These real world shortcomings can be easily used to argue against summary measures of performance for surveillance and policy coordination. But in fact a great deal of work on performance monitoring has already been done. There is, for example, a large body of research on macro-economic policy coordination and performance measurement. Of the five topics on the proposed core agenda, the environment is probably the area where there is least information and analysis. The shortcomings of current information are, by and large, *a priori* grounds for continuing the effort to improve and refine performance measures across the proposed core agenda.

In any case, performance measurement needs to be supplemented by commentary if the resulting assessment is to be reasonable and acceptable. Unquantifiable aspects of policy coordination and responsi-

bility sharing — such as cooperation among central banks in the macro-economic sphere and cooperation on development policy in the area of aid — need to be acknowledged to produce a balanced assessment of overall performance in sharing responsibility for global security.

A Scorecard of Nations

Future improvements in measures and our understanding the related theoretical issues should contribute to better policy coordination within each area. In the meantime, we can illustrate the idea using seven very simple measures:

- *Economic Policy Coordination: national savings as a percent of GNP or GDP* — a measure of how much a country is contributing to funds available for worldwide investment in relation to its ability to save. It captures the effect of tax and expenditure policies on savings rates in the household and corporate sectors as well as the management of the fiscal deficit.
- *Economic Policy Coordination: the annual inflation rate* — a measure of how effective monetary policies have been.
- *Defense: military expenditures as a percent of GNP or GDP* — a measure of the military effort, in relation to a country's economic resources.
- *Aid: Net disbursements of official development assistance as a percent of GNP or GDP* — a measure of the level of actual aid flows from a country, in relation to its ability to extend aid.
- *Environment: energy usage per thousand dollars of GNP or GDP* — a measure of the natural resource intensity of an economy.
- *Environment: greenhouse gas emissions* — a composite measure of carbon dioxide, methane and CFC emissions that capture a key effect of economic activity on the global environment, in relation to the scale of activity.
- *Trade Liberalization: non-fuel imports as a percent of GNP* — a measure of how open an economy is to trade in manufactured goods, services and agricultural commodity imports.

Table 1 shows how the performance of the G-7 countries compares

using these measures. The index values shown here are the average values of the measures in question, for the last five years for which they are available. The exception is the environmental measure, which is in kilograms of greenhouse gas emissions per thousand dollars of GNP, for which a single measure is available for the 1980s. Table 1 is based on Annex Tables 1, 2, 3, 4, 6 and 7.

This table also ranks the relative performance of the G-7 countries in these different areas. It shows that no country has strikingly superior — or inferior — performance across all indices. Germany is the only country where all the indicators are similar, and it ranks between second and fourth on all six indices. And yet performance on individual indices does vary considerably, suggesting that, in gauging responsibility sharing, it is not only natural but also necessary to take performance in several areas into account.

Table 2 shows the annual percentage change in these measures, averaged over the past five years. For the change in the environmental measure, the energy usage per \$1,000 of GNP was substituted for greenhouse gas emissions, for which no time series data are available. The energy usage data is summarized in Annex Table 5.

This table also indicates how much relative progress each country made in improving its performance. Here some countries appear to be doing better than average, such as Japan and France.

Tables 1 and 2 are illustrative. It should be possible to refine measures of this kind to the point where they can be applied in the Summit process. They should serve as useful points of reference for discussing responsibility sharing and assessing priorities at the broadest level.

Caveats

How good are these illustrative summary indices? They certainly fall short of some of the ideal desirable characteristics. For example, the control of greenhouse gas emissions is desirable from a national and a global perspective. This measure cannot begin to distinguish between how much environmental effort should be considered a national benefit and how much a contribution to global responsibility sharing. And there

Table 1. Performance Values

Country	Savings	Inflation	Defense	Aid	Environment	Trade
Ranking						
Canada	5	5	6	2	7	1
France	4	3	3	1	2	4
Germany	2	2	4	3	4	3
Italy	3	7	5	4	3	5
Japan	1	1	7	6	1	7
United Kingdom	6	6	2	5	6	2
United States	7	4	1	7	5	6
Index Values						
Canada	19.8	2.6	2.1	0.47	608	22.0
France	20.4	2.5	3.9	0.51	395	17.1
Germany	25.0	2.2	3.0	0.42	488	19.6
Italy	20.8	3.9	2.4	0.36	465	15.0
Japan	33.1	1.4	1.0	0.31	268	5.3
United Kingdom	16.3	3.4	4.6	0.31	599	21.4
United States	14.7	2.5	6.4	0.21	558	8.4

Note: Savings, defense, aid and trade are all ranked higher, the higher the average value of the index over the last five years, and inflation and the environment are ranked higher, the lower the average value of the index.

Index Units: (1) Savings: national savings as a percent of GNP; (2) Inflation: annual rate of increase in the GNP/GDP deflator; (3) Defense: military expenditures as a percent of GNP/GDP; (4) Aid: net disbursements of official development assistance as a percent of GNP/GDP; (5) Environment: kilograms of greenhouse gas emissions per \$US 1,000 of GNP/GDP; (6) Trade: non-fuel imports as a percent of GNP/GDP.

Source: Annex Tables.

are many aspects of international environmental responsibility sharing — trade in tropical hardwoods (see Chart 1), international river management, use of the oceans, support for international institutions — that are not reflected at all in this one measure.

Equally, the measurement of economic performance and the coordination of macro-economic and structural adjustment policies raise difficult, much debated issues. Should performance (and compliance with

Table 2. Performance Improvements

Country	Savings	Inflation	Defense	Aid	Environment	Trade
Ranking						
Canada	4	7	4	6	5	7
France	2	1	5	2	3	1
Germany	1	3	6	5	1	5
Italy	5	4	1	1	7	6
Japan	3	2	2	3	2	2
United Kingdom	6	6	7	3	6	4
United States	7	5	3	7	3	3
Change in Index Values						
Canada	-0.7	29.7	-1.9	-2.4	-0.6	-1.7
France	2.1	2.9	-2.0	1.0	-0.9	2.8
Germany	4.0	18.5	-2.6	-1.6	-1.4	0.7
Italy	-1.1	20.5	1.0	7.9	0.0	-0.6
Japan	1.4	16.9	0.0	-0.9	-1.3	2.2
United Kingdom	-1.6	23.7	-4.6	-0.9	-0.4	0.8
United States	-2.1	21.3	-1.2	-8.2	-0.9	1.7

Note: Savings, defense, aid and trade are all ranked higher, the higher the value of the average percent change in the index over the past five years, and inflation and environment are ranked lower, the greater the average change.
Source: Annex Tables.

agreed coordination goals) be judged by looking at policy instruments, such as the discount rate, or at intermediate variables, such as the rate of increase in nominal domestic demand, or at final objectives, such as the rate of inflation, as we have suggested for illustrative purposes here?

None of our illustrative measures is comprehensive:

- *Economic policy* — inflation and savings: these are measures of the success of macro-economic policy over the longer term. They subsume several structural issues and they do not directly reflect progress in the management of, for example, disequilibria, such as those in the external account, which worried policymakers for several years during the 1980s — and still do.
- *Defense* — there are many other aspects to defense burdensharing.

This measure takes no account of lives at risk in combat. Nor does it reflect differences in effectiveness of expenditures: for example, it is argued that Germany's reserve system very economically provides a major contribution to Western European security. In addition, neither the positive effects of national efforts to combat drugs trafficking and terrorism, nor the negative effects of arms trade (see Annex Table 8) are reflected in this measure.

- *Aid* — this measure misses the direction and quality of aid. Is it to poor countries? Is it tied? Does it finance well-conceived projects? These are critical factors to take into account when assessing responsibility sharing. It does not take account of official debt relief or, for that matter, private debt relief.
- *Energy intensity* — this index reflects several things other than the impact that economic activity has on the environment through resource depletion and pollution, such as the sectorial structure, geography and climate of a country. (Average *changes* in the index over several years, as we use the measure here, should be free of most climactic influences and of geographic effects.) It does not reflect the level of environmental effort, much of which is mandated by government but actually executed in the private sector in all the G-7 countries.
- *Non-fuel imports as a percent of GNP* — this index is clearly affected by geography — the remoteness of Japan, trade within the European Community and the relative self-sufficiency of the US economy. Like the energy intensity measure, average *changes* over several years seem to be free of arbitrary historical and geographic influences, suggesting it is decidedly more useful in Table 2 than in Table 1. Measures for investment and technology flows would also have to be developed.

With these caveats and with appropriate interpretation and commentary, our illustrative measures reflect important aspects of responsibility sharing. As measures, they are relevant, reductive, clear, proportionate, precise, discrete and comparable. They may not be as robust as one might like. And they may not be as timely as might be desirable — for example, as they have been compiled here from published interna-