THE GATT PANEL DECISION ON AUTOMOBILE TAXES

By Steve Charnovitz *

On September 30, 1994, a dispute panel of the General Agreement on Tariffs and Trade (GATT) issued its decision in a case involving energy taxes on automobiles. [1] The panel ruled that the U.S. gas guzzler tax was GATT-consistent, but that some of the provisions of the U.S. corporate average fuel economy (CAFE) law violated international trade rules. The plaintiff was the European Community (EC), which filed the case in March 1993. [2]

The panel might have been expected to report in November 1993, after the usual time period had elapsed. But fact-finding in this dispute lasted until mid-March. The slowness of the panel fueled rumors that the decision had been stalled by international trade politics. [3] When the panel delivered its 125-page decision on September 30, many GATT watchers were surprised at how many of the EC's arguments were rejected by the panel.

Seizing an opportunity to give a political boost to its pending legislation to implement the Uruguay Round, the administration of U.S. President Bill Clinton trumpeted the decision as evidence that GATT was not a danger to environmental laws. Although the panel did find the CAFE law to violate the GATT on narrower grounds than many observers had expected, the portrayal of the decision as a major shift in GATT's stance toward the environment is exaggerated. Indeed, a spokesman for the European Commission complained that the Clinton administration was promulgating "disinformation" about the decision. The Commission also criticized the U.S. Trade Representative for disclosing the report, which is a "restricted" GATT document.

The new rules in the Uruguay Round for automatic adoption of GATT panel reports will not go into effect until next year. Thus, the *Auto Taxes* decision does not become authoritative unless it is adopted by the GATT Council. The Clinton administration has announced that it will support such approval.

This article discusses what the GATT *Auto Taxes* decision says and why it is significant for energy and environmental policy. The article starts with a description of GATT's rules and case law before the recent decision. Next it summarizes the U.S. laws in contention and the panel's decision. Finally, it discusses the implications of the decision for GATT supervision of environmental measures.

Prior GATT Law

The GATT is a set of rules for trade measures and for domestic taxes and regulations that might interfere with trade. GATT Article III:2 enforces the "national treatment" principle. Once products are imported (and applicable tariffs are paid), they must not be taxed in excess of "like" domestic products. Under Article III:4, imported products must be accorded treatment "no less favorable" than domestic products in respect of all national regulations. In addition, Article III:1 states that internal taxes and regulations "should not be applied ... so as to afford protection to domestic production."

A review of GATT jurisprudence shows how GATT deals with allegations that a domestic tax violates national treatment. First, panels do a "product comparison" to see if the imported product being taxed and the similar domestic product are "like." The determination of "likeness" is done on a case-by-case basis. Panels have looked at a number of factors such as a product's properties, its quality, its end-use, consumer preferences, and in recent years, the policy purposes of the tax. Products do not have to be identical to be "like." Products do not have to be completely different to be "unlike." Indeed, nearly identical products may be deemed "unlike" depending on how they are used.

When taxes or regulations distinguish among similar products, a panel must decide whether such classifications are legitimate. Classifications based on geographic origin are presumed to be GATT-inconsistent. For other classifications, panels weigh arguments as to the whether the imported and domestic products are "like" or "unlike." For example, one issue in the *Auto Taxes* case was whether imported autos getting less than 22.5 miles per gallon were like products to domestic autos getting more than 22.5 miles per gallon. The panel held that they were not like products. It is interesting to note that a similar issue arose 47 years ago in the conference that wrote the GATT. At that time, one drafter explained that countries could distinguish between heavy and light autos in their tariff schedule.

When products are like, the panel then conducts a "fiscal comparison" of the treatment given to imported and domestic products. The stance of panels has been to consider whether taxes or regulations lead to unequal conditions of competition. If government measures create any disadvantage for imports, this is ruled a violation of Article III. Unlike other parts of the GATT that require actual injury, Article III does not require any showing of trade impact. It is sufficient for an exporting country to demonstrate that a foreign tax could potentially reduce its export opportunities.

A third issue considered by panels is whether the tax affords protection to domestic production when the import-

[1] GATT, "United States—Taxes on Automobiles," DS31/R, October 11, 1994.

[2] The panel also found that the U.S. automobile luxury tax was GATT-consistent, but that part of the case will not be detailed here.

[3] See "CAFE Panel Rejects U.S. Offer of Additional Information," *Inside U.S. Trade*, July 8, 1994, p. 11.

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ed and domestic products are directly competitive or substitutable (even when unlike). In the *U.S. Alcoholic Beverages* case of 1992, the panel used this test as a key factor in the determination of product likeness. For example, the panel concluded that wine made from different varieties of grape were like products, but that low and high alcohol beer were unlike products.

An environmental tax found to violate GATT Article III could nevertheless be GATT-consistent if it is found to fit into one of the exceptions in GATT Article XX. GATT Article XX(g) provides an exception for "measures relating to conservation of exhaustible natural resources." Until the *Auto Taxes* case, no GATT panel had ever considered an Article XX defense for an environmental tax.

The *Auto Taxes* decision was closely watched because there have been only two previous GATT disputes involving environmental taxes. In 1987, following a complaint by the European Community, a U.S. tax on certain feedstock chemicals was found to be consistent with Article III. In 1991, following a complaint by the United States, a Canadian tax on beer containers not part of a deposit/return system was found to be consistent with Article III. By contrast, the four environmental (or allegedly environmental) import restrictions challenged since 1982 were all found to be GATT violations.

Gas Guzzler Tax

The U.S. gas guzzler legislation, originally enacted in 1978, imposes an excise tax on autos attaining less than 22.5 miles per gallon (mpg). The tax per vehicle varies from $1,000 to $7,700, depending on the mpg. Light trucks, such as minivans, are not covered even though they constitute about one-third of U.S. vehicle sales. The tax is calculated for each "model type" of auto.

The EC argued that all automobiles were like products under Article III and therefore could not be taxed according to their mpg. The EC also argued that because most autos hit with this tax were of EC origin, the tax treated imports less favorably and afforded protection to U.S. domestic production. In addition, the EC argued that the exclusion of minivans demonstrated that the tax was not based on objective policy criteria.

The panel rejected all of the EC's arguments and in the course of doing so articulated new principles for Article III:2. According to the panel, so long as taxes are not explicitly based on the origin of the product, the only purpose of Article III is "to prohibit regulatory distinctions between products applied so as to afford protection to domestic production." The panel recognized that governments may need to use regulatory distinctions not based on the usual factors like physical properties and end use. Thus, the panel declared that Article III should not be interpreted to limit regulatory options not taken for protectionist reasons. To implement this new approach, the panel merged the determination of likeness versus unlikeness with the determination of whether the tax classification affords protection to domestic production.

In ascertaining whether a tax is protectionist, the panel stated that it would look at both the aim of the tax as well as its effect. The panel examined, successively, the issues of the 22.5 mpg threshold, the use of model types for the tax assessment, and the exclusion of autos like minivans and sports utility vehicles.

Regarding the threshold, the panel noted that the aim of the measure was to conserve fossil fuel and pointed out that EC auto companies had the technology to produce fuel-efficient automobiles. Thus, the U.S. tax had not detracted from the competitive opportunities accorded to auto manufacturing in the EC. Regarding the use of model types, the panel held that this method was based on a valid sampling methodology and that non-U.S. autos were not disadvantaged because of their foreign origin. Regarding the exclusion of minivans, the panel held that such vehicles were not inherently of U.S. origin.

The panel concluded that the conservation aim of the gas guzzler tax was a legitimate policy goal and that the tax did not have the effect of altering conditions of competition between U.S.-made and non-U.S.-made autos. Therefore, autos taxed differently by the U.S. law were not "like" products under Article III.

Several points made by the panel are worth highlighting. First, the EC had cited a statement by a U.S. senator suggesting that the threshold of the gas guzzler tax was motivated by protectionism. The panel held that such statements were not conclusive. Instead, the wording and operation of legislation needs to be examined as a whole, according to the panel.

Second, the panel examined the threshold of the gas guzzler tax and found no protective intent. The panel also found that the tax payable was not "excessive." This suggests that the appropriateness of tax thresholds and tax rates will continue to be examined by GATT panels.

Third, the EC argued that the non-coverage of minivans raised questions as to the U.S. motive. The panel concluded that a selective tax category, by itself, was not relevant for determining conformity to GATT Article III. This may have significance for other situations when environmental taxes do not apply to a full range of similar products. For example, there has been a long-running dispute about a Canadian provincial tax on beer cans that does not apply to beer bottles or to soft drink cans. The *Auto Taxes* panel seems to be saying that the GATT consistency of a tax should not be based on what is *not* taxed.

Fourth, the EC argued that because its autos bore a disproportionate burden of the gas guzzler tax, this demonstrated a protective effect of the tax. The panel, however, refused to draw inferences merely from who pays the tax. Thus, the *Auto Taxes* panel diverges significantly from the *Japan Alcoholic Beverages* panel (of 1987) which viewed the higher actual tax burden on EC liquor as demonstrating an Article III:2 violation. The latter panel also held that Article III:2 prohibits "internal tax specialization."[4] By contrast, the *Auto Taxes* panel accepts some internal tax specialization.

Fifth, the EC complained that the U.S. law led to situations whereby an imported auto with poor fuel economy was taxed even though a competing domestic auto with the same poor economy went untaxed because its model type had a higher mpg. Nevertheless, the panel concluded that two autos identical in their mpg could be treated as unlike by the gas guzzler tax when this treatment was based on mpg ratings of their model type. Thus, the panel approved a tax classification based on production factors unrelated to the product as such.

CAFE Penalties

The CAFE standards, originally enacted in 1975, require auto manufacturers to achieve an average of at least 27.5 mpg for their entire fleet. A civil penalty of $5 per vehicle is imposed on the manufacturer for each 0.1 mpg under 27.5.

[4] GATT, BISD 34S/83, paragraph 5.5(c). See also paras. 5.9–5.13.

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In ascertaining compliance, the domestically-made fleet is calculated separately from the imported fleet. (An auto is domestic when it obtains at least 75 percent of its value in the United States or Canada.) The purpose of calculating mpgs of a manufacturer's fleet, rather than of individual autos, was to provide greater flexibility to automakers and choice to consumers. Autos exported from the United States, and autos produced outside the United States but never imported into the United States, are not included in figuring the averages.

The EC argued that the different calculations for non-U.S. and U.S.-made autos, and the use of fleet averaging, violate Article III. While a full-line U.S. manufacturer can average its large fuel-inefficient autos with its small ones, non-U.S. automakers such as BMW, Mercedes, and Volvo that specialize in limited lines do not get that opportunity. The EC pointed out that its manufacturers have paid almost 100 percent of the CAFE penalties.

The panel found that CAFE did violate Article III, but not all of the EC's arguments were accepted. The panel then considered the claim of the U.S. Trade Representative (USTR) that CAFE qualified for the GATT Article XX(g) exception relating to conservation. The panel rejected this claim. But the panel suggested that revising the U.S. law, by removing the origin-based accounting, might render CAFE GATT-legal.

The panel decided to consider CAFE as a regulation enforced by civil penalties rather than as a tax on autos. Thus, the applicable GATT rule is Article III:4 which requires that imported products "be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale." Two features of CAFE drew the panel's attention—first, the origin-based accounting, and second, the use of fleet averaging by the manufacturer.

Regarding the origin-based accounting, the panel makes an assumption that non-U.S. and U.S. autos are like products. The panel then states that non-U.S. small autos (and auto parts) are treated less favorably than U.S. small autos (and auto parts) because U.S. manufacturers of large autos can lower their average only with U.S. small autos. The panel also states that non-U.S. large autos are treated less favorably than U.S. large autos because non-U.S. manufacturers of large autos cannot lower their average by mixing in small U.S. autos. Therefore, the panel concludes that the origin-based accounting violates GATT Article III:4.

Regarding fleet averaging, the panel notes that the method used in CAFE "depends on several factors not directly related to the product as a product, including the relationship of ownership and control of the manufacturer/importer." The panel declares that Article III consistently uses the word "product" and concludes from this terminology that Article III refers only to a "product *as a product*, from its introduction into the market to its final consumption." The panel offers no evidence from GATT's negotiating history for this conclusion. Nor does the panel discuss the significance of excluding from Article III matters earlier or later than the above timeframe, that is, regulations regarding the manufacture of a product or its disposal.

The only legal justification offered by the panel for its interpretation of Article III is a GATT report from 1970 regarding border tax adjustments. The portion quoted by the panel suggests that taxes directly levied on a product are adjustable while taxes not directly levied on a product, such as social security taxes, are not adjustable. The panel does not explain the relevance of border adjustability to the scope of Article III. Moreover, the panel fails to discuss the portion of the 1970 report which pointed out that there were a number of in-between taxes, such as taxes on energy, on which there was no GATT consensus on border adjustability.

To summarize, the panel found that two aspects of CAFE, origin-based accounting and fleet averaging, were violations of Article III. Although both the gas guzzler and CAFE complaints were based on allegations of de facto unfairness, only the CAFE law contained a provision that made a de jure distinction between U.S. and non-U.S. autos. That is one explanation for the different Article III rulings in the two cases.

The panel then considered USTR's contention that the CAFE regulation could be legitimized by Article XX(g). Based on GATT case law, the panel declared that it would define the language "related to the conservation of exhaustible natural resources" as "primarily aimed at" such conservation. Regarding the separate calculations for non-U.S.-made and U.S.-made fleets, the panel found that this procedure inhibited the importation of small autos. Since the panel could not see how that inhibition could further U.S. conservation objectives, the panel concluded that origin-based accounting was not primarily aimed at conservation and thus did not qualify under Article XX(g). The panel did not address whether origin-based accounting was a "disguised restriction on international trade," contrary to the Article XX headnote.

Regarding fleet averaging, the panel found that the method used for both non-U.S. autos and U.S. autos was consistent with Article XX(g). The panel explained that in the absence of requirements on non-U.S. autos, the objectives of reducing fuel consumption in the United States would be compromised. It is unclear how the panel would judge the requirements of the Article XX headnote, such as the rule against arbitrary discrimination, since the panel did not address this. The use of fleet averaging, and the exemption of exported autos from the CAFE calculation, may each be problematic.

Several points made in the decision are worth highlighting. First, the EC argued that CAFE regulated a secondary product (i.e., autos) rather than the resource to be conserved (i.e., gasoline). The panel did not find this to be a barrier in qualifying for the Article XX(g) exception. Second, the EC suggested that the U.S. government might have enacted a more effective measure, such as a gas tax. The panel did not find this to be a requirement of Article XX(g). Third, the EC argued that a measure must be "necessary" to qualify under Article XX(g). The panel rejected the EC's contention as unfounded. Yet in doing so, the panel seems to imply that GATT's other environmental exception, Article XX(b), is predicated on whether there exists "less trade restrictive measures" that could be used to protect human, animal, or plant life or health.[5]

Fourth, the USTR argued that the CAFE law was designed to be "technology-forcing, or to compel manufacturers to increase the fuel efficiency of automobiles marketed in the United States." Nevertheless, the panel did not find this aim to be GATT-inconsistent. By contrast, another GATT panel in 1994 sharply criticized the U.S. Marine Mammal Protection Act for "forcing" fishing vessels to use netting methods safer for dolphins.

[5] See para. 5.63 of the *Auto Taxes* panel report.

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U.S. Reaction

Immediately after the panel report was delivered to the litigant countries, the USTR put out a press release titled "U.S. Fuel Conservation Measures Upheld by GATT Panel."[6] The USTR release was misleading in some respects. First, the two conservation measures were not upheld. One was and one was not. The panel did suggest that amendments to the CAFE law could render it GATT-legal but, according to U.S. Trade Representative Mickey Kantor, the U.S. government will not change the law.

Second, the USTR release states that the GATT panel "broke new ground" by finding "for the first time that the general exception under the GATT for conservation measures [that is, Article XX(g)] could excuse a country's law that was otherwise inconsistent with the GATT." In the 12 years that GATT panels have heard environmental disputes, none of the three laws was found to qualify for an Article XX(g) exception. If CAFE had qualified for Article XX(g), some new ground would have been broken. But CAFE did not qualify.

Third, the USTR release states that the U.S. government does not intend to change CAFE because the origin-based accounting does "not have any actual economic impact on EC auto manufacturers." It is unclear whether this analysis is accurate. If the foreign and domestic fleets were averaged together, this might lead to an increase in the demand for European auto parts. In addition, a revision of CAFE to allow European manufacturers to average in the small autos sold in their home countries might lower the CAFE penalties owed.

Fourth, USTR states that the new decision "laid to rest the concern that governments were obligated to select the *least trade restrictive* conservation measure." Unfortunately, the entombment will be a brief one. Under the Uruguay Round Agreement on Technical Barriers to Trade (which is expected to go into force in January 1995) there is a new rule stating that "regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective." This rule overrides GATT Articles III and XX.[7]

GATT Article III

The *Auto Taxes* decision has important implications for GATT's supervision of taxes under Article III. Before 1992, the concept of a "like" product was rather metaphysical and unpredictable. The *U.S. Alcoholic Beverages* panel articulated a more common-sense interpretation under which the absence of any protective aim or effect will serve to validate the tax classification. The *Auto Taxes* panel has solidified this new approach. Under this decision, a country-neutral product tax with a non-protectionist purpose should meet the test of Article III.[8] In other words, Article III will only prohibit tax distinctions tied to the country of origin or used to protect domestic production.

When the GATT was written in 1947, a rigid "like product" concept was useful in preventing new tariff concessions from being undone by domestic taxes. At that time, there were few policy-based taxes. As such taxes became more common, there has been a need to liberalize prevailing interpretations of "like product." The evolving GATT doctrine makes it more likely that GATT will respect national sovereignty.

While many of the new developments in Article III jurisprudence are positive, the attempt by the panel to exclude "factors not related to the product as such" from Article III is very troubling. The applicability of Article III to taxes or regulations applying indirectly to products is a complex issue.[9] Yet the panel's analysis of this matter is superficial. The *Auto Taxes* panel apparently perceives Article III as granting permission for certain measures when, in fact, Article III only imposes disciplines. If the panel is correct that regulations on a manufacturer, like CAFE fleet averaging, do not come within the scope of Article III, then it is unclear how Article III can discipline such regulations.

Given the growing use of process-based taxes and regulations, the panel's Canute-like stand against them is untenable. Such taxes and regulations are becoming more important in environmental policy as a way to manage the full life cycle. Ecolabels, too, are increasingly providing information beyond product characteristics. In addition, many regulations straddle the line between product and process. For example, is the "recycled content" of bottles a regulation on the product itself or on the process used? Is the use of automobile model types for mpg calculations a tax on the product itself or on the manufacturer's product mix?

Adopting the *Auto Taxes* report would shut the GATT door to process-based taxes and regulations unless those measures qualify for an Article XX exception.[10] The two GATT Tuna-Dolphin panels tried to forbid the application of processed-based regulations to imports, but neither of these reports has been adopted. There is great pressure to declare process taxes and regulations to be GATT-illegal before they are reviewed by the new Committee on Trade and Environment.

Creating such a rule would seem even more unnecessary in the wake of the *Auto Taxes* decision. The new approach for determining "likeness" in Article III can work for policy purposes related to manufacturing in the same way that it works for policy purposes related to product characteristics. In both cases, the panel should ask: Is the government policy taken so as to afford protection to domestic production?

GATT Article XX

According to GATT Article XX(g), trade or domestic measures being reviewed by a panel must be "related" to the conservation of natural resources. Under GATT case

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[6] Executive Office of the President, Release 94-49, September 30, 1994.

[7] See GATT, "Agreement Establishing the World Trade Organization," Annex 1A, General Interpretive Note. For the least trade restrictive rule, see GATT, "Agreement on Technical Barriers to Trade," Article 2.2.

[8] It is interesting to speculate whether the *Auto Taxes* panel would agree with the *U.S. Alcoholic Beverages* panel that a tax credit for small foreign and domestic breweries would be inconsistent with Article III:2 unless it also applied to large foreign breweries. See GATT, BISD 39S/206, para. 5.19.

[9] The *Japan Alcoholic Beverages* panel had stated that the like product determination could be based on objective criteria including the "manufacturing processes of products." See GATT, BISD 35S/83, para. 5.7. For further discussion of Article III and processes, see Steve Charnovitz, "Green Roots, Bad Pruning: GATT Rules and Their Application To Environmental Trade Measures," *Tulane Environmental Law Journal*, Summer 1994, pp. 299, 311-23.

[10] A previous GATT panel, *Belgian Family Allowances* (1952), had ruled that a tariff predicated on the policies of other governments violated the GATT. That episode differs considerably from a domestic tax related to the production process.

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law, "related" means "primarily aimed at." But no panel has defined "primarily aimed at." It is unclear whether it means 75 percent of the motive, 50 percent of the motive, or simply the largest single governmental motive. The issue of weighing motives will become more difficult in GATT supervision of environmental laws because these laws often reflect multiple rationales. The original rationale will be to promote the environment. But in the process of writing the law, some mercantilist or protectionist features may be added to achieve the needed political coalition.

How is GATT to deal with laws based on such alloyed motives? According to the *Auto Taxes* panel, the issue is not whether the CAFE program is primarily aimed at fuel conservation but whether the origin-based accounting is primarily aimed at conservation. The panel declares that the USTR "provided no evidence" that this was the case. Moreover, because the origin-based accounting inhibited the importation of small autos, and because this inhibition could not directly facilitate fuel conservation, the panel concludes that the origin-based accounting cannot be primarily aimed at such conservation.

The panel may have reached the right conclusion in this matter. But its methods raise an important question. Is it appropriate for a panel to take a legitimate conservation law and hold each specific provision in it up to the light? In other words, if the entire program is aimed at conservation, does each feature of the program also have to be identically aimed?

From the GATT perspective, the answer is yes, because the role of the GATT is to ferret out disguised protectionism. As GATT expert Frieder Roessler has noted: "It is difficult to conceive of an international trade order with a rule permitting trade restrictions that are not technically necessary to *implement* a domestic policy, but are politically required to *adopt* a domestic policy." Yet from another perspective, one might ask how such picking apart of laws by GATT will affect lawmaking. What happens when political bedfellows worry that their compromises may be invalidated by international rules? Will that lead to more pristine laws, to weaker laws, or to inaction?

Technical Judgments

The *Auto Taxes* case required a number of technical and scientific judgments by the panel. For example, the panel considered whether EC auto manufacturers have the technology to make fuel-efficient autos or minivans, whether the gas guzzler sampling methods are statistically valid, and whether the origin-based accounting rules make it more difficult for U.S. automakers to meet the goals of the CAFE program. It is unclear whether GATT panels are properly constituted to deal with issues such as these. The panel was composed of three male diplomats—one currently assigned to the GATT and two formerly assigned to the GATT. The Swiss panelist is now out of government and is teaching law. One of the other panelists, the Brazilian delegate, did have some experience in environmental issues from his involvement in the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, in June 1992.

This narrow range of panelists would be more acceptable if GATT panels attempted to compensate for their limited perspectives. For example, they could hold public hearings, establish technical advisory groups, or accept amicus briefs from environmental groups. But GATT panels do not do this. The panels do take testimony from other GATT members, however. In this instance, Sweden testified in support of the EC's allegations.

Conclusions

The EC-U.S. *Auto Taxes* case is the first complex environmental tax dispute to come before the GATT. If adopted, the decision will be a landmark case. Unlike some previous murky GATT environmental decisions, this one offers clear guidance.

Some editorialists have suggested that *Auto Taxes* shows that the GATT is beginning to bow to environmental imperatives. But that sentiment is probably unjustified. The panel, as it should, refrains from taking any position on the environment. In maintaining environmental neutrality, the new decision is similar to the U.S. *Superfund* case of 1987, which served to clarify GATT rules on border tax adjustments.

The decision contains both good points and bad points for the environment. On the one hand, environmental laws should have an easier time passing GATT muster in the future so long as they avoid de jure discrimination against foreign-made products and are written with sensitivity to GATT rules. On the other hand, panels will delve into many aspects of a tax including thresholds, levels, and manner of calculation.

The most worrisome element in *Auto Taxes* is the truncation of GATT Article III to only one portion of a product's life cycle, the period between "its introduction into the market to its final consumption." In this instance, the GATT panel seems to be traveling in a different direction than the rest of the world. Before Article III is interpreted in this way, the matter should be carefully studied and debated. For that reason, if for no other, the *Auto Taxes* decision should not be adopted by the GATT Council.

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HIGHLIGHTS

A PRELIMINARY AGREEMENT on amendments to proposed legislation on packaging and packaging waste is reached by the European Parliament and the Council of Ministers. The Council accepts an amendment—a priority for members of Parliament—allowing the European Union to adopt economic instruments such as fiscal regulations that would promote the objectives of the directive (p. 881).

OVER 4 MILLION GALLONS OF OIL leak into the environment around the northern Russian city of Usinsk, 1,000 miles northeast of Moscow, after heavy rainfall destroys a dam containing oil spillage from a defective pipeline. Russia's Ministry for Environmental Protection and Natural Resources sets up monitoring stations in the disaster area and works closely with local authorities and representatives of the Ministry for Emergency Situations (p. 881).

OIL DRILLING RULES will be strengthened under a new protocol to the Convention for the Protection of the Mediterranean Sea Against Pollution. The protocol, which was recently signed by 11 nations, is open for signing until October 14, 1995 (p. 882).

PESTICIDES SHIPPED TO ALBANIA by the European Union should be recalled, Greenpeace says, charging that the Union's agricultural support policy for Eastern European nations is environmentally unsound (p. 883).

ILLEGAL IMPORTS of chlorofluorocarbons to the United States are rising as the approaching 1996 ban on their production increases demand, government and industry officials say (p. 884).

CONCENTRATIONS OF HCFC-22 in the atmosphere are surging, a Japanese research group finds, but the direct impact can not yet be determined. HCFC-22 is a popular alternative to chlorofluorocarbons used as coolants (p. 885).

HARMFUL CHLORINATED SUBSTANCES would be eliminated and steps would be taken to manage others less dangerous to the environment, under a proposal in Canada. Environment Minister Sheila Copps says the five-part action plan includes entering into environmental performance agreements with key industrial sectors and other governments (p. 890).

A U.K. GOVERNMENT COMMISSION calls for doubled fuel taxes, far greater government investment in public transport, and a halt to new road construction in a report containing 110 policy recommendations aimed at providing "an environmentally sustainable transport system." The commission says technology alone is insufficient to reduce the impact of transport on the environment (p. 895).

METHYL BROMIDE ALTERNATIVES for soil, grain, and fruit are discussed at a conference. Participants agree that alternatives will be developed for specific uses rather than a single substitute to meet all needs (p. 893).

SOUTH AFRICA'S GOVERNMENT proposes an economic or market-based approach to natural resources management and pollution control to replace the "command-and-control" mechanisms of the past (p. 919).

AN ANALYSIS AND PERSPECTIVE by Steve Charnovitz, a Washington, D.C.-based economic analyst, examines a decision by the dispute panel of the General Agreement on Tariffs and Trade in a case involving energy taxes on automobiles and its implications for future environmental tax disputes (p. 921).

This INER Reference File supplement includes a new environmental profile on Hong Kong, an updated Hungarian directory of agencies, Mexico's general environmental law, updates of environmental profiles on France and the United Kingdom, and an Organization for Economic Cooperation and Development Council decision on the Control of Transfrontier Movements of Wastes Destined for Recovery Operations.

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