

The Roles and Responsibilities of Governments to Deal with the Unintended Consequences of Environmental Policies

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By Dr Uwe Kaufmann, Lecturer, Australian Institute of Business.

By Harald Kaufmann, Australian Institute of Business.

In our previous [article published in the AIB Review](#), we discussed the unintended consequences of Fiji's environmental policy for the importation of hybrid cars.

We discussed that the importation scheme led to a huge increase in used hybrid cars from Japan being imported into Fiji. We further explained in detail that those used cars have a lifetime of five to ten years remaining and that Fiji lacks the capacity to recycle and/or service those second-hand hybrid cars.

It was argued that without proper preparations and implementation of recycling regulation, Fiji may well be ending up with toxic and hazardous materials from hybrid cars and its batteries leaking into Fiji's eco-system.

It has been pointed out that the problem is being recognised but there is still very little effort by the Fiji Government to implement viable measures to counter a possible crisis. We suggested that the potential environmental risks caused by hybrid vehicles at the end of their lives must be taken seriously, and action should be taken to avoid a possible environmental crisis. However, we also pointed out that this situation offers interesting business and work opportunities for the island nation. For example, a desperately needed new waste management system which can handle hybrid vehicles, batteries and other hazardous materials is strongly recommended. The possibility of new business ventures such as the repurposing of used but functioning battery-cells creates viable economic opportunities for a clean Fijian future.

In this edition of the AIB review attention will be put on who bears responsibility for the current situation and the future avoidance of an ecological crisis.

Let us start out by asking: Is it only the Fijian Government that has a responsibility to act?

Surely one could argue that it was the Fijian Government's importation scheme which provided huge tax incentives for the importation of hybrid vehicles that led to the increase in the importation of second-hand hybrid cars. An argument could be made that the responsibility falls upon the Fijian Government to overcome its own policies short-sightedness by failing to consider the impact of and preparing for the underlying consequences.

However: Are there other parties that hold responsibility and could be held accountable beyond the Fijian Government? In the case of Fiji, we have identified several stakeholders: the consumer in Fiji who demand and buy used cars, the private sector that exports and imports the used cars, lobbyists and NGOs that support and demand certain policies, and the Government of Japan.

Japan, together with Europe and the United States has roughly exported 14 million used vehicles between 2015-2018 and 80% of them do end up in developing nations that have few or no regulations concerning the [importation of used cars](#), Fiji being one of them.

It is well known that Japan is one of the top car exporters in the world. In 2019, Japan exported cars of the value of US\$98 billion. This was an export market share of 12.9% and earned Japan the second place of major car exporters, with Germany holding on to the top spot. Looking at used cars, [Japan is the top exporting country](#).

Why is Japan *flooding* the Asia-Pacific region with used cars?

One reason could be the introduction of costly and extremely strict [safety inspection measures in Japan](#). Additionally, under the banner of carbon emission reduction, strict environmental laws have been implemented ([car emissions, air quality](#)). The strict regulatory regime resulted in a surge in automobiles unsuitable or even being deemed prohibited for continued use on the [Japanese market](#) after just reaching about 3 to 5 years life span, usually with a mileage under 100,000 kilometres.

Reacting to the strict environmental policies, especially concerning the fleet value of contamination, Japanese car manufacturers were among the first to introduce hybrid vehicles to the market in the mid-1990s. By now, hybrid cars have reached an auto sales market share of 35 per cent, supported by promotions of an up to a [100 per cent tax exemption](#).

Legislation that promotes new car ownership rather than buying used cars, or keeping existing relatively older cars, led to an enormous number of used cars being considered to be at their end of life and are falling out of circulation. In recognition of the problem, the Japanese government introduced End-Of-Life vehicle (ELV) regulations to manage automobile [recycling processes](#) and the reintroduction of resources into production.

End-Of-Life vehicle (ELV)

Many advanced countries have adopted the End-of-Life Vehicle (ELV) management systems. Some countries have adopted market-based systems, others mandatory strict regimes and [Japan is probably the one with the most stringent regulations](#).

Introduced in 2005, the Japanese ELV law is based on the '3R' principle: reduce-reuse-recycle. The law requires automobile manufacturers to adequately recover and recycle the vehicle they have produced. More so, the law puts responsibility on manufacturers as well as importers to reuse a maximum of the original materials and dispose properly of the remaining components that are not reusable. The goals set by the law for the effective recyclability of a car and reusability of its materials has risen to a staggering 98-99 per cent of the weight of a vehicle. The process is facilitated by an electronic manifest that accompanies every [car from its birth until the end of its life](#).

The financing of the ELV requirements is guaranteed by charging a recycling fee at the moment of the first purchase of the car and is paid by the vehicle's purchaser and [managed by a non-profit fund](#).

Although aimed at a clean flow from production to recycling of the unit, the introduction of ELV laws and its recycling fee added significant costs of ownership for the purchaser of a vehicle and increased production costs for the manufacturer. To recover these costs, both the manufacturer and owner of the car have an incentive to sell and export the vehicle overseas when the end-of-life of the vehicle is reached in Japan.

Therefore, it seems that the ELV legislation has led to the (politically unintended) incentive to rather export the vehicle, meaning recuperation for the vehicle's owner and avoid recycling spending for manufacturers.

There is, however, a contradiction between environmental legislative efforts that prioritise the clean disposal of a used car and the exportation of used Japanese cars deemed unfit for traffic in Japan. By not addressing this issue, one could argue that Japanese policymakers seem to be taking a protectionist stand, interested in promoting the production and sale of new 'Made in Japan' vehicles and not caring sufficiently about

the adverse impact of its policies overseas. Having one of the highest recycling and [costly safety standards](#) in the world, it appears that by exporting these cars, Japan 'dumps' its unwanted automobiles onto the global market to avoid costly recycling.

Almost 1.1 million used cars (157,000 hybrids) valued at about [US\\$5.1 billion were exported from Japan in 2019](#). Most of these cars were sold to developing nations given their lax or [non-existent import regulations for used cars](#). Better even: because of incentive schemes such as the one found in Fiji tied to the goal of carbon emissions reduction.

About 80 per cent of those Japanese used cars were shipped into the Asia-Pacific region, with Fiji being one of the recipient countries.

With the expectation of a surge in the numbers of hybrid vehicles reaching their end of life in 2025 and then entering the recycling flow, [JAMA is conscious about the fact that new strategies](#) will have to be implemented.

Ways out

Policymakers are becoming more conscious of this situation. It has been recognised that certain standards must be legislated to ensure safety and sustainability.

In the Asia Pacific, many developing nations suffer from large used car imports from Japan. Africa and South America are not different. Africa receiving the bulk from Europe. Central and South American nations from the United States.

Concerning safety issues caused by used imported cars, the United Nations, in its 'Global Plan for the Decade of Action for Road Safety 2011-2020', proposes legislation that [discourages the of import of unsafe cars](#).

Although no agreement was reached, the United Nations Economic Commission for Europe, held the first conference on the issue of exports of non-fuel efficient and unsafe vehicles in Geneva in 2017.

The Economic Community of West African States (ECOWAS) has recently decided to implement new fuel consumption and emissions standards for imported vehicles starting from 2021 in all of its 15 member states. This is recognised as necessary to improve road safety and pollution levels.

[Earlier this year ECOWAS](#) agreed on age limits of five years for passenger vehicles and ten years for commercial vehicles as well as the [European emissions standard EURO 4 to be implemented](#).

Various countries in Africa have already implemented age [limits or complete bans on imports of used cars](#) to tackle the situation.

Nations like Rwanda even take it a step further. In a pilot project, the government entered a joint venture with Volkswagen and Siemens to electrify traffic and meet [carbon emission standards](#).

What about Fiji?

The immediate impacts of any environmental risks as a result of toxic and hazardous materials from hybrid car batteries of used imported cars leaking into the eco-system are present in Fiji. Therefore, it is firstly the Fijian Governments responsibility to act. The Fijian Government has acknowledged the possible problem of safety and environmental risks that used cars pose to the Fijian consumer and the Fijian environment. Since October 2019, the Fijian Land Transport Authority (FLTA) has introduced mandatory roadworthy inspections of imported used cars, which includes safety and environmental checks. The Fijian Government also acknowledged the lack of Fijian capacity to undertake those inspections and has out-sourced and off-shored the inspections. The FLTA has appointed the Japan Export Vehicle Inspection (JEVI) to undertake the inspections for used vehicles from Japan, New Zealand and Australia. These vehicles need to be cleared by JEVI, a private Japanese company specialising in vehicle inspections, pre-shipment inspection of cargo and their certification before they can be shipped to Fiji.

However, the actions of the Fijian Government with respect to inspections of imported used cars from Japan, Australia and New Zealand and their roadworthiness does not address the possible safety and [environmental concerns of approximately 40,000 imported used cars from Japan](#) between 2014 and October 2019. These cars have not undergone any safety or environmental inspections. It will also not address the need for a new waste management system that can handle the recycling of end-of-life vehicles and their toxic and hazardous materials.

In 2019, about of 70 per cent of all [imported cars into Fiji were used cars from Japan](#). And 90% of those used cars were hybrid cars, a trend that is consistent since Fiji introduced its tax incentives for the importation of ['environmentally friendly vehicles'](#) in 2014.

Since the vast majority of used cars come from Japan, and that it is very likely that the Japanese Government's environmental and safety policies such as the ELV regulations have created an incentive to export used cars to countries such as Fiji, the Japanese Government also bears responsibilities.

The Japanese Government's aid and development arm, the Japan International Cooperation Agency (JICA) includes 'Natural Environment Conservation', 'Environmental Management' and 'Disaster Risk Reduction' as thematic issues where [work programs](#) are undertaken in developing countries.

JICA has an active presence in Fiji and is already assisting Fiji in smaller projects such as Waste Collection under [JICA's Technical Cooperation Project Promotion](#) of Regional Initiative on Solid Waste Management in Pacific Island Countries (J-PRISM 2) which includes the 3R strategy. This indicates that the Japanese Government is well aware of the problems that countries like Fiji face and also sees it as a responsibility to assist countries to tackle their waste management problems.

However, stronger, and immediate action needs to be taken by Fiji. Fiji needs to acknowledge the environmental risks posed by cars that will reach their end-of-life, and acknowledge that the country does not have the capability to address those risks and request technical assistance to avoid an environmental crisis.

It is the Fijian Government's responsibility to preserve the Fijian eco-system and protect the Fijian citizen from environmental risks it has created by not preparing for the consequences of their policy actions. The Fiji Government is strongly encouraged to seek technical assistance from the Japanese Government and JICA and other Governments such as Australia and New Zealand.

It is important for the Fijian government to pursue best practice policies, especially towards Japan to incorporate into the global recycling system and takes advantage of recycling fees already paid by the original purchaser of the now imported used car.

Joint ventures such as the one found in Rwanda between the country and Volkswagen/Siemens on a voluntary basis could increase the incentive for Japanese car manufacturers to enter into an agreement on how to deal with the issues involved and open up new public and private venture opportunities.



Uwe Kaufmann

Senior Lecturer, Australian Institute of Business

Uwe is an applied trade economist and has more than 15 years of experience in academia with multidisciplinary specialisation in international trade, public policy and the regulatory environment and their impact on business operations, economics, and sustainable development.