

### 6.3 Implications for the Region

Both energy-related and environmental issues have relevance to the question of economic integration in North Asia. Economic growth has been the primary engine of increased economic interdependence in North Asia. Any impediment to continued growth is thus a threat to closer economic ties in the region.<sup>47</sup> Inadequate energy and environmental infrastructure is already beginning to slow economic growth in parts of China, the economy that is currently the main engine of economic expansion in the region. Environmental infrastructure, particularly in the area of air and water pollution control, has failed to keep pace with development in many parts of the region, and this could eventually have a detrimental effect on foreign investment flows. The economies in the region recognize the importance of improving both energy and environmental infrastructure as a means of ensuring continued economic growth. This concern over energy and environmental infrastructure will continue to present Canada with significant opportunities to take part in a growing market and, perhaps eventually, in a process of inter-regional cooperation. Canada has strengths and weaknesses in these areas. Japan's more aggressive use of concessionary financing and development assistance as a means of securing market share may be an issue for concern.

Improvement of energy and environmental infrastructure is a goal that the economies of the region have in common, and cooperation on these issues could form the basis for closer ties. Moreover, since most of the Asian regional institutions have already set up working groups to encourage a cooperative approach to energy and environmental matters, multilateral cooperation on energy and environmental issues could increase in the future.

## 7. Implications for Canadian Trade Interests and Policy

Interpretations of recent trends in trade, investment and business activity in Asia and its subregions including North and/or East Asia vary considerably. One can conclude, however, that economic interdependence among the economies of the region will increase, that Japan will continue to play a large role in the region's commercial activity, that China provides much of the market expansion potential, and

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<sup>47</sup> For an interesting and more detailed discussion on the topic of linkages between environmental stress and national security concerns, see Robert T. Stranks, "A View of the Forest: Environmental Stress, Violent Conflict and National Security", Department of Foreign Affairs and International Trade, Policy Staff Paper No. 95/05 (April 1995).