

involvement in North Asia.

## 6.2 Environmental Conditions and Opportunities

With the possible exception of Japan, environmental issues have only recently been a focus of attention for governments in the region. The countries under study have been far more concerned with economic development than with matters related to environmental protection. Environmental regulations and standards have tended to be weak, or enforcement lax.

In the past few years, however, environmental protection and the development of environmental infrastructure have been the focus of considerable attention for these governments for a number of reasons. The rapid urbanization and economic development that these economies have experienced have caused substantial damage to their local environments. Air and water quality have been most affected. Common problems include waste water treatment, industrial waste and air pollution. Moreover, within the context of international environmental issues, such as global warming and the management of ocean resources, the region is coming under greater pressure to focus more attention on environmental protection.

Domestic and international pressures are moving the governments of these economies to developing coherent policy regimes that include environmental protection, and funding for monitoring and enforcement activities. Authorities in these countries must come to view environmental management as part of the larger process of industrial restructuring or economic reform. In the short term, the objectives of promoting economic growth, raising living standards and protecting the environment may not always be compatible, and governments often confront difficult choices in pursuing them simultaneously. Nevertheless, in the long term they are mutually supportive objectives. The formulation of such policies, standards and regulations has led to the development of markets for equipment, technology and services related to environmental protection and pollution reduction.

Japan currently may be the dominant supplier of pollution control equipment to the economies of the region. Its strength as a supplier of environmental products would appear to be based on market presence and financing. The market presence allows Japanese firms to develop relationships with local decision-makers and to introduce them to Japanese products and technology. Although OECF funding is no longer tied, Japanese firms reportedly still enjoy a certain degree of preference in bidding for contracts funded by OECF loans, particularly with regards to feasibility studies.