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IMPACT OF ENVIRONMENTAL REGULATION AND FDI ON GREEN TOTAL FACTOR PRODUCTIVITY: EVIDENCE FROM CHINA

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Abstract

The energy limits and environment problems become more important in the current green development era, in order to measure the quality of economic growth, this paper introduces the definition of green total factor productivity and tries to find the relationship among environmental regulation, FDI and green total factor productivity. This paper applies the SBM directional distance function and Luenberger productivity index to measure provincial green total factor productivity of China from 2006 to 2017. The research results show that the environmental regulation affects green total factor productivity positively, and FDI has a negative relationship with green total factor productivity. Strict environmental regulations can improve the environmental threshold of FDI effectively and play a role of "screening" for FDI. And the positive interaction between environmental regulation and FDI is an important factor affecting the promotion of green total factor productivity.

Keywords: environmental regulation, FDI, green total factor productivity, interaction effect

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