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STUDY ON ENVIRONMENTAL EFFECTS AND REGULATION OF FOREIGN DIRECT INVESTMENT (FDI) IN CHINA

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Abstract

The environmental pressure brought by foreign direct investment (FDI) to China has been an increasingly common topic. It is the current and later policy tropism to protect environment all-sided and keep the environmental elements continual use in making use of FDI in China. Environmental effect of FDI is a "double blade sword". This paper first analyzes the environmental effects of FDI and the terms of its positive effect, and then analyzes the negative environmental impacts of FDI in China. Further, the paper empirically analyzes the impact of FDI on China's Eastern, Central, Western environment by using the panel-data model. The analysis shows that, in China, both the enlargement of FDI stock-induced economic scale and the change of FDI stock-induced economic composition deteriorate the environment, while the FDI stock-induced technology transfer improves the environment. The different environmental control degrees of each district in China resulted in that regional transfer of industrial pollution occurs on a certain degree. Analysis of results about the environmental model in the three regions is also in accordance with that of the national model. FDI produces negative effects on the three regional environments.

Although the regional distributions of FDI in China decrease progressively from East to West, the environmental influence of FDI increases progressively from the East to the West. China should change the economic growth pathway, creatively adopt advanced techniques which are represented by resources-saving and environmental friendly developing modes, adjust the industrial development direction of FDI, blaze new trail in environmental control system, establish the long-term strategy and plans which are good for sustainable development. By doing these, positive environmental effect of FDI would be achieved.

Key words: foreign direct investment (FDI), environmental effect, environmental regulation

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