

ENVIRONMENTAL IMPACTS OF FOREIGN DIRECT INVESTMENT IN THE PEARL RIVER DELTA

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ABSTRACT

The paper is aimed to trace and explain the relationship between foreign direct investment (FDI) and local natural environment changes in the Pearl River Delta (PRD). The purpose is threefold: to make a connection between the environmental problems and global economic forces; develop a model to identify if FDI is one of the major cause of the environmental changes in the PRD; and identify how FDI interacts with the local environmental policy-making process. The study reviews a wide range of literature on China's and international economic and environmental development. A tentative model is built based on existing theoretical frameworks to present the complex relationship between FDI and environment, followed by two case studies on Guangzhou and Dongguan, two cities in the PRD of different development patterns. Although FDI acts as the major economic catalyst in the region, my analysis does not show a linear relationship of FDI and environmental pollution. However, positive relationship among government regulations, FDI, and environment can be established to achieve sustainable development.