Asian tigers urged to reject polluting foreign investors

South East Asia’s tiger economies should prize the long-term health of their environment above the ongoing short-term gains provided by foreign firms that pollute, economists have claimed.

Academics believe many South East Asian nations have been misled into accepting that increased pollution is a price worth paying for the future well-being of their economies.

But groundbreaking research by the prestigious Globalisation and Economic Policy Centre (GEP) at The University of Nottingham Malaysia Campus shows that the flow of money from overseas cannot sustain a nation's economic growth and that policy-makers should consider tightening the lax environmental regulations that have encouraged much foreign investment.

Mr Chew Ging Lee, an associate professor of quantitative methods, used Malaysian data to carry out what is thought to be the first-ever study into the links between Foreign Direct Investment (FDI), pollution and output.

He said: "FDI has been a major engine for the rapid economic growth of many South East Asian countries, but the success of these economies has been achieved at the expense of the environment.

“Lax environmental policies and lenient regulations have encouraged foreign investment in industries which pollute and damage the environment.

“But this does not have to continue. This research shows that the conventional wisdom that FDI is a key factor in sustained economic growth may provide an incomplete picture.

"It is clear from our analysis that the effects of FDI on the growth of Malaysian productivity may be transitory rather than permanent."

Malaysia attracted 94-million US dollars' worth of FDI in 1970, 934-million in 1980 and 3,788-million in 2000.

But like fellow ASEAN-5 countries Indonesia, the Philippines, Singapore and Thailand, the country has seen rising pollution-levels often as a result of the relentless inflow of FDI.

Lee said his research suggested the ASEAN-5 countries could afford to turn their back on polluting industries and do more to power their own sustained growth.

He said: "Energy conservation and strict environmental regulations may temporarily harm the expansion of the economy.

"But it is now clear that the appropriate response to environmental problems will not prevent long-term expansion if these countries invest in their people, new technology and infrastructure rather than adopting weak environmental regulations and enforcement which may attract polluting FDI that has the potential to actually harm the country in the long-term."

Source: University of Nottingham