



THE MOVE TOWARDS SUSTAINABILITY; A CRITICAL REVIEW OF ENVIRONMENTAL IMPACT OF FDI IN SRI LANKA

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ABSTRACT

Sri Lanka's journey towards becoming the wonder of Asia remains one of the major promises of the Sri Lankan governments over the past decade and in this regard, Foreign Direct Investment can be considered as an essential pillar of success. However, attracting more FDI is nevertheless a proper indication of the development benefits gained by those investments. In order to access the true gain, Environmental impact has to be carefully considered and mitigated. Achieving sustainable development through FDI can easily be a dream left, unless strategic ways to mitigate environmental impacts are properly implemented. The jurisprudence relating to International Investment Law consists of number of incidents where environmental issues were disputed and decided by courts and arbitral tribunals in which the utmost duty of human kind towards protection of the environment was highly considered in balancing the interests of all stakeholders. This paper intends to analyse the Sri Lankan backdrop with a special reference to environmental impacts of FDI. The paper utilizes a critical approach to examine the existing legal framework and to identify its lacunas through a qualitative research. The legal frameworks of Australia and United States of America were critically examined through an comparative approach in bringing in recommendations to the research problem. The paper ultimately suggests that Sri Lanka still follows traditional framework of attracting and regulating foreign direct investment and it is high time for the country to formulate an overarching updated policy framework to address the possible environmental impacts of FDI.

Keywords: environmental protection, FDI, investor, investment, expropriation