

Political Economy of Foreign Direct Investment: Literature Review of Domestic Interest Groups' Preferences

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Abstract : Foreign Direct Investment (FDI) inevitably affects the landscape of the political economy of the host country. It is, therefore, significant to review and uncover how and in what way(s) FDI shapes the preferences of the interest groups within the host country, as such preferences may, in turn, influence the policies of the host country. By conducting a review of relevant literature, this paper attempts to outline the key forces behind such preferences and identify potential gaps for future studies. This paper argues that while existing theories have specified endowment and political and institutional factors as key explanations behind the preferences of domestic interest groups, other qualitative attributes of the foreign investors' side, such as their nationalities, have yet to be adequately investigated empirically and may potentially also possess explanatory power. This is particularly important in the current global economic landscape, where key global investors hail from origins from both developed and developing countries with diverse political systems and business practices. This paper aims to provide the groundwork for future studies on these potential gaps, which may provide not only contributions to the academic sphere but also practical insight into policymaking and business communities.

Keywords : foreign direct investment, interest groups, international political economy, political economy

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