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Does Domination of Foreign Capital in the Local Economy Matter?

Kriengsak Chareonwongsak [1] and Frendy Ahmad Afandi [2]

[1] Chairman of Nation-Building Institute (NBI), Bangkok, Thailand

[2] Bureau of Performance Management and Cooperation, Coordinating Ministry for Economic Affairs, Jakarta, Indonesia

ABSTRACTS

This article examines whether the domination of foreign capital in local economies matters for the economic, social, and political trajectories of host countries. While mainstream economic perspectives emphasize the developmental benefits of foreign direct investment (FDI), ongoing debates in international political economy highlight concerns regarding structural dependency, inequality, policy autonomy, and national security. Building on these debates, the article develops an integrated analytical framework that conceptualizes Foreign Capital Domination as a multidimensional phenomenon extending beyond simple ownership shares to include market power, institutional influence, and structural transformation. Drawing on modernization theory, dependency theory, and a broad synthesis of empirical literature, the study analyzes the impacts of foreign capital across four interrelated dimensions: macroeconomic outcomes, distributional effects across domestic population groups, broader social implications, and national security and political institutions. The analysis suggests that the consequences of foreign capital domination are neither uniformly positive nor negative. Instead, outcomes depend heavily on host-country structural conditions, including absorptive capacity, industrial composition, governance quality, and regulatory design. The article argues that foreign capital should be understood not as a deterministic driver of development or underdevelopment, but as a context-dependent force whose effects are mediated by domestic institutions and policy choices. Countries with strong governance frameworks, targeted investment strategies, and inclusive economic policies are more likely to convert foreign capital domination into a catalyst for sustainable development, technological upgrading, and long-term political stability.

Keywords: foreign capital domination, multinational corporations, income inequality, democratic governance, institutional quality