

# Populist governments deter foreign investment, research finds

Submitted by: BlueSky Education

Wednesday, 10 January 2024

---

When populist leaders are voted into office, they often create unpredictable business environments which drive down investment by foreign companies, research from NEOMA Business School reveals.

Alfonso Carballo Perez and Margherita Corina, Assistant Professors at NEOMA, find that foreign direct investment (FDI) can drop by over 10 percent following the election of a populist government.

This is largely because populist leaders habitually attempt to disrupt the political and economic institutions in their country that guarantee the security of foreign investment, the researchers explain.

However, countries with strong institutional frameworks can mitigate the negative effect of populist governments on FDI by around 23 percent.

The researchers also find corporations are able to reduce the impact of populist governments on foreign investment decisions by around 7.8 percent if they increase their level of internationalisation.

“Companies gain a formidable advantage resulting from their overseas operations. They know how to navigate a wide variety of markets and specific local characteristics. This makes them more resilient and adaptable to new political and economic developments,” says Corina.

“While populist rulers may take aim at multinational corporations as agents of globalisation, firms can absorb risk more effectively by diversifying their economic investments in other countries,” says Carballo Perez.

Their findings were based on analysis of investment data from a sample group of US multinational companies in 37 democratic countries between 1999 and 2020. The study was published in Global Strategy Journal.

/ENDS

For a copy of the study, or to hear from Margherita Corina, contact Jamie Hose at BlueSky Education on [jamie@bluesky-pr.com](mailto:jamie@bluesky-pr.com), or call +44 (0)1582 790 706.