

FDI, Unmet Expectations, and the Prospects of Political Leaders: Evidence from  
Chinese Investment in Africa

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Abstract:

Leaders in the developing world typically value inflows of foreign direct investment, on the logic that FDI bolsters economic development and signals competence to voters. Yet, the promise of new jobs and other benefits may outstrip the supply, leaving many disappointed. We present a theory of unmet expectations and political blame, which we test using a spatial matching technique and a variant of difference-in-differences analysis that connects 223 georeferenced Chinese FDI projects to the political-economic perceptions of 179,278 respondents in Africa. We show that the announcement of Chinese FDI projects inspires economic optimism, but that disillusionment follows when projects are operational. Further, we demonstrate that individuals living near those projects tend to place the blame for their unmet expectations on political leadership. This pattern of unmet expectations and political blame does not appear in the context of Chinese foreign aid.

Political leaders in developing countries typically value inflows of foreign direct investment (FDI) as a driver of economic development and a signal of political competence (Jensen and Malesky 2018; Simmons et al. 2016), despite debate about its actual consequences (Farole and Winkler 2014; Kosack and Tobin 2006; Owen 2019). We know little, however, about how constituents in developing countries evaluate political leaders when FDI projects come to their communities, or whether politicians actually gain the benefits they anticipate from foreign investment.

In this study, we present a theory of unmet expectations and political blame that explains the varying success of politicians who pursue popular support through FDI inflows. Conventionally, studies suggest that political leaders anticipate gaining political accolades from the tangible benefits of FDI (Pandya 2014; 2016), or at least from the effort to secure tangible resources (Jensen et al. 2014). We argue, however, that perceptions of political leaders are formed in two stages—at the announcement of new projects and at their actual implementation—and that the former can undermine the latter. Political leaders face short-term incentives to oversell the potential benefits of FDI projects when announcing them, which in turn creates a political risk: local communities develop inflated expectations, particularly surrounding jobs, that do not fully materialize. When those earlier expectations remain unmet at the time FDI projects are actually implemented, this undermines perceptions of both the robustness of the economy and the effectiveness of political leaders, irrespective of the actual impact that the projects may have on local productivity and development. We further show that the pattern of unmet expectations and subsequent political blame does not occur in the context of foreign aid, for reasons we explain.

To test these claims, we examine how Chinese FDI projects affect citizens' perceptions of their countries' economic prospects and of their political leaders' competence in Africa. We focus specifically on Chinese activities in Africa for multiple reasons. First, the highly coordinated messaging behind China's Belt and Road Initiative suggests the possibility of reputational benefits and political credit not just for China but also for local leaders who associate themselves with those investments (Dreher et al 2019). Second, focusing on Chinese involvement allows us to hold constant many national-level differences among resource-sending countries that may influence implementation. Third, while much is known about the effects of Chinese foreign aid to Africa (see,

e.g., Brautigam 2011; Isaksson and Kotsadam 2018a, 2018b), far less is known about how FDI inflows from Chinese firms shape the political context. Given that the total stock of Chinese FDI in Africa has increased remarkably and now exceeds the inflow of Chinese aid (CARI 2020), we view this as an important shortcoming in the literature. Finally, the rapid expansion of Chinese investment in recent years has raised the profile of China in Africa, creating important visibility for China among populations in the region. Thus, while its involvement is not unique, a fuller understanding of the political impact of Chinese firms in Africa is overdue.

Empirically, we rely on a spatial matching strategy that connects 179,278 georeferenced Afro-barometer survey respondents to 223 Chinese FDI projects in 21 countries over a 20-year period. We then apply the same strategy to available aid data, evaluating the effects of each using a variant of difference-in-differences analysis. Doing so allows us to evaluate individual-level perceptions of the political economy based on respondents' proximity to projects both upon their announcement and after they are operational, while accounting for time-invariant factors that may have influenced project location.

The results indicate that indeed, contrary to bestowing political virtues on leaders in Africa, FDI projects result in unmet popular expectations, and local community members tend to blame their national political leaders as a result. We show that, for individuals living within 50km of a Chinese FDI project, the announcement of a new project improves perceptions of the economic condition. However, when the project becomes operational, those respondents' perceptions of the economy are worse than they would have been in the absence of the FDI. Furthermore, the announcement of a new FDI project can buy political leaders about four years of goodwill; once projects are operational, however, they result in systematic declines in perceptions of leaders' competence. We demonstrate that these results hold across numerous model specifications and at distances up to about 100-150km. We also show that these patterns do not persist in proximity to Chinese foreign aid projects, which we suggest underscores the importance of perceived employment opportunities from FDI projects that are muted in the context of aid.

The study makes four important contributions. First, it represents, to our knowledge, the first study that spatially connects FDI projects to evaluations of political leaders. Second, it underscores

theoretical differences in the ways in which Chinese FDI and Chinese foreign aid affect recipient communities. Third, in addition to testing the effects of active FDI projects, we also evaluate changes in outcomes at different stages of the projects, an innovative approach that allows us to explore individuals' expectations and the fallout for political leaders. Finally, the study casts new light on host country political leaders' pursuit of FDI from China, suggesting that the ultimate reward may be less than those leaders bargain for in the long-term.

### **Related Literatures**

China's political and economic involvement in Africa represents an increasingly common topic of study. While most studies focus on assessments of the economic consequences for Africans (Brautigam 2011; Lee 2017; Zeng 2015), less attention is given to the political impact in host countries, particularly as related to FDI. Theoretically, we know that political leaders stand to benefit from FDI inflows in various ways: FDI is thought to enhance local economic development, owing to increases in growth and follow-on benefits for employment, tax revenues, and foreign exchange (Aizenman and Sushko 2011; Farole and Winkler 2014; Jensen et al. 2012). Moreover, studies demonstrate empirically that multinational corporations pay higher wages and generate increased productivity relative to local companies (Pandya 2016), and that those higher wages can create wage spillovers that benefit all workers (Owen 2019).

Studies also recognize potential costs associated with inward FDI that could reflect poorly on political leaders. An extensive literature notes that increased competition from FDI can crowd out local firms (Owen 2015; Pandya 2014; Pinto and Pinto 2008), implying that new projects could harm the reputations of local leaders associated with such investments. Scholars also document potential political costs due to environmental degradation (Acharyya 2009), corruption (Owen 2019, Pinto and Zhu 2016), and labor market volatility (Scheve and Slaughter 2006).

Whether or not political leaders have much control over the location decisions of FDI projects remains the subject of some debate. One perspective emphasizes host governments' agency in accepting FDI (e.g., Jensen et al. 2014; Pandya 2016), rejecting it (Tingley et al. 2015), or more generally regulating it (Wellhausen 2015). In contrast, a frequent assumption about FDI is that home country firms drive location decisions, based on sector-specific commercial factors or on

the credible commitment of host-country institutions (Li and Resnick 2003; Shi and Zhu 2019). Studies also vary widely regarding whether popular reactions to FDI tend to be positive or negative overall (Chilton, Milner, and Tingley 2020; Robertson and Teitelbaum 2011; Tingley et al. 2015). Nevertheless, when it comes to credit claiming, studies suggest that, on balance, political leaders in developing countries not only value FDI inflows but compete strenuously for them (Pandya 2016; Simmons et al. 2016).<sup>1</sup>

### **FDI, Unmet Expectations, and the Prospects of Political Leaders**

Several features of FDI projects inform our theoretical claims about how residents perceive their political leaders. First, FDI shapes local expectations in key ways. For example, while scholars disagree on the long-term growth effects of FDI (Kosack and Tobin 2006; Nwaogu and Ryan 2015), communities seem to anticipate sustained job prospects, at least in manufacturing (Waldkirch, Nunnenkamp, and Bremont 2009).<sup>2</sup> In addition, while both firms and host governments may shape the location of FDI projects as outlined above, FDI—as private capital—is typically perceived as mostly free from political favoritism or shifts in government priorities (Kosack and Tobin 2006). This helps to insulate local residents from fears that investment projects in their communities may be announced but later withdrawn. Finally, as Alesina and Dollar (2000) note, compared to foreign aid, increases in FDI tend to signal economic stability, which can influence perceptions of the broader economy when projects are announced.

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<sup>1</sup>Studies similarly underscore the presence of both risks and benefits of foreign aid. For example, Brautigam and Knack (2004) and Ahmed (2012) stress the risks of dependency and authoritarian survival, but others note that aid can offset hostilities (Lehmann and Masterson 2020), improve local development (Sachs 2005), and be politically useful to recipient country leaders (Dreher et al. 2019).

<sup>2</sup>Studies in international political economy suggest important differences between private and state-owned investment firms. Given that individuals in this study likely do not have information on the ownership status of Chinese projects, we table that distinction but recognize its relevance for other outcomes.

Because development hopes of this sort constitute a key valence issue in Africa (Bleck and van de Walle 2013), leaders at the national level almost invariably tout – and compete over – their competence in attracting FDI. For example, Ethiopia’s transport minister labeled Chinese shoemaker Huajian’s planned investment in an industrial park “a gamechanger” for local communities.<sup>3</sup> In Nigeria, the then-vice president stated at the groundbreaking ceremony for an assembly plant financed with Chinese FDI that the project would “completely transform” the Nigerian economy “for Nigerians and Nigerian businesses.”<sup>4</sup> Development politicking of this sort ties the perceptions that residents have of political leaders in Africa to the perceived economic benefits of FDI projects, a phenomenon found in other contexts (Jensen et al. 2014; Jensen and Malesky 2018).

Meanwhile, we argue that the actual benefits to local communities from FDI are typically overstated at the stage of announcement, as firms seek local acceptance but also to maximize and extract profits thereafter (see also Christensen 2019; Janeba 2002). Whatever the expectation of broader economic development that might follow the announcement of a local FDI project, moreover, the direct benefits are likely to accrue foremost to higher-skilled workers (Pinto 2013), suggesting that few would actually benefit in a setting in which unskilled workers far exceed the supply of skilled ones (Hjort and Poulsen 2019). Furthermore, tangible opportunities, particularly in terms of jobs, can be difficult for communities to ascertain in advance upon the news of a forthcoming foreign investment project (McGuinness, Pouliakas, and Redmond 2018). Thus, the expectations that emerge with new FDI projects often go unmet (Christensen 2019). To be clear, local communities may indeed reap aggregate economic rewards from local FDI, but we suggest that expectations are likely to outstrip subsequent popular prognoses.

Regarding the consequences for political leaders, evidence from the economic voting literature suggests that both short-term economic expectations and sociotropic job security shape perceptions of political leaders (see Mughan and Lacy 2002). This would suggest that political leaders

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<sup>3</sup>“Xinhua Headlines: Chinese factory in Ethiopia ignites African dreams.” New China, 31 March 2018. [http://www.xinhuanet.com/english/2018-03/31/c\\_137079548.htm](http://www.xinhuanet.com/english/2018-03/31/c_137079548.htm).

<sup>4</sup><https://www.railwaygazette.com/business/construction-of-nigerian-rolling-stock-factory-begins/55094.article>.

profit when the economic news related to FDI projects is positive but face consequences when outcomes disappoint. We thus argue that political leaders somewhat counterintuitively run the risk of negative political fallout in communities that receive foreign direct investment. Promoting those projects upon their announcement represents an appealing opportunity for leaders to reap the benefits of anticipated development and employment opportunities. Yet, the tendency to stake their reputations to anticipated benefits also exposes political leaders to blame if the benefits do not materialize. Given the nature of FDI projects and characteristics of the local labor market, such disappointment is frequently forthcoming.

There are numerous reasons why national political leaders may covet and promote FDI from China despite uncertain consequences for their own political standing. Resource scarcity is principal among them, potentially driving leaders to seek capital inflows to offset well-documented shortages, even at the risk of longer-term political costs (Bauer 2013). Further, the rapid expansion in FDI from China to Africa remains relatively recent, so leaders may face incomplete information regarding systematic downstream consequences.<sup>5</sup> National leaders in Africa may also prioritize international business interests in FDI over other concerns (Lewis and Stein 1997). Finally, political leaders may prefer the short-term payoff of a positive announcement, recognizing that in the longer term their political status is uncertain (Lupu and Riedl 2013).

Similarly, several factors explain why local communities may have inflated expectations on the announcement of Chinese FDI, only to be disappointed. First, despite variation across countries (Sautman and Yan 2009), popular opinion of China's presence in Africa is generally favorable (Hanusch 2012; Amanor and Chichava 2016).<sup>6</sup> Further, while FDI-sending countries and firms tend to aggressively brand their projects (Dietrich, Mahmud, and Winters 2018), little accurate

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<sup>5</sup>Only recently are leaders' perceptions of Chinese aid moving from the benefits of few conditions to the potential costs of indebtedness (see Were 2018), and the wave of new Chinese FDI to Africa began later.

<sup>6</sup>Data from the most recent round of Afrobarometer surveys confirms that a strong majority of Africans holds positive views of China. See results from the merged Round 7 dataset at <http://afrobarometer.org/data/merged-round-7-data-34-countries-2019>.

information is typically available to community members regarding the specific numbers and types of jobs that may be forthcoming,<sup>7</sup> and the recency of widespread Chinese FDI to the region again may allow for only incomplete information. Most importantly, political leaders have incentives to tout potential project benefits and firms have incentives to overstate those benefits, leaving residents with an incomplete and biased picture. Popular excitement and subsequent disappointment may thus be anticipated, in ways that are politically costly for national political leaders.

We suspect that the expectations and political fallout related to Chinese FDI would differ from those of Chinese foreign aid. Unmet expectations can be a function of either too poor a result or too optimistic an initial outlook, and we argue that the latter is less likely to arise in the context of aid. While channels of investment can be particularly complex in the case of Chinese firms (Amighini, Rabellotti, and Sanfilippo 2013), aid projects typically address sectors other than manufacturing, which is where job opportunities are easiest for community members to envision and leaders to tout.<sup>8</sup> In addition, foreign aid constitutes a form of fungible state revenue in ways that FDI does not (see Kosack and Tobin 2006), leaving aid projects potentially subject to political intervention that may temper expectations at the local level. We remain agnostic about the extent to which community members recognize a project as aid or FDI; we simply assume that their interests lie in the tangible benefits that projects bring to the locality, and we argue that anticipated employment benefits should be lower, and political meddling higher, in proximity to projects funded with foreign aid. That FDI projects are conventionally viewed as less politically motivated thus has the perverse effect of raising expectations and ultimately undermining the perceived effectiveness of political leaders.

Finally, we note the proximity effects of FDI projects. Not only are ceremonies announcing new FDI agreements or the breaking of ground on FDI construction commonplace, but in addition, residents of communities where new projects are implemented see tangible evidence in terms of construction sites, an influx of company representatives, and perhaps employment notices. This

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<sup>7</sup>See the statements from Ethiopian and Nigerian officials cited above for commonplace examples.

<sup>8</sup>Chinese aid projects listed in the AidData database typically address transport, social and physical infrastructure, and health.



is especially true for projects in the manufacturing and natural resource sectors. Those signals of pending opportunity would remain visible at some distance, though with decreasing salience. We thus anticipate that China's FDI projects in Africa have strong proximity effects: their impact should be strongest among those in closest proximity to the projects and should attenuate among residents who live further away.

A number of observable implications follow from these claims. First, we anticipate that people living in proximity to the announced locations of Chinese FDI projects will experience inflated expectations regarding the economy. Second, however, we expect that the popular outlook on economic conditions will sour relative to the often overstated claims of leaders once projects are operational. Third and most importantly, we expect political leaders to pay a cost by association for their constituents' unmet expectations: while individuals may assign credit to political leaders for attracting Chinese FDI to their localities at the outset, attitudes regarding the effectiveness of those leaders should deteriorate when projects are operational, as limits to the number of new jobs become apparent. We anticipate that this pattern of unmet expectations and blame will be muted in the context of foreign aid. Finally, we expect that the effects of FDI will be strongest in close proximity to projects and will attenuate as spatial distances increase.

## **Data and Model Specifications**

### *Data Sources*

Data on Chinese FDI projects in Africa are drawn from the Financial Times' *fDi Markets* database, a collection of over 30,000 crossborder investment projects that result in new jobs or capital investment.<sup>9</sup> The *fDi Markets* dataset includes 438 cases of foreign direct investment in Africa by firms based in China. We excluded projects located outside of the countries for which we have public opinion data on the outcomes of interest. We then discarded cases for which we were unable to find a precise geolocation, consistent with studies using georeferenced aid data (see Strandow et al. 2011). The resulting dataset includes 223 projects in 21 countries (see the map in Figure A.1). The projects excluded due to imprecise geolocations are comparable to the precisely located ones

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<sup>9</sup>For additional information, see <https://www.fdimarkets.com/>.

in terms of observable characteristics from the *fDi Markets* database.<sup>10</sup> We also note that the rate of inclusion compares favorably to studies using *AidData* information on precisely coded foreign aid projects.<sup>11</sup>

For analyses comparing the effects of Chinese FDI projects to those of Chinese foreign aid projects, we rely on the *AidData* dataset version 1.1.1.<sup>12</sup> Those data include information on official global Chinese aid financing from 2000-2012. Subsetting the data to the 29 countries in Africa for which we have both aid project data and public opinion data, and to projects with precise location codes,<sup>13</sup> we are left with 227 cases of official Chinese aid projects.

To measure the outcomes of interest, we rely on data from the Afrobarometer public opinion surveys. The Afrobarometer dataset now includes seven rounds of nationally representative individual-level survey data collected every two to three years since 1999, in up to 38 countries per wave.<sup>14</sup> For this study, we exploit data from all seven rounds for the countries in which Chinese FDI projects exist; the resulting dataset comprises 179,278 respondents.<sup>15</sup> We note that, because some countries in Africa have no Chinese investment projects with precise location codes and others are not yet included in the Afrobarometer surveys, caution should be used in generalizing the findings to the entire continent over the entire time period.

The first outcome of interest in the study is popular perceptions of the national economic condition, which we gauge in both present and future terms. The first indicator relies on a survey

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<sup>10</sup>See the note to Figure A.2 in Appendix for details.

<sup>11</sup>Of the 2,046 Chinese ODA projects in the *AidData* dataset, 817 are precisely geolocated, and 227 have both a precise geolocation and a precise year of operation.

<sup>12</sup>The same data are widely used in recent studies focusing explicitly on Chinese aid. See the text below for a partial list.

<sup>13</sup>Exact locations (code 1), or “in the area of” or within 25km of an exact location (code 2).

<sup>14</sup>Afrobarometer Data, All countries, Rounds 1-7, 1999-2001, 2002-2004, 2005-2006, 2008, 2011-2013, 2014-2015, 2016-2017, available at <http://www.afrobarometer.org>.

<sup>15</sup>The comparative analyses using foreign aid include 220,874 respondents over the 29 countries with available data.

question that asks respondents to describe the present economic condition of the country. Responses are reported on a five-point scale from “very bad” to “very good.”<sup>16</sup> In addition, we use a survey question that asks respondents: “Looking ahead, do you expect economic conditions in this country to be better or worse in twelve months’ time?” Responses are again coded on a five-point scale, from “much worse” to “much better.”

To evaluate our prediction regarding the perceived effectiveness of political leaders in matters of economic development, we rely on three outcome measures. First, we exploit a question that asks respondents how well the current government is doing in managing the economy. Responses are coded on a four-point scale from “very badly” to “very well.” Second, we use a survey question that asks respondents how well they think the current government is doing in creating jobs. Job creation represents a tangible measure of political-economic effectiveness, and is often the most touted, in Africa and elsewhere. Perceived effectiveness in creating jobs is also measured on a four-point scale from “very badly” to “very well.” Third, we include a measure of presidential approval, which asks respondents whether they approve or disapprove of the way the president has performed over the last 12 months. Responses are coded on a four-point scale from “strongly disapprove” to “strongly approve.”

#### *Connecting Georeferenced Data on FDI Projects to Local Survey Responses*

Literatures in political science and economics increasingly leverage georeferenced data to evaluate potential location-based determinants. A burgeoning literature does so to evaluate the effects of proximity to Chinese foreign aid projects (Bluhm et al. 2018; Gehring, Wong, and Kaplan 2019; Isaksson and Kotsadam 2018a, 2018b; Knutsen and Kotsadam 2020; Martorano, Metzger, and Sanfilippo 2020). Though less common, a few studies consider the proximity effects of FDI, focusing primarily on the mining sector (Bunte et al. 2018; Christensen 2019; Knutsen et al. 2017; Kotsadam and Tolonen 2016; Wegenast et al. 2019). We build on these studies. First, we focus specifically on FDI from Chinese firms, comparing those effects to the frequently studied context of Chinese foreign aid. We also extend the analyses beyond extractive industries to a wide

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<sup>16</sup>Details on the coding of all variables are included in Table A.1.

range of manufacturing, natural resources, and service sector projects using the most comprehensive project-level data available on FDI. Finally, this study represents the first that we know of to spatially connect FDI projects to the prospects of political leaders.

We locate the FDI projects in space using a combination of GPS point coordinates and a precision coding scheme. From the project descriptions in the *fDi Markets* dataset, we searched newspaper articles in English, French, and Chinese that reported on the announcement or implementation of the projects. We subsequently used address information from the articles and searches in Google Maps to determine the GPS point coordinates of each project.<sup>17</sup> Our precision coding scheme, presented in Appendix Table A.2, is an adaptation of the system used to code the locations of foreign aid projects in the *AidData* dataset. We include projects with exact locations (code 1), those “in the area of” or within 25km of an exact location (code 2), and those in an industrial zone for which we were able to identify an exact geolocation, despite not having an exact location for the particular project (code 9).

The geolocations of Afrobarometer respondents are recorded using GPS point coordinates for clusters of respondents; each cluster constitutes an enumeration area, typically representing a small village or a neighborhood in urban zones. To measure the distance between respondents and a Chinese FDI project, we measure from the centroid coordinate for the enumeration area.

For our main analyses, we generate spatial buffers with radii of 50km around each cluster of survey respondents. We treat respondents as living close to a Chinese FDI project if one or more of the projects lies within that circular buffer around their georeferenced location. The distance of 50km is somewhat arbitrary but theoretically reasoned to account for distances over which local residents might plausibly see and experience the effects of a new investment project; it is consistent with the buffer sizes in other similar studies (see Knutsen et al. 2017). In the figures that follow our analyses, we also illustrate the effects at variable distances ranging from 0 to 200km, and we provide supplementary analyses using buffers of 25km.

To track the stage of each project at the time of residents’ survey responses, we exploit the

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<sup>17</sup>Consistent with *AidData* protocols, locations are double-blind coded, with discrepancies resolved by a third coder.

fact that the Afrobarometer data were collected in seven rounds over a 20-year period, from 1999-2018. Using the timing of survey responses and the information we collected on the years of project announcement and implementation, we are able to determine project status as *inactive* (meaning the location serves as the site of a future project in the dataset but where no project has yet been announced or become operational), *announced*, or *active* for each project during each survey round.<sup>18</sup> The same project might thus enter the dataset as inactive for one round of survey data, announced for a subsequent round, and operational for a later round. Using this algorithm to connect FDI projects to survey respondents, we find that 17,390 respondents, or 9.7% of the dataset, live within 50km of an active Chinese FDI project at the time of their survey response.

### *Empirical Strategy*

We wish to test the effects of Chinese FDI projects on the local economic outlook and on perceptions of the effectiveness of political leaders, first to determine whether FDI projects cause unmet economic expectations and then to evaluate whether political leaders' reputations are burnished or tarnished once projects are implemented. Because potential unmet expectations are necessarily measured over two stages (anticipation and evaluation), we must account for outcomes both when projects are announced and when they are operational.

An important consideration is that Chinese FDI activity may select into locations where economic outlooks are better or where perceptions of political leaders are more favorable, which would result in biased outcomes.<sup>19</sup> To overcome this potential source of endogeneity, we adopt a variant of a difference-in-differences approach that builds on Kotsadam and Tolonen (2016) and others (see Isaksson and Kotsadam 2018a; Knutsen et al. 2017). Given that each individual respondent

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<sup>18</sup>The data include some imprecision given that we are unable to code the precise dates of project announcement and implementation. Thus, if the FDI project is operational in year  $t$ , only respondents surveyed in or after the year  $t+1$  are coded as active. The same is true for announced.

<sup>19</sup>We note that such bias would militate against our predictions of unmet expectations and frustrations with political leaders, though it is also plausible that the location of FDI projects be made for systematic reasons that bias results in the opposite direction.

can be coded as living close to an *inactive* project, an *announced* project, an *active* project, or *not close* to any project (meaning more than 50km away in our main analyses), we can first compare the effects of living close to an announced or active project to not living near a project site at all. To account for the potential nonrandom location of those projects, however, we must compare respondents who live near announced and active projects to respondents living near those same locations prior to any sign of Chinese FDI (that is, the inactive projects). We can then evaluate the difference-in-differences between (*active* – *inactive*) and (*announced* – *inactive*) to determine the extent to which respondents’ expectations are met or not regarding the outcomes of interest, controlling for the time-invariant features of project locations that could result in their nonrandom selection. Similarly, we can drop all respondents who are not close to any project at all; doing so allows us to treat those close to inactive projects as the reference category and to then evaluate the difference between *active* and *announced* directly. Table A.3 reports the number of Afrobarometer survey respondents in each of the four categories for each of the 21 countries for which we have data, using 50km buffers.

Note that this design mitigates concerns that heterogeneity across individual-level factors might influence the outcomes. While views may differ in interesting ways according to respondents’ ethnicity, preferred political party, or other features, those patterns would pose threats to the inferences we make only if they were to change systematically in local communities as FDI projects go from being inactive to announced to active.

We estimate the effects using OLS models for ease of interpretation in comparing the differences between coefficients.<sup>20</sup> The baseline regression equation is

$$Y_{ivt} = \beta_1 \text{announced} + \beta_2 \text{active} + \beta_3 \text{inactive} + \lambda \mathbf{X}_i + \theta_c + \gamma_t + \varepsilon_{ivt}$$

where  $Y$  represents the outcome of interest for individual  $i$  living in survey enumeration area  $v$  in year  $t$ . As noted, *announced* denotes proximity to a project site that has been announced but is not

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<sup>20</sup>This strategy is consistent with numerous other studies (e.g., Knutsen et al. 2017; McCauley et al. 2020).

yet operational. *Active* denotes proximity to an operational FDI project at the time of survey, and *inactive* represents proximity to a location ultimately selected for Chinese FDI investment but for which no project (yet) exists at the time of survey. The analyses include a vector ( $\mathbf{X}_i$ ) of individual-level characteristics that includes urban location, age, age squared, gender, and education. We also include fixed effects for the country ( $\theta_c$ ) and year ( $\gamma_t$ ). Standard errors are clustered at the village level.

Using the baseline model, we can estimate the effects of proximity to an announced FDI project and proximity to an active FDI project, relative to the effects of living further than 50km from any status of Chinese FDI project. To account for the endogeneity issue related to location, and also to determine whether respondent expectations are met or unmet, we also evaluate the differences between coefficients to obtain differences-in-differences for three outcomes. First, we test the difference between *announced* and *inactive* ( $\beta_1 - \beta_3$ ), which provides a measure of the effect of anticipation when a new Chinese FDI project is announced in a respondent's locality, controlling for the time-invariant factors that may have influenced the selection of that particular location. Second, we evaluate the difference between *active* and *inactive* ( $\beta_2 - \beta_3$ ); this provides a measure of the effect of living near an operational project, again controlling for time-invariant factors that could have influenced the selection of the location. Finally, we test the difference between *active* and *announced* ( $\beta_2 - \beta_1$ ), an innovative approach that allows us to evaluate whether respondent expectations regarding Chinese FDI projects are met or not. If the difference is positive, perceptions are better when projects are operational compared to when they are simply announced. If, on the other hand, the difference is negative, the outcome measures – either economic outlooks or perceptions of political leaders' effectiveness – decline when projects are up and running, relative to the pre-operational period.

## **Results**

We first consider the consequences of Chinese FDI projects and then conduct the same analyses for proximity to Chinese aid. Descriptive statistics are presented in Table A.4. On average, respondents live 255km from the location of a Chinese FDI project (at any stage). The average age of respondents is 36.4 years, and respondents have an average education level of primary school

completion. As Figure A.3 shows, the sample is balanced on individual-level covariates excepting urban location, which is more common among those close to FDI locations compared to those in the baseline category. This is unsurprising given that many of the FDI projects, particularly service-sector projects such as stores and headquarters but also many factories, are located in urban areas. The balance is comparable to that of respondents close to and further from Chinese foreign aid projects, as we show in Figure A.4.

### *Perceptions of Economic Conditions*

We present results for the first set of outcomes in Table 1, beginning with perceptions of current economic conditions. Column 1 reports the results with the outcome dichotomized to 1 if respondents selected “good” or “very good” present economic conditions and 0 otherwise. Column 2 presents the results with the dependent variable in its ordered form. The positively signed and statistically significant coefficients on *announced* for both analyses confirm that, relative to the baseline category of respondents not close to any form of Chinese FDI project, being close to an announced project is associated with improved perceptions of the present economic condition. Meanwhile, proximity to active projects has a negative effect relative to the baseline.

To account for the potentially nonrandom nature of those locations, we turn to the difference-in-differences analyses that follow in the table. First, the coefficients on (*announced – inactive*) are positive and statistically significant, suggesting that, controlling for the potentially nonrandom location of FDI sites, hearing of a pending project nearby inspires a better outlook on the present economy. Substantively, the coefficient of 0.054 indicates that respondents within 50km of an announced site are 5.4 percentage points more likely than those within 50km of an inactive site to view the present economic condition as good or very good. Given that only 32% of respondents overall consider the economy to be good or very good, we consider this to be a substantively meaningful shift. Second, we consider the difference of (*active – inactive*). Here, the coefficients are negative in both analyses and statistically significant in the ordinal model (Column 2). These results suggest that proximity to an active Chinese FDI project again results in worse perceptions of the present economic condition, this time controlling for the time-invariant characteristics of the locations.



Table 1: Chinese FDI and Perceptions of Economic Conditions

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 50km             | 0.019<br>(1.286)            | 0.082<br>(1.857)   | 0.052<br>(3.132)   | 0.149<br>(3.030)   | 0.034<br>(2.129)           | 0.084<br>(1.729)   | 0.032<br>(1.819)   | 0.116<br>(2.156)   |
| Active 50km                | -0.042<br>(-7.366)          | -0.146<br>(-8.454) | -0.026<br>(-2.510) | -0.113<br>(-3.807) | -0.042<br>(-6.704)         | -0.108<br>(-6.338) | -0.071<br>(-5.925) | -0.150<br>(-4.810) |
| Inactive 50km              | -0.035<br>(-5.226)          | -0.080<br>(-4.270) |                    |                    | -0.013<br>(-1.550)         | -0.053<br>(-2.098) |                    |                    |
| Announced-Inactive         | 0.054                       | 0.162              |                    |                    | 0.047                      | 0.138              |                    |                    |
| F test: announced=inactive | 12.363                      | 12.911             |                    |                    | 7.244                      | 6.625              |                    |                    |
| p value                    | 0.000                       | 0.000              |                    |                    | 0.007                      | 0.010              |                    |                    |
| Active-Inactive            | -0.007                      | -0.066             |                    |                    | -0.029                     | -0.055             |                    |                    |
| F test: active=inactive    | 0.931                       | 9.484              |                    |                    | 10.063                     | 3.978              |                    |                    |
| p value                    | 0.335                       | 0.002              |                    |                    | 0.002                      | 0.046              |                    |                    |
| Active-Announced           | -0.061                      | -0.228             | -0.078             | -0.262             | -0.077                     | -0.192             | -0.103             | -0.266             |
| F test: active=announced   | 16.236                      | 25.160             | 22.783             | 28.505             | 20.689                     | 14.492             | 35.288             | 26.188             |
| p value                    | 0.000                       | 0.000              | 0.000              | 0.000              | 0.000                      | 0.000              | 0.000              | 0.000              |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 155896                      | 155896             | 36700              | 36700              | 154490                     | 154490             | 36969              | 36969              |
| Adjusted R squared         | 0.061                       | 0.101              | 0.048              | 0.092              | 0.091                      | 0.111              | 0.108              | 0.118              |

*Note:* All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.

Finally, we test the effects of (*active – announced*) projects, which allows us to evaluate statistically whether FDI projects elicit unmet expectations. Indeed, the negative and statistically significant coefficients confirm that respondents' perceptions of the present economic condition are significantly worse after a project is operational than they were when the project was announced. We interpret this finding as a story of unmet expectations, likely owing to initial excitement of benefits from Chinese investment in the locality followed by disappointment over job opportunities and general economic improvement. The coefficient of -0.061 indicates that, as projects go from the announced stage to the operational stage, respondents are 6.1 percentage points less likely to view the economy in positive terms.

In Columns 3 and 4 of Table 1, we drop respondents in the baseline category of not close to any form of FDI project. The reference category in this case becomes inactive, and we can directly

interpret the coefficients on *active* and *announced*.<sup>21</sup> Again, the results lend strong support to the notion that expectations are high upon the announcement of Chinese FDI projects but that evaluations of the economic condition decline when the project is operational.

We use the alternative dependent variable of perceptions of future economic conditions in Columns 5-8 of Table 1. Across all specifications of the model, the results are consistent with those we present for current economic conditions, and again statistically significant. The coefficient of -0.077 on (*active* – *announced*) in Column 5 indicates that, as projects move from the announced to the active stage, respondents are nearly eight percentage points less likely to believe that the economy will be better or much better in 12 months' time. Given that approximately 55% of respondents view the future economic condition in good or very good terms, the effect is substantively meaningful.

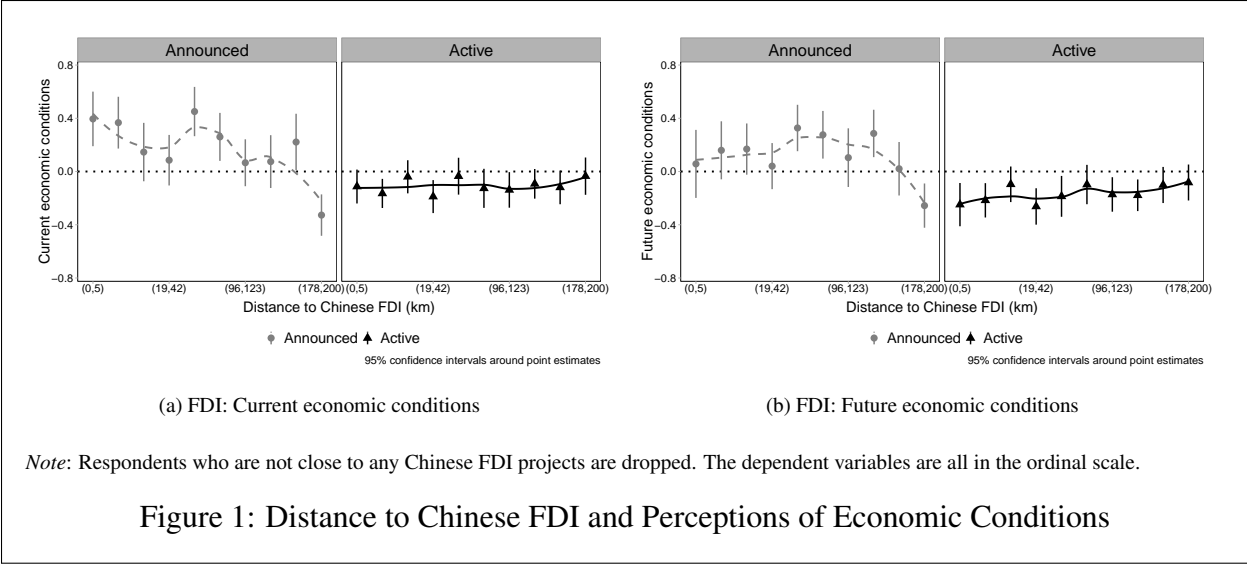
The analyses presented so far rely on spatial cutoffs of 50km. In Figure 1, we relax that restriction and illustrate the effects of proximity to announced and active Chinese FDI projects over variable distances up to 200km.<sup>22</sup> We first cut the 200km distance into 10 bins with an equal number of respondents in each bin. We then run regressions controlling for the same individual-level characteristics and including country and year fixed effects. The point estimates represent coefficients for each of the 10 bins for announced and active, and the lines are fit using a LOESS smoothing function.

The results confirm a pattern of unmet expectations. Announced projects increase perceptions of the current economic condition in close proximity, and those effects attenuate at greater distances (panel a). The precise effects at different distances may be model dependent, but we conservatively estimate the effects to persist up to about 100-150km. In proximity to active projects, however, perceptions of the current economic condition are consistently negative, with gradual

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<sup>21</sup>The effect of *active* in Columns 3 and 4 is essentially equivalent to the effect of (*active* – *inactive*) in Columns 1 and 2, given that we omitted all respondents not close to any projects and made *inactive* the baseline.

<sup>22</sup>Respondents further than 200km from a Chinese FDI project are dropped from the analyses, so the effects are relative to respondents close to an inactive project.



attenuation further away. Similar patterns are retained when we analyze and graph the results for perceptions of future economic conditions (panel b).

*Perceptions of Political Competence*

Next, we consider whether individuals alter their opinions of their political leaders’ competence based on proximity to Chinese FDI sites. We report the results for our three measures of perceived political competence—government effectiveness managing the economy, government effectiveness creating jobs, and presidential approval—in Table 2, again using OLS regressions and in analyses with the entire sample and with only those respondents close to some stage of an FDI project.

The results tell a consistent and interesting story. First, relative to the baseline, proximity to an *announced* project appears to have ambivalent effects on perceptions of political leaders’ competence, a finding to which we return later. Meanwhile, the effects of proximity to an *active* project are strong and negative. Looking next at the difference of (*announced* – *inactive*) confirms that respondents seem to withhold judgment of their political leaders upon the announcement of a new Chinese FDI project: controlling for time-invariant characteristics of the project locations, the effects of an announced project do not significantly correlate with any of the three measures of perceived political competence in any of the model specifications.

While respondents seem to withhold judgment upon the announcement of a new Chinese FDI

Table 2: Chinese FDI and Perceptions of Political Competence

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.025<br>(-1.558) | -0.041<br>(-1.319) | -0.022<br>(-1.167) | -0.025<br>(-0.698) | -0.033<br>(-2.595) | -0.070<br>(-2.521) | -0.024<br>(-1.624) | -0.047<br>(-1.473) | -0.025<br>(-1.468)    | -0.079<br>(-2.270) | 0.000<br>(-0.005)  | -0.022<br>(-0.534) |
| Active 50km                | -0.055<br>(-8.215) | -0.120<br>(-9.057) | -0.083<br>(-6.634) | -0.149<br>(-6.074) | -0.036<br>(-6.892) | -0.091<br>(-8.118) | -0.045<br>(-4.904) | -0.098<br>(-4.866) | -0.060<br>(-8.874)    | -0.122<br>(-8.562) | -0.080<br>(-6.386) | -0.162<br>(-6.238) |
| Inactive 50km              | -0.015<br>(-1.721) | -0.034<br>(-2.022) |                    |                    | -0.024<br>(-4.229) | -0.050<br>(-4.436) |                    |                    | -0.030<br>(-4.605)    | -0.063<br>(-4.594) |                    |                    |
| Announced-Inactive         | -0.010             | -0.007             |                    |                    | -0.009             | -0.020             |                    |                    | 0.005                 | -0.016             |                    |                    |
| F test: announced=inactive | 0.425              | 0.054              |                    |                    | 0.444              | 0.465              |                    |                    | 0.076                 | 0.200              |                    |                    |
| p value                    | 0.514              | 0.816              |                    |                    | 0.505              | 0.495              |                    |                    | 0.782                 | 0.654              |                    |                    |
| Active-Inactive            | -0.041             | -0.086             |                    |                    | -0.012             | -0.041             |                    |                    | -0.031                | -0.059             |                    |                    |
| F test: active=inactive    | 20.652             | 23.661             |                    |                    | 3.259              | 8.547              |                    |                    | 12.701                | 10.609             |                    |                    |
| p value                    | 0.000              | 0.000              |                    |                    | 0.071              | 0.003              |                    |                    | 0.000                 | 0.001              |                    |                    |
| Active-Announced           | -0.030             | -0.079             | -0.061             | -0.124             | -0.003             | -0.021             | -0.021             | -0.050             | -0.036                | -0.043             | -0.080             | -0.140             |
| F test: active=announced   | 3.384              | 6.341              | 12.163             | 13.635             | 0.057              | 0.521              | 2.076              | 2.437              | 4.048                 | 1.390              | 17.035             | 11.745             |
| p value                    | 0.066              | 0.012              | 0.000              | 0.000              | 0.811              | 0.470              | 0.150              | 0.119              | 0.044                 | 0.238              | 0.000              | 0.001              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 150795             | 150795             | 35677              | 35677              | 170023             | 170023             | 40046              | 40046              | 160367                | 160367             | 36617              | 36617              |
| Adjusted R squared         | 0.069              | 0.078              | 0.079              | 0.095              | 0.037              | 0.051              | 0.043              | 0.073              | 0.099                 | 0.117              | 0.092              | 0.106              |

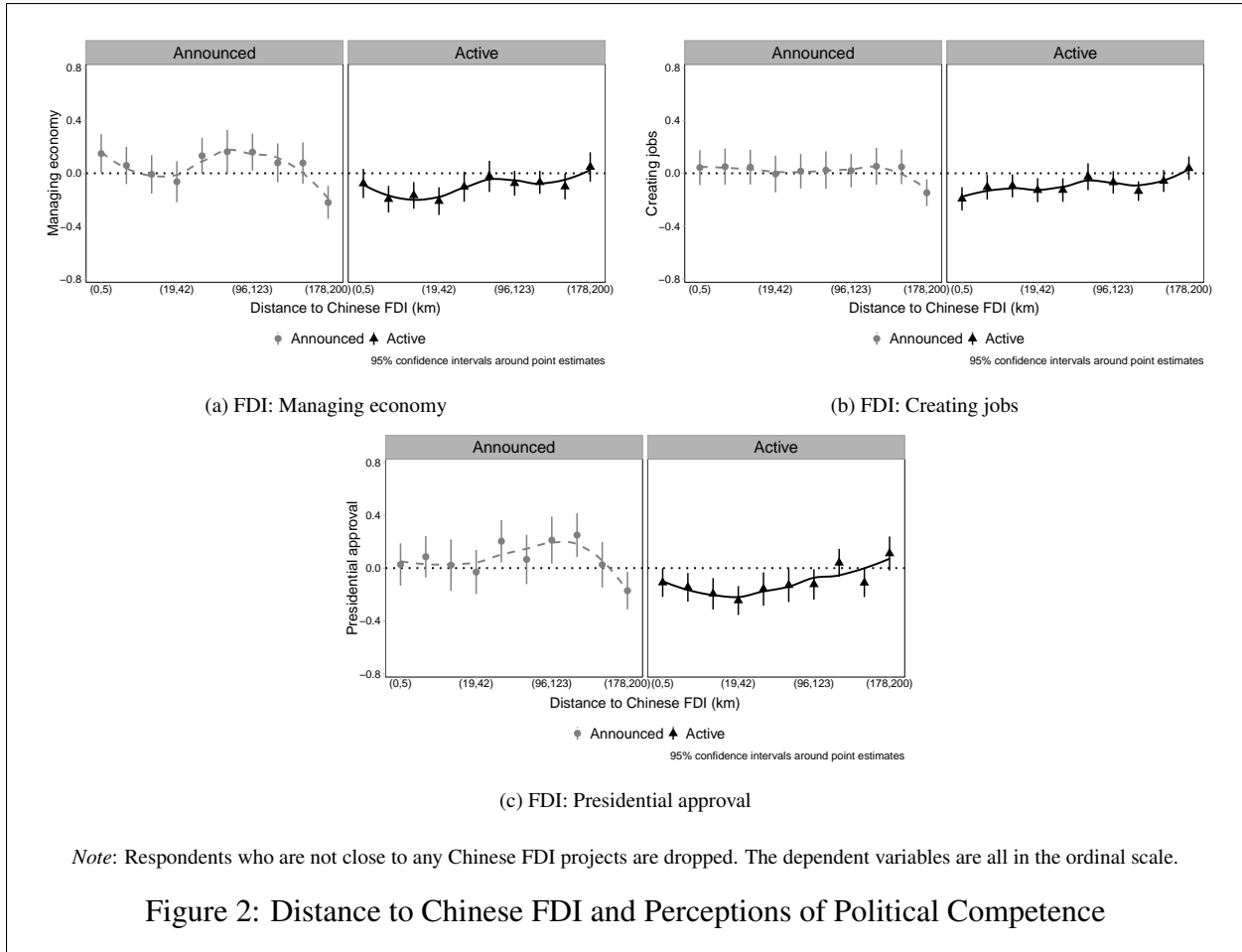
Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.

project, they clearly judge their political leaders once those projects are operational. The results for (*active – inactive*) indicate that for each of the three dependent variables and for every model specification save one, being close to an active project has a negative and significant effect on perceptions of politicians’ political-economic competence: they are viewed as worse at managing the economy, worse at creating jobs, and the president’s approval rating falls. The only exception is the analysis for job creation in Column 5, for which the effect is again negative and the *p*-value is 0.071. The findings overall lend support to the prediction that active Chinese FDI projects do not pay political dividends for African leaders; instead, those leaders seem to lose credibility.

The analyses for (*active – announced*) are as expected given the preceding two analyses: the coefficients are negative, but given the ambiguous effects of project announcements on perceived political competence, the differences are not in all cases statistically significant.

We again relax the 50km cutoff and provide a visual illustration of the effects of Chinese FDI on the three measures of perceived political competence at variable distances up to 200km; see Figure 2. Consistent with the results using 50km buffers, the findings indicate that respondents are largely ambiguous in their evaluations of political leaders’ competence in proximity to announced

projects. However, in proximity to active projects, perceptions of leaders' competence are negative and robust. As we might expect with proximity effects, the negative evaluations of political leaders attenuate at greater distances from operational projects, though they remain negative up to approximately 100km.



### Comparative Effects of Chinese Foreign Aid

For comparative purposes, we rerun our main analyses using proximity to Chinese foreign aid projects instead of FDI,<sup>23</sup> see Table A.5 for information on the number of respondents in each category of proximity to Chinese foreign aid projects by country and Table A.6 for descriptive statistics on the respondents. Given insufficient data from Afrobarometer respondents in proxim-

<sup>23</sup>Given the patterns we present in the effects of aid, our results for FDI projects may be interpreted as conservative (i.e., mitigated by the presence of aid in some co-locations).

ity to aid projects in the announced stage,<sup>24</sup> we retain those analyses but focus on the (active – inactive) difference, which provides an estimate of the effect of proximity to operational Chinese aid projects controlling for the time-invariant features of project locations that could predict their nonrandom selection. We otherwise replicate the model specifications from our main findings. Spatial proximity to aid projects is determined using 50km buffers around respondent clusters.

The results for aid tell a different story from FDI. First, regarding perceptions of the economic condition (shown in Table A.7), the effect of being close to an active aid project is negative and significant for both dependent variables using the full sample. However, controlling for time-invariant features of the locations using the (*active – inactive*) difference, the coefficients are for the most part insignificant. Among the subsample of respondents close to any stage of project, the effect of proximity to an active Chinese aid project is actually positive, though not statistically significant (for present economic conditions) or only marginally so (for future economic conditions). These results suggest that, unlike the negative effects on economic outlook that come from proximity to active Chinese FDI projects, proximity to active Chinese aid projects seems to boost evaluations of the economic condition, if anything. Figure A.5 in the appendix offers visual evidence of the relationship over distances up to 200km, which differs starkly from that of FDI.

Next, we test the effects of Chinese aid projects on perceptions of political leaders' competence. Table A.8 again replicates the model specifications from our main analyses minus the inclusion of an *announced* variable. Looking at the results for (*active – inactive*), which controls for time-invariant features of the selected locations, no relationship exists between proximity to a Chinese aid project and respondents' perceptions of their political leaders: across the model specifications and the three different outcome measures, the coefficients are of ambiguous direction and are not statistically significant. Overall, we take these findings as evidence that, whereas Chinese FDI projects undermine perceptions of political leaders' effectiveness, Chinese aid projects have no

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<sup>24</sup>The projects in the AidData dataset were operationalized during the earlier period of Afrobarometer data collection, 2000-2012. Most Afrobarometer data, however, are from later periods, since additional countries have been added with each round. Thus, most aid projects were already operational by the time much of the Afrobarometer data were collected, as Table A.5 shows.

such effect. Figure A.6 in the appendix illustrates that, in analyses across variable distances up to 200km, perceptions of political leaders' competence actually remain positive until attenuating at greater distances. This is precisely opposite the pattern shown for Chinese FDI projects in Figure 2 above.

### *Mechanisms and Additional Observable Implications*

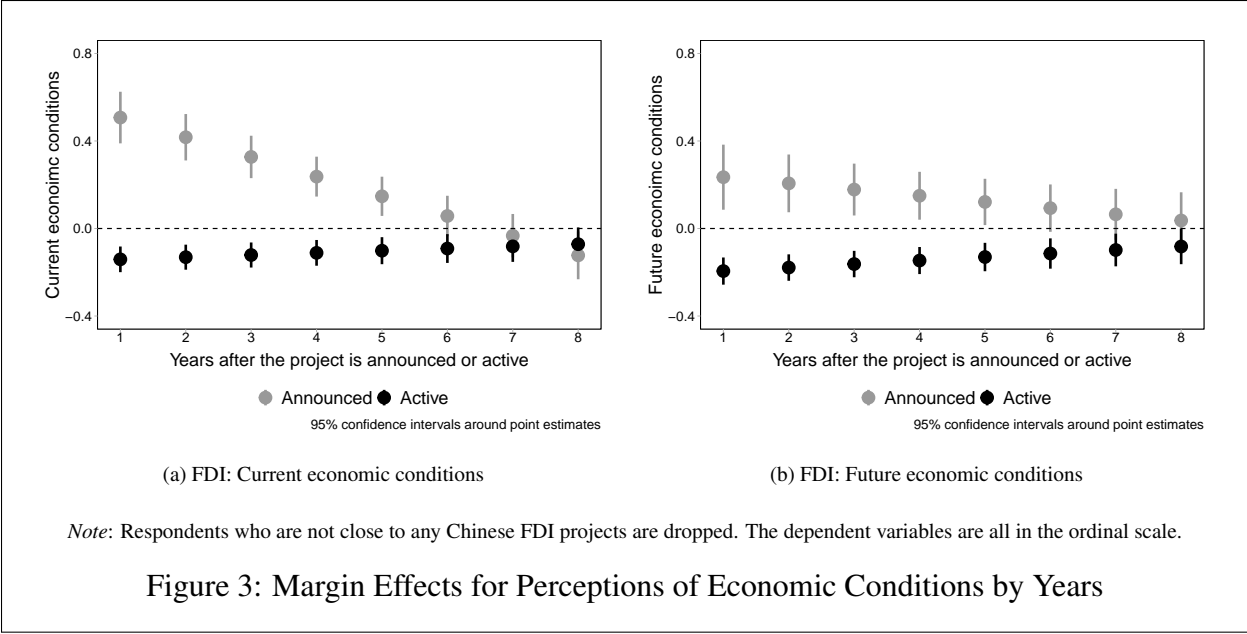
To this point, we have demonstrated that proximity to announced Chinese FDI projects correlates with a positive outlook on the economy, but that proximity to active Chinese FDI projects leads to disappointment in both the economy and the perceived competence of political leaders. Here, we add additional insights regarding the factors behind local residents' expectations, frustration, and blame.

First, recall that, despite our argument that perceptions of political leaders' effectiveness should increase when new FDI projects are announced, there appeared to be no effect. To further investigate this finding, we leverage variation in the number of years since a project's announcement or operation to estimate conditional effects due to the passage of time. For the sake of convenience in modeling the conditional effects, we use the samples that exclude respondents not close to any project location.<sup>25</sup> Figure 3 illustrates clear excitement over economic conditions in proximity to announced projects—as would be expected given our main findings—that persists for approximately five years, after which proximity to announced projects does not alter views of the economy in notable ways. Active projects, conversely, evoke economic disappointment, which persists for about six years.

Figure 4, meanwhile, adds important insight to the ambiguity in perceptions of political leaders' competence upon project announcements: reactions are indeed initially positive, but after about four years of proximity to an announced project—meaning that those projects still have not become operational—public opinion of political leaders actually turns negative. Thus, the logic that announced Chinese FDI projects inflate expectations of leader competence is supported, buy-

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<sup>25</sup>See Appendix 3.1 for details on the interaction model. We include regression tables for models with interaction effects in Appendix tables A.9-A.10.

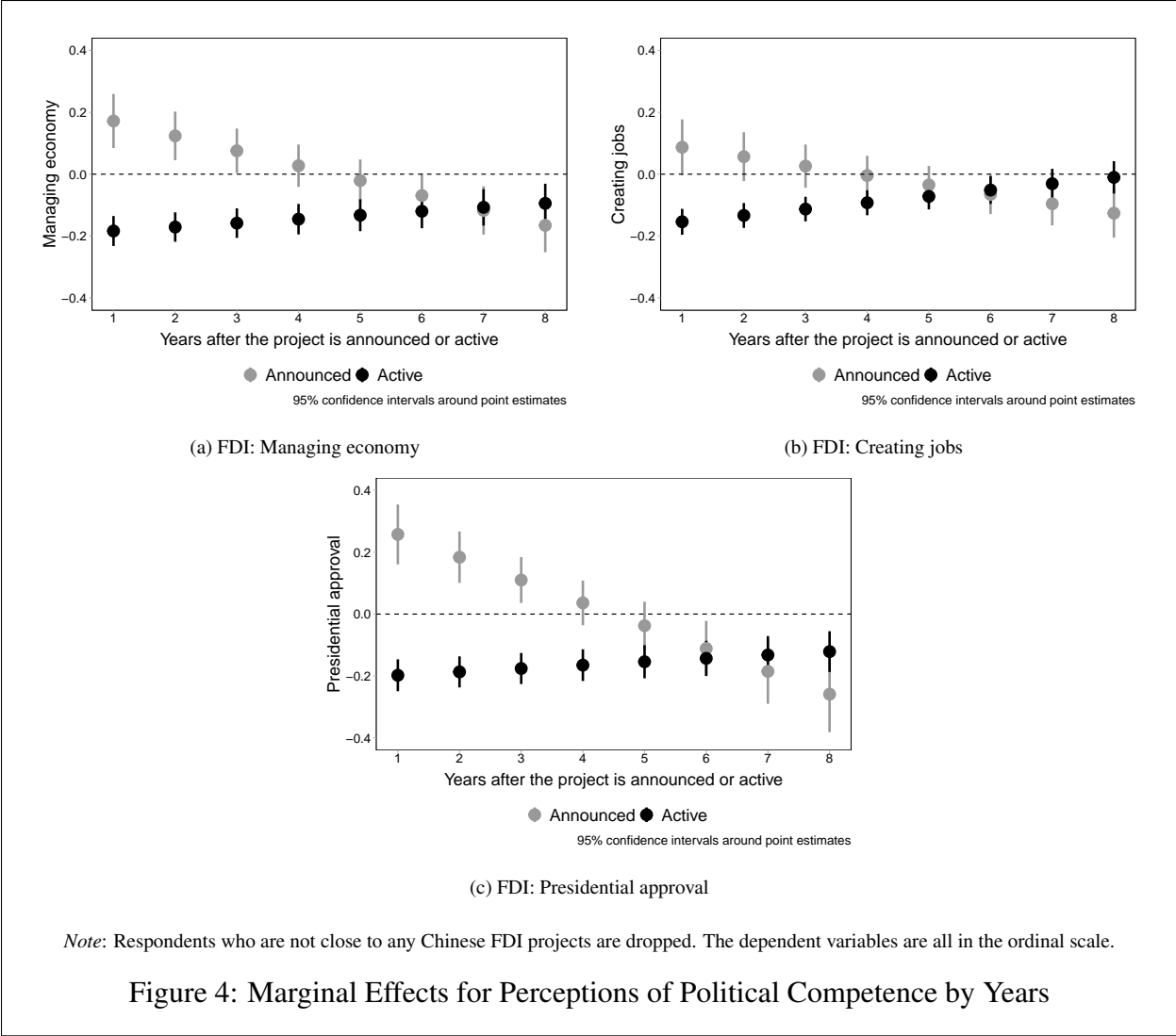


ing leaders about four years of goodwill, but delays in project implementation prove costly to those leaders in ways that mitigate the average effect over time. We argue that the finding is consistent with anticipation of new opportunities among individual respondents in proximity to announced projects, which, as time passes, turns to disappointment in the perceived effectiveness of political leaders.

Second, if inflated expectations and subsequent blame of political leaders are functions of anticipated job benefits that do not ultimately materialize, we should expect to find that the effects are most notable among respondents in the productive age groups, primarily people in their 20s to 40s. We thus disaggregate respondents into age quartiles, resulting in categories from age 18 to 25, 26 to 34, 35 to 46, and above 46, and rerun the analyses for each age group.<sup>26</sup> Figure A.7 in the appendix provides suggestive evidence in support of this mechanism: the category of respondents above age 46 does not react to proximity to announced Chinese FDI projects, but the younger respondents living in proximity to those projects, who likely anticipate opportunities, evaluate economic conditions in favorable terms. Interestingly, all age categories have negative

<sup>26</sup>We include regression tables replicating our main analyses by age category in Appendix tables A.11-A.15.





perceptions of the economy in proximity to active FDI projects.<sup>27</sup> Figure A.8 similarly illustrates effects disaggregated by age category for perceptions of leader competence. Given the marginal effects of time that mitigate the average effects of announced projects, those results by age category are also ambiguous.

Third, we analyze the data by sector. Using information on the business sector of projects in the *fDi Markets* dataset, we group the 223 projects into three categories: manufacturing, re-

<sup>27</sup>Separately, we disaggregated outcomes by gender to evaluate whether men and women have different expectations or react differently upon the operation of projects. We did not find significant gender effects.

sources, and service (see the categorization scheme in Table A.16). Replicating the main analyses in Tables A.17 – A.22, we find that perceptions of the economy are particularly strong and statistically significant ( $p=.000$ ) in proximity to announced manufacturing projects, which is what we might expect if the announcement of those projects implies a greater supply of jobs. However, the (*active – inactive*) analysis indicates ambivalent economic outlooks once manufacturing projects are operational, and the (*active – announced*) analysis confirms respondents’ disillusionment with economic conditions as projects go from announced to active. The effects of resource- and service-sector projects are weaker.

### **Robustness Tests**

We subject the main findings to a number of robustness tests. First, we rerun the analyses using spatial buffers of 25km rather than 50km around respondent clusters. The results are consistent with the main findings: respondents limited to this closer proximity to Chinese FDI projects display excitement over economic conditions when projects are pending but disappointment when projects are operational (Table A.23). They appear to be ambivalent about leadership competence during the announcement stage but are critical once projects are operational (Table A.24). We also rerun the comparative analyses of Chinese foreign aid projects using 25km buffers, and the same results are retained (Tables A.25 and A.26).

Second, we rerun the analyses using sub-national region fixed effects rather than country fixed effects. To do so, we restrict the included cases of Chinese FDI to those projects located in the sub-national regions where Afrobarometer data exist for the variables of *announced*, *active*, *inactive*, and the reference category (*not close to any*). Using 50km spatial buffers, this leaves us with data from 171 out of 601 sub-national regions, comprising 92,331 respondents. We maintain year fixed effects and the individual-level controls. The patterns in both economic outlook (Table A.27) and perceived political competence (Table A.28) remain consistent with the main findings, although the smaller sample size and a large number of fixed effects has the effect of reducing statistical significance for some outcomes.

We also rerun the analyses using project fixed effects, which represents an even more stringent estimation strategy. To do so, we subset the data to only those projects for which Afrobarometer

data exist both before and after the project announcement, which allows for within-project variation for the variables of *announced*, *active*, and *inactive*. For the 50km cut-off, this leaves 129 Chinese FDI projects (58 in manufacturing, 16 in the resource sector, and 55 in the service sector). Table A.29 presents the (*active – announced*) results for the five main dependent variables, maintaining year fixed effects and the individual-level controls. The pattern of disappointment following the operation of Chinese FDI projects is robust to this change.

Fourth, we subject the data to a matching analysis.<sup>28</sup> Ideally, we would match individuals on all included covariates (urban location, age, education, and gender) from within the same country during the same survey year, one of whom lives close to an active Chinese FDI project and the other of whom lives near an inactive project. Unfortunately, matching of that sort yields too few matched cases to analyze. Instead, given the large number of observations not close to a project location at all, we apply coarsened exact matching to create from those observations three separate matched sets for respondents close to active, announced, and inactive projects.<sup>29</sup> Using this method, we are able to identify at least one match for most respondents close to a project location. The results are not transitive and should thus be interpreted only in comparison to the reference group of *not close*, but we are nevertheless able to plot average treatment effects of proximity to projects on the outcomes of interest. As Figure A.9 illustrates, proximity to active Chinese FDI projects has negative and significant effects on all measures of both economic outlook and perceived leader competence.

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<sup>28</sup>Fixed effects coefficients may not only be inefficient and artificially weak (resulting in more conservative findings); they may also introduce reliability problems since some of our main results are derived from the subtraction of two coefficients. The matching analysis helps to overcome this challenge.

<sup>29</sup>For details of coarsened exact matching, see Iacus, King, and Porro (2012). We also follow their guidance in adjusting the different number of treated and control units within each stratum. The standard errors are clustered at the village level.

## **Conclusion**

China has established a reputation in Africa for backing robust economic development ventures using foreign aid with little conditionality. Given the appeal of such aid and the tendency for political leaders to also covet FDI as a source of jobs and a signal of competence, leaders in Africa likely anticipate political benefits when Chinese firms invest in their communities.

This study demonstrates that leaders instead may reap a near-term political bump but eventually pay a reputational cost. We consider how Chinese FDI projects affect perceptions of the economy upon their announcement and their operation. We also consider perceptions of political leaders' effectiveness when Chinese FDI projects are announced and when they are operational. By spatially connecting georeferenced data on 223 FDI projects from Chinese firms to 179,278 Afrobarometer respondents in 21 countries over a 20-year period, we demonstrate how individuals' views of the economy and their political leaders change based on proximity to announced and active projects. First, the announcement of new Chinese FDI projects fuels positive perceptions of both present and future economic conditions. Yet when those projects become operational, perceptions of economic conditions are worse than they would have been in the absence of Chinese investment. Second, people living near announced Chinese FDI projects express positive views of their political leaders for a period of time. However, once those projects are active, perceptions of the government's capacity to manage the economy, perceptions of its ability to create jobs, and presidential approval all decline. We also show that Chinese foreign aid does not elicit these effects. We interpret the results as evidence that respondents are disappointed by unmet expectations in proximity to FDI projects that do not exist in the context of aid, and that they assign blame to their political leaders as a result.

These findings have both theoretical and practical implications. From a theoretical standpoint, they show that Chinese FDI has different political payoffs at different stages, and that it may complicate the long-term objectives of political leaders. The findings also suggest fundamental differences in the way communities accept and react to foreign aid and FDI, which have not yet been fully articulated in the literature. Practically, they indicate that political leaders in Africa must contend with the risk of inflated expectations from Chinese FDI projects even as they may

benefit from the inflows in other ways. That may mean tempering fanciful predictions of economic growth and jobs upon the announcement of new projects, or perhaps working harder to publicize local benefits that accrue once projects are operational. Alternatively, depending on their political time horizons, leaders in Africa may get exactly what they want from announced FDI projects, leaving the fallout to their successors.

Future research might build on this study in a number of ways. First, we remain agnostic about the economic benefits or costs that might accompany Chinese investments, for example in terms of household wealth or employment; using a similar empirical strategy, studies might examine those outcomes at the individual level. We also do not present rigorous tests of the mechanisms that might explain why perceptions of the economy rise with project announcements but fall with project implementation, and why active projects reflect poorly on the competence of political leaders. We note that the patterns are in keeping with a story of unmet expectations, and we speculate about the importance of jobs and development to both communities and leaders in Africa, but we leave it to future studies to systematically test the specific mechanisms behind these shifts in popular evaluations. Similarly, future studies might test explanations for why people react differently to FDI and foreign aid from China, as well as FDI and aid from other sources. Finally, we were unable in this study to conduct rigorous analyses of changes in the effects of Chinese FDI over longer periods of time, given the paucity of active projects in the early stages of our data and of inactive projects in the later stages. As data accumulates, we encourage studies that explore potential variation in reactions to Chinese FDI at different time periods.

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# Appendix

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# 1 Descriptive Information

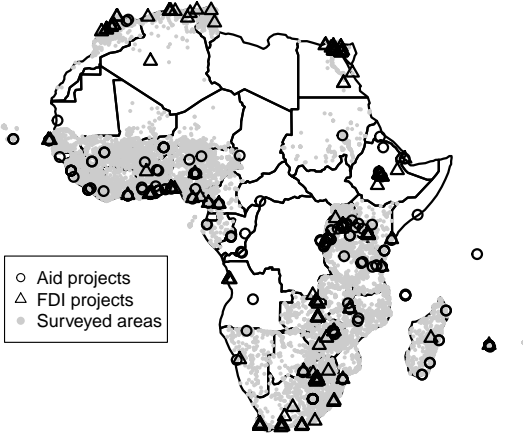
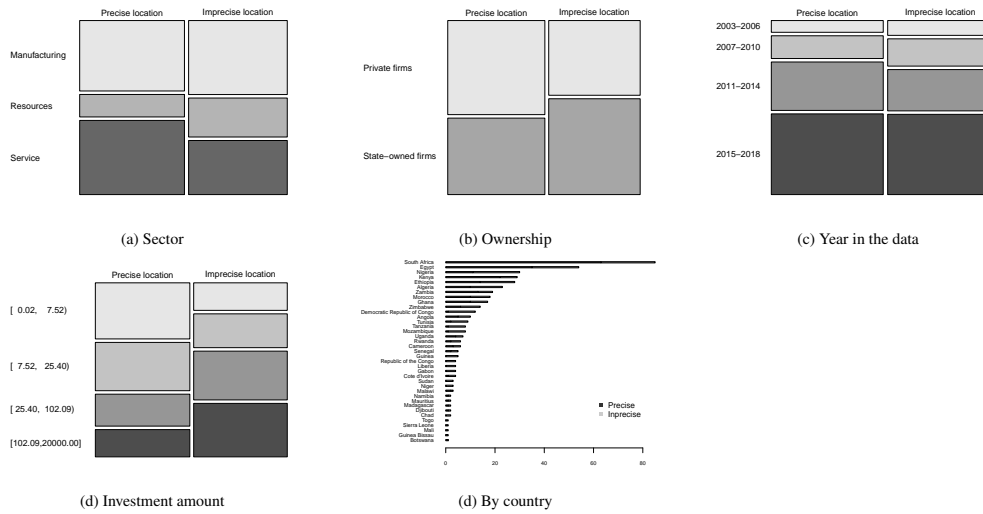


Figure A. 1: Locations of Chinese FDI & Aid within Afrobarometer Surveyed Areas



*Note:* Data on sector type is provided in the *fDi Markets* dataset. We code projects as state-owned if the company is controlled by the national or sub-national governments in China; we otherwise code them as privately owned. Data on the year is the documented year in the *fDi Markets*. Precisely and imprecisely geocoded projects are similar in terms of sector type, state vs. private ownership, year documented in *fDi Markets*, and country location. The only observable difference is that more precisely geolocated projects are of the smallest investment size and more imprecisely geolocated projects are major investments. A related source of potential measurement error is that some respondents may live close to imprecisely geolocated projects but in our analyses may be coded as not close to any. Because, as we demonstrate in the main findings, the effects of announced and active projects work in opposite directions, and because we are unable to determine whether imprecisely geolocated projects are inactive, announced, or active at the time of surveys, it is unclear how this source of measurement error might affect the results, if at all. We thus follow the convention of studies using data from AidData on Chinese foreign Aid to Africa in handling projects without precise location information.

Figure A. 2: Balance in Characteristics of Precisely and Imprecisely Coded Projects

Table A.1: Details on the Construction of the Dataset and Coding of Variables

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*Construction of the Dataset*

- The respondents' relationship to Chinese FDI is determined jointly by geographic proximity and the stage of the project at the time of the interview.
  - The geographic distance between respondents and Chinese FDI is calculated using the coordinates provided in the Afrobarometer and the coordinates we geocoded for Chinese FDI, following the AidData procedure.
  - The time of interview for each respondent is documented in the Afrobarometer.
  - For each project, we find the year of announcement and operation from news sources. If we are unable to find any news report indicating that the announcement of the project came prior to the year documented in the fDi Markets database, we use the year in the database as the year of announcement. For a subset of cases that are already operational, the year of announcement is treated as the same as the year of operation, so the announcement stage for those projects is not used in the analysis. The dataset includes 92 such cases, 59 of which are in the service sector, where projects are often operational rather quickly.
  - Among the 223 projects, we are unable to find the year of operation for 33 projects. Of those 33 projects, 21 were announced in 2016, 2017, or 2018, so they are less likely to have been operational by the final round of survey data. Furthermore, the survey data ends in 2018, so any projects announced in that year would be categorized as inactive in any case. For these 33 projects, we use the code 9999, so that no respondent could be coded as near an active project when in fact the project is inactive or announced.
  - We identified cases for which multiple locations exist as well as project descriptions that include multiple discrete projects, which added an additional 18 projects to the dataset. We dropped the 23 investments that are extensions of existing projects.
- 

*Coding of Variables*

- Announced FDI 50km: There is at least one announced but no operational Chinese FDI project within 50 kilometers.
  - Active FDI 50km: There is at least one operational Chinese FDI project within 50 kilometers.
  - Inactive FDI 50km: There is at least one inactive Chinese FDI, meaning a project will eventually be announced at the location but has not been at the time of survey, within 50 kilometers.
  - Announced FDI 25km: There is at least one announced but no operational Chinese FDI project within 25 kilometers.
  - Active FDI 25km: There is at least one operational Chinese FDI project within 25 kilometers.
  - Inactive FDI 25km: There is at least one inactive Chinese FDI, meaning a project will eventually be announced at the location but has not been at the time of survey, within 25 kilometers.
  - Active Aid 50km: There is at least one operational Chinese Aid project within 50 kilometers.
  - Inactive Aid 50km: There is at least one inactive Chinese Aid project, meaning a project will eventually be announced at the location but has not been at the time of survey, within 50 kilometers.
  - Active Aid 25km: There is at least one operational Chinese Aid project within 25 kilometers.
  - Inactive Aid 25km: There is at least one inactive Chinese Aid, meaning a project will eventually be announced at the location but has not been at the time of survey, within 25 kilometers.
  - Perceptions of current economic conditions: The question is asked in Rounds 2 to 7 of the Afrobarometer as "In general, how would you describe: The present economic conditions of this country?" The variable is coded as "Very bad", "Fairly bad", "Neither good nor bad", "Fairly good", or "Very good". In the analyses, the variable is used both in its five-point scale and as a dichotomous variable coded 1 for "Fairly good" or "Very good" and 0 otherwise.
  - Perceptions of economic conditions in one year: The question is asked in Rounds 1 to 7 of the Afrobarometer as "Looking ahead, do you expect economic conditions in this country to be better or worse in twelve months' time?" The variable is coded as "Much worse", "Worse", "Same", "Better", or "Much better". In the analyses, the variable is used both in its five-point scale and as a dichotomous variable coded 1 for "Better" or "Much better" and 0 otherwise.
  - Satisfaction with how the government manages the economy: The question is asked in Rounds 2 to 7 of the Afrobarometer as "How well or badly would you say the current government is handling managing the economy?" The variable is coded as "Very badly", "Fairly badly", "Fairly well", or "Very well". In the analyses, the variable is used both in its four-point scale and as a dichotomous variable coded 1 for "Fairly well" or "Very well" and 0 otherwise.
  - Satisfaction with how the government handles creating jobs: The question is asked in Rounds 1 to 7 of the Afrobarometer as "How well or badly would you say the current government is handling creating jobs?" The variable is coded as "Very badly", "Fairly badly", "Fairly well", or "Very well". In the analyses, the variable is used both in its four-point scale and as a dichotomous variable coded 1 for "Fairly well" or "Very well" and 0 otherwise.
  - Presidential approval: The question is asked in Rounds 1 to 7 of the Afrobarometer as "Do you approve or disapprove of the way the following people have performed their jobs over the past twelve months, or haven't you heard enough about them to say: President [NAME OF PRESIDENT]?" The variable is coded as "Strongly disapprove", "Disapprove", "Approve", or "Strong approve". In the analyses, the variable is used both in its four-point scale and as a dichotomous variable coded 1 for "Approve" or "Strongly approve" and 0 otherwise.
  - Urban: Respondents are coded as living in "Urban", "Semi-urban", or "Rural" areas, as determined by the survey enumerator. It is used as a categorical variable.
  - Age: The age of the respondents, recorded as a continuous variable.
  - Gender: The variable is coded as "Female" and "Male", as determined by the survey enumerator. It is recorded as a categorical variable.
  - Education: The variable is recoded on a five-point scale from the original coding of Afrobarometer. "No formal school" (No formal schooling, informal school only), "Primary school" (Some primary schooling, primary school completed, primary only), "Secondary school" (Secondary school completed/high school, Secondary school / high school completed, Some secondary school/high school, Some secondary school / high school, Secondary), "Post-secondary school" (University completed, Post-secondary qualifications, not university, Some university, Some university, college, University, college completed, Post-secondary, Post-secondary qualifications other than university), "Post-graduate" (Post-graduate)
-

Table A.2: Precision Coding Scheme for FDI Projects

| Code | Precision  |
|------|--|
| 1    | The coordinates correspond to an exact location, such as a populated place or a physical structure such as a school or health center. This code may also be used for locations that join other locations to create a line such as a road, power transmission line or railroad.                                       |
| 2    | The location is mentioned in the source as being “near”, in the “area” of, or up to 25 km away from an exact location. The coordinates refer to that adjacent location.  |
| 3    | The location is, or is analogous to, a second-order administrative division (ADM2), such as a district, municipality or commune.   |
| 4    | The location is, or is analogous to, a first-order administrative division (ADM1), such as a province, state or governorate.   |
| 5    | The location can only be related to estimated coordinates (e.g. between populated places; along rivers, roads and borders; or more than 25 km away from a specific location). Also uses large topographical features (greater than ADM1) such as National Parks which span across several administrative boundaries. |
| 6    | The location can only be related to an independent political entity, but is expected to be disbursed locally. This includes financing that is intended for country-wide projects as well as larger areas that cannot be geo-referenced at a more precise level.  |
| 7    | The location is unclear. The country coordinates are entered to reflect that subnational information is unavailable.   |
| 8    | The location can only be related to an independent political entity, but the central government will be the only direct beneficiary (e.g. capacity building, budget support, technical assistance).  |
| 9    | The location of the project can be related to an industrial zone with an exact location.   |

Note: This coding scheme is adapted from the AidData coding scheme, available at <http://docs.Aiddata.org/ad4/files/geocoding-methodology-updated-2017-06.pdf>. The only difference is that we add a precision code for location within a precisely located industrial zone.

Table A.3: Number of Respondents Close to Chinese FDI in 21 Countries: 50km Cut-off

| Country       | Close to active FDI | Close to announced FDI | Close to inactive FDI | Not close |
|---------------|---------------------|------------------------|-----------------------|-----------|
| Algeria       | 0                   | 188                    | 659                   | 1557      |
| Botswana      | 1087                | 0                      | 1514                  | 5797      |
| Cameroon      | 706                 | 0                      | 312                   | 2566      |
| Cote d'Ivoire | 48                  | 0                      | 807                   | 2744      |
| Egypt         | 704                 | 30                     | 317                   | 1337      |
| Ghana         | 1564                | 224                    | 1220                  | 9793      |
| Kenya         | 1345                | 24                     | 744                   | 9054      |
| Madagascar    | 552                 | 168                    | 168                   | 5404      |
| Malawi        | 0                   | 0                      | 2127                  | 8688      |
| Mauritius     | 1080                | 0                      | 2144                  | 376       |
| Morocco       | 746                 | 112                    | 373                   | 2365      |
| Mozambique    | 296                 | 0                      | 1041                  | 9565      |
| Namibia       | 32                  | 8                      | 0                     | 8342      |
| Nigeria       | 1166                | 47                     | 1967                  | 13936     |
| Senegal       | 320                 | 104                    | 1992                  | 4784      |
| South Africa  | 3330                | 368                    | 3436                  | 8803      |
| Tanzania      | 296                 | 0                      | 913                   | 11910     |
| Tunisia       | 447                 | 0                      | 906                   | 2246      |
| Uganda        | 1240                | 392                    | 921                   | 12901     |
| Zambia        | 1346                | 383                    | 664                   | 5980      |
| Zimbabwe      | 1088                | 0                      | 1874                  | 7590      |



Table A.4: Descriptive Statistics: Chinese FDI in 21 Countries

| Statistic                                       | N       | Mean    | St. Dev. | Min    | Pctl(25) | Pctl(75) | Max       |
|---|---------|---------|----------|--------|----------|----------|-----------|
| <b>Geo-relationship: FDI</b>                    |         |         |          |        |          |          |           |
| Distance to Chinese FDI (km)                    | 179,278 | 254.817 | 295.622  | 0.104  | 53.442   | 325.740  | 1,857.266 |
| Active 50km                                     | 179,278 | 0.097   | 0.296    | 0      | 0        | 0        | 1         |
| Announced 50Km                                  | 179,278 | 0.011   | 0.106    | 0      | 0        | 0        | 1         |
| Inactive 50km                                   | 179,278 | 0.134   | 0.341    | 0      | 0        | 0        | 1         |
| Active 25Km                                     | 179,278 | 0.072   | 0.259    | 0      | 0        | 0        | 1         |
| Announced 25Km                                  | 179,278 | 0.007   | 0.083    | 0      | 0        | 0        | 1         |
| Inactive 25Km                                   | 179,278 | 0.106   | 0.308    | 0      | 0        | 0        | 1         |
| <b>Perceptions of economic conditions</b>       |         |         |          |        |          |          |           |
| Current economic conditions: dummy              | 157,946 | 0.320   | 0.467    | 0.000  | 0.000    | 1.000    | 1.000     |
| Current economic conditions: ordinal            | 157,946 | 1.594   | 1.264    | 0.000  | 0.000    | 3.000    | 4.000     |
| Economic conditions in one year: dummy          | 156,758 | 0.555   | 0.497    | 0.000  | 0.000    | 1.000    | 1.000     |
| Economic conditions in one year: ordinal        | 156,758 | 2.318   | 1.262    | 0.000  | 1.000    | 3.000    | 4.000     |
| <b>Perceptions of political competence</b>      |         |         |          |        |          |          |           |
| How government manages economy: dummy           | 152,597 | 0.456   | 0.498    | 0.000  | 0.000    | 1.000    | 1.000     |
| How government manages economy: ordinal         | 152,597 | 1.267   | 0.945    | 0.000  | 0.000    | 2.000    | 3.000     |
| How government creates jobs: dummy              | 172,662 | 0.288   | 0.453    | 0.000  | 0.000    | 1.000    | 1.000     |
| How government creates jobs: ordinal            | 172,662 | 0.943   | 0.895    | 0.000  | 0.000    | 2.000    | 3.000     |
| Presidential approval: dummy                    | 162,921 | 0.673   | 0.469    | 0.000  | 0.000    | 1.000    | 1.000     |
| Presidential approval: ordinal                  | 162,921 | 1.790   | 0.980    | 0.000  | 1.000    | 3.000    | 3.000     |
| <b>Control variables</b>                        |         |         |          |        |          |          |           |
| Urban (rural=0, semi-urban=1, urban=2)          | 178,937 | 0.830   | 0.980    | 0.000  | 0.000    | 2.000    | 2.000     |
| Age   | 177,343 | 36.418  | 14.372   | 18.000 | 25.000   | 45.000   | 110.000   |
| Gender (female=1)                               | 179,157 | 0.501   | 0.500    | 0.000  | 0.000    | 1.000    | 1.000     |
| Education (no formal school=0, post-graduate=4) | 178,641 | 1.525   | 0.917    | 0.000  | 1.000    | 2.000    | 4.000     |

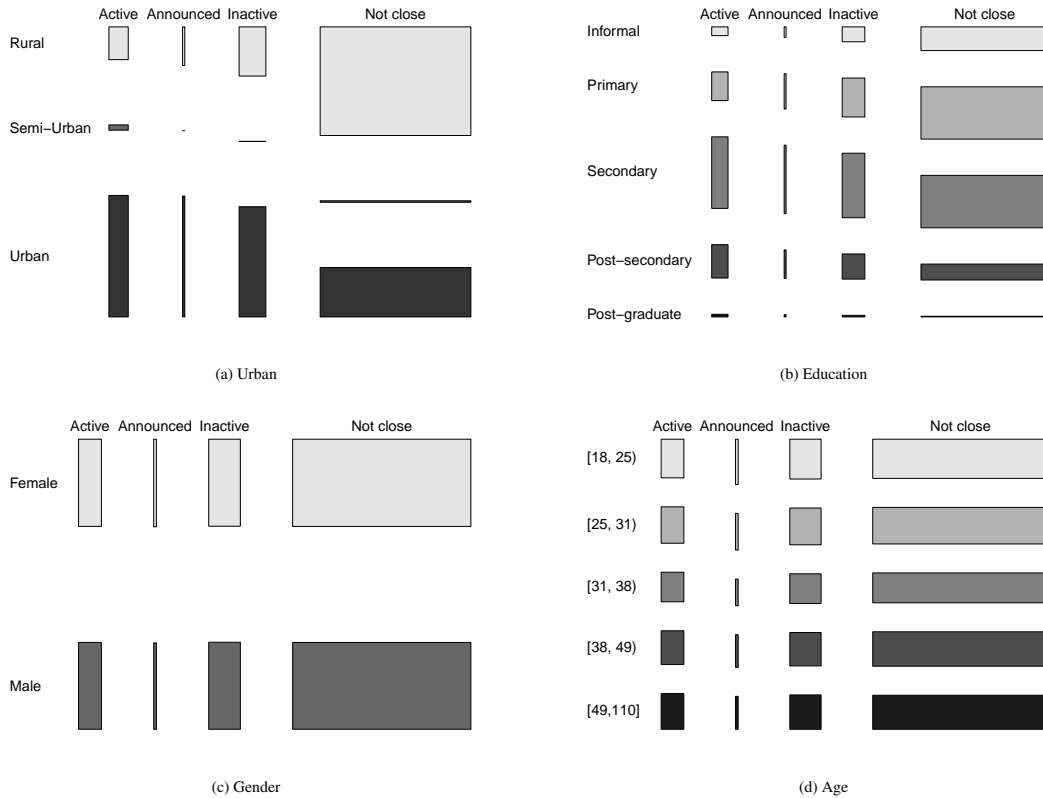


Figure A. 3: Categories of Respondents to Chinese FDI and Balance of Individual Characteristics

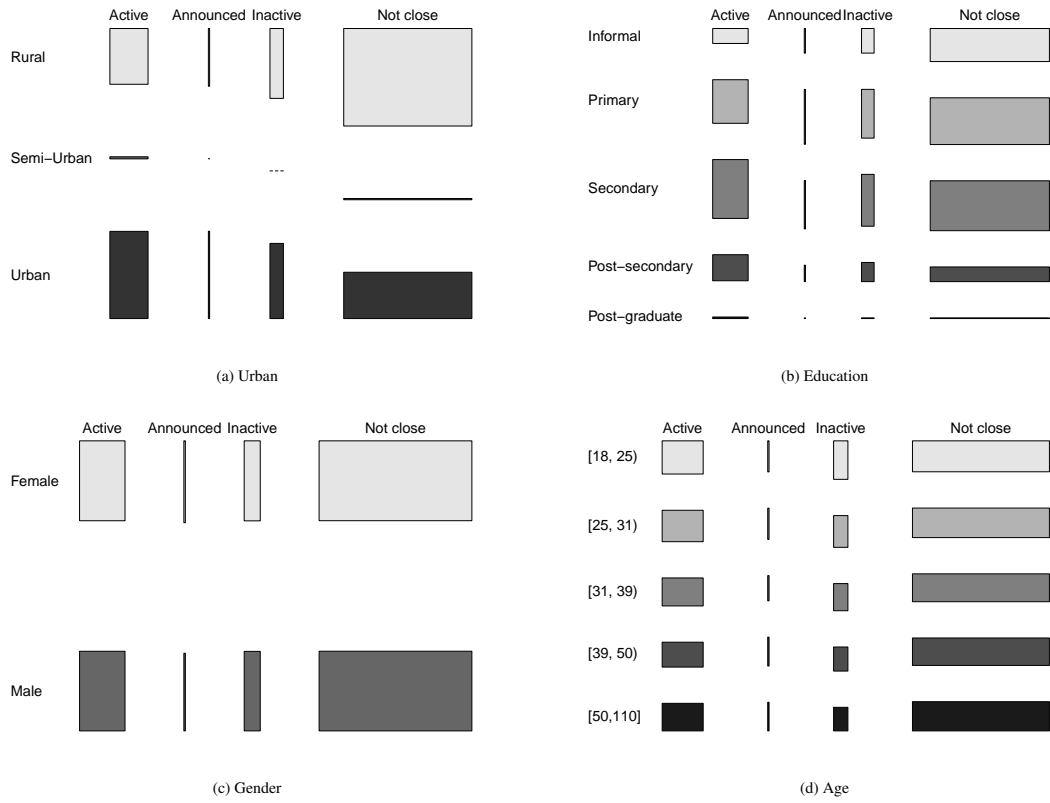


Figure A. 4: Categories of Respondents to Chinese Aid and Balance of Individual Characteristics

## 2 Analyses Using Chinese Foreign Aid

Table A.5: Number of Respondents Close to Chinese Aid in 29 Countries: 50km Cut-off

| Country       | Close to active Aid | Close to announced Aid | Close to inactive Aid | Not close |
|---------------|---------------------|------------------------|-----------------------|-----------|
| Benin         | 1280                | 0                      | 790                   | 3928      |
| Botswana      | 1399                | 0                      | 1015                  | 5984      |
| Burundi       | 1120                | 0                      | 0                     | 1280      |
| Cameroon      | 1018                | 0                      | 0                     | 2566      |
| Cape Verde    | 2224                | 608                    | 1103                  | 3461      |
| Cote d'Ivoire | 855                 | 0                      | 0                     | 2744      |
| Gabon         | 1365                | 0                      | 0                     | 992       |
| Ghana         | 3056                | 358                    | 1362                  | 8025      |
| Guinea        | 760                 | 0                      | 0                     | 2833      |
| Kenya         | 3318                | 72                     | 1348                  | 6429      |
| Lesotho       | 2495                | 0                      | 438                   | 5402      |
| Liberia       | 2135                | 0                      | 0                     | 2663      |
| Madagascar    | 288                 | 0                      | 180                   | 5824      |
| Malawi        | 3152                | 0                      | 2691                  | 4972      |
| Mali          | 704                 | 152                    | 692                   | 7900      |
| Mauritius     | 3224                | 0                      | 0                     | 376       |
| Morocco       | 358                 | 0                      | 0                     | 3238      |
| Mozambique    | 1080                | 8                      | 309                   | 9505      |
| Namibia       | 760                 | 0                      | 738                   | 6884      |
| Niger         | 360                 | 0                      | 0                     | 3239      |
| Nigeria       | 1365                | 0                      | 2732                  | 13019     |
| Senegal       | 1384                | 0                      | 741                   | 5075      |
| Sierra Leone  | 926                 | 0                      | 0                     | 2655      |
| South Africa  | 791                 | 0                      | 608                   | 14538     |
| Sudan         | 496                 | 0                      | 0                     | 2791      |
| Tanzania      | 1807                | 156                    | 292                   | 10864     |
| Togo          | 1951                | 0                      | 0                     | 1617      |
| Uganda        | 4906                | 158                    | 1072                  | 9318      |
| Zimbabwe      | 1936                | 0                      | 335                   | 8281      |

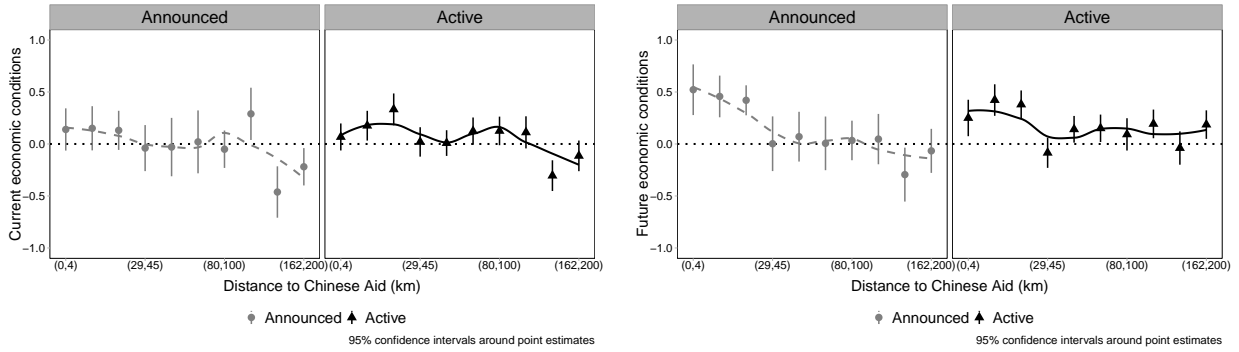
Table A.6: Descriptive Statistics: Chinese Aid in 29 Countries

| Statistic                                       | N       | Mean    | St. Dev. | Min    | Pctl(25) | Pctl(75) | Max       |
|---|---------|---------|----------|--------|----------|----------|-----------|
| <b>Geo-relationship: Aid</b>                    |         |         |          |        |          |          |           |
| Distance to Chinese Aid (km)                    | 220,874 | 218.548 | 287.488  | 0.000  | 39.180   | 276.153  | 2,012.180 |
| Active Aid 50km                                 | 220,874 | 0.211   | 0.408    | 0      | 0        | 0        | 1         |
| Announced Aid 50km                              | 220,874 | 0.007   | 0.082    | 0      | 0        | 0        | 1         |
| Inactive Aid 50km                               | 220,874 | 0.074   | 0.263    | 0      | 0        | 0        | 1         |
| Active Aid 25Km                                 | 220,874 | 0.146   | 0.353    | 0      | 0        | 0        | 1         |
| Announced Aid 25km                              | 220,874 | 0.005   | 0.070    | 0      | 0        | 0        | 1         |
| Inactive Aid 25Km                               | 220,874 | 0.045   | 0.207    | 0      | 0        | 0        | 1         |
| <b>Perceptions of economic conditions</b>       |         |         |          |        |          |          |           |
| Current economic conditions: dummy              | 196,922 | 0.300   | 0.458    | 0.000  | 0.000    | 1.000    | 1.000     |
| Current economic conditions: ordinal            | 196,922 | 1.547   | 1.258    | 0.000  | 0.000    | 3.000    | 4.000     |
| Economic conditions in one year: dummy          | 193,517 | 0.580   | 0.494    | 0.000  | 0.000    | 1.000    | 1.000     |
| Economic conditions in one year: ordinal        | 193,517 | 2.375   | 1.246    | 0.000  | 1.000    | 3.000    | 4.000     |
| <b>Perceptions of political competence</b>      |         |         |          |        |          |          |           |
| How government manages economy:dummy            | 187,890 | 0.441   | 0.496    | 0.000  | 0.000    | 1.000    | 1.000     |
| How government manages economy:ordinal          | 187,890 | 1.243   | 0.952    | 0.000  | 0.000    | 2.000    | 3.000     |
| How government creates jobs: dummy              | 210,576 | 0.285   | 0.451    | 0.000  | 0.000    | 1.000    | 1.000     |
| How government creates jobs: ordinal            | 210,576 | 0.944   | 0.896    | 0.000  | 0.000    | 2.000    | 3.000     |
| Presidential approval: dummy                    | 200,040 | 0.669   | 0.470    | 0.000  | 0.000    | 1.000    | 1.000     |
| Presidential approval: ordinal                  | 200,040 | 1.782   | 0.985    | 0.000  | 1.000    | 3.000    | 3.000     |
| <b>Control variables</b>                        |         |         |          |        |          |          |           |
| Urban (rural=0, semi-urban=1, urban=2)          | 220,572 | 0.800   | 0.975    | 0.000  | 0.000    | 2.000    | 2.000     |
| Age   | 218,600 | 36.823  | 14.649   | 18.000 | 25.000   | 45.000   | 110.000   |
| Gender (female=1)                               | 220,767 | 0.501   | 0.500    | 0.000  | 0.000    | 1.000    | 1.000     |
| Education (no formal school=0, post-graduate=4) | 220,092 | 1.419   | 0.955    | 0.000  | 1.000    | 2.000    | 4.000     |

Table A.7: Chinese Aid and Perceptions of Economic Conditions

|                            | Current economic conditions |                     |                    |                    | Future economic conditions |                    |                  |                  |
|----------------------------|-----------------------------|---------------------|--------------------|--------------------|----------------------------|--------------------|------------------|------------------|
|                            | All samples                 |                     | Close to Aid       |                    | All samples                |                    | Close to Aid     |                  |
|                            | Dummy<br>(1)                | Ordinal<br>(2)      | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)     | Ordinal<br>(8)   |
| Announced 50km             | -0.030<br>(-2.037)          | -0.095<br>(-2.282)  | -0.028<br>(-1.604) | -0.026<br>(-0.519) | 0.043<br>(2.615)           | 0.170<br>(3.619)   | 0.065<br>(3.329) | 0.232<br>(4.339) |
| Active 50km                | -0.037<br>(-8.539)          | -0.125<br>(-10.676) | 0.002<br>(0.194)   | 0.041<br>(1.124)   | -0.022<br>(-5.057)         | -0.082<br>(-6.763) | 0.040<br>(2.618) | 0.108<br>(2.501) |
| Inactive 50km              | -0.034<br>(-3.815)          | -0.100<br>(-4.394)  |                    |                    | -0.011<br>(-0.967)         | -0.008<br>(-0.245) |                  |                  |
| Announced-Inactive         | 0.004                       | 0.005               |                    |                    | 0.054                      | 0.178              |                  |                  |
| F test: announced=inactive | 0.068                       | 0.011               |                    |                    | 8.427                      | 10.908             |                  |                  |
| p value                    | 0.794                       | 0.915               |                    |                    | 0.004                      | 0.001              |                  |                  |
| Active-Inactive            | -0.003                      | -0.025              |                    |                    | -0.012                     | -0.074             |                  |                  |
| F test: active=inactive    | 0.104                       | 1.048               |                    |                    | 1.023                      | 4.455              |                  |                  |
| p value                    | 0.747                       | 0.306               |                    |                    | 0.312                      | 0.035              |                  |                  |
| Active-Announced           | -0.007                      | -0.030              | 0.031              | 0.067              | -0.066                     | -0.252             | -0.025           | -0.125           |
| F test: active=announced   | 0.232                       | 0.520               | 3.647              | 2.000              | 14.943                     | 27.545             | 1.549            | 5.088            |
| p value                    | 0.630                       | 0.471               | 0.056              | 0.157              | 0.000                      | 0.000              | 0.213            | 0.024            |
| Country fixed effects      | Yes                         | Yes                 | Yes                | Yes                | Yes                        | Yes                | Yes              | Yes              |
| Year fixed effects         | Yes                         | Yes                 | Yes                | Yes                | Yes                        | Yes                | Yes              | Yes              |
| Degrees of freedom         | 194516                      | 194516              | 43258              | 43258              | 190957                     | 190957             | 43277            | 43277            |
| Adjusted R squared         | 0.061                       | 0.092               | 0.060              | 0.089              | 0.095                      | 0.111              | 0.106            | 0.129            |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese Aid.



(a) Aid: Current economic conditions

(b) Aid: Future economic conditions

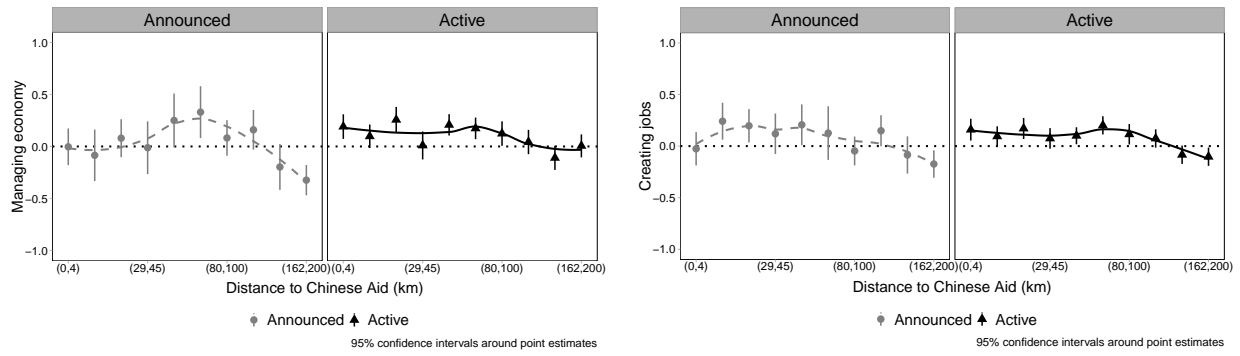
Note: Respondents who are not close to any Chinese Aid projects are dropped. The dependent variables are all in the ordinal scale.

Figure A. 5: Distance to Chinese Aid and Perceptions of Economic Conditions

Table A.8: Chinese Aid and Perceptions of Political Competence

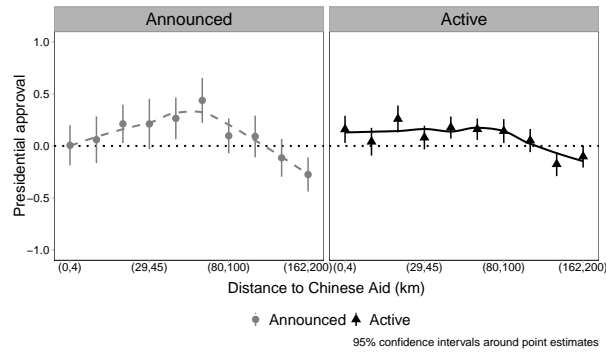
|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to Aid       |                    | All samples        |                    | Close to Aid       |                    | All samples           |                    | Close to Aid       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.074<br>(-3.417) | -0.161<br>(-3.648) | -0.022<br>(-0.850) | -0.084<br>(-1.538) | -0.047<br>(-3.203) | -0.125<br>(-3.834) | -0.023<br>(-1.323) | -0.032<br>(-0.830) | -0.035<br>(-1.783)    | -0.062<br>(-1.622) | -0.013<br>(-0.492) | -0.029<br>(-0.527) |
| Active 50km                | -0.037<br>(-7.231) | -0.081<br>(-7.263) | 0.044<br>(3.236)   | 0.081<br>(2.744)   | -0.024<br>(-6.423) | -0.058<br>(-7.126) | 0.008<br>(0.750)   | 0.066<br>(2.689)   | -0.026<br>(-4.636)    | -0.058<br>(-4.271) | 0.020<br>(1.414)   | 0.048<br>(1.434)   |
| Inactive 50km              | -0.055<br>(-6.425) | -0.095<br>(-4.696) |                    |                    | -0.013<br>(-1.430) | -0.050<br>(-2.629) |                    |                    | -0.031<br>(-2.881)    | -0.054<br>(-2.078) |                    |                    |
| Announced-Inactive         | -0.019             | -0.067             |                    |                    | -0.034             | -0.075             |                    |                    | -0.004                | -0.008             |                    |                    |
| F test: announced=inactive | 0.671              | 1.772              |                    |                    | 4.265              | 4.151              |                    |                    | 0.035                 | 0.026              |                    |                    |
| p value                    | 0.413              | 0.183              |                    |                    | 0.039              | 0.042              |                    |                    | 0.852                 | 0.873              |                    |                    |
| Active-Inactive            | 0.018              | 0.014              |                    |                    | -0.011             | -0.009             |                    |                    | 0.005                 | -0.004             |                    |                    |
| F test: active=inactive    | 3.017              | 0.298              |                    |                    | 1.505              | 0.173              |                    |                    | 0.120                 | 0.015              |                    |                    |
| p value                    | 0.082              | 0.585              |                    |                    | 0.220              | 0.678              |                    |                    | 0.729                 | 0.902              |                    |                    |
| Active-Announced           | 0.036              | 0.081              | 0.065              | 0.165              | 0.023              | 0.067              | 0.031              | 0.098              | 0.009                 | 0.004              | 0.032              | 0.077              |
| F test: active=announced   | 2.961              | 3.465              | 6.967              | 11.200             | 2.374              | 4.145              | 3.382              | 6.860              | 0.210                 | 0.010              | 1.922              | 2.671              |
| p value                    | 0.085              | 0.063              | 0.008              | 0.001              | 0.123              | 0.042              | 0.066              | 0.009              | 0.647                 | 0.922              | 0.166              | 0.102              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 185804             | 185804             | 41560              | 41560              | 207589             | 207589             | 47277              | 47277              | 197112                | 197112             | 44570              | 44570              |
| Adjusted R squared         | 0.070              | 0.079              | 0.073              | 0.080              | 0.036              | 0.048              | 0.038              | 0.045              | 0.088                 | 0.103              | 0.085              | 0.095              |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese Aid.



(a) Aid: Managing economy

(b) Aid: Creating jobs



(c) Aid: Presidential approval

Note: Respondents who are not close to any Chinese Aid projects are dropped. The dependent variables are all in the ordinal scale.

Figure A. 6: Distance to Chinese Aid and Perceptions of Political Competence

### 3 Mechanisms and Additional Observable Implications

#### 3.1 Marginal effects by years: the interaction model

The interaction model with country and year fixed effects is

$$Y_{ivt} = \delta_1 \text{announced} + \delta_2 \text{active} + \delta_3 T_{\text{announced}} + \delta_4 T_{\text{active}} + \delta_5 \text{announced} \times T_{\text{announced}} + \delta_6 \text{active} \times T_{\text{active}} + \lambda X_i + \theta_c + \gamma_t + \varepsilon_{ivt}$$

where  $T_{\text{announced}}$  refers to the number of years since a nearby project was announced, and  $T_{\text{active}}$  refers to the number of years since a nearby project began operating.  $\delta_1 + \delta_5 \times T_{\text{announced}}$  is the marginal effect of an announced project conditional on the number of years since the announcement. Similarly,  $\delta_2 + \delta_6 \times T_{\text{active}}$  is the marginal effect of an active project, conditional on the number of years since operation began.

## 3.2 Marginal effects by years: results

Table A.9: Marginal Effects for Perceptions of Economic Conditions by Years

|  | Current economic conditions |                     | Future economic conditions |                    |
|--|-----------------------------|---------------------|----------------------------|--------------------|
|  | Dummy                       | Ordinal             | Dummy                      | Ordinal            |
| Announced 50km                         | 0.183<br>(7.501)            | 0.597<br>(8.884)    | 0.078<br>(2.811)           | 0.263<br>(3.074)   |
| Active 50km                            | -0.034<br>(-3.079)          | -0.151<br>(-4.815)  | -0.101<br>(-8.110)         | -0.211<br>(-6.327) |
| Years since announced                  | 0.104<br>(7.988)            | 0.434<br>(13.494)   | 0.066<br>(5.046)           | 0.266<br>(7.319)   |
| Years since active                     | -0.105<br>(-7.715)          | -0.446<br>(-13.344) | -0.058<br>(-4.219)         | -0.248<br>(-6.694) |
| Announced 50km × Years since announced | -0.026<br>(-7.125)          | -0.090<br>(-8.870)  | -0.008<br>(-1.682)         | -0.028<br>(-2.175) |
| Active 50km × Years since active       | 0.002<br>(1.258)            | 0.010<br>(2.094)    | 0.008<br>(4.262)           | 0.016<br>(3.176)   |
| Country fixed effects                  | Yes                         | Yes                 | Yes                        | Yes                |
| Year fixed effects                     | Yes                         | Yes                 | Yes                        | Yes                |
| Degrees of freedom                     | 36698                       | 36698               | 36967                      | 36967              |
| Adjusted R squared                     | 0.050                       | 0.096               | 0.109                      | 0.119              |

*Note:* Respondents who are not close to Chinese FDI are dropped. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.



Table A.10: Marginal Effects for Perceptions of Political Competence by Years

|  | Managing economy   |                    | Creating jobs      |                    | Presidential approval |                    |
|--|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|
|  | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy                 | Ordinal            |
| Announced 50km                         | 0.102<br>(3.768)   | 0.220<br>(4.406)   | 0.041<br>(1.683)   | 0.117<br>(2.237)   | 0.161<br>(5.838)      | 0.331<br>(5.703)   |
| Active 50km                            | -0.112<br>(-8.736) | -0.197<br>(-7.656) | -0.078<br>(-7.630) | -0.174<br>(-7.700) | -0.111<br>(-8.193)    | -0.209<br>(-7.574) |
| Years since announced                  | 0.056<br>(3.688)   | 0.158<br>(6.071)   | 0.068<br>(6.027)   | 0.211<br>(9.677)   | 0.088<br>(6.279)      | 0.233<br>(7.022)   |
| Years since active                     | -0.059<br>(-3.751) | -0.171<br>(-6.330) | -0.073<br>(-6.174) | -0.229<br>(-9.848) | -0.086<br>(-5.873)    | -0.227<br>(-6.651) |
| Announced 50km × Years since announced | -0.024<br>(-5.428) | -0.048<br>(-6.063) | -0.012<br>(-2.947) | -0.030<br>(-3.620) | -0.033<br>(-5.933)    | -0.074<br>(-6.161) |
| Active 50km × Years since active       | 0.008<br>(4.033)   | 0.013<br>(3.405)   | 0.009<br>(5.692)   | 0.021<br>(5.994)   | 0.008<br>(3.852)      | 0.011<br>(2.712)   |
| Country fixed effects                  | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                |
| Year fixed effects                     | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                |
| Degrees of freedom                     | 35675              | 35675              | 40044              | 40044              | 36615                 | 36615              |
| Adjusted R squared                     | 0.081              | 0.097              | 0.045              | 0.075              | 0.096                 | 0.110              |

*Note:* Respondents who are not close to Chinese FDI are dropped. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

### 3.3 Heterogeneous effects by age groups

Table A.11: Chinese FDI and Perceptions of Current Economic Conditions: Age Groups

|                            | Age: [18, 26)      |                    | Age: [26, 34)      |                    | Age: [34, 46)      |                    | Age: [46, 110)     |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            |
| Announced 50km             | 0.032<br>(1.331)   | 0.150<br>(2.329)   | 0.040<br>(1.564)   | 0.111<br>(1.597)   | 0.003<br>(0.102)   | 0.064<br>(0.912)   | -0.009<br>(-0.421) | -0.026<br>(-0.403) |
| Active 50km                | -0.044<br>(-4.766) | -0.124<br>(-4.827) | -0.041<br>(-4.534) | -0.163<br>(-6.238) | -0.039<br>(-4.271) | -0.140<br>(-5.192) | -0.045<br>(-4.971) | -0.164<br>(-6.204) |
| Inactive 50km              | -0.043<br>(-4.686) | -0.087<br>(-3.490) | -0.037<br>(-3.771) | -0.093<br>(-3.516) | -0.037<br>(-3.592) | -0.097<br>(-3.304) | -0.023<br>(-2.539) | -0.041<br>(-1.634) |
| Announced-Inactive         | 0.075              | 0.237              | 0.077              | 0.204              | 0.040              | 0.161              | 0.014              | 0.015              |
| F test: announced=inactive | 8.820              | 12.333             | 8.350              | 8.341              | 2.069              | 4.929              | 0.392              | 0.050              |
| p value                    | 0.003              | 0.000              | 0.004              | 0.004              | 0.150              | 0.026              | 0.531              | 0.823              |
| Active-Inactive            | -0.001             | -0.037             | -0.004             | -0.069             | -0.002             | -0.043             | -0.022             | -0.123             |
| F test: active=inactive    | 0.014              | 1.291              | 0.138              | 4.615              | 0.040              | 1.607              | 3.922              | 14.979             |
| p value                    | 0.905              | 0.256              | 0.710              | 0.032              | 0.842              | 0.205              | 0.048              | 0.000              |
| Active-Announced           | -0.077             | -0.274             | -0.081             | -0.274             | -0.042             | -0.204             | -0.036             | -0.138             |
| F test: active=announced   | 9.193              | 16.619             | 9.508              | 14.692             | 2.355              | 7.798              | 2.645              | 4.199              |
| p value                    | 0.002              | 0.000              | 0.002              | 0.000              | 0.125              | 0.005              | 0.104              | 0.040              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Degrees of freedom         | 41086              | 41086              | 38586              | 38586              | 39143              | 39143              | 36940              | 36940              |
| Adjusted R squared         | 0.054              | 0.093              | 0.060              | 0.102              | 0.066              | 0.107              | 0.065              | 0.104              |

*Note:* All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

Table A.12: Chinese FDI and Perceptions of Future Economic Conditions: Age Groups

|                            | Age: [18, 26)      |                    | Age: [26, 34)      |                    | Age: [34, 46)      |                    | Age: [46, 110)     |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            |
| Announced 50km             | 0.019<br>(0.731)   | 0.024<br>(0.294)   | 0.024<br>(0.940)   | 0.075<br>(1.135)   | 0.043<br>(1.564)   | 0.157<br>(2.551)   | 0.043<br>(1.583)   | 0.056<br>(0.850)   |
| Active 50km                | -0.027<br>(-2.717) | -0.043<br>(-1.654) | -0.038<br>(-3.816) | -0.106<br>(-3.982) | -0.047<br>(-4.621) | -0.130<br>(-4.889) | -0.065<br>(-5.984) | -0.178<br>(-6.378) |
| Inactive 50km              | -0.016<br>(-1.400) | -0.056<br>(-1.623) | -0.013<br>(-1.172) | -0.051<br>(-1.600) | -0.016<br>(-1.550) | -0.069<br>(-2.429) | -0.008<br>(-0.728) | -0.039<br>(-1.353) |
| Announced-Inactive         | 0.035              | 0.080              | 0.037              | 0.126              | 0.059              | 0.226              | 0.051              | 0.095              |
| F test: announced=inactive | 1.652              | 0.865              | 1.820              | 3.083              | 4.277              | 11.843             | 3.224              | 1.882              |
| p value                    | 0.199              | 0.352              | 0.177              | 0.079              | 0.039              | 0.001              | 0.073              | 0.170              |
| Active-Inactive            | -0.011             | 0.013              | -0.025             | -0.055             | -0.031             | -0.061             | -0.057             | -0.139             |
| F test: active=inactive    | 0.629              | 0.112              | 3.594              | 2.111              | 5.608              | 2.979              | 18.487             | 15.710             |
| p value                    | 0.428              | 0.738              | 0.058              | 0.146              | 0.018              | 0.084              | 0.000              | 0.000              |
| Active-Announced           | -0.046             | -0.067             | -0.062             | -0.182             | -0.090             | -0.286             | -0.107             | -0.234             |
| F test: active=announced   | 2.968              | 0.640              | 5.421              | 6.814              | 9.878              | 19.485             | 14.574             | 11.474             |
| p value                    | 0.085              | 0.424              | 0.020              | 0.009              | 0.002              | 0.000              | 0.000              | 0.001              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Degrees of freedom         | 42005              | 42005              | 38368              | 38368              | 38810              | 38810              | 35163              | 35163              |
| Adjusted R squared         | 0.077              | 0.102              | 0.091              | 0.111              | 0.096              | 0.118              | 0.100              | 0.112              |

*Note:* All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

Table A.13: Chinese FDI and Satisfaction with How Government Manages Economy: Age Groups

|                            | Age: [18, 26)      |                    | Age: [26, 34)      |                    | Age: [34, 46)      |                    | Age: [46, 110)     |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            |
| Announced 50km             | -0.036<br>(-1.502) | -0.036<br>(-0.852) | -0.018<br>(-0.674) | -0.016<br>(-0.307) | 0.007<br>(0.252)   | 0.025<br>(0.489)   | -0.049<br>(-1.791) | -0.131<br>(-2.529) |
| Active 50km                | -0.034<br>(-3.393) | -0.078<br>(-4.080) | -0.057<br>(-5.627) | -0.131<br>(-6.603) | -0.057<br>(-5.314) | -0.113<br>(-5.632) | -0.079<br>(-7.469) | -0.168<br>(-8.237) |
| Inactive 50km              | -0.019<br>(-1.828) | -0.036<br>(-1.716) | -0.016<br>(-1.377) | -0.039<br>(-1.755) | -0.016<br>(-1.371) | -0.027<br>(-1.214) | -0.008<br>(-0.698) | -0.033<br>(-1.512) |
| Announced-Inactive         | -0.017             | 0.000              | -0.002             | 0.023              | 0.023              | 0.052              | -0.041             | -0.098             |
| F test: announced=inactive | 0.462              | 0.000              | 0.008              | 0.194              | 0.639              | 1.019              | 2.032              | 3.327              |
| p value                    | 0.497              | 0.997              | 0.928              | 0.660              | 0.424              | 0.313              | 0.154              | 0.068              |
| Active-Inactive            | -0.014             | -0.042             | -0.041             | -0.092             | -0.041             | -0.086             | -0.071             | -0.135             |
| F test: active=inactive    | 1.267              | 2.891              | 9.840              | 12.615             | 9.906              | 11.723             | 25.372             | 26.088             |
| p value                    | 0.260              | 0.089              | 0.002              | 0.000              | 0.002              | 0.001              | 0.000              | 0.000              |
| Active-Announced           | 0.002              | -0.043             | -0.039             | -0.115             | -0.064             | -0.138             | -0.030             | -0.037             |
| F test: active=announced   | 0.008              | 0.942              | 1.934              | 4.547              | 4.985              | 6.888              | 1.163              | 0.467              |
| p value                    | 0.929              | 0.332              | 0.164              | 0.033              | 0.026              | 0.009              | 0.281              | 0.494              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Degrees of freedom         | 39923              | 39923              | 37507              | 37507              | 37840              | 37840              | 35384              | 35384              |
| Adjusted R squared         | 0.070              | 0.077              | 0.069              | 0.079              | 0.070              | 0.080              | 0.072              | 0.080              |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

Table A.14: Chinese FDI and Satisfaction with How Government Handles Creating Jobs: Age Groups

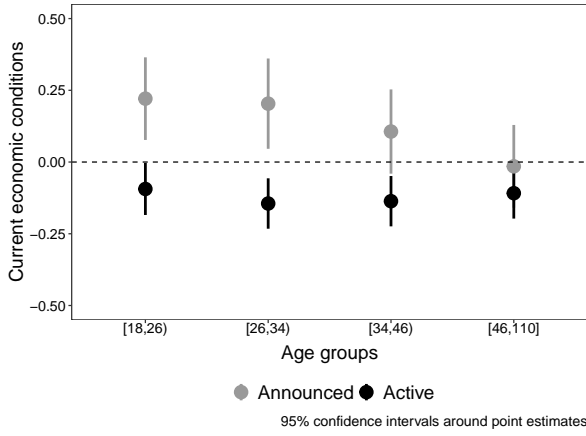
|                            | Age: [18, 26)      |                    | Age: [26, 34)      |                    | Age: [34, 46)      |                    | Age: [46, 110)     |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            |
| Announced 50km             | -0.031<br>(-1.473) | -0.041<br>(-0.982) | -0.018<br>(-0.713) | -0.057<br>(-1.089) | -0.020<br>(-0.970) | -0.036<br>(-0.817) | -0.062<br>(-2.807) | -0.153<br>(-3.339) |
| Active 50km                | -0.029<br>(-3.484) | -0.089<br>(-5.053) | -0.035<br>(-4.035) | -0.085<br>(-4.779) | -0.035<br>(-4.127) | -0.089<br>(-5.169) | -0.047<br>(-5.327) | -0.104<br>(-5.677) |
| Inactive 50km              | -0.025<br>(-2.941) | -0.045<br>(-2.611) | -0.019<br>(-2.288) | -0.044<br>(-2.664) | -0.016<br>(-2.001) | -0.032<br>(-1.966) | -0.037<br>(-4.112) | -0.083<br>(-4.717) |
| Announced-Inactive         | -0.007             | 0.005              | 0.001              | -0.012             | -0.004             | -0.004             | -0.024             | -0.070             |
| F test: announced=inactive | 0.086              | 0.011              | 0.002              | 0.053              | 0.033              | 0.008              | 1.126              | 2.197              |
| p value                    | 0.769              | 0.917              | 0.966              | 0.817              | 0.857              | 0.929              | 0.289              | 0.138              |
| Active-Inactive            | -0.005             | -0.044             | -0.015             | -0.040             | -0.018             | -0.057             | -0.010             | -0.021             |
| F test: active=inactive    | 0.183              | 4.117              | 2.244              | 3.615              | 3.177              | 7.210              | 0.789              | 0.895              |
| p value                    | 0.669              | 0.042              | 0.134              | 0.057              | 0.075              | 0.007              | 0.375              | 0.344              |
| Active-Announced           | 0.002              | -0.049             | -0.017             | -0.028             | -0.014             | -0.053             | 0.014              | 0.050              |
| F test: active=announced   | 0.008              | 1.240              | 0.404              | 0.275              | 0.440              | 1.330              | 0.407              | 1.095              |
| p value                    | 0.927              | 0.266              | 0.525              | 0.600              | 0.507              | 0.249              | 0.524              | 0.295              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Degrees of freedom         | 45430              | 45430              | 42213              | 42213              | 42798              | 42798              | 39438              | 39438              |
| Adjusted R squared         | 0.039              | 0.050              | 0.037              | 0.050              | 0.036              | 0.051              | 0.041              | 0.057              |

*Note:* All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

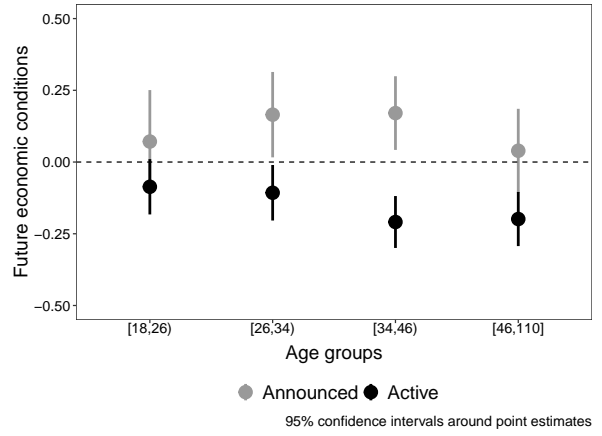
Table A.15: Chinese FDI and Presidential Approval: Age Groups

|                            | Age: [18, 26)      |                    | Age: [26, 34)      |                    | Age: [34, 46)      |                    | Age: [46, 110)     |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            | Dummy              | Ordinal            |
| Announced 50km             | -0.045<br>(-2.128) | -0.077<br>(-1.794) | -0.010<br>(-0.376) | -0.065<br>(-1.220) | 0.009<br>(0.336)   | -0.061<br>(-1.164) | -0.051<br>(-1.796) | -0.116<br>(-1.918) |
| Active 50km                | -0.041<br>(-3.951) | -0.087<br>(-4.151) | -0.045<br>(-4.237) | -0.091<br>(-4.152) | -0.063<br>(-6.012) | -0.129<br>(-6.056) | -0.097<br>(-8.851) | -0.190<br>(-8.463) |
| Inactive 50km              | -0.038<br>(-4.264) | -0.069<br>(-3.745) | -0.017<br>(-1.838) | -0.048<br>(-2.539) | -0.037<br>(-3.924) | -0.073<br>(-3.809) | -0.027<br>(-2.648) | -0.064<br>(-2.936) |
| Announced-Inactive         | -0.007             | -0.008             | 0.008              | -0.017             | 0.046              | 0.012              | -0.023             | -0.052             |
| F test: announced=inactive | 0.097              | 0.030              | 0.084              | 0.096              | 2.529              | 0.046              | 0.650              | 0.703              |
| p value                    | 0.755              | 0.862              | 0.772              | 0.757              | 0.112              | 0.829              | 0.420              | 0.402              |
| Active-Inactive            | -0.003             | -0.017             | -0.028             | -0.043             | -0.026             | -0.056             | -0.070             | -0.126             |
| F test: active=inactive    | 0.068              | 0.468              | 4.452              | 2.529              | 4.058              | 4.673              | 25.612             | 19.651             |
| p value                    | 0.795              | 0.494              | 0.035              | 0.112              | 0.044              | 0.031              | 0.000              | 0.000              |
| Active-Announced           | 0.004              | -0.010             | -0.035             | -0.026             | -0.073             | -0.068             | -0.046             | -0.074             |
| F test: active=announced   | 0.028              | 0.042              | 1.767              | 0.217              | 6.152              | 1.520              | 2.470              | 1.383              |
| p value                    | 0.868              | 0.837              | 0.184              | 0.642              | 0.013              | 0.218              | 0.116              | 0.240              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                |
| Degrees of freedom         | 42596              | 42596              | 39935              | 39935              | 40372              | 40372              | 37320              | 37320              |
| Adjusted R squared         | 0.103              | 0.118              | 0.100              | 0.115              | 0.103              | 0.122              | 0.092              | 0.113              |

*Note:* All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.



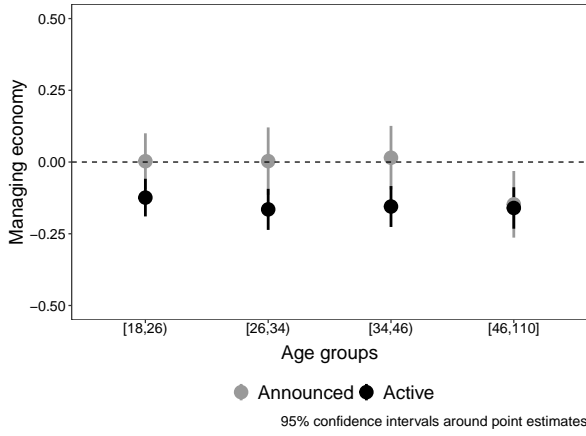
(a) FDI: Current economic conditions



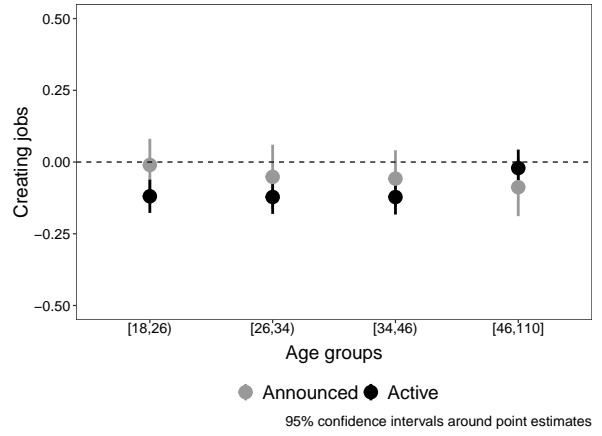
(b) FDI: Future economic conditions

Note: Respondents who are not close to any Chinese FDI projects are dropped. The dependent variables are all in the ordinal scale. 95% confidence intervals are plotted with the standard errors clustered at the village level.

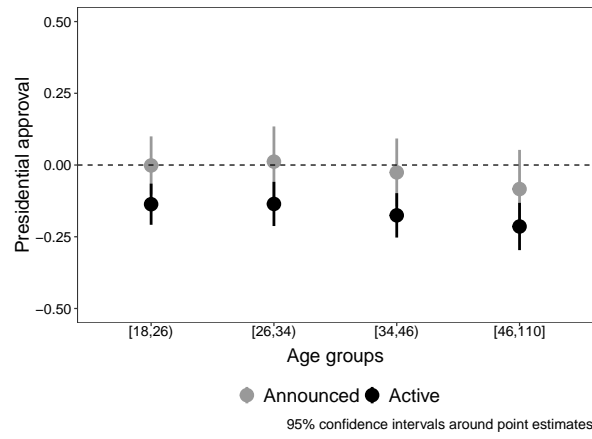
Figure A. 7: Heterogeneous Effects for Perceptions of Economic Conditions by Age Groups



(a) FDI: Managing economy



(b) FDI: Creating jobs



(c) FDI: Presidential approval

*Note:* Respondents who are not close to any Chinese FDI projects are dropped. The dependent variables are all in the ordinal scale. 95% confidence intervals are plotted with the standard errors clustered at the village level.

Figure A. 8: Heterogeneous Effects for Perceptions of Political Competence by Age Groups



### 3.4 Heterogeneous effects by sectors

Table A.16: Coding of Sector Types

| Sector type   | Sectors in <i>fDi Markets</i>  |
|---------------|--|
| Manufacturing | “Beverages”, “Paper, printing & packaging”, “Building materials”, “Industrial equipment”, “Consumer electronics”, “Non-automotive transport OEM”, “Automotive OEM”, “Ceramics & glass”, “Chemicals”, “Medical devices”, “Engines & turbines”, “Automotive components”, “Food & tobacco”, “Electronic components”, “Textiles”, “Consumer products” and “Pharmaceuticals”. |
| Resource      | “Coal, oil & gas”, “Metals”, “Renewable energy”  |
| Service       | “Communications”, “Aerospace”, “Real estate”, “Healthcare”, “Financial service”, “Business services”, “Transportation”, “Software & IT services”   |

Table A.17: Chinese Manufacturing Projects and Perceptions of Economic Conditions

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 50km             | 0.048<br>(3.166)            | 0.190<br>(4.280)   | 0.110<br>(5.571)   | 0.284<br>(5.104)   | 0.061<br>(3.589)           | 0.186<br>(4.389)   | 0.066<br>(3.114)   | 0.229<br>(4.260)   |
| Active 50km                | -0.058<br>(-8.102)          | -0.201<br>(-9.071) | -0.022<br>(-1.338) | -0.089<br>(-2.000) | -0.045<br>(-5.453)         | -0.144<br>(-6.264) | -0.062<br>(-3.579) | -0.137<br>(-3.065) |
| Inactive 50km              | -0.066<br>(-8.722)          | -0.141<br>(-5.896) |                    |                    | -0.033<br>(-2.612)         | -0.077<br>(-1.860) |                    |                    |
| Announced-Inactive         | 0.115                       | 0.331              |                    |                    | 0.095                      | 0.263              |                    |                    |
| F test: announced=inactive | 49.062                      | 45.681             |                    |                    | 22.746                     | 24.222             |                    |                    |
| p value                    | 0.000                       | 0.000              |                    |                    | 0.000                      | 0.000              |                    |                    |
| Active-Inactive            | 0.008                       | -0.060             |                    |                    | -0.011                     | -0.067             |                    |                    |
| F test: active=inactive    | 0.766                       | 3.926              |                    |                    | 0.670                      | 2.399              |                    |                    |
| p value                    | 0.381                       | 0.048              |                    |                    | 0.413                      | 0.121              |                    |                    |
| Active-Announced           | -0.106                      | -0.391             | -0.132             | -0.373             | -0.106                     | -0.331             | -0.128             | -0.366             |
| F test: active=announced   | 42.651                      | 66.524             | 49.084             | 46.253             | 33.302                     | 50.697             | 41.222             | 48.420             |
| p value                    | 0.000                       | 0.000              | 0.000              | 0.000              | 0.000                      | 0.000              | 0.000              | 0.000              |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 92307                       | 92307              | 19295              | 19295              | 93257                      | 93257              | 19922              | 19922              |
| Adjusted R squared         | 0.038                       | 0.054              | 0.045              | 0.077              | 0.080                      | 0.099              | 0.084              | 0.104              |

Note: If the respondents are close to at least one manufacturing project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese manufacturing projects.

Table A.18: Chinese Manufacturing Projects and Perceptions of Political Competence

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.002<br>(-0.107) | -0.001<br>(-0.021) | 0.006<br>(0.285)   | 0.001<br>(0.028)   | -0.016<br>(-1.073) | -0.031<br>(-0.958) | 0.006<br>(0.311)   | 0.003<br>(0.072)   | -0.030<br>(-1.756)    | -0.063<br>(-1.679) | -0.020<br>(-0.874) | -0.027<br>(-0.538) |
| Active 50km                | -0.052<br>(-6.328) | -0.126<br>(-7.600) | -0.083<br>(-4.667) | -0.160<br>(-4.499) | -0.025<br>(-3.777) | -0.069<br>(-4.836) | -0.024<br>(-1.833) | -0.061<br>(-2.107) | -0.075<br>(-8.336)    | -0.156<br>(-8.274) | -0.106<br>(-5.388) | -0.204<br>(-5.010) |
| Inactive 50km              | -0.037<br>(-3.751) | -0.067<br>(-3.364) |                    |                    | -0.056<br>(-6.404) | -0.107<br>(-6.039) |                    |                    | -0.047<br>(-4.579)    | -0.088<br>(-4.212) |                    |                    |
| Announced-Inactive         | 0.036              | 0.066              |                    |                    | 0.040              | 0.076              |                    |                    | 0.017                 | 0.025              |                    |                    |
| F test: announced=inactive | 3.775              | 3.528              |                    |                    | 5.303              | 4.343              |                    |                    | 0.786                 | 0.360              |                    |                    |
| p value                    | 0.052              | 0.060              |                    |                    | 0.021              | 0.037              |                    |                    | 0.375                 | 0.549              |                    |                    |
| Active-Inactive            | -0.015             | -0.060             |                    |                    | 0.031              | 0.038              |                    |                    | -0.028                | -0.068             |                    |                    |
| F test: active=inactive    | 1.545              | 6.054              |                    |                    | 9.702              | 3.158              |                    |                    | 4.935                 | 6.717              |                    |                    |
| p value                    | 0.214              | 0.014              |                    |                    | 0.002              | 0.076              |                    |                    | 0.026                 | 0.010              |                    |                    |
| Active-Announced           | -0.050             | -0.126             | -0.089             | -0.161             | -0.008             | -0.038             | -0.030             | -0.064             | -0.045                | -0.093             | -0.086             | -0.177             |
| F test: active=announced   | 8.455              | 14.433             | 21.451             | 18.377             | 0.272              | 1.260              | 2.831              | 2.619              | 5.988                 | 5.228              | 14.752             | 13.437             |
| p value                    | 0.004              | 0.000              | 0.000              | 0.000              | 0.602              | 0.262              | 0.092              | 0.106              | 0.014                 | 0.022              | 0.000              | 0.000              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 89984              | 89984              | 18870              | 18870              | 101914             | 101914             | 21508              | 21508              | 94585                 | 94585              | 19647              | 19647              |
| Adjusted R squared         | 0.062              | 0.065              | 0.075              | 0.089              | 0.043              | 0.049              | 0.033              | 0.046              | 0.080                 | 0.093              | 0.087              | 0.096              |

Note: If the respondents are close to at least one manufacturing project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese manufacturing projects.

Table A.19: Chinese Resources Projects and Perceptions of Economic Conditions

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 50km             | 0.018<br>(0.628)            | 0.051<br>(0.575)   | 0.016<br>(0.522)   | -0.008<br>(-0.080) | 0.081<br>(2.127)           | 0.140<br>(1.165)   | 0.027<br>(0.641)   | -0.056<br>(-0.398) |
| Active 50km                | -0.015<br>(-1.916)          | -0.073<br>(-2.933) | -0.031<br>(-1.684) | -0.161<br>(-2.878) | -0.001<br>(-0.123)         | -0.014<br>(-0.524) | -0.061<br>(-2.027) | -0.256<br>(-3.270) |
| Inactive 50km              | -0.041<br>(-3.897)          | -0.084<br>(-2.583) |                    |                    | -0.009<br>(-0.447)         | 0.022<br>(0.329)   |                    |                    |
| Announced-Inactive         | 0.059                       | 0.135              |                    |                    | 0.090                      | 0.118              |                    |                    |
| F test: announced=inactive | 4.264                       | 2.276              |                    |                    | 4.529                      | 0.764              |                    |                    |
| p value                    | 0.039                       | 0.131              |                    |                    | 0.033                      | 0.382              |                    |                    |
| Active-Inactive            | 0.026                       | 0.011              |                    |                    | 0.008                      | -0.035             |                    |                    |
| F test: active=inactive    | 4.181                       | 0.077              |                    |                    | 0.136                      | 0.264              |                    |                    |
| p value                    | 0.041                       | 0.782              |                    |                    | 0.713                      | 0.608              |                    |                    |
| Active-Announced           | -0.033                      | -0.125             | -0.047             | -0.153             | -0.082                     | -0.154             | -0.089             | -0.200             |
| F test: active=announced   | 1.299                       | 1.853              | 2.345              | 2.719              | 4.438                      | 1.566              | 5.384              | 2.775              |
| p value                    | 0.254                       | 0.173              | 0.126              | 0.099              | 0.035                      | 0.211              | 0.020              | 0.096              |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 75578                       | 75578              | 12060              | 12060              | 77591                      | 77591              | 12513              | 12513              |
| Adjusted R squared         | 0.043                       | 0.060              | 0.055              | 0.078              | 0.086                      | 0.108              | 0.099              | 0.121              |

Note: If the respondents are close to at least one resources project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese resources projects.

Table A.20: Chinese Resources Projects and Perceptions of Political Competence

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.041<br>(-1.376) | -0.054<br>(-0.930) | -0.105<br>(-2.850) | -0.187<br>(-2.611) | -0.042<br>(-1.864) | -0.072<br>(-1.338) | -0.036<br>(-1.275) | -0.083<br>(-1.289) | -0.050<br>(-1.725)    | -0.092<br>(-1.688) | -0.114<br>(-3.541) | -0.247<br>(-3.841) |
| Active 50km                | -0.005<br>(-0.519) | -0.038<br>(-1.956) | -0.029<br>(-1.255) | -0.086<br>(-1.924) | -0.002<br>(-0.268) | -0.026<br>(-1.587) | -0.024<br>(-1.088) | -0.090<br>(-2.036) | -0.032<br>(-3.291)    | -0.066<br>(-3.199) | -0.036<br>(-1.507) | -0.152<br>(-2.867) |
| Inactive 50km              | -0.026<br>(-2.003) | -0.044<br>(-1.739) |                    |                    | -0.055<br>(-5.069) | -0.104<br>(-5.155) |                    |                    | -0.038<br>(-2.782)    | -0.024<br>(-0.909) |                    |                    |
| Announced-Inactive         | -0.015             | -0.010             |                    |                    | 0.013              | 0.032              |                    |                    | -0.012                | -0.068             |                    |                    |
| F test: announced=inactive | 0.216              | 0.024              |                    |                    | 0.287              | 0.328              |                    |                    | 0.134                 | 1.265              |                    |                    |
| p value                    | 0.642              | 0.878              |                    |                    | 0.592              | 0.567              |                    |                    | 0.715                 | 0.261              |                    |                    |
| Active-Inactive            | 0.021              | 0.006              |                    |                    | 0.053              | 0.077              |                    |                    | 0.007                 | -0.042             |                    |                    |
| F test: active=inactive    | 1.915              | 0.046              |                    |                    | 18.306             | 10.295             |                    |                    | 0.190                 | 1.849              |                    |                    |
| p value                    | 0.166              | 0.831              |                    |                    | 0.000              | 0.001              |                    |                    | 0.663                 | 0.174              |                    |                    |
| Active-Announced           | 0.036              | 0.016              | 0.076              | 0.101              | 0.040              | 0.045              | 0.012              | -0.007             | 0.019                 | 0.026              | 0.078              | 0.096              |
| F test: active=announced   | 1.345              | 0.070              | 4.854              | 2.223              | 2.865              | 0.659              | 0.194              | 0.014              | 0.381                 | 0.202              | 6.346              | 2.324              |
| p value                    | 0.246              | 0.791              | 0.028              | 0.136              | 0.091              | 0.417              | 0.659              | 0.906              | 0.537                 | 0.653              | 0.012              | 0.127              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 73945              | 73945              | 11836              | 11836              | 84699              | 84699              | 13467              | 13467              | 76643                 | 76643              | 11869              | 11869              |
| Adjusted R squared         | 0.073              | 0.077              | 0.107              | 0.120              | 0.049              | 0.060              | 0.047              | 0.071              | 0.096                 | 0.112              | 0.145              | 0.162              |

Note: If the respondents are close to at least one resources project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese resources projects.

Table A.21: Chinese Service Projects and Perceptions of Economic Conditions

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 50km             | 0.005<br>(0.201)            | 0.077<br>(0.921)   | 0.004<br>(0.118)   | 0.029<br>(0.312)   | 0.026<br>(1.006)           | 0.032<br>(0.446)   | -0.013<br>(-0.432) | -0.049<br>(-0.607) |
| Active 50km                | -0.029<br>(-4.427)          | -0.109<br>(-5.667) | -0.007<br>(-0.536) | -0.053<br>(-1.395) | -0.044<br>(-6.115)         | -0.094<br>(-4.946) | -0.061<br>(-3.904) | -0.118<br>(-2.745) |
| Inactive 50km              | -0.029<br>(-3.311)          | -0.060<br>(-2.787) |                    |                    | -0.018<br>(-1.697)         | -0.049<br>(-1.408) |                    |                    |
| Announced-Inactive         | 0.035                       | 0.137              |                    |                    | 0.044                      | 0.081              |                    |                    |
| F test: announced=inactive | 1.543                       | 2.575              |                    |                    | 2.610                      | 1.132              |                    |                    |
| p value                    | 0.214                       | 0.109              |                    |                    | 0.106                      | 0.287              |                    |                    |
| Active-Inactive            | 0.000                       | -0.049             |                    |                    | -0.026                     | -0.045             |                    |                    |
| F test: active=inactive    | 0.002                       | 3.707              |                    |                    | 5.001                      | 1.529              |                    |                    |
| p value                    | 0.965                       | 0.054              |                    |                    | 0.025                      | 0.216              |                    |                    |
| Active-Announced           | -0.035                      | -0.186             | -0.011             | -0.082             | -0.070                     | -0.125             | -0.049             | -0.069             |
| F test: active=announced   | 1.555                       | 4.788              | 0.117              | 0.760              | 6.792                      | 2.968              | 2.800              | 0.710              |
| p value                    | 0.212                       | 0.029              | 0.732              | 0.383              | 0.009                      | 0.085              | 0.094              | 0.400              |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 114241                      | 114241             | 27143              | 27143              | 113706                     | 113706             | 27411              | 27411              |
| Adjusted R squared         | 0.048                       | 0.087              | 0.047              | 0.094              | 0.107                      | 0.118              | 0.128              | 0.137              |

Note: If the respondents are close to at least one service project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese service projects.

Table A.22: Chinese Service Projects and Perceptions of Political Competence

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.041<br>(-1.674) | -0.045<br>(-0.891) | -0.075<br>(-2.614) | -0.114<br>(-2.014) | 0.003<br>(0.106)   | 0.006<br>(0.110)   | -0.022<br>(-0.801) | -0.057<br>(-0.936) | -0.045<br>(-1.404)    | -0.123<br>(-1.747) | -0.084<br>(-2.377) | -0.204<br>(-2.579) |
| Active 50km                | -0.053<br>(-7.098) | -0.115<br>(-7.770) | -0.050<br>(-3.001) | -0.099<br>(-3.099) | -0.036<br>(-5.891) | -0.086<br>(-6.577) | -0.041<br>(-2.980) | -0.064<br>(-2.200) | -0.055<br>(-7.216)    | -0.114<br>(-7.079) | -0.080<br>(-4.980) | -0.153<br>(-4.563) |
| Inactive 50km              | -0.006<br>(-0.675) | -0.002<br>(-0.140) |                    |                    | -0.026<br>(-3.689) | -0.047<br>(-3.350) |                    |                    | -0.021<br>(-2.672)    | -0.041<br>(-2.550) |                    |                    |
| Announced-Inactive         | -0.035             | -0.043             |                    |                    | 0.029              | 0.054              |                    |                    | -0.024                | -0.082             |                    |                    |
| F test: announced=inactive | 1.913              | 0.680              |                    |                    | 1.277              | 0.858              |                    |                    | 0.544                 | 1.289              |                    |                    |
| p value                    | 0.167              | 0.409              |                    |                    | 0.259              | 0.354              |                    |                    | 0.461                 | 0.256              |                    |                    |
| Active-Inactive            | -0.048             | -0.113             |                    |                    | -0.009             | -0.039             |                    |                    | -0.035                | -0.072             |                    |                    |
| F test: active=inactive    | 22.927             | 35.010             |                    |                    | 1.311              | 5.123              |                    |                    | 11.454                | 11.767             |                    |                    |
| p value                    | 0.000              | 0.000              |                    |                    | 0.252              | 0.024              |                    |                    | 0.001                 | 0.001              |                    |                    |
| Active-Announced           | -0.013             | -0.070             | 0.025              | 0.015              | -0.038             | -0.092             | -0.019             | -0.007             | -0.010                | 0.010              | 0.004              | 0.052              |
| F test: active=announced   | 0.254              | 1.787              | 0.731              | 0.067              | 2.273              | 2.526              | 0.478              | 0.014              | 0.101                 | 0.018              | 0.014              | 0.412              |
| p value                    | 0.614              | 0.181              | 0.392              | 0.796              | 0.132              | 0.112              | 0.489              | 0.907              | 0.750                 | 0.894              | 0.906              | 0.521              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 110530             | 110530             | 26381              | 26381              | 124668             | 124668             | 29491              | 29491              | 115618                | 115618             | 27103              | 27103              |
| Adjusted R squared         | 0.070              | 0.078              | 0.081              | 0.096              | 0.037              | 0.053              | 0.045              | 0.075              | 0.098                 | 0.117              | 0.091              | 0.100              |

Note: If the respondents are close to at least one service project, they are included in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese service projects.

## 4 Robustness Tests

### 4.1 Analyses with 25Km buffers

Table A.23: Chinese FDI and Perceptions of Economic Conditions: 25Km Cut-off

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 25km             | 0.041<br>(2.344)            | 0.148<br>(3.026)   | 0.097<br>(4.551)   | 0.273<br>(4.297)   | 0.010<br>(0.469)           | 0.048<br>(0.770)   | 0.032<br>(1.311)   | 0.126<br>(1.659)   |
| Active 25km                | -0.042<br>(-6.655)          | -0.153<br>(-8.094) | -0.021<br>(-1.862) | -0.104<br>(-3.160) | -0.038<br>(-5.329)         | -0.107<br>(-5.500) | -0.047<br>(-3.653) | -0.110<br>(-3.161) |
| Inactive 25km              | -0.031<br>(-3.724)          | -0.069<br>(-2.999) |                    |                    | -0.020<br>(-2.053)         | -0.057<br>(-1.895) |                    |                    |
| Announced-Inactive         | 0.072                       | 0.216              |                    |                    | 0.030                      | 0.104              |                    |                    |
| F test: announced=inactive | 15.105                      | 17.811             |                    |                    | 1.760                      | 2.437              |                    |                    |
| p value                    | 0.000                       | 0.000              |                    |                    | 0.185                      | 0.118              |                    |                    |
| Active-Inactive            | -0.011                      | -0.085             |                    |                    | -0.019                     | -0.051             |                    |                    |
| F test: active=inactive    | 1.350                       | 11.307             |                    |                    | 3.147                      | 2.555              |                    |                    |
| p value                    | 0.245                       | 0.001              |                    |                    | 0.076                      | 0.110              |                    |                    |
| Active-Announced           | -0.083                      | -0.301             | -0.118             | -0.377             | -0.048                     | -0.155             | -0.079             | -0.235             |
| F test: active=announced   | 20.461                      | 34.614             | 32.189             | 35.963             | 4.911                      | 5.817              | 10.965             | 10.319             |
| p value                    | 0.000                       | 0.000              | 0.000              | 0.000              | 0.027                      | 0.016              | 0.001              | 0.001              |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 155896                      | 155896             | 28322              | 28322              | 154490                     | 154490             | 28528              | 28528              |
| Adjusted R squared         | 0.061                       | 0.101              | 0.053              | 0.096              | 0.091                      | 0.110              | 0.111              | 0.124              |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.

Table A.24: Chinese FDI and Perceptions of Political Competence: 25Km Cut-off

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 25km             | -0.036<br>(-1.851) | -0.073<br>(-2.022) | -0.013<br>(-0.554) | -0.021<br>(-0.471) | -0.039<br>(-2.340) | -0.081<br>(-2.437) | -0.016<br>(-0.867) | -0.032<br>(-0.828) | -0.061<br>(-3.281)    | -0.156<br>(-4.040) | -0.013<br>(-0.558) | -0.062<br>(-1.306) |
| Active 25km                | -0.058<br>(-8.015) | -0.131<br>(-9.254) | -0.074<br>(-5.686) | -0.131<br>(-4.944) | -0.037<br>(-6.373) | -0.099<br>(-7.952) | -0.047<br>(-4.666) | -0.103<br>(-4.588) | -0.064<br>(-8.544)    | -0.130<br>(-8.465) | -0.052<br>(-3.972) | -0.120<br>(-4.310) |
| Inactive 25km              | -0.013<br>(-1.382) | -0.034<br>(-1.808) |                    |                    | -0.025<br>(-3.853) | -0.051<br>(-3.918) |                    |                    | -0.042<br>(-5.711)    | -0.083<br>(-4.824) |                    |                    |
| Announced-Inactive         | -0.024             | -0.040             |                    |                    | -0.014             | -0.031             |                    |                    | -0.019                | -0.074             |                    |                    |
| F test: announced=inactive | 1.351              | 1.135              |                    |                    | 0.631              | 0.761              |                    |                    | 0.987                 | 3.388              |                    |                    |
| p value                    | 0.245              | 0.287              |                    |                    | 0.427              | 0.383              |                    |                    | 0.321                 | 0.066              |                    |                    |
| Active-Inactive            | -0.045             | -0.097             |                    |                    | -0.012             | -0.048             |                    |                    | -0.022                | -0.048             |                    |                    |
| F test: active=inactive    | 19.816             | 22.939             |                    |                    | 2.644              | 9.676              |                    |                    | 4.974                 | 4.885              |                    |                    |
| p value                    | 0.000              | 0.000              |                    |                    | 0.104              | 0.002              |                    |                    | 0.026                 | 0.027              |                    |                    |
| Active-Announced           | -0.022             | -0.057             | -0.061             | -0.109             | 0.002              | -0.018             | -0.030             | -0.071             | -0.002                | 0.026              | -0.039             | -0.057             |
| F test: active=announced   | 1.138              | 2.326              | 7.136              | 6.148              | 0.009              | 0.256              | 2.521              | 3.269              | 0.016                 | 0.406              | 2.826              | 1.441              |
| p value                    | 0.286              | 0.127              | 0.008              | 0.013              | 0.925              | 0.613              | 0.112              | 0.071              | 0.899                 | 0.524              | 0.093              | 0.230              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 150795             | 150795             | 27550              | 27550              | 170023             | 170023             | 30769              | 30769              | 160367                | 160367             | 28005              | 28005              |
| Adjusted R squared         | 0.069              | 0.078              | 0.077              | 0.094              | 0.037              | 0.051              | 0.044              | 0.077              | 0.099                 | 0.117              | 0.093              | 0.103              |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.

Table A.25: Chinese Aid and Perceptions of Economic Conditions: 25Km Cut-off

|                            | Current economic conditions |                    |                    |                  | Future economic conditions |                    |                  |                  |
|----------------------------|-----------------------------|--------------------|--------------------|------------------|----------------------------|--------------------|------------------|------------------|
|                            | All samples                 |                    | Close to Aid       |                  | All samples                |                    | Close to Aid     |                  |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)   | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)     | Ordinal<br>(8)   |
| Announced 25km             | -0.011<br>(-0.659)          | -0.039<br>(-0.807) | -0.006<br>(-0.268) | 0.034<br>(0.538) | 0.082<br>(5.039)           | 0.271<br>(5.894)   | 0.133<br>(5.706) | 0.413<br>(6.394) |
| Active 25km                | -0.034<br>(-7.743)          | -0.103<br>(-7.632) | 0.004<br>(0.227)   | 0.055<br>(1.202) | -0.019<br>(-3.508)         | -0.062<br>(-4.400) | 0.056<br>(2.454) | 0.176<br>(2.748) |
| Inactive 25km              | -0.040<br>(-3.198)          | -0.107<br>(-3.490) |                    |                  | -0.023<br>(-1.466)         | -0.032<br>(-0.657) |                  |                  |
| Announced-Inactive         | 0.029                       | 0.068              |                    |                  | 0.105                      | 0.303              |                  |                  |
| F test: announced=inactive | 1.951                       | 1.477              |                    |                  | 22.847                     | 21.797             |                  |                  |
| p value                    | 0.163                       | 0.224              |                    |                  | 0.000                      | 0.000              |                  |                  |
| Active-Inactive            | 0.006                       | 0.003              |                    |                  | 0.004                      | -0.029             |                  |                  |
| F test: active=inactive    | 0.264                       | 0.010              |                    |                  | 0.050                      | 0.337              |                  |                  |
| p value                    | 0.607                       | 0.919              |                    |                  | 0.823                      | 0.562              |                  |                  |
| Active-Announced           | -0.022                      | -0.065             | 0.010              | 0.021            | -0.101                     | -0.333             | -0.077           | -0.237           |
| F test: active=announced   | 1.633                       | 1.801              | 0.216              | 0.120            | 36.695                     | 50.184             | 10.629           | 12.776           |
| p value                    | 0.201                       | 0.180              | 0.642              | 0.729            | 0.000                      | 0.000              | 0.001            | 0.000            |
| Country fixed effects      | Yes                         | Yes                | Yes                | Yes              | Yes                        | Yes                | Yes              | Yes              |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes              | Yes                        | Yes                | Yes              | Yes              |
| Degrees of freedom         | 194516                      | 194516             | 26999              | 26999            | 190957                     | 190957             | 27396            | 27396            |
| Adjusted R squared         | 0.061                       | 0.091              | 0.047              | 0.079            | 0.095                      | 0.111              | 0.111            | 0.139            |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese Aid.

Table A.26: Chinese Aid and Perceptions of Political Competence: 25Km Cut-off

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to Aid       |                    | All samples        |                    | Close to Aid       |                    | All samples           |                    | Close to Aid       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 25km             | -0.089<br>(-3.697) | -0.200<br>(-4.069) | -0.052<br>(-1.851) | -0.159<br>(-2.663) | -0.039<br>(-2.321) | -0.131<br>(-3.727) | -0.009<br>(-0.405) | -0.035<br>(-0.776) | -0.040<br>(-1.794)    | -0.078<br>(-1.936) | -0.030<br>(-1.033) | -0.054<br>(-0.879) |
| Active 25km                | -0.037<br>(-7.031) | -0.076<br>(-7.023) | 0.039<br>(1.994)   | 0.074<br>(2.093)   | -0.027<br>(-6.462) | -0.061<br>(-6.711) | 0.002<br>(0.106)   | 0.057<br>(1.458)   | -0.027<br>(-4.772)    | -0.061<br>(-4.309) | 0.007<br>(0.413)   | 0.017<br>(0.465)   |
| Inactive 25km              | -0.054<br>(-4.953) | -0.093<br>(-4.160) |                    |                    | -0.031<br>(-2.500) | -0.083<br>(-3.184) |                    |                    | -0.050<br>(-4.578)    | -0.103<br>(-4.354) |                    |                    |
| Announced-Inactive         | -0.034             | -0.106             |                    |                    | -0.008             | -0.049             |                    |                    | 0.010                 | 0.025              |                    |                    |
| F test: announced=inactive | 1.925              | 4.081              |                    |                    | 0.152              | 1.305              |                    |                    | 0.149                 | 0.285              |                    |                    |
| p value                    | 0.165              | 0.043              |                    |                    | 0.697              | 0.253              |                    |                    | 0.700                 | 0.593              |                    |                    |
| Active-Inactive            | 0.017              | 0.017              |                    |                    | 0.005              | 0.022              |                    |                    | 0.023                 | 0.041              |                    |                    |
| F test: active=inactive    | 2.393              | 0.515              |                    |                    | 0.126              | 0.673              |                    |                    | 3.273                 | 2.157              |                    |                    |
| p value                    | 0.122              | 0.473              |                    |                    | 0.723              | 0.412              |                    |                    | 0.070                 | 0.142              |                    |                    |
| Active-Announced           | 0.052              | 0.123              | 0.091              | 0.232              | 0.012              | 0.071              | 0.011              | 0.092              | 0.013                 | 0.017              | 0.037              | 0.070              |
| F test: active=announced   | 4.621              | 6.382              | 8.452              | 14.119             | 0.531              | 3.925              | 0.223              | 3.832              | 0.331                 | 0.176              | 1.514              | 1.391              |
| p value                    | 0.032              | 0.012              | 0.004              | 0.000              | 0.466              | 0.048              | 0.636              | 0.050              | 0.565                 | 0.675              | 0.218              | 0.238              |
| Country fixed effects      | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 185804             | 185804             | 25985              | 25985              | 207589             | 207589             | 29733              | 29733              | 197112                | 197112             | 27620              | 27620              |
| Adjusted R squared         | 0.070              | 0.078              | 0.078              | 0.090              | 0.036              | 0.048              | 0.035              | 0.047              | 0.088                 | 0.103              | 0.083              | 0.085              |

Note: All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese Aid.

## 4.2 Analyses with sub-national region fixed effects

Table A.27: Chinese FDI and Perceptions of Economic Conditions: Sub-national Region Fixed Effects

|                            | Current economic conditions |                    |                    |                    | Future economic conditions |                    |                    |                    |
|----------------------------|-----------------------------|--------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
|                            | All samples                 |                    | Close to FDI       |                    | All samples                |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)                | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)               | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     |
| Announced 50km             | 0.020<br>(1.232)            | 0.020<br>(0.432)   | 0.006<br>(0.317)   | -0.032<br>(-0.553) | 0.009<br>(0.547)           | -0.002<br>(-0.035) | 0.011<br>(0.507)   | 0.020<br>(0.331)   |
| Active 50km                | -0.009<br>(-1.086)          | -0.072<br>(-2.991) | -0.006<br>(-0.410) | -0.046<br>(-1.229) | -0.049<br>(-4.451)         | -0.145<br>(-4.599) | -0.071<br>(-4.274) | -0.167<br>(-3.513) |
| Inactive 50km              | -0.023<br>(-2.799)          | -0.071<br>(-2.909) |                    |                    | -0.012<br>(-1.397)         | -0.046<br>(-1.952) |                    |                    |
| Announced-Inactive         | 0.043                       | 0.091              |                    |                    | 0.021                      | 0.044              |                    |                    |
| F test: announced=inactive | 6.886                       | 3.840              |                    |                    | 1.441                      | 0.925              |                    |                    |
| p value                    | 0.009                       | 0.050              |                    |                    | 0.230                      | 0.336              |                    |                    |
| Active-Inactive            | 0.014                       | -0.002             |                    |                    | -0.037                     | -0.100             |                    |                    |
| F test: active=inactive    | 1.727                       | 0.003              |                    |                    | 8.597                      | 6.469              |                    |                    |
| p value                    | 0.189                       | 0.959              |                    |                    | 0.003                      | 0.011              |                    |                    |
| Active-Announced           | -0.029                      | -0.092             | -0.012             | -0.014             | -0.058                     | -0.144             | -0.082             | -0.187             |
| F test: active=announced   | 2.793                       | 3.280              | 0.328              | 0.055              | 10.476                     | 8.740              | 14.880             | 9.673              |
| p value                    | 0.095                       | 0.070              | 0.567              | 0.815              | 0.001                      | 0.003              | 0.000              | 0.002              |
| Region fixed effects       | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                         | Yes                | Yes                | Yes                | Yes                        | Yes                | Yes                | Yes                |
| Degrees of freedom         | 81549                       | 81549              | 24454              | 24454              | 80570                      | 80570              | 25182              | 25182              |
| Adjusted R squared         | 0.068                       | 0.107              | 0.051              | 0.092              | 0.115                      | 0.137              | 0.135              | 0.153              |

Note: The results come from 171 sub-national regions for which Afrobarometer data exist both before and after the project announcement. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.

Table A.28: Chinese FDI and Perceptions of Political Competence: Sub-national Region Fixed Effects

|                            | Managing economy   |                    |                    |                    | Creating jobs      |                    |                    |                    | Presidential approval |                    |                    |                    |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
|                            | All samples        |                    | Close to FDI       |                    | All samples        |                    | Close to FDI       |                    | All samples           |                    | Close to FDI       |                    |
|                            | Dummy<br>(1)       | Ordinal<br>(2)     | Dummy<br>(3)       | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    | Dummy<br>(11)      | Ordinal<br>(12)    |
| Announced 50km             | -0.027<br>(-1.472) | -0.065<br>(-1.891) | -0.040<br>(-1.838) | -0.088<br>(-2.125) | -0.028<br>(-1.777) | -0.056<br>(-1.588) | -0.058<br>(-3.006) | -0.114<br>(-2.574) | -0.042<br>(-2.171)    | -0.108<br>(-2.602) | -0.044<br>(-1.883) | -0.087<br>(-1.722) |
| Active 50km                | -0.015<br>(-1.539) | -0.048<br>(-2.591) | -0.021<br>(-1.333) | -0.044<br>(-1.443) | -0.014<br>(-1.765) | -0.047<br>(-2.685) | -0.048<br>(-3.415) | -0.104<br>(-3.503) | -0.030<br>(-3.125)    | -0.089<br>(-4.468) | -0.051<br>(-3.249) | -0.125<br>(-3.850) |
| Inactive 50km              | -0.036<br>(-3.303) | -0.076<br>(-3.318) |                    |                    | -0.015<br>(-1.650) | -0.034<br>(-1.920) |                    |                    | -0.022<br>(-2.630)    | -0.045<br>(-2.474) |                    |                    |
| Announced-Inactive         | 0.009              | 0.011              |                    |                    | -0.013             | -0.023             |                    |                    | -0.020                | -0.063             |                    |                    |
| F test: announced=inactive | 0.277              | 0.112              |                    |                    | 0.697              | 0.394              |                    |                    | 0.994                 | 2.194              |                    |                    |
| p value                    | 0.598              | 0.737              |                    |                    | 0.404              | 0.530              |                    |                    | 0.319                 | 0.139              |                    |                    |
| Active-Inactive            | 0.021              | 0.029              |                    |                    | 0.000              | -0.013             |                    |                    | -0.008                | -0.043             |                    |                    |
| F test: active=inactive    | 2.183              | 0.981              |                    |                    | 0.000              | 0.265              |                    |                    | 0.531                 | 3.183              |                    |                    |
| p value                    | 0.139              | 0.322              |                    |                    | 0.987              | 0.606              |                    |                    | 0.466                 | 0.074              |                    |                    |
| Active-Announced           | 0.012              | 0.018              | 0.018              | 0.044              | 0.014              | 0.010              | 0.010              | 0.010              | 0.012                 | 0.020              | -0.007             | -0.037             |
| F test: active=announced   | 0.359              | 0.215              | 0.719              | 1.075              | 0.641              | 0.062              | 0.254              | 0.052              | 0.308                 | 0.192              | 0.072              | 0.526              |
| p value                    | 0.549              | 0.643              | 0.397              | 0.300              | 0.423              | 0.803              | 0.614              | 0.820              | 0.579                 | 0.662              | 0.788              | 0.468              |
| Region fixed effects       | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Year fixed effects         | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                | Yes                | Yes                |
| Degrees of freedom         | 79424              | 79424              | 23827              | 23827              | 88326              | 88326              | 27110              | 27110              | 82911                 | 82911              | 25018              | 25018              |
| Adjusted R squared         | 0.104              | 0.113              | 0.088              | 0.103              | 0.062              | 0.081              | 0.051              | 0.078              | 0.136                 | 0.152              | 0.124              | 0.135              |

Note: The results come from 171 sub-national regions for which Afrobarometer data exist both before and after the project announcement. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level. Columns (3), (4), (7) and (8) drop the respondents who are not close to Chinese FDI.



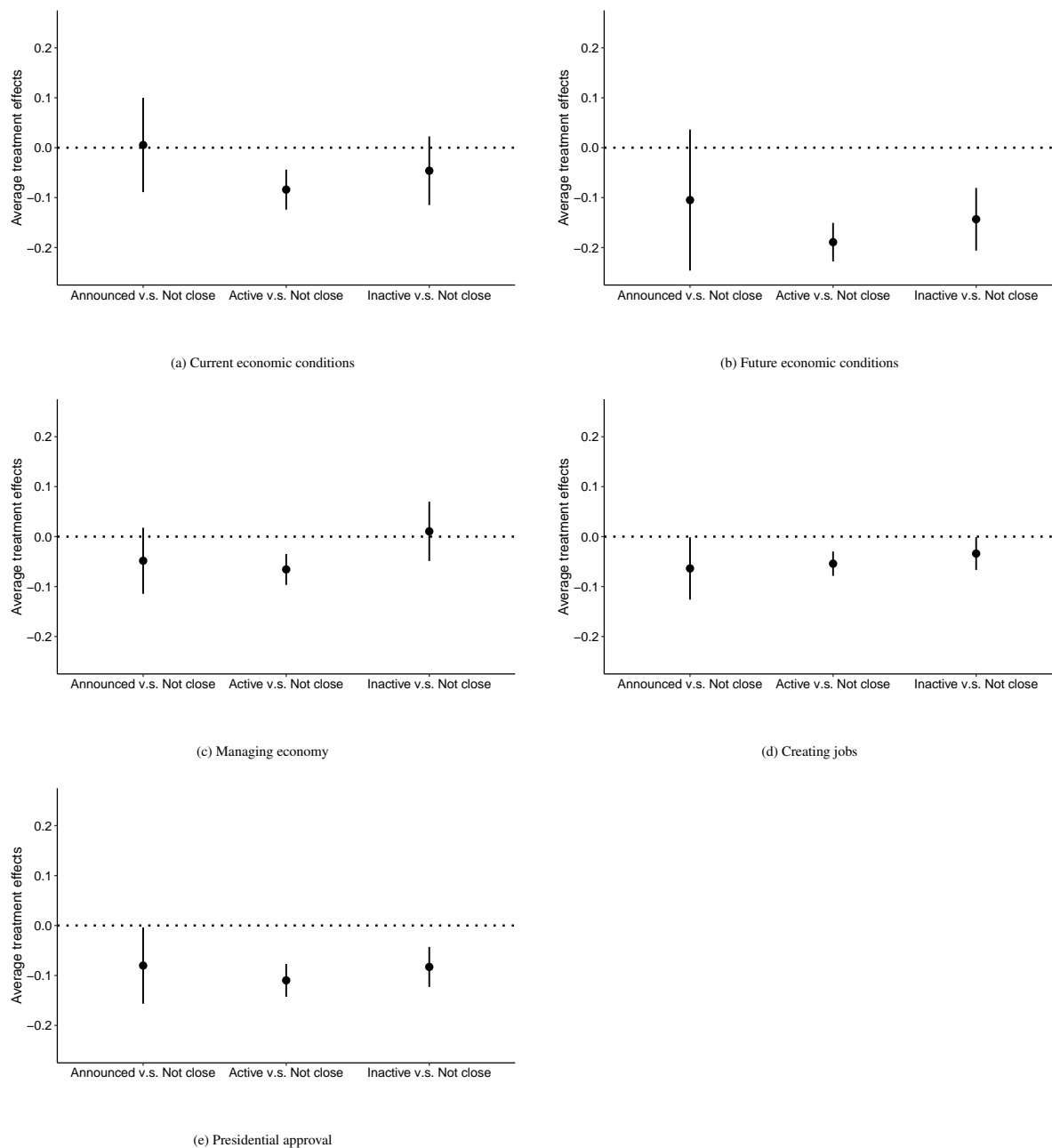
### 4.3 Analyses with project fixed effects

Table A.29: The Effects of Chinese FDI: Project Fixed Effects

|                          | Current economic conditions |                  | Future economic conditions |                    | Managing economy   |                    | Creating jobs      |                    | Presidential approval |                    |
|--------------------------|-----------------------------|------------------|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|
|                          | Dummy<br>(1)                | Ordinal<br>(2)   | Dummy<br>(3)               | Ordinal<br>(4)     | Dummy<br>(5)       | Ordinal<br>(6)     | Dummy<br>(7)       | Ordinal<br>(8)     | Dummy<br>(9)          | Ordinal<br>(10)    |
| Announced 50km           | 0.095<br>(5.824)            | 0.269<br>(5.795) | 0.011<br>(0.613)           | 0.062<br>(1.410)   | 0.056<br>(2.538)   | 0.085<br>(2.043)   | -0.004<br>(-0.248) | -0.008<br>(-0.256) | 0.021<br>(1.091)      | 0.005<br>(0.116)   |
| Active 50km              | -0.001<br>(-0.055)          | 0.024<br>(0.679) | -0.049<br>(-3.513)         | -0.081<br>(-2.113) | -0.035<br>(-2.031) | -0.054<br>(-1.658) | -0.013<br>(-1.138) | -0.028<br>(-1.053) | -0.034<br>(-2.449)    | -0.090<br>(-3.300) |
| Active-Announced         | -0.096                      | -0.245           | -0.059                     | -0.143             | -0.090             | -0.138             | -0.010             | -0.020             | -0.055                | -0.094             |
| F test: active=announced | 43.345                      | 32.274           | 14.589                     | 12.689             | 25.958             | 17.169             | 0.424              | 0.377              | 8.913                 | 6.396              |
| p value                  | 0.000                       | 0.000            | 0.000                      | 0.000              | 0.000              | 0.000              | 0.515              | 0.539              | 0.003                 | 0.011              |
| Project fixed effects    | Yes                         | Yes              | Yes                        | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                |
| Year fixed effects       | Yes                         | Yes              | Yes                        | Yes                | Yes                | Yes                | Yes                | Yes                | Yes                   | Yes                |
| Degrees of freedom       | 52693                       | 52693            | 54194                      | 54194              | 51474              | 51474              | 58446              | 58446              | 52897                 | 52897              |
| Adjusted R squared       | 0.050                       | 0.089            | 0.121                      | 0.138              | 0.085              | 0.102              | 0.045              | 0.072              | 0.102                 | 0.112              |

*Note:* The results come from 129 Chinese FDI projects for which Afrobarometer data exist both before and after the project announcement. All models control for individual characteristics including living in an urban area, age, age squared, gender and education. The t statistics are reported in parentheses with standard errors clustered at the village level.

## 4.4 Matching



Note: All dependent variables are in the ordinal scale. 95% confidence intervals are plotted with the standard errors clustered at the village level.

Figure A. 9: The Effects of Chinese FDI: Matching Results