Why Oppose Foreign Investment? Survey Experimental Evidence from India

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October 2023

Abstract

When and why does foreign investment spark public opposition? Research on foreign direct investment (FDI) often assumes that attracting FDI benefits developing country leaders because their constituents associate FDI with positive economic outcomes, such as job growth and economic development. And yet, despite strong theoretical reasons for why publics should welcome FDI, foreign investment sometimes generates skepticism and opposition. Using data from a randomized survey experiment in India, we explore two potential sources of this public opposition: anxieties about investors' country of origin and the influence of elite cues. Our results reveal that FDI from a rival country faces strong public opinion headwinds; when presented with FDI from China, respondents provide lower evaluations of the company, are less willing to offer tax incentives, and are more likely to support governmental obstruction of the investment. This reduced support does not arise from one narrow set of economic concerns but rather reflects a broad range of worries about the investment's consequences, such as threats to national security, loss of economic autonomy, lower wages and inferior economic outcomes, and blows to national pride. Moreover, we find that elite cues have little impact on how respondents react to investors' home country, suggesting that policymakers may be more constrained than previously thought when managing investment relations with particular foreign countries.

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1 Introduction

Why do people oppose foreign investment? How malleable is public opinion on foreign investment to elite messaging? Existing research on foreign direct investment (FDI) has long assumed that policymakers in developing countries want to attract FDI because their constituents expect that FDI leads to positive economic outcomes, including greater economic development and job creation. While data from previous decades provides empirical support for this logic (Pandya 2010; Jensen and Malesky 2018; Owen 2019), the current environment for global investment looks noticeably different from the previous era of fast-growing global economic integration. The contemporary rise of nationalist populism in developed and developing countries alike (Colantone and Stanig 2018*a*,*b*; Rodrik 2018), eroding domestic support for a liberal international economic order (Bisbee et al. 2020), and the increasingly blurring lines between national security and investment policy (Bauerle Danzman and Meunier 2023) have shifted the global landscape away from growing economic integration towards greater protectionism and isolationism. These shifts present an opportunity to investigate how factors beyond pocketbook concerns within developing countries might also shape mass attitudes towards foreign investment.

Individuals may be skeptical about FDI for multiple reasons, and different sources of opposition have distinct implications for our understanding of how politics shapes investment flows in the Global South. This study explores the implications of two potentially meaningful sources of public opposition to FDI within developing nations: investing firms' country of origin and the influence of elite cues. On one hand, individuals may discount or distrust some FDI based on the foreign company's nationality of origin. In such cases, public opposition could reflect underlying nationalist anxieties that investment coming from rival countries will harm their own country's interests or diminish its status. Because such attitudes arise from contexts and beliefs that do not change quickly, the implication is that public resistance may be a "sticky" impediment that deters some investors in the medium- to long-run. Alternatively, mass attitudes towards FDI may not be anchored in deep, underlying preferences at all, but instead merely represent citizens taking cues from political elites (Hiscox 2006; Berinsky 2007, 2009; Saunders 2015; Guisinger and Saunders 2017; Baum and Potter 2008). When politicians criticize a foreign company, these cues may prime citizens to also voice disapproval towards foreign investors, even when they do not have strong feelings on the matter *a priori*. If public opinion towards FDI comes primarily from cue-taking, then public opinion *per se* may not be very useful for understanding foreign investment flows, and we should instead focus upon other incentives that political elites have to encourage or discourage FDI.

Using a pre-registered survey experiment in India, one of the world's leading recipients of foreign investment, we uncover several key insights about public attitudes towards FDI. First, we observe pronounced home-country effects on respondents' support (or lack thereof) for FDI; in particular, FDI from a rival country faces noticeably strong public opinion headwinds. When presented with proposed FDI from a Chinese company, respondents provide lower evaluations of the investing company, display greater opposition to providing the firm with tax incentives, and express more support for the government preventing this particular project as well as discouraging similar projects in the future.

Second, we unpack these home-country effects and show that they reflect a surprisingly broad range of concerns about the impact of receiving FDI from certain countries. To do so, we adjudicate between various theoretical explanations for opposition to country-specific FDI by employing a word association test that allows respondents to choose the kinds of economic and non-economic terms that they associate with the hypothetical investment project. Both the word association test and traditional direct questions reveal that reduced support for FDI from a rival country reflects not just misgivings about jobs and wages, but also encompasses more nationalist worries about the investment's consequences, including spying and threats to national security, loss of economic autonomy, inferior development outcomes, and blows to national pride.

Finally, we provide what we believe to be the first experimental evidence on the limits of cue-taking for public attitudes towards FDI. As part of our survey experiment, we embed into the vignette government statements supporting or criticizing the proposed project, allowing us to estimate the extent to which elite cues can either exacerbate or mitigate the effect that FDI home country has on public opinion. Interestingly, we find that elite cues have little to no impact on the way respondents react to investors' home country. The results do uncover general cue-taking effects – independent of other treatments, negative elite cues reduce respondents' support for the proposed investment – but, across multiple tests and a variety of indicators, we find no evidence that the elite cues either assuage or amplify respondents' concerns about foreign investment from a specific country. This suggests that policymakers may be more constrained than previously assumed when managing investment relations with certain countries. Insofar as the public's views on the (un)desirability of FDI reflect deep-seated beliefs about investors' home country, elites will find it challenging to rouse public support for projects affiliated with specific rival countries or mobilize opposition to investment from long-standing partners.

Our research makes several contributions. First, our findings add to scholars' understanding of what shapes public sentiment towards FDI, and the concerns that lie behind them. Recent work has begun examining factors other than individual economic self-interest as drivers of public attitudes towards FDI (Chilton, Milner, and Tingley 2017; Bush and Prather 2020; Feng, Kerner, and Sumner 2021). Our results highlight the complex interplay between economic, political, and security factors in shaping public opinion on foreign investment. In particular, we show that material and nonmaterial concerns related to investment originating from rival countries may represent a source of friction for international investment in today's global economic landscape. Second, we shed new light on the mechanisms underlying home-country effects in FDI attitudes. Up until now, home-country effects had been an unstudied, empirical regularity documented in the incipient literature on FDI attitudes (Jensen and Lindstädt 2013; Chilton, Milner, and Tingley 2017; Li and Zeng 2017). We make home-country effects a central part of this study and go further: we use a novel method – a word association test – to unpack the underlying concerns that accompany these attitudes, and we investigate how malleable these attitudes are to cue-taking from policymakers.

Third, this article contributes to the renewed effort by IR and IPE scholars to understand the conditions under which elite messages shape mass opinion on international issues. Previous work shows that issue context matters (Guisinger and Saunders 2017; Baum and Potter 2008), but we know little about whether and how elites can sway public opinion on issues related to foreign investment. When it comes to FDI, our findings show that elite messaging plays a role, albeit a limited one. Even if home-country effects are rooted in longstanding rhetoric from elites and thus shaped through top-down processes over time, these mass attitudes cannot be easily influenced through strategic messaging in the short run. Fourth, our results speak to the international business literature on the "liability of foreignness." International business scholars have long investigated the strategies that multinational companies adopt to overcome the additional costs they face relative to local competitors when operating in foreign markets (Denk, Kaufmann, and Roesch 2012; Zaheer 1995). That research has focused on the importance of firm capabilities and practices in limiting these costs. However, our findings imply that the liability of foreignness may be just as much about the local receptivity to foreign investment from specific countries as it has to do with factors under firms' control.

Finally, our study helps broaden the scope of the literature on public opinion and FDI towards cases in the developing world. As some of the world's largest recipients of FDI, countries and publics in the Global South have long been the implicit population of interest in this literature. Yet, much of what we know about mass attitudes in IPE is slanted towards publics in the US and other advanced democracies. As countries in the Global South become increasingly central in global FDI networks both as senders and receivers of cross-border investment, our study provides more insight into the ways in which diverse sources of investment may cause us to reconsider some of the long-held tenets in the FDI literature.

2 Public Opinion Research on Foreign Direct Investment

For decades, political science research on FDI has focused primarily on understanding the political and institutional factors that shape FDI flows. From the beginning, scholars have paid particular attention to the relationship between FDI and domestic institutions, such as regime type (Jensen 2003), rule of law (Li and Resnick 2003), or courts (Biglaiser and Staats 2012; Beazer and Blake 2018). The institutional determinants of FDI cast a long shadow on this field, but complementary studies have helped to identify other political influences on FDI: for example, government coalitions (Nooruddin 2011), partisanship (Pinto and Pinto 2008), union density (Owen 2015), and network effects (Graham 2015; Wellhausen 2015; Johns and Wellhausen 2016; Pandya and Leblang 2017). These cumulative efforts have helped us form a broad, consistent picture of what foreign investors seek in a host country.

In stark contrast, the literature on public opinion and FDI is quite young and full of unanswered questions, particularly with regards to public attitudes within the developing world (Pandya 2016). As a result, we have surprisingly little empirical knowledge about why the public supports or opposes foreign investment. More fundamentally, in the digital era of constant political messaging, we do not know whether individuals even have stable, defined attitudes about FDI or if instead public opinion merely echoes the positions of the latest elite rhetoric.

One possible explanation for the relative lack of public opinion research on FDI is that, either explicitly or implicitly, extant theories generally presuppose an answer – people living in developing countries welcome FDI because it is in their economic interest. For example, scholars argue that political leaders provide costly fiscal incentives to attract foreign firms not because it is good policy, but rather because constituents want them to secure FDI (Jensen and Malesky 2018). Similarly, voters' support for FDI is theorized as the constraint preventing democratic policymakers from reneging on their policy commitments or expropriating assets once foreign firms have made their investments (Jensen 2003). These assumptions are rooted in workers' pocketbooks. Foreign investment promises developing host countries a variety of economic benefits, but scholars assume that individuals support investment by foreign multinational companies because they create more or better-paying jobs relative to domestic companies (Dunning 1993; Lipsey 2002).[1] Indeed, in one of the earliest political science articles on public attitudes towards FDI in developing countries, Pandya (2010) finds patterns consistent with this microeconomic logic; support for FDI in the Latinobarometer is highest among high-skilled respondents, i.e. the group presumed to benefit most from FDI jobs.

The conventional wisdom linking FDI support to economic opportunity undoubtedly remains relevant today, but the current investment environment differs markedly from the early 2000s era that motivated the existing literature. We argue that these fundamental changes within the global economic landscape have given factors beyond pocketbook concerns a greater role in shaping the public's receptivity to FDI. Quite noticeably, economic nationalism has surged across the globe, and foreign economic engagement has become a lightning rod for populist political leaders everywhere. Following this trend, politicians' rhetoric and programs in many developing countries have turned against economic globalization in favor of nation-first economic policies.

Alongside the increased skepticism towards economic integration, recent years have witnessed a second important global shift: the exponential growth of FDI originating in the Global South. During the previous globalization period, when almost all FDI came from a relatively homogeneous group of industrialized democracies, the public in host countries may not have seen meaningful differences between foreign firms associated with one home country versus another. But, as heterogeneity among FDI-sending countries has grown, so too has the potential salience of foreign companies' home country affiliation to individuals in the

[1] Of course, not all arguments predict such rosy outcomes. If foreign entrants put incumbent firms out of business or are constantly threatening to move activity elsewhere within their global production chain, FDI could reduce job security (Scheve and Slaughter 2004) and reduce bargaining leverage for unions (Owen 2013, 2015). These arguments arise predominantly in the context of highly-industrialized, developed countries.

host country. Facing a wider assortment of foreign companies, individuals may presume or observe differences in quality, categorizing FDI as "high" versus "low" type based on country of origin. The diversified pool of FDI-sending countries also creates more potential opportunities for individuals to perceive conflicts between the national interests of their own country and foreign companies' country of origin. We believe these changes have set the stage for scholars to reengage the question of what drives public attitudes about FDI, particularly in the Global South.

In this paper, we begin from the observation that, despite strong theoretical reasons to expect public opinion to welcome FDI, foreign investment projects sometimes generate skepticism and concern. We investigate two potential sources of opposition to FDI within developing countries: anxieties about country of origin and cue-taking. In doing so, our study contributes to a new and developing research agenda examining the nonmaterial factors that influence public attitudes towards FDI, such as reciprocity norms (Chilton, Milner, and Tingley 2017) and foreigners' position-taking on contentious domestic issues (Bush and Prather 2020). Together, this research agenda makes clear that, although existing studies have taught us much about individuals' pocketbook motivations for supporting FDI, we need to also understand the political and social considerations that lead people to support or oppose FDI if we are to have a complete picture of the forces shaping the future of economic development in the Global South.

3 FDI Home Country & Host Country Public Opinion

We start by investigating the notion that public attitudes towards foreign investment depend in part upon the investing company's country of origin. There are good reasons to expect that FDI's country of origin could be a major driver of public attitudes, both positive and negative. For one, it is well documented that factors beyond individual-level pocketbook considerations explain a large swath of public preferences about economic globalization. Individuals often form preferences over international economic issues based on sociotropic considerations about the national interest and the perceived effects of globalization on the country's economy as a whole (Mansfield and Mutz 2009, 2013; Bechtel, Hainmueller, and Margalit 2014). Furthermore, affective dispositions such as nationalist pride, nativism, and ethnic and racial attitudes are strong predictors of public responses to globalization (Mayda and Rodrik 2005; Mansfield and Mutz 2009, 2013; Guisinger 2017; Goldstein and Peters 2014).

Those findings suggest that attitudes towards FDI may also depend on the investor's country of origin. Prior beliefs about the investor's home country may influence how the public assesses the anticipated effects of FDI on the national interest. Such beliefs may also trigger affective reactions to the idea of engaging economically with a specific foreign nation. Indeed, evidence from the literature on trade preferences indicates that public support towards trade agreements is not only a function of anticipated economic benefits, but characteristics of the potential trading partners as well (Gray and Hicks 2014; Spilker, Bernauer, and Umaña 2016). Whether individuals perceive a country to be a direct competitor, and whether economic engagement is likely to benefit a competitor more than one's own country, is an important predictor of public preferences toward trading with that country (Mutz and Kim 2017; Carnegie and Gaikwad 2022). Likewise, this literature finds that individuals are generally averse to trading with countries seen as adversaries or threatening in any way to one's national security (DiGiuseppe and Kleinberg 2019; Carnegie and Gaikwad 2022).

While much of what we know about home-country effects and globalization attitudes comes from the trade literature, we expect home-country effects to matter when it comes to FDI as well. Although the FDI literature has largely focused on host country conditions, the role of FDI home country has featured in some previous studies. Much of this research focuses on the home country's importance from the standpoint of investing firms; studies show that international firms prefer to invest in host countries alongside other co-national firms (Wellhausen 2015) and that similarity to home-country environment increases investors' interest in potential hosts (Beazer and Blake 2018, 2021). Even within the budding public opinion research on FDI, there is suggestive evidence regarding the relative importance of investors' country of origin. For example, in the recent conjoint experiments of both Chilton, Milner, and Tingley (2017) in the United States and Li and Zeng (2017) in China, a multinational company's home country stands out as one of the project-level attributes with the largest impact on respondents' preferences for one hypothetical project over another.

So far, however, such findings generally fall outside those studies' main focus and remain largely untheorized. Here, we engage directly with home-country effects by: theorizing about the underlying concerns that reduce public support for FDI from rival countries; investigating such effects in the context of low-savings, FDI-dependent developing economies, where the wage and employment stakes from FDI are greater both individually and in aggregate, and therefore any nonmaterial home-country effects are all the more puzzling from the standpoint of standard models of FDI preferences; and investigating the degree to which home-country-based opposition and support for FDI respond to cue-taking from policymakers.

We thus start with a baseline hypothesis about home-country effects:

> H1: *Individuals will have lower levels of support for FDI from a rival country and higher levels of support for FDI from partner countries.*

While we expect to find clear home-country differences based on the existing literature, we are mainly interested in understanding the concerns that lie behind these attitudes. In other words, when will developing country publics opt to forgo some of the economic gains from foreign investment on the basis of that investment's country of origin, and why? We conjecture that FDI's country of origin represents to individuals a source of concern across multiple dimensions: from individual-level considerations about wage and employment gains to sociotropic concerns about the economy-wide effects of FDI to the potential non-economic consequences of foreign investment, including risks to national security, loss of national autonomy, and even risks to the host country's international reputation.

Why would such considerations influence individuals' preferences over FDI? For one, public attitudes toward foreign multinationals may be a manifestation of individuals' deeplyingrained affective dispositions towards specific foreign nations. People hold different beliefs about whether a foreign country has friendly or hostile intentions towards their own country (Tomz and Weeks 2013; Carnegie and Gaikwad 2022). As a result, the presence of foreign firms from countries seen as rivals or adversaries within one's own country borders may trigger feelings of threat and insecurity, economic or otherwise, among the public. Such knee-jerk reactions to investment from rival countries may in turn lead individuals to oppose efforts by their government to attract such investment.

Alternatively, foreign investors' home country may serve as a cognitive heuristic, or shortcut, to which individuals resort to assess the potential consequences of international economic processes (Gray and Hicks 2014; Brooks, Cunha, and Mosley 2015). FDI projects are multifaceted and complex endeavors that impact the national and local economy and communities in various, often hard to anticipate ways. As such, whether and how much foreign direct investment affects one's own interests or one's perceived national interest depends on a wide range of factors that vary by FDI project. Assessing FDI's impact therefore can be both time consuming and cognitively demanding even for experts. For ordinary citizens, information about an investing firm's country of origin may thus make it less costly to think through often complex investment issues, as home-country cues may encapsulate a bundle of characteristics about a particular investment that are potentially useful for evaluating its anticipated consequences.

We thus hypothesize that people will associate FDI from rival countries with a variety of potential drawbacks reflecting traditional worries about jobs and wages, but also more nationalist concerns about national security, loss of national autonomy, economic and technological development, and national status. First, foreign direct investment from rival countries may prompt fears of economic and security vulnerabilities. Foreign investment in critical areas of infrastructure – e.g. energy, transportation, and telecommunications – may raise concerns that these kinds of dependencies could be exploited by foreign powers for economic or geopolitical advantage. Similarly, dependence on foreign suppliers may lead to anxieties about supply-chain risks in important sectors of the economy, from basic food supplies to medical equipment and semiconductors. Indeed, recent country experiences with supply-chain disruptions during the COVID-19 pandemic may have heightened such anxieties about economic insecurity (Kenwick and Simmons 2020; Renström and Bäck 2021).

Second, public perceptions about the traditional economic gains from FDI may also differ across countries of origin. For one, individuals may presume or observe differences in quality, categorizing FDI as "high" versus "low" type depending on the investor's home country. Perceptions about the quality of the foreign investment may thus affect how the public perceives the aniticpated developmental benefits from FDI. For example, people may associate FDI from rival countries with inferior outcomes in terms of technological spillovers, boosts to innovation and productivity, and overall economic progress relative to "high-quality FDI" from partner countries.

FDI's nationality of origin may also influence perceptions about the individual gains from FDI. The conventional case for individual wage and employment gains from FDI in developing countries rests upon the assumption that multinational corporations that engage in FDI are more productive and technologically advanced than domestic firms in these markets. The economic gains for local workers arise both from the FDI-led boost in demand for local labor, as well as from foreign companies' superior compensation and job security policies (Lipsey 2002; Pandya 2010). Yet, with the greater participation of the Global South in global FDI flows and the attendant increase in the heterogeneity of FDI-sending countries, public perceptions of the quality gap between foreign and domestic investment may now vary widely with the investment's country of origin. For instance, FDI from some less developed economies may be discounted as providing lower quality jobs than local firms. Among other reasons, domestic institutions in the firm's home country may affect its commercial practices; labor laws and employer-employee relations at home may affect firms' compensation and job security policies when investing abroad.

Finally, FDI's country of origin may produce both positive and negative reputational externalities for the host country. Just as countries enjoy positive reputational spillovers from associating themselves with other high-status countries (Gray and Hicks 2014; Duque 2018), we conjecture that in the eyes of domestic audiences, investment from reputable global firms headquartered in high-status countries may boost national pride. Conversely, we should expect investment from an adversarial country, especially one perceived to rank relatively low in one or more dimensions of global prestige rankings, to yield no such reputational gains and maybe even lead to concerns about potential losses in national status among the host country's own citizens.

We condense such home country-related concerns in the following hypothesis:

> H2: *Individuals are less likely to associate FDI from rival countries with potential benefits from investment and more likely to associate FDI from rival countries with potential drawbacks from investment.*

3.1 Can elite messaging mitigate opposition to FDI?

In the wake of resurgent economic nationalism and political rhetoric espousing nation-first economic policies, scholars have increased their efforts to understand the conditions under which elite messages shape mass attitudes on international issues. When it comes to foreign and economic policy, previous research indicates that issue context matters for elite influence on attitudes (Guisinger and Saunders 2017; Baum and Potter 2008). In this regard, we know little about whether and how much elites can sway public opinion on issues related to foreign investment. If elite cues essentially drive public opinion about foreign investment, then scholars may not need to be too concerned about understanding other potential influences on FDI support, such as the country of origin concerns that we discussed in the previous section. This leads to our paper's second main question of empirical investigation: To what extent can elite cues soften or sharpen concerns about investments' country of origin?

Among public opinion scholars, the degree to which cue-taking drives mass attitudes is a point of disagreement. One prominent camp argues that people frequently lack well-informed, well-developed preferences over policy issues, and so they rely on low-cost cues from trusted sources, such as political elites, to help them arrive at an answer. Individuals then use these elite cues as signals of the "correct" position to take on an issue (Zaller 1992; Barber and Pope 2019). Existing research on public attitudes in IPE provides some support for cue-taking, showing that that being exposed to elite messaging can significantly influence individuals' beliefs and preferences regarding a variety of topics, including trade and globalization (Hicks, Milner, and Tingley 2014; Guisinger and Saunders 2017).

The cue-taking model implies that government leaders and politicians may be particularly influential for public attitudes on issues that are unfamiliar, complex, or otherwise distant from people's day-to-day life. For many individuals, questions about investment policy and the perceived benefits of FDI may be exactly the type of complex, distant issue for which they rely on cue-taking to formulate an answer. To the extent that the cue-taking model applies to the domain of foreign investment, we would expect elite cues to have a large impact on individuals' beliefs about foreign investment and the companies that bring it. As such, this logic predicts that elite cues can moderate the impact of home country on respondents' support for FDI: positive elite cues should diminish or reverse any negative effects of coming from a rival country, and negative elite messages should shrink or reverse any positive effects of coming from a partner country.

> H3a: *The effects of country of origin are moderated by elite messaging. Positive statements from officials should reduce negative attitudes towards FDI from rival countries and increase the degree to which it is associated with potential benefits. Negative statements from officials should reduce positive attitudes towards FDI from partner countries and increase the degree to which it is associated with potential drawbacks.*

Of course, not all public opinion scholars believe that cue-taking is primarily responsible for public opinion. Some scholars argue that political attitudes rest on deeper, less-ephemeral foundations, including material interests, ideology, and other sources of preferences (Ansolabehere, Rodden, and Snyder 2008; Lewis-Beck, Nadeau, and Elias 2008; Bullock 2011; Kertzer and Zeitzoff 2017). The existing research on FDI appears to operate upon this model of public opinion; individuals' material self-interest is viewed as the bedrock for public support towards FDI (Pandya 2010). Whereas the cue-taking model sees FDI as an area ripe for elite influence, this view leaves little room for elite cues to have an effect on FDI support. This argument casts doubt that elite statements of support or criticism could do much to reshape the concerns that individuals have about investing companies' home country. If individuals' attitudes about FDI represent deep-rooted beliefs and preferences rather than cue-taking, then we would expect respondents reactions to investment's country of origin to be unaffected by elite statements of support or criticism.

H3b: *The effects of country of origin are not moderated by elite messaging.*

We turn now to testing these hypotheses.

4 Research Design

To test these claims about potential sources of public opposition to FDI, we use data from a pre-registered, randomized survey experiment in India. We fielded an online survey among 4,750 adult Indian respondents (age 18 and older) between July and August 2023. Our sample was collected from Cint's survey panel using census-based quotas for age and gender.

While the questions at the heart of our study are of broad interest to FDI scholars and not limited to the Indian context, India combines several characteristics that make it a fitting case for this research. As one of the world's largest economies, India is nonetheless a low-savings, foreign capital-dependent economy that relies heavily on FDI to boost productive activity and fund its ambitions to move up the global value chain. Moreover, the other side of capital scarcity – labor abundance – means that the average Indian worker should derive large economic gains from FDI (Pandya 2010, 2014). In particular, India's rising skill endowments suggest that its workforce has a growing interest in deepening the country's participation in global value chains. Together, these factors indicate that, in the context of India's electoral democracy, policymakers should be highly attentive to workers' demand for FDI. This makes India both a well-suited case for studying the determinants of mass attitudes towards foreign investment, as well as a hard case for investigating factors beyond pocketbook concerns, such as investors' country of origin and elite messaging.

Our study consists of a vignette-based, between-subject, randomized factorial design in which we experimentally manipulate the characteristics of a hypothetical investment project in India, as well as statements from government officials about the proposed investment, and ask respondents to evaluate the proposed investment along various dimensions. To test our hypothesis about home-country effects, we first randomize the investing firm's country of origin, asking respondents to consider the hypothetical investment plans from a company based in either the United States, Germany, China, or Mumbai.

We then randomize the firm's mode of entry into the Indian market – i.e. either building a new factory and offices (greenfield investment) or acquiring an existing Indian company (brownfield investment). While the firm's mode of entry is not of central theoretical interest in our study, we include it in the survey vignette to provide respondents with more concrete and comprehensive background information about the hypothetical investment project. This is important because publics in developed and developing countries alike generally regard foreign investment that results in the building of new factories as being economically superior to foreign investment made through the acquisition of local firms (Pew Research Center 2014). Omitting that piece of information from the vignette can potentially muddle our home-country effect estimates if respondents are more likely to associate greenfield investment with some countries than others (Dafoe, Zhang, and Caughey 2018). We therefore randomly vary the investment's mode of entry across subjects and report its results in the appendix for the interested reader.

Finally, we test our elite cue hypotheses by randomizing whether respondents see an endorsing or a critical statement by government officials about the investment project. One-third of the respondents see an endorsement, one-third see a criticism, and the other third are assigned to a control condition where no information about the opinion of government officials is provided, which allows us to assess the potential effect of both positive and negative elite messages about the proposed foreign investment.

All respondents receive a variant of the following hypothetical scenario:

> *Suppose that a company based in [the United States / Germany / China / Mumbai] is considering establishing new operations in India to make and sell consumer electronics and home appliances.*
>
> *The company plans to [establish a brand-new factory and offices / acquire the factory and offices of an existing Indian company].*
>
> *[Government officials have made public statements supporting this investment proposal. / Government officials have made public statements criticizing this investment proposal. / (No statement)]*

For respondents in all conditions, we then measure their assessments of the proposed investment across four dimensions: (a) What rating would you give to this company? (-3 to +3 scale); (b) Would you support or oppose the national government giving this company tax exemptions in order to secure its investment in India? (7-point scale from 'strongly oppose' to 'strongly support'); (c) Would you support or oppose the national government taking actions to prevent this company from investing in India? (7-point scale from 'strongly support' to 'strongly oppose'); and (d) To what extent do you think the government should attempt to encourage or discourage investment from companies like this? (7-point scale from 'strongly discourage' to 'strongly encourage'). For ease of interpretation of the results, all four outcome variables are coded such that higher values represent more positive attitudes toward the investment.

5 Results

Figure 1 shows estimates of the treatment effect of home country on our four items measuring FDI attitudes. The reference category for each home country is a Mumbai-based firm. The results show that country of origin can significantly change the level of public support for an FDI project. Compared to when a domestic Indian company is investing, a Chinese firm is met with lower company ratings, less willingness to provide tax breaks to secure the project, and less support for the government encouraging similar FDI projects.[2] Remarkably, we see that respondents in the China treatment condition are even more supportive of government actions to block the FDI project.

In contrast, we find little to no difference between attitudes towards US and German companies, on the one hand, and domestic Indian companies, on the other. While respondents are slightly more hesitant to support tax breaks to a German firm than an Indian counterpart, across most dimensions German and US firms are not viewed less favorably than an equivalent domestic company. In other words, US and German firms do not appear to experience the same form of "liability of foreignness" as Chinese firms do among the Indian public.

Our home-country results are consistent with previous findings that document differences in how respondents react to foreign investment from rival and partner countries (Jensen and Lindstädt 2013; Chilton, Milner, and Tingley 2017; Li and Zeng 2017). We take these results as our baseline to investigate in the next sections the factors that underlie public concerns about FDI's home country, as well as whether elite messages can help amplify or mitigate these effects.

[2]The difference between China and the other two countries (US and Germany) is statistically significant for company rating, tax breaks, and attitudes towards government encouragement.

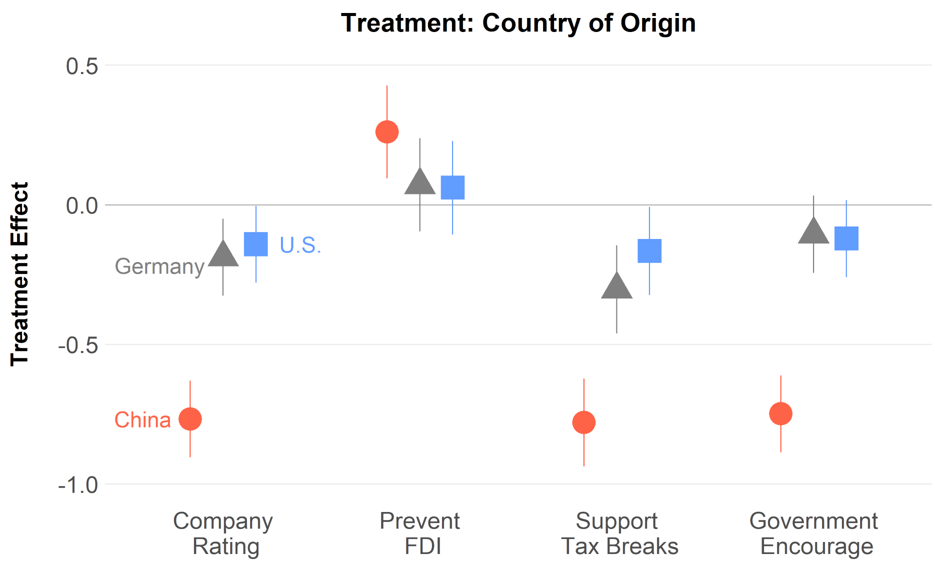

Figure 1: Foreign Investment's Chinese Origin Reduces Public Support for FDI on Multiple Dimensions

5.1 Mechanisms: What Are Respondent's Concerns about FDI?

Why would country of origin affect respondents' attitudes towards FDI? Earlier in the paper, we argued that individuals' opposition or support for FDI arises in part from how they expect foreign companies' nationality to affect investment outcomes. There are a variety of outcomes that could concern or interest the public, some more economic (i.e., employment and economic development) and others more nationalist in nature than material (i.e., national security, autonomy, and international reputation). In many ways, understanding which of these dimensions matter for FDI support, and when, is at the heart of contemporary research on public attitudes towards FDI.

To unpack how FDI home country plays upon these various concerns, our research design incorporates two additional sets of tests. First, we conduct a word association test to analyze how firms' randomly-assigned country of origin influences the type of words that respondents associate with the hypothetical investment project. This novel combination of word association test embedded within an experiment allows us to establish a causal link between FDI home country and respondents' top-of-mind associations. To complement the findings of this semi-open-ended activity, we also ask respondents directly to characterize the proposed project's likely impact on a variety of dimensions. If we observe similar effects across different tests, we can have greater confidence that we are uncovering the underlying concerns that respondents associate with FDI home country.

5.1.1 Word Association Test

Although relatively new to political science (Han, Truex, and Liu 2021; Liu and Yao 2023), word association tests (WAT) have been used in many other disciplines for years as a useful tool to help researchers gain insight into individuals' cognitive mapping between concepts.The format varies across types, but the WAT follows a general structure: respondents receive a stimulus, usually in the form of a keyword or phrase, then they immediately report the word(s) that they associate most readily with the prompt. Whereas standard survey questions often impose a particular scaling or presuppose respondents see a relevant connection between concepts, the WAT offers a flexible, open alternative for researchers to learn about which concepts "go together" in people's minds.

For our analysis, we employ a simple, but novel refinement of embedding a WAT within the context of our survey experiment. This original experimental design allows us to test whether and how country of origin alters the type of terms that respondents' associate with our hypothetical company. The logic is straightforward – if respondents systematically associate different words depending on treatment condition, then we can use these differences to make inferences about the traits and concerns that coincide with respondents' expressed support for or opposition to investment from those places.

Within the survey flow, our modified word association test appears immediately following the page with the randomized vignette and before respondents answer any of the support/opposition questions described in the previous section to avoid priming effects. After respondents read a brief reminder of the investment profile, we ask them to select from a provided list any and all words that they associate with the hypothetical investment project.[3] Specifically, respondents receive the following prompt:

> *When you think about the company based in [COUNTRY] [ENTRY MODE] that was described in the previous question, which of the words below come to mind? You may select as many words from the list as you like.*

In developing the WAT's choice set, we used pilot studies to construct a list of accessible words that would reflect the categories of material and nonmaterial concerns discussed in the theory section. To ensure flexibility, we designed the word list to include both positive and negative terms and allowed respondents to choose as many or as few words (including none) as they wanted. We limited the list to twenty-four words to reduce respondent fatigue. In the survey, respondents just saw a randomized, unstructured word list; however, for presentation's sake, we organize the word list below into theoretical categories.

Table 1: Word Association Test Word List, Organized by Category

Employment	*Development*	*Security*	*Reputation*	*Autonomy*
job growth	technology	suspicious	respect	colonialism
job loss	progress	spying	prestigious	dependence
higher wages	poverty	rival	corruption	exploitation
lower wages	innovation	threat	opportunity	
job security	development	friend	embarrassing	
		partner		

Using respondents' WAT answers, we estimate the treatment effect of home country on the probability of associating a given word with the vignette's hypothetical company. Taking the domestic, Mumbai-based firm as the reference category, Figure 2 plots the treatment effects of home country on selecting each term (grouped by category).

[3]This is known as a "controlled" WAT, where respondents pick words from a given list, as opposed to a "free" WAT that relies on free association (Ross et al. 2007; Johnson et al. 2012). While free association allows for a broader range of answers, it places a higher cognitive load on respondents and can be difficult to analyze.

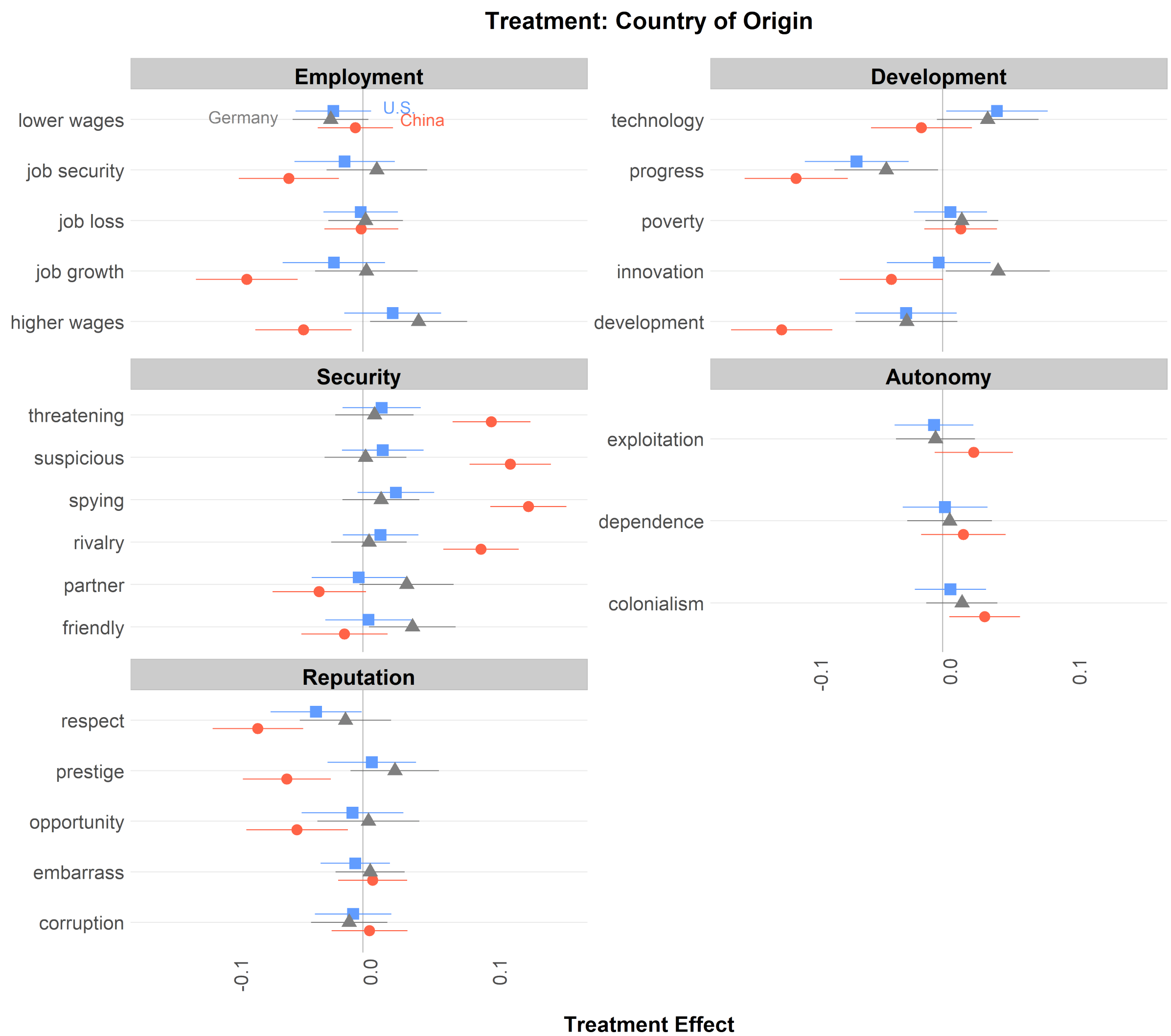

Figure 2: Effect of Country of Origin on Probability of Word Selection in Word Association Test

At the core of this test is a basic question: What comes to mind when people think of investment, and how does this vary by the investment's country of origin? The results in Figure 2 provide interesting answers to that question on a number of fronts. In the process, the findings reveal insights into the contours of Indian respondents' concern about FDI from a rival country.

First, we see clear evidence that respondents doubt that FDI from a rival country will bring all the same economic benefits as other sources of investment. In comparison to the domestic control company, respondents are less likely to associate Chinese investment with positive outcomes. For instance, coming from a rival country significantly reduces the probability that respondents will associate proposed investment with job security, job growth, and higher wages. Responses in the development category tell a similar story about reduced expectation for FDI from a rival country; Chinese nationality sharply reduces the probability that respondents associate the proposed investment with the concepts of progress, development, and, to a lesser extent, innovation. Notably, respondents do not necessarily associate Chinese investment with negative outcomes such as lower wages, job loss, or poverty. This finding contrasts with evidence from the developed-economy setting of the United States, where scholars have shown that public attitudes towards foreign investment, particularly Chinese investment, are often tied to worries about job losses (Feng, Kerner, and Sumner 2021; Zeng and Li 2019). In the context of India's developing economy, however, respondents' lack of support for rival-country FDI may stem more from its perceived inability to improve development or the job market rather than some latent anxieties about it undermining economic conditions.

Second, and somewhat surprisingly, we observe very little evidence that respondents consistently associate foreign investment from the other countries with better economic outcomes than what would come along with domestic investment. For all but a few of the

Here, because many of our Indian respondents would be accessing the online survey via mobile device, we decided that asking respondents to choose words from a list would result in better engagement and less drop-off than requiring respondents to type out answers.

economic terms, treatment effects for US and German FDI are small and statistically insignificant. While the conventional wisdom implies that individuals expect foreign firms to produce superior economic outcomes to local firms (Pandya 2010), the only evidence of that sentiment in these data are the positive effects of the foreign control country (Germany) on the probabilities of associating the project with higher wages and innovation. Bracketing the negative effects of FDI from the foreign rival, individuals do not appear to make tighter associations between foreign firms and "good" investment outcomes than they do with investment from their own domestic firms. In fact, compared to the Indian-based control, all three foreign firms have a lower probability of being associated with the word progress. To us, this suggests that respondents see domestic investment as a positive signal about the trajectory of India's development.

Moving to the other categories, Figure 2 yields a third insight – concerns about FDI home country extend beyond the realm of economic outcomes into worries about non-economic outcomes. In the middle-left panel, we see particularly large effects of rival-country FDI on word associations in the security category. Chinese nationality significantly increases the probability that individuals associate the investing company with negative words like threat, suspicious, rival, and spying.[4] However, security is not the only non-economic category in which we observe treatment effects for the rival country FDI; respondents exposed to the Chinese FDI treatment are significantly less likely to associate the proposed investment with positive reputation-oriented words, such as respect, opportunity, and prestigious (but not more likely to associate the investment with the negative reputational words, corruption and embarrassing.) This pattern of strong home country effects does not extend to the word set reflecting concerns about autonomy. While investment from China does increase the probability that individuals will associate the investment project with exploitation, the estimated effect size is small, and the other two word options in this category do not appear to be similarly affected. The effects of rival country FDI on associations with security- and

[4]This particular result provides a developing-economy complement to findings within the recent IPE research on public attitudes towards China in the United States (Feng, Kerner, and Sumner 2021; Zeng and Li 2019).

reputation-based words stand out even more when compared against the performance of the other country treatments. When compared to the word associations in the domestic control condition, investment from a long-time partner or foreign control company has no effect on respondents' word association choices in these non-economic categories. While perhaps one might assume that FDI from the US and Germany, both large and developed economies, might be associated with a boost in reputation or, conversely, diminished autonomy within the global economy, none of that seems to be the case.

5.1.2 Direct Questions about Country of Origin & FDI Outcomes

As an alternative approach to the word association test, we also ask respondents directly to evaluate how they think this the hypothetical investment project from the vignette would affect their country. Following the battery of questions asking about FDI support, respondents read a prompt reminding them of the investment company's profile and asking to assess the investment's likely impact on a number of outcomes using a seven-point Likert scale (from very negative to very positive). Figure 3 plots the treatment effects for country of origin on each of these dependent variables.

The results in Figure 3 reinforce the insights from our previous analysis. We see familiar patterns: respondents' beliefs about the investment outcomes vary by investors' country of origin, and, on all dimensions, there is a large negative effect on respondents' assessment when the proposed investment comes from the rival country. Moreover, as we observed before, these concerns do not seem localized to one particular domain, but rather they seem to range across the spectrum of issues. When prompted with a Chinese company, respondents are less positive about the project's impact on job security, wages, economic development, and India's competitiveness in the global economy. Among the items tapping non-economic outcomes, the findings similarly show that rival country FDI reduces evaluations of the investment's effects on the country's ability to control its own resources, national security, Indians' sense of national pride, and the respect that other countries have for India.

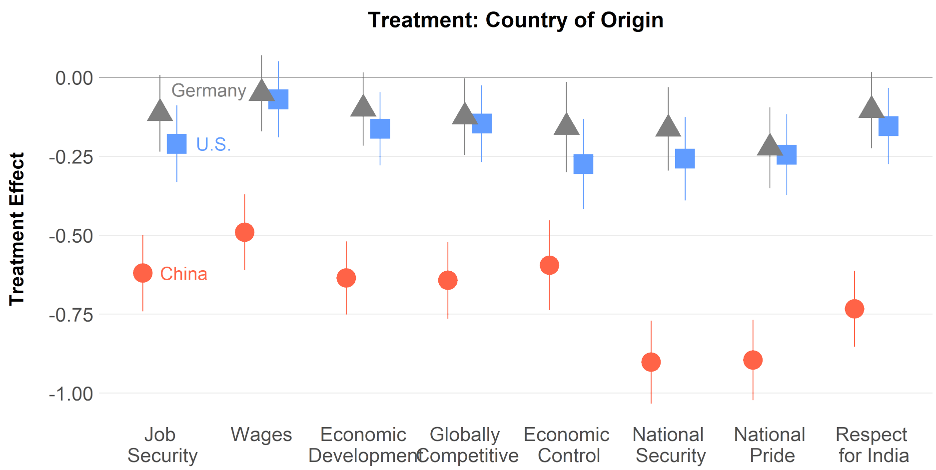

Figure 3: Respondents' Beliefs about the Positive Effects of Investment Vary by Investors' Country of Origin

Just as before, when we turn to the other country of origin effects, we see no evidence that FDI from the US and Germany are expected to produce superior outcomes compared to the domestic firm. If anything, these analyses provide suggestive evidence that, compared to investment from domestic companies, respondents may actually see a number of slight disadvantages from foreign investment on some economic dimensions (job security, development, and global competitiveness). Although these treatment effects are small and not consistently distinguishable from zero in the economic realm, these pro-domestic biases stand out more clearly for the non-economic outcomes. When asked about the effects of investment on national security, national pride, and control over the country's resources, respondents are less positive about outcomes from FDI from the US and Germany than they are when the investment comes from a domestic firm. In contrast to the conventional wisdom about preferences in the developing world for foreign capital, these results imply that respondents' most preferred country of origin for investment may be their own.

5.2 Results: Testing the Effects of Elite Cues

We turn now to evaluating the impact of cue-taking on public attitudes towards FDI. In the theory section, we highlighted the diverging predictions of two prominent schools of thought about how much elite cues shape public opinion. On the one hand, the cue-taking model of public opinion implies that government leaders and politicians play an out-sized role in shaping political attitudes since uninformed individuals look to them for cues about the "correct" position on complex and difficult issues (Zaller 1992; Barber and Pope 2019).For our tests, this view predicts not only that elite statements of support or criticism should have a general impact on respondents' attitudes toward FDI, but also that elite cues should be able to soften or sharpen respondents' reactions to investment country of origin. On the other hand, other public opinion scholars argue that the role of elite cues is overstated, and respondents' political attitudes represent positions that are grounded in slow-to-change foundations, such as values, ideology, and preferences (Ansolabehere, Rodden, and Snyder 2008; Lewis-Beck, Nadeau, and Elias 2008; Bullock 2011). If respondents' answers represent deep-rooted attitudes, then we would expect respondents reactions to investment's country of origin to be unaffected by elite statements of support or criticism.

Before turning to the tests of whether or not reactions to home country can be manipulated by elite cues, we begin by looking for evidence of a direct effect of elite cues on respondents' support for or opposition to FDI. Recall that, as part of the survey experiment, respondents were randomly assigned one of three elite cue conditions. One-third were told that government officials had publicly supported this investment proposal (*support*), one-third were told that government officials had publicly criticized the proposal (*criticize*), and one-third received no elite cue at all (*control*). Figure 4 plots the treatment effects on the dependent variables measuring support for the hypothetical investment.

This set of results provide mixed support for top-down arguments that give elite cues an important role in determining public attitudes towards foreign economic actors such as FDI. When told that the government has publicly criticized this project, respondents assign lower ratings to the investing company, are less likely to support tax breaks, and more likely to think that the government should discourage this kind of investment project in the future. On these items, elite cues appear to be informing respondents' attitudes. However, the

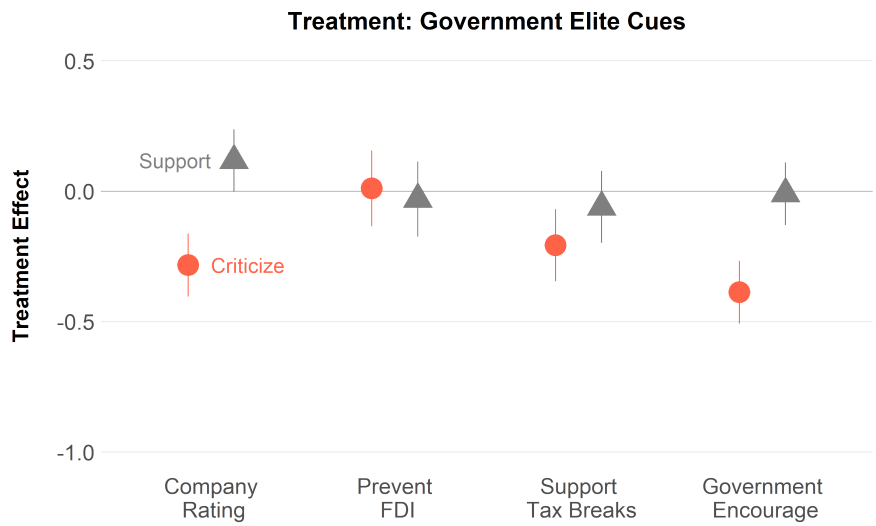

Figure 4: Government Criticism Has a Bigger Impact on FDI Attitudes than Government Support

results in Figure 4 also suggest that this cue-taking is rather limited in scope. Compared to the control condition of no cue, government criticism does not increase respondents' support for state measures to prevent the FDI project. Moreover, we find almost no evidence beyond a slight boost in company rating that government support leads to more supportive attitudes towards the investment project. To the extent that our respondents use elite cues to inform their attitudinal positions, they appear to respond mainly to negative cues.

In the previous sections, we provided evidence that opposition to or support for FDI depends in part upon the investing company's country of origin. We use these results as a baseline to further investigate the effects of elite cues on FDI attitudes. Specifically, we examine whether elite cues can moderate the impact of home country on respondents' attitudes. If cue-taking drives public opinion about FDI, then we would expect that elite messages of support or criticism could reshape respondents' initial reactions to investment from rival and partner countries. This logic predicts that government support would diminish or reverse the negative effects of coming from a rival country, while critical government messages would shrink or reverse the positive impacts of coming from a preferred country.

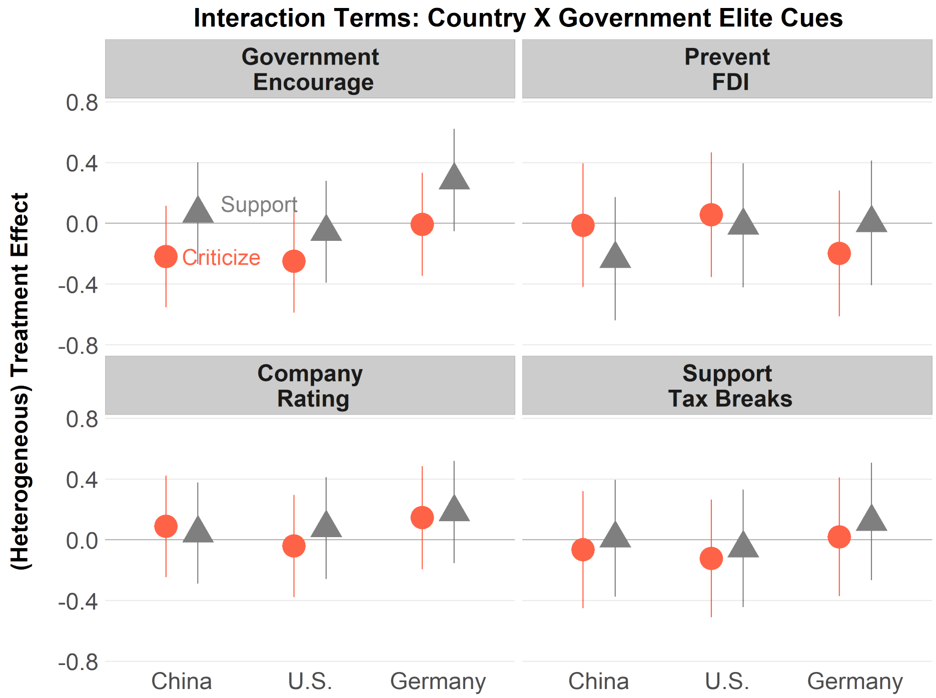

Figure 5: No Evidence that Elite Cues Shape the Way Country of Origin Affects FDI Support

We turn now to evaluating these claims.

To test the ability of elite cues to assuage or amplify respondents' concerns about investment from a specific country, we estimate the heterogeneous treatment effects of country of origin on FDI support, conditional on critical and supportive elite cues. Figure 5 presents the results by plotting the coefficients on the interactions between each combination of country of origin and type of elite cues. We call attention to two interesting sets of results. First, the interactions between Chinese FDI and each of the elite cue treatments are statistically insignificant for all dependent variables and, in most cases, have a magnitude of almost exactly zero. Public statements of government support give no sign of helping overcome or even reduce the deficit of support that projects incur from their affiliation with a rival country, nor do critical statements exacerbate those negative effects. Second, we note that the results provide no indication that elite cues lead to heterogeneous treatment effects for the US or German firms, either. Whatever effects affiliation with these favored countries have on respondents' support for FDI, they remain essentially unchanged by public statements of government support or criticism. All told, there seems to be little evidence that government positions of support or opposition moderate respondents' reaction to the investing company's country of origin.

6 Conclusion

The standard IPE model of individual attitudes towards foreign direct investment predicts that the public should generally welcome FDI due to the anticipated economic benefits in terms of development and job creation. Yet, despite such strong theoretical expectations, foreign investment projects often generate skepticism and public opposition. In this paper, we explore some of the reasons why some types of FDI may face particularly strong public opinion headwinds. Using data from a randomized survey experiment in India, one of the world's leading recipients of foreign investment, we uncover several key insights about public attitudes towards FDI. To begin, we observe pronounced home-country effects on respondents' attitudes towards foreign investing firms. FDI from a rival country faces noticeably strong opposition among the public.

Our most notable findings, however, regard the sources of such home-country effects and the extent to which they are amenable to cue-taking from elites. Results from our word association test and additional survey items reveal that opposition to FDI from a rival country is rooted, on the one hand, in concerns about the inferior employment and wage effects of such FDI when compared to investment from domestic companies, and, on the other hand, in more nationalist worries about the investment's consequences, ranging from questions of national security to concerns about loss of national status. These results underscore the complex complex interplay between economic, political, and security factors in shaping public opinion on foreign investment.

When it comes to the role of elite cues, our findings contribute to advancing current debates in IR and IPE about the conditions under which elite messages shape mass opinion on international economic issues. Such debates have pit opposing views about the sources of political attitudes. The first, bottom-up approach contends that individuals hold well-developed, stable policy preferences rooted in deep individual foundations of material interest, ideology, and values. The second approach argues that public attitudes follow a top-down process in which political elites provide cues to an otherwise uninformed public on what positions to take on issues of international economic policy. The most extreme version of the top-down, cue-taking model implies that public attitudes towards FDI are neither meaningful nor important for understanding how politics shapes foreign investment flows, because public opinion is ultimately just a reflection of elite messaging. If elites can conjure support for a project or whip up opposition merely by making public statements, then many of scholars' questions about public opinion and FDI quickly become irrelevant. In this version of politics, investment policy and policy in similar domains are effectively untethered from public opinion, and scholars can safely reject public pressure as an explanation for why policymakers seek to attract FDI.

Our results suggest that this is not the world in which we live. We demonstrate that elite cues' impact on public attitudes towards FDI is far from unconstrained. Although we do detect evidence that cue-taking informs respondents' attitudes, that impact appears limited in a few ways. Independent of other treatments, negative elite cues reduce respondents' support for the proposed investment, but positive elite cues do not provide a detectable lift in support. At a minimum, this finding suggests that elites may have a harder time selling the public on unpopular investment projects than they have tanking opinions about a project that people previously held in high regard. Moreover, elite cues are unlikely to reshape how individuals react to certain elements of foreign investment, like country of origin. Our results strongly suggest that if an individual associates a given country with good or bad investment outcomes, an elite statement to the contrary will not change that aspect of their thinking in any meaningful amount. Thus, we observe that supportive government statements appear insufficient to change people's minds about both the undesirability of FDI from rival countries and the desirability of FDI from partner countries. Ironically, it is very plausible that these deep-seated associations that constrain the effectiveness of elite cues in the current period are themselves the result of people internalizing elite messages in the past. In this regard, elite cues' largest effects on public support for FDI may be cumulative and slow-moving rather than discrete and immediate.

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