

Why Oppose Foreign Investment?

Survey Experimental Evidence from India

Quintin H. Beazer (Florida State University)

Daniel J. Blake (IE Business School)

Raphael Cunha (King's College London)

Srividya Jandhyala (ESSEC Business School)

What Shapes Public Opinion on Foreign Investment?

Answer: People support FDI because of economic benefits

- Material self-interests shape attitudes (Pandya 2010)
- Voter demand for FDI constrains elite behavior (Jensen 2003, Jensen & Malesky 2018)

FDI expected to have large benefits in developing countries

- Foreign firms expected to provide more jobs and higher wages than local firms

The World Has Changed in Ways that Might Affect How People Think about Foreign Investment

1. The group of FDI-sending countries is now much more diverse.

2. Economic nationalism is on the rise.

The World Has Changed in Ways that Might Affect How People Think about Foreign Investment

1. The group of FDI-sending countries is now much more diverse.

home country effects?

2. Economic nationalism is on the rise.

role of elite messaging?

FDI Home Country & Public Attitudes

Beliefs about FDI consequences may vary with home country

- Public may classify FDI as “high”/”low” type based on home country

Prior beliefs about home country may trigger affective response

- Globalization attitudes reflect affective dispositions (nationalism, ethnocentrism)
- FDI from rival/adversarial countries may be seen as less desirable

FDI Home Country & Public Attitudes

Beliefs about FDI consequences may vary with home country

- Public

Prior be

- Globali
ethnoc

- FDI from rival/adversarial countries may be seen as less desirable

Q1.) What are the effects of FDI home country on public support for FDI?

Concerns about Home Country: Economic or Political?

Employment and development

- Perhaps seen as generating inferior jobs or development outcomes

Security and autonomy concerns

- Economic dependencies could be exploited by foreign powers

Reputational externalities

- “The company you keep” (e.g. Gray & Hicks 2014)

Concerns about Home Country: Economic or Political?

Employment and development

- Perhaps seen as generating inferior jobs or development outcomes

Security (Q2.) What types of concerns are

- Economic concerns associated with FDI home country? rs

Reputational externalities

- “The company you keep” (e.g. Gray & Hicks 2014)

Elite Cues May Shape Attitudes about Foreign Investment

Problem: Many people are likely be uninformed or uninterested in FDI

- Complex topic with uncertain outcomes
- They may not have stable, underlying preferences



Elite Cues May Shape Attitudes about Foreign Investment

Solution: look to elite cues for signals of “correct” answer

- Elite cues can sway public beliefs about investment...
- ...and the (un)desirability of FDI from home country



Elite Cues May Shape Attitudes about Foreign Investment

Solution: look to elite cues for signals of “correct” answer

- Elite c
- ...and t

Q3.) To what extent can elite cues moderate the effects of FDI home country?



Our Survey Experiment in India

Online survey of 4,750 Indian respondents

- Conducted end of July – early Aug 2023
- Preregistered at OSF

Hypothetical investment vignette

- 4 x 3 (x 2) factorial
- Treatments: country of origin, elite cues, entry mode

Survey Flow

Investment Vignette

Treatments:

- Home country
- Mode of entry
- Elite cues



Word Association Test (WAT)

What concepts do people associate with this firm?



Support DVs

Measures of support for investing firm



Expected Outcomes DV

Beliefs about effects on economic & political outcomes

Survey Experiment Wording

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)]

Survey Experiment Wording

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)]

Survey Experiment Wording

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)]

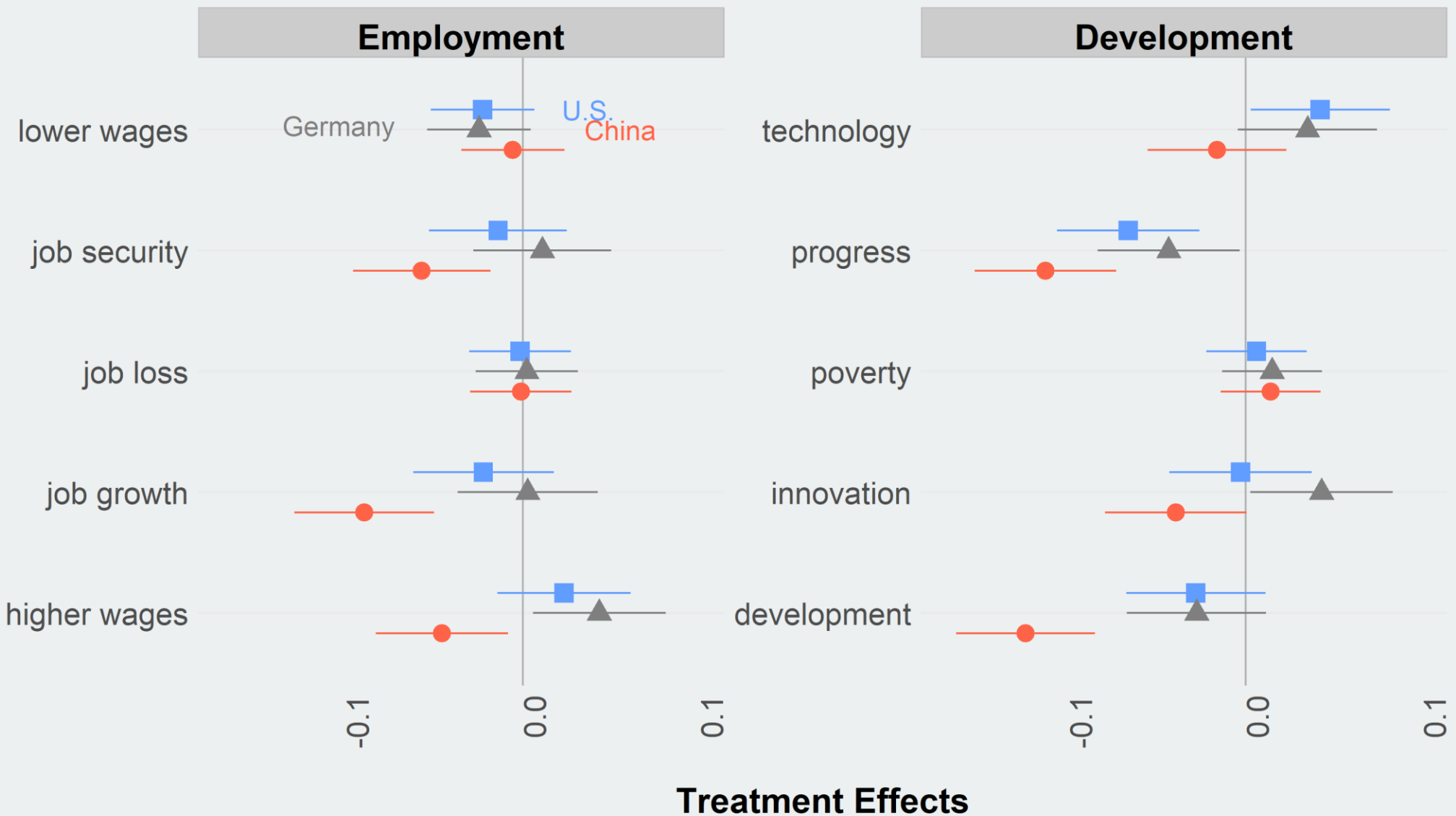
Results: Effect of Home Country on FDI Support



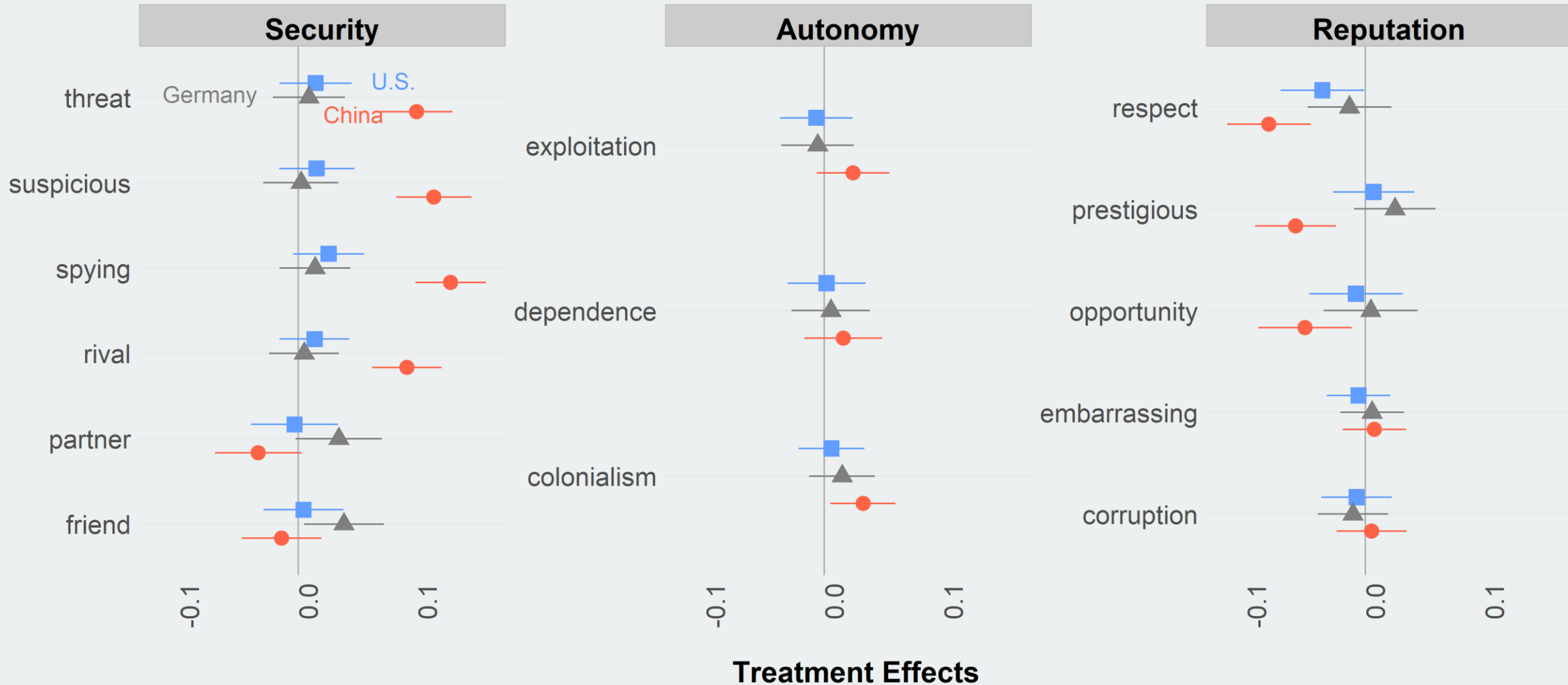
Using Word Association Test (WAT)

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	friend	opportunity	
job security	development	threat	embarrassing	
		partner		

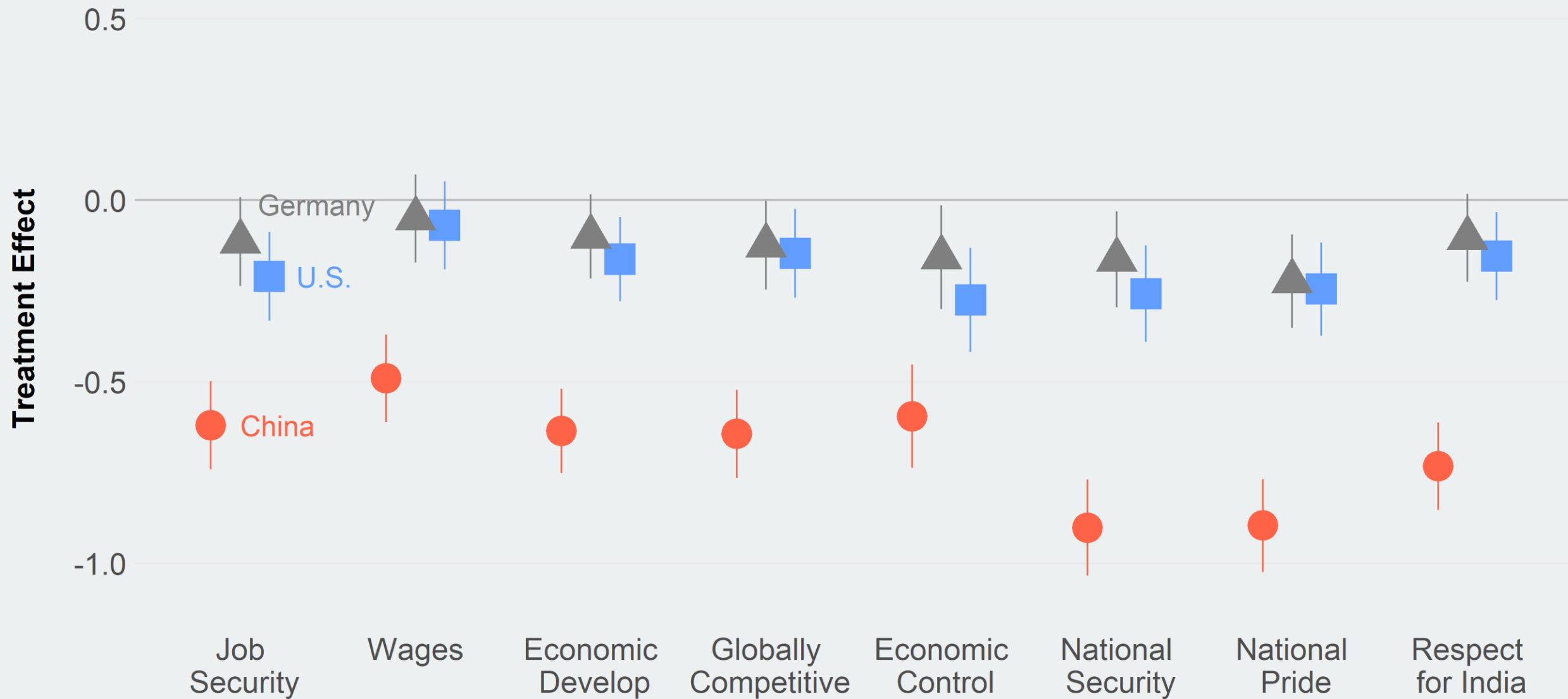
Word Association Test (Economic Concerns)



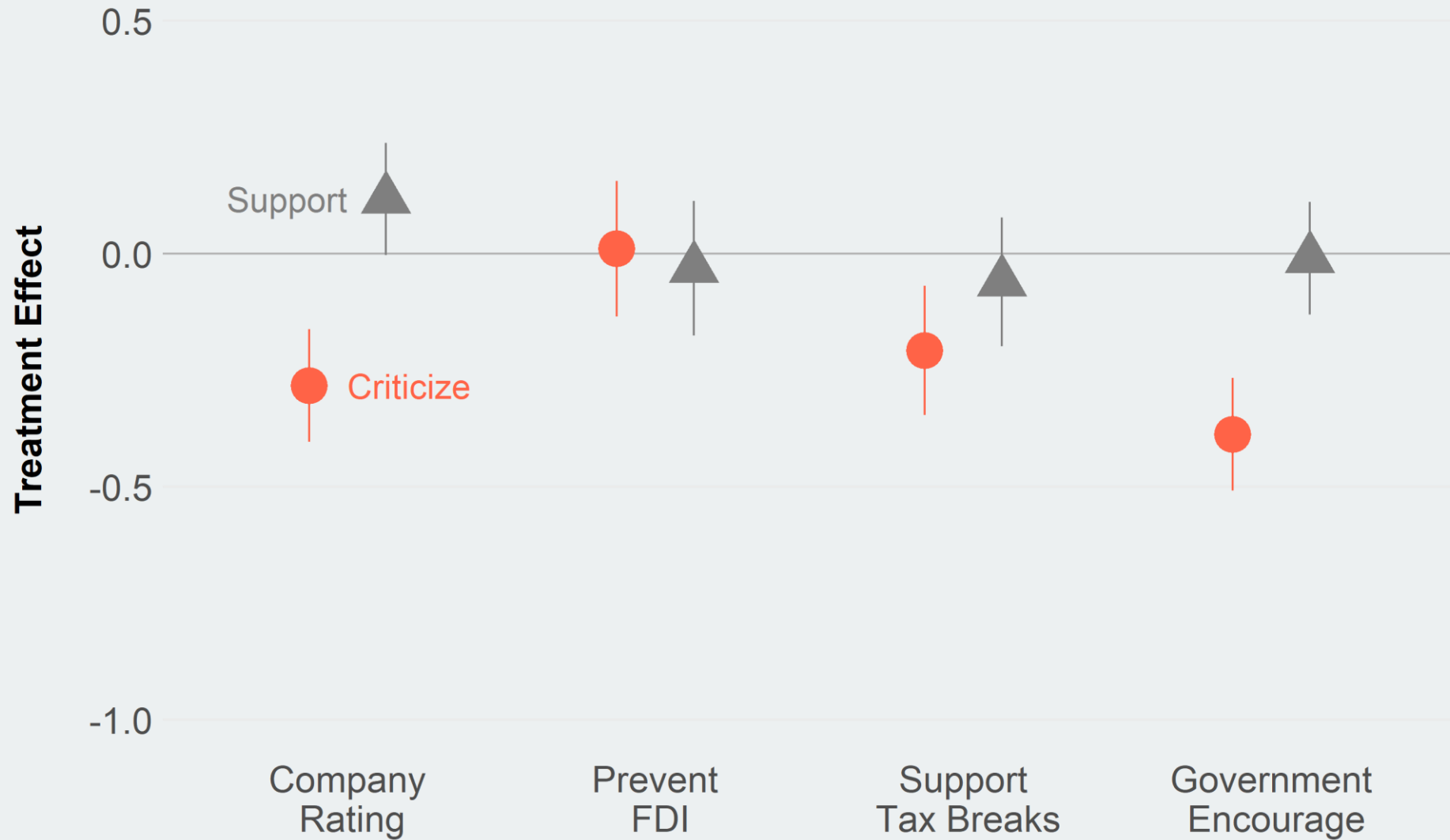
Word Association Test (Non-Economic Concerns)



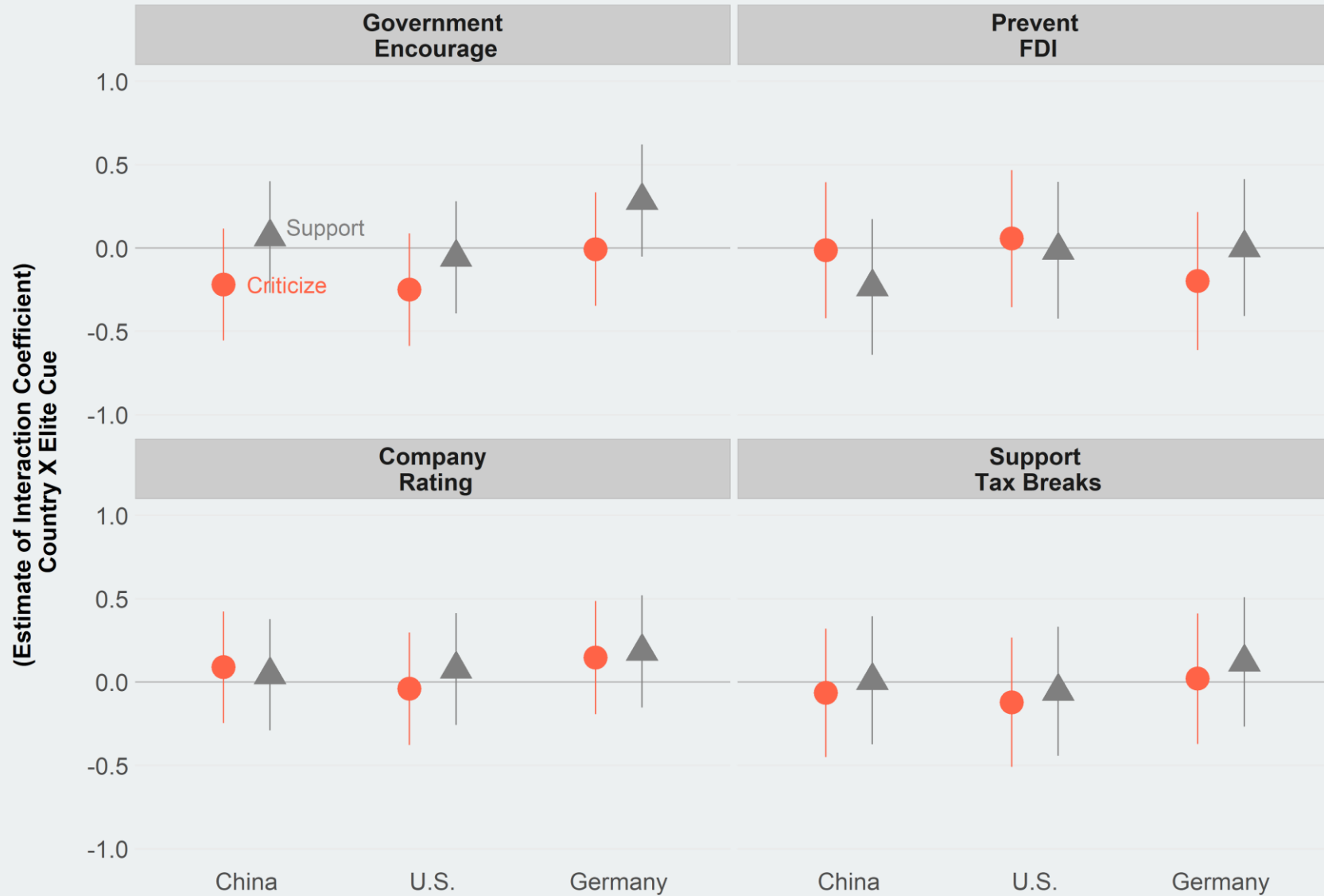
Results: Effect of Home Country on Expected Outcomes



Results: Effects of Elite Cues on FDI Support



No Strong Evidence that Elite Cues Reshape Home Country Effects



Takeaway Points

- With diversification of FDI sources, **country of origin** raises new concerns about anticipated consequences of FDI
- **Nonmaterial concerns** temper the public's demand for FDI from specific countries
- Home country-specific “liability of foreignness” that is **outside firms' control**

Takeaway Points

Elites' influence on public attitudes towards FDI is far from unconstrained

- Elites may have a harder time selling the public on unpopular investment than tanking opinion on popular investment
- Cues are unlikely to mitigate negative reactions to rival countries

Thank you

WAT & Elite Cues

