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

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Leaders in the developing world typically value inflows of foreign direct investment (FDI), 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 by connecting 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 and bolsters perceptions of political leaders' competence for about one year. Once projects are operational, however, individuals living near those projects view the economy as worse than it would have been in the absence of FDI, and perceptions of political leaders similarly decline. 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 and firms 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 go unmet at the time FDI projects are actually implemented, this undermines perceptions of both the robustness of the economy and the competence of political leaders, irrespective of the actual impact that the projects may have on local development.

To test these claims, we examine how Chinese FDI projects affect citizens' perceptions of their countries' economic

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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 political effects of Chinese foreign aid to Africa (see, e.g., Blair and Roessler 2021; Bräutigam 2011; Isaksson and Kotsadam 2018a, 2018b), far less is known about how FDI inflows from Chinese firms shape the political context. Given that 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 China's involvement is not unique, a fuller understanding of the political impact of Chinese firms in Africa is overdue.

Empirically, we connect 179,278 georeferenced Afrobarometer survey respondents to 223 Chinese FDI projects in 21 countries over a 20-year period. Specifically, we categorize respondents at the time of surveys as living close to an *announced* Chinese FDI project, an *active* Chinese FDI project, or an *eventual* Chinese FDI project location where no such project yet exists, in addition to those not living near a Chinese FDI project at any stage. Using the eventual locations as a baseline, we examine the effects of proximity to announced versus active projects. The intuition is that eventual project locations do not differ systematically from those where projects exist in some form at the time of surveys, since those locations are ultimately selected for investment. Respondents living near eventual projects that will be established sometime after they are surveyed should thus be similar in expectation to those living near projects already announced or active before the survey. The analysis allows us to evaluate individual-level perceptions of the political economy on the basis of 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. We then apply the same strategy to available Chinese foreign aid data, as our theory of unmet expectations in proximity to FDI should be tempered in proximity to aid.

The results indicate that, indeed, contrary to bestowing political virtues on leaders in Africa, FDI projects create unmet popular expectations, and local community members tend to blame their national political leaders as a result. We show that, for individuals living within 50 km 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 investment. Furthermore, the announcement of a new FDI project buys political leaders goodwill for about one year. With longer delays in implementation, 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 100–150 km. We also show that the patterns do not persist in proximity to Chinese foreign aid projects, which we suggest underscores the importance of perceived 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 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 (Bräutigam 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 political leaders have much control over the location decisions of FDI projects remains the subject of 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 on the basis of sector-specific commercial factors or the credible commitment of host-country institutions (Li and Resnick 2003; Shi and Zhu 2019). Nevertheless, when it comes to credit claiming, studies suggest that political leaders in developing countries not only value FDI inflows but compete strenuously for them (Pandya 2016; Simmons et al. 2016).

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, news of FDI inflows to communities tends to generate economic excitement. 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).[1] In addition, FDI projects in developing countries are typically perceived as having the backing of deep-pocketed and well-vetted firms (Javorcik and Spatareanu 2005). This helps to insulate local residents from initial concerns that the investment projects in their communities might be announced but then either not come to fruition or fizzle once operational. 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.

Because local development benefits 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.[2] 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."[3] Development politicking of this sort ties residents' perceptions of political leaders in Africa to the perceived economic benefits of FDI projects, a phenomenon found in other contexts (Jensen and Malesky 2018; Jensen et al. 2014).

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 fewer would actually benefit in a setting in which unskilled workers far exceed the supply of skilled ones (Hjort and Poulsen 2019).

We theorize that the overstated benefits and excitement from FDI inflows, particularly Chinese FDI inflows to Africa, lead to initially inflated expectations among community members. First, despite variation across countries (Sautman and Yan 2009), popular opinion of China's presence in Africa, which draws on China's recent economic dynamism (Hanusch 2012), is generally favorable (Amanor and Chichava 2016).[4] As a result, expectations from Chinese investment may outstrip actual benefits, particularly as new announcements tend to have outsized effects (Bartels 2008). Further, while FDI-sending countries and firms tend to aggressively brand their projects (Dietrich, Mahmud, and Winters 2018), little accurate information is typically available to community members regarding the specific numbers and types of jobs that may be forthcoming.[5] And the recency of widespread Chinese FDI to the region may allow for only incomplete information that undermines accurate initial expectations on the part of community members. Adding to

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

2. "Xinhua Headlines: Chinese Factory in Ethiopia Ignites African Dreams." *New China*, March 31, 2018, http://www.xinhuanet.com/english/2018-03/31/c_137079548.htm.

3. "Construction of Nigerian Rolling Stock Factory Begins," *Railway Gazette International*, November 11, 2019, https://www.railwaygazette.com/business/construction-of-nigerian-rolling-stock-factory-begins/55094.article.

4. Data from Afrobarometer (2020) confirm that a strong majority of Africans holds positive views of China.

5. See the statements from Ethiopian and Nigerian officials cited above for commonplace examples, as well as McGuinness, Pouliakas, and Redmond (2018).

residents' imperfect information, excessive demand for jobs in low-income contexts can further encourage unjustified optimism (Mbaye and Gueye 2018). 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.

Community members operating with limited initial information are thus likely to develop too rosy a view of pending Chinese investment. Those biased positive expectations should inflate community members' views of the current economy, as excitement over new FDI projects colors perceptions of ongoing economic activity. We also expect that project announcements would generate favorable views of the future economy, when residents anticipate tangible benefits to materialize. Political leaders should also benefit, as announced projects signal the political competence they desire in touting development objectives.

Yet, given the incentives of firms and political leaders to overstate project benefits, the inflated expectations that emerge with new FDI announcements 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 experiences.

We argue that community members thus update their evaluations of the economy and their political leaders upon project implementation. 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). Briggs (2019) and others suggest that community members in Africa are indeed retrospective in how they evaluate political leaders. This would suggest that political leaders profit when the economic news related to FDI projects is positive but, somewhat counterintuitively, face negative political fallout in communities in which investment becomes operational. We anticipate that this rational updating by those living in proximity to FDI projects would be costly for political leaders both when projects are implemented but fail to live up to expectations and when announced projects fail to materialize over an extended period.

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 themselves may face incomplete information regarding systematic downstream consequences.[6] 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).

In this study, we do not test the effects of FDI from different home country sources. What we argue is that a pattern of unmet expectations and subsequent political blame should appear in the context of Chinese FDI in Africa. As we noted at the outset, China's rapid expansion in the region has generated particular visibility in local communities over a fairly short period of time (CARI 2020). Coupled with the high profile and recency of widespread Chinese investment, Chinese businesses often conjure impressions of economic dynamism and resourcefulness, while more conventional sources of investment may be perceived as staid (Sautman and Yan 2009). We also note that manufacturing and resource industries—centerpieces of Chinese firms' activity in Africa—may be particularly strong sources of inflated expectations around jobs and subsequent disillusionment. Thus, we argue that the patterns we describe are particularly likely in the context of visible and recent investment, and we seek to bring greater clarity to the now quite important role that Chinese investment plays in the region.

From a comparative perspective, we suspect that the expectations and political fallout related to Chinese FDI differ from those of Chinese foreign aid. While channels of investment can be 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.[7] In addition, foreign aid projects typically aim to serve one of two primary functions: either economic growth, generally through one-time investments in large-scale infrastructure, or poverty reduction through the provision of goods and services (Briggs 2017). Descriptions from Brech and Potrafke (2014), Briggs (2017), and other studies on the political economy of aid do not list sustained job creation as an anticipated outcome. 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 the anticipation of sustained employment benefits should be lower in proximity to foreign aid projects, owing largely to the types of projects funded by aid versus

6. Only recently are leaders' perceptions of Chinese aid moving from the benefits of few conditions to risks of indebtedness (see Were 2018), and the wave of new Chinese FDI to Africa began later.

7. Chinese aid projects in AidData (https://www.aiddata.org/data/geocoded-chinese-global-official-finance-dataset) typically address transport, infrastructure, and health.

FDI.[8] Table A.1 adds empirical support to the difference in aid and FDI project types.

Finally, we note the proximity effects of FDI projects. We assume that residents living closest to projects, even at the announced stage, hear and see evidence of the projects and begin to anticipate benefits. 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 is especially true for projects in the manufacturing and natural resource sectors. Those signals of pending opportunity would remain visible at some distance, although with decreasing salience. We thus anticipate that projects have strong proximity effects: their impact should be strongest among those in closest proximity to the projects and should attenuate among residents who live farther away. Similarly, we expect inflated expectations to be strongest immediately following the announcement of projects and to attenuate as time passes. We assume that the effects of both announced and active projects linger over time but that the effects of announcements no longer carry over once projects become active.

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 and their political leaders. Second, however, we expect that the popular outlook on economic conditions will sour 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 initial credit to political leaders for attracting announced Chinese FDI to their localities, 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 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 cross-border investment projects that result in new jobs or capital investment.[9] The fDi Markets data set includes 438 cases of FDI 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 data set includes 223 projects (see the map in fig. A.1). The projects excluded because of imprecise geolocations are comparable to the precisely located ones in terms of observable characteristics from the fDi Markets database.[10] We also note that the rate of inclusion compares favorably to studies using AidData for precisely coded foreign aid projects.[11]

To measure the outcomes of interest, we rely on data from the Afrobarometer public opinion surveys (see Afrobarometer 2020). At the time of writing, the Afrobarometer data set had seven rounds of nationally representative individual-level survey data collected every two to three years since 1999, in up to 38 countries per wave. For this study, we exploit data from all seven rounds for the countries in which Chinese FDI projects exist; the resulting data set comprises 179,278 respondents. 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 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."[12] 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

8. Infrastructure projects may provide visible employment opportunities, although they are less often sustainable ones.

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

10. See tables A.2 and A.3 for details.

11. Of the 2,046 Chinese Official Development Assistance (ODA) projects in the AidData data set, 817 are precisely geolocated, and 227 have both a precise geolocation and a precise year of operation.

12. Details on the coding of all variables are included in table A.4.

how well they think the current government is doing in creating jobs. 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 2018; Isaksson and Kotsadam 2018a, 2018b; Knutsen and Kotsadam 2020). Although less common, a few studies consider the proximity effects of FDI, focusing primarily on the mining sector (Bunte et al. 2018; Christensen 2019; 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 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 global positioning system (GPS) point coordinates and a precision coding scheme. From the project descriptions in the fDi Markets data set, 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.[13] Our precision coding scheme, presented in table A.5, is an adaptation of the system used to code the locations of foreign aid projects in the AidData data set. We include projects with exact locations (code 1), those "in the area of" or within 25 km 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.

We treat respondents as living close to a Chinese FDI project if one or more of the projects lies within a 50 km circular buffer around their georeferenced location. The distance of 50 km 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 200 km.

To track the stage of each project at the time of residents' survey responses, we exploit the fact that the Afrobarometer data were collected in seven rounds over 20 years, from 1999 to 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 eventual (meaning the location serves as the site of a future project in the data set but where no project has yet been announced or become operational), announced, or active for each project during each survey round.[14] The same project might thus enter the data set as eventual for one round of survey data, announced for a subsequent round, and active for a later round. Using this algorithm to connect FDI projects to survey respondents, we find that 17,393 respondents, or 9.7% of the data set, live within 50 km 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,

13. Consistent with AidData protocols, locations are double-blind coded, with discrepancies resolved by a third coder.

14. 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.

which would result in biased outcomes.[15] To overcome this potential source of endogeneity, we adopt an approach that builds on Kotsadam and Tolonen (2016) and others (see Briggs 2019; Isaksson and Kotsadam 2018a; Knutsen et al. 2017; McCauley, Pearson, and Wang 2022). As noted, each individual respondent is coded at the time of survey as living close to an eventual project, an announced project, or an active project or not close to any project (meaning more than 50 km away). To account for the potential nonrandom location of those projects, we first drop respondents who are not close to a Chinese FDI project at any stage, as they may differ systematically in ways that correlate with the outcomes of interest. We then compare respondents who live near announced and active projects to the baseline category of respondents living near locations ultimately identified for Chinese investment but where no sign of the investment yet exists at the time of their survey response (i.e., the eventual projects). Next, we evaluate the difference between active and announced, to determine the extent to which respondents' views change as projects go from the announced to the operational phase, controlling for the time-invariant features of project locations that could result in their nonrandom selection. Table A.6 reports the number of Afrobarometer survey respondents in each of the three categories for each of the 21 countries for which we have data.

The analysis of balance in table A.7 helps to confirm the effectiveness of the research design. Respondents not close to any stage of Chinese FDI project (col. 4) differ notably from those living near project locations at some stage, particularly in terms of urban versus rural residency but also in terms of other covariates. Only gender and age have comparable means, and those features are dictated by Afrobarometer stratification. In removing the respondents not close to any Chinese FDI project, we are left with a baseline of residents proximate to eventual project locations (col. 3), where no project yet exists at the time of survey. These respondents are quite similar in expectation to those living near announced and active project locations, making respondents near eventual projects the appropriate baseline.

Three other potential threats to our identification strategy could arise. First, the timing of announced and active projects could be nonrandom, if, for example, projects are announced when the economy is particularly strong. We thus include a robustness test that constrains the baseline category of proximity to eventual projects to only those projects that will enter the data set within three and within five years of the survey response, on the logic that soon-to-be-announced projects will come about under similar political and economic conditions. We also restrict announced and active projects to periods of one, two, and three to five years before surveys; this, combined with the limited time frames for the eventual projects, creates narrower time windows that reduce the likelihood that unobserved contextual factors explain the effects of announced and active projects, relative to the baseline. Second, location-specific time-varying confounders, such as an alternation in presidents, could exist. We address this concern with country and survey round fixed effects, along with robustness tests that add country-specific linear time trends and presidential fixed effects. Third, projects that enter the data set at earlier and later periods may differ in systematic ways, particularly if sector-related priorities change.[16] We thus include analyses by project sector type in the main text and add analyses using project fixed effects in the appendix.

We estimate the effects using ordinary least squares models for ease of interpretation in comparing the differences between coefficients.[17] The baseline regression equation is

$$Y_{ivt} = \beta_1 \text{announced} + \beta_2 \text{active} + \lambda \boldsymbol{X}_i + \theta_c + \gamma_t + \varepsilon_{ivt},$$

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 yet operational. *Active* denotes proximity to an operational FDI project at the time of survey, and we use survey responses in proximity to *eventual* projects as the baseline. The analyses include a vector ($\boldsymbol{X}_i$) of individual-level characteristics that includes urban location, age, age squared, gender, and education. We also include fixed effects for the country (θ_c) and Afrobarometer survey round (γ_t).[18] 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 near an eventual project location but where no project yet exists. We then evaluate the differential effects of active and announced ($\beta_2 - \beta_1$), an innovative approach that allows us to evaluate whether respondent expectations regarding Chinese FDI

15. We note that such bias would militate against our predictions of unmet expectations and frustrations with political leaders, although it is also plausible that the location of FDI projects can be determined for systematic reasons that bias results in the opposite direction.

16. We stress that the coding of respondents as proximate to announced, active, or eventual projects does not rely solely on the project but rather on the status of the project at the time of the survey. It is for this reason that we do not use country-year fixed effects.

17. This strategy is consistent with numerous other studies (e.g., Knutsen et al. 2017).

18. In most rounds, some country surveys are completed in one calendar year while others are surveyed in a different year, making survey round the appropriate control.

projects are met, controlling for the potential nonrandom location of those projects. If the difference is positive, perceptions are better when projects are operational compared to when they are simply announced. If, however, 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 preoperational 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.8. On average, at the 50 km cutoff, announced, active, and eventual respondents live 23.9, 17.0, and 16.8 km from a Chinese FDI project, respectively. The average age of respondents is 36.5 years, and respondents have an average education level close to secondary school.

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 residence near eventual projects, being close to an announced project is associated with improved perceptions of the present economic condition. Meanwhile, proximity to active projects has a negative and statistically significant effect relative to the baseline.

Next, we evaluate the (active − announced) difference, which allows us to determine 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 −0.077 indicates that, as projects go from the announced stage to the operational stage, respondents are 7.7 percentage points less likely to view the economy in positive terms. Given that only 29.5% of respondents overall consider the current economy

Table 1. Chinese FDI and Perceptions of Economic Conditions

	Current Economic Conditions		Future Economic Conditions	
	Dummy (1)	Ordinal (2)	Dummy (3)	Ordinal (4)
Announced	.059	.170	.025	.093
	(3.640)	(3.573)	(1.450)	(1.790)
Active	−.019	−.090	−.059	−.115
	(−1.803)	(−3.045)	(−5.258)	(−3.907)
Active − announced	−.077	−.260	−.085	−.208
F-test: active = announced	21.531	27.646	23.882	16.621
p-value	.000	.000	.000	.000
Mean of dependent variable	.295	1.534	.518	2.228
Individual controls	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes
Survey round fixed effects	Yes	Yes	Yes	Yes
Number of observations	36,744	36,744	37,014	37,014
Number of countries	19	19	19	19
Number of villages	4,372	4,372	4,372	4,372
Survey rounds	1–7	1–7	1–7	1–7
Adjusted R^2	.039	.080	.089	.092

Note. We drop Malawi (no observations for active and announced) and Namibia (no observations for eventual). This leaves us with 19 countries in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender, and education. *T*-statistics are reported in parentheses with standard errors clustered at the village level.

to be good or very good, we consider this 26% decline from the mean to be a substantively meaningful shift.

We use the alternative dependent variable of perceptions of future economic conditions in columns 3 and 4 of table 1. The results are largely consistent with those we present for current economic conditions: the coefficients at the announced stage fall just below statistical significance but are in the expected positive direction (and are significant at the one-year mark in follow-up analyses), and the coefficients at the active stage and on the (active − announced) difference are again statistically significant. The coefficient of −0.085 on (active − announced) in column 3 indicates that, as projects move from the announced to the active stage, respondents are over 8 percentage points less likely to believe that the economy will be better or much better in 12 months' time. Given that approximately 52% of respondents view the future economic condition in good or very good terms, the effect is again substantively meaningful.

The analyses presented so far rely on spatial cutoffs of 50 km. 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 200 km, otherwise using the same model specifications.[19] We first cut the 200 km 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 survey round 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 (fig. 1*A*). The precise effects at different distances may be model dependent, but we conservatively estimate the effects to persist up to about 100–150 km. In proximity to active projects, however, perceptions of the current economic condition are consistently negative, with gradual attenuation farther away. Similar patterns are obtained when we analyze and graph the results for perceptions of future economic conditions (fig. 1*B*), although we note some ambiguity in the effects of proximity to announced projects, which we evaluate in additional tests below.

Perceptions of political competence

Next, we consider whether individuals alter their opinions of their political leaders' competence on the basis of 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 ordinary least squares regressions.

The results tell a consistent and interesting story. First, relative to the baseline of respondents living close to eventual FDI projects at the time of their survey, proximity to an announced project appears to have ambivalent and not significant average effects on perceptions of political leaders' competence. However, in follow-up analyses below, we demonstrate that the average effects mask important changes based on the passage of time since a project's announcement that are consistent with our theoretical claims. Meanwhile, the effects of proximity to an active project are negative.

We again relax the 50 km 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 200 km (see fig. 2). Consistent with the results using 50 km buffers, the findings suggest ambiguity in respondents' 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, although they remain negative up to approximately 100 km.

To address the ambiguity in average effects for political competence, we conduct the analyses by time to determine whether respondents' views change as projects remain in the announced or active stage for longer periods. We limit the analyses to survey responses up to five years after project announcement or operation. The period of five years covers the vast majority of observations,[20] and projects that remain in the announced stage for more than five years after survey responses invite the risk of measurement error (if we missed the date of operation).

In figure 3, we plot the coefficients for proximity to announced and active FDI projects using the baseline model specifications at time intervals of one, two, and three to five years between project status and survey response.[21] As the figure illustrates, inflated expectations following the announcement of Chinese FDI projects remain positive for perceptions of the current economic condition across each of

19. Respondents farther than 200 km from a Chinese FDI project are dropped from the analyses, so the effects are relative to respondents close to an inactive project.

20. See table A.8. The 75th percentile for announced and active projects is three years.

21. The intervals are exclusive. Thus, the two-year window includes only those projects that became active or announced two years before the survey, and so on.

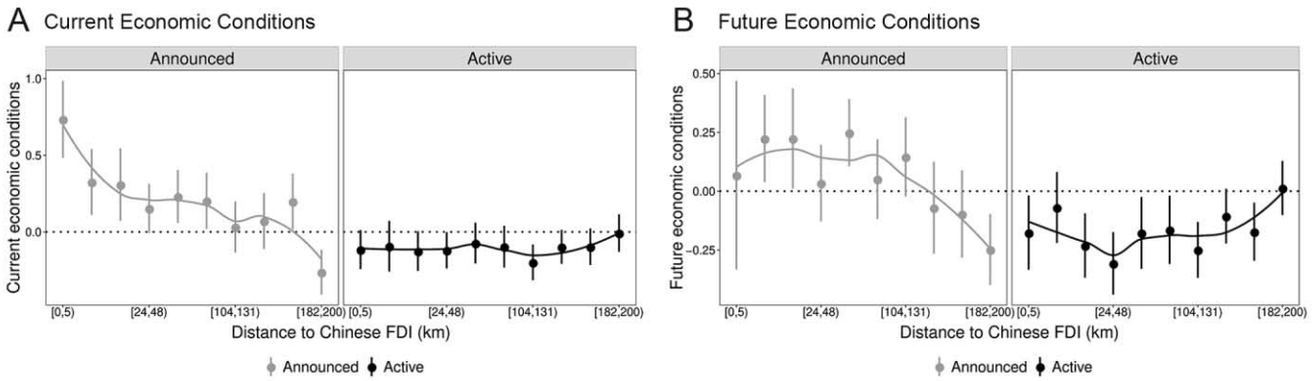

Figure 1. Distance to Chinese FDI and perceptions of economic conditions. Dependent variables are in ordinal form. The 200 km distance is cut into 10 bins with an equal number of respondents in each bin. The same model is fit within each bin. All models include individual controls, country fixed effects, and survey round fixed effects. Standard errors are clustered at the village level. Lines are fit using a LOESS function. 95% confidence intervals are around point estimates.

these time windows, and they remain positive until year 3 for future economic conditions. In terms of respondents' views about the government's management of the economy, job creation, and presidential approval, the figure indicates that inflated expectations indeed affect attitudes for the first year. As projects remain in the announced stage for longer than one year, however, the positive evaluations of political competence attenuate to zero and even turn negative, findings that add nuance to the modest average effects presented above. For each time window, the effects of proximity to active FDI projects remain fairly consistently negative. See table A.9 for the associated regression results. The table indicates that all outcomes are positive in the first year after project announcement, and all but job creation are statistically significant, a point

Table 2. Chinese FDI and Perceptions of Political Competence

	Managing Economy		Creating Jobs		Presidential Approval	
	Dummy (1)	Ordinal (2)	Dummy (3)	Ordinal (4)	Dummy (5)	Ordinal (6)
Announced	−.015	−.012	−.019	−.034	.034	.053
	(−.844)	(−.352)	(−1.358)	(−1.109)	(1.677)	(1.247)
Active	−.069	−.123	−.038	−.082	−.049	−.097
	(−6.006)	(−5.304)	(−4.328)	(−4.302)	(−3.736)	(−3.539)
Active − announced	−.054	−.111	−.019	−.048	−.083	−.149
F-test: active = announced	9.343	10.585	1.823	2.351	16.173	11.714
p-value	.002	.001	.177	.125	.000	.001
Mean of dependent variable	.425	1.201	.250	.857	.596	1.609
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Survey round fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	35,721	35,721	40,091	40,091	36,662	36,662
Number of countries	19	19	19	19	19	19
Number of villages	4,372	4,372	4,372	4,372	4,372	4,372
Survey rounds	1–7	1–7	1–7	1–7	1–7	1–7
Adjusted R^2	.069	.084	.039	.067	.076	.086

Note. We drop Malawi (no observations for active and announced) and Namibia (no observations for eventual). This leaves us with 19 countries in the analyses. All models control for individual characteristics including living in an urban area, age, age squared, gender, and education. *T*-statistics are reported in parentheses with standard errors clustered at the village level.

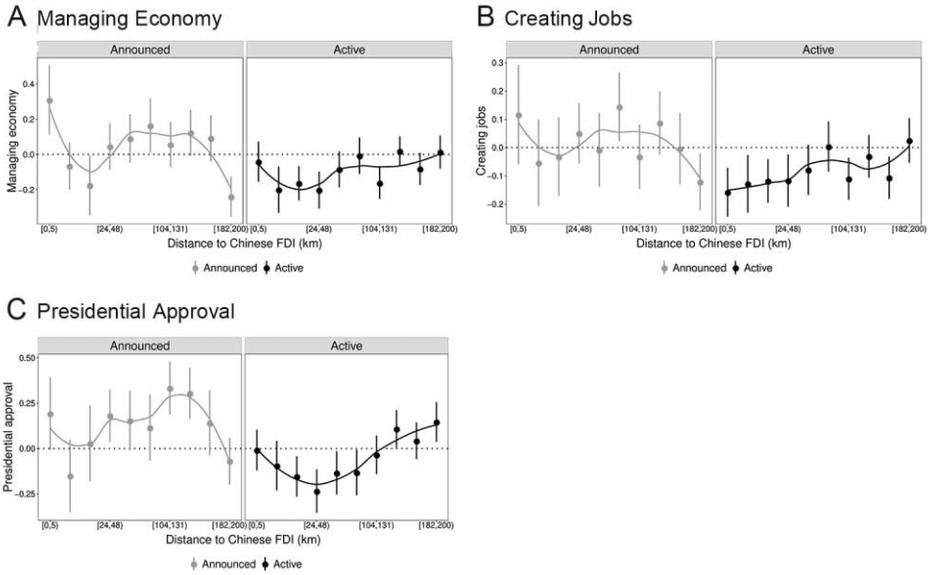

Figure 2. Distance to Chinese FDI and perceptions of political competence. Dependent variables are in ordinal form. The 200 km distance is cut into 10 bins with an equal number of respondents in each bin. The same model is fit within each bin. All models include individual controls, country fixed effects, and survey round fixed effects. Standard errors are clustered at the village level. Lines are fit using a LOESS function. 95% confidence intervals are around point estimates.

to which we return below. All outcomes one year after project implementation, conversely, are negative and significant, and all (active − announced) differences are significant. Given the important role that time plays in shaping respondents' expectations, and the fact that views of political competence actually turn negative after the first year, we present subsequent analyses both with average effects and disaggregated by years. Our preferred specification for observing inflated expectations upon project announcement is within the first year after the announcements.

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 and temporary esteem for political leaders but that proximity to active Chinese FDI projects leads to disappointment in both the economy and the perceived competence of government. Here, we add additional insights regarding the factors behind local residents' expectations, frustration, and blame.

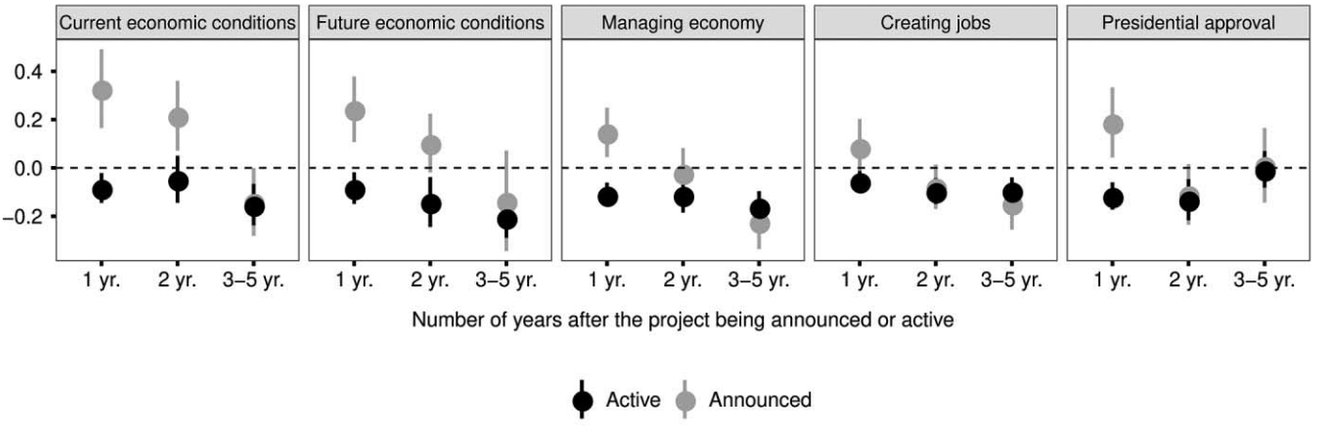

Figure 3. Effects by time after announced or active. Dependent variables are in ordinal form. Respondents living close to announced or active projects for over five years are dropped. We include six dummy variables indicating announced within one year (n = 555), announced in the second year (n = 724), announced in the third year or above (n = 691), active within one year (n = 8,721), active in the second year (n = 2,830), and active in the third year or above (n = 4,003). All models include individual controls, country fixed effects, and survey round fixed effects. Standard errors are clustered at the village level.

First, we analyze the data by sector. Using information on the business sector of projects in the fDi Markets data set, we group the projects into three categories: manufacturing, resources, and service (see the categorization scheme in table A.10). Given our speculation that the findings may be driven by expectations and subsequent disillusion over access to sustainable jobs, we expect that the results may be most pronounced in proximity to manufacturing and resource projects, as those sectors tend to employ local residents in factories and resource extraction activities with more visible opportunities for low-skilled workers.[22] The analysis by sector has the added advantage of mitigating dissimilarities in the types of projects announced and active at a given time.

Table A.11 presents the average effects for respondents close to at least one manufacturing or resource project, and table A.12 further disaggregates the results by time intervals of one, two, and three to five years between the project's announcement or operation and the survey response.[23] The findings in table A.12 show a clear distinction in perceptions of both the economy and political leaders: in proximity to manufacturing and resource projects, all five outcomes are positive during the first year following project announcement before declining to the baseline; they are mostly negative in proximity to active manufacturing and resource projects, and we note that the effects appear to be most pronounced in the second year after project activation. Comparing the results for proximity to manufacturing and resource projects (table A.12) versus the full sample (table A.9), the impact on creating jobs is particularly strong when the analysis is restricted to manufacturing and resource sites, as we would expect given the theorized interest in sustained job opportunities in these contexts. Meanwhile, in proximity to service projects (tables A.13 and A.14), respondents' views upon the announcement of new projects are more likely to be negative than positive, with no clear pattern in perceptions upon project operation. These findings lend support to our claim that reactions to nearby FDI projects are driven primarily by the employment opportunities that residents anticipate for themselves and their fellow community members, only to be disappointed.

Second, if inflated expectations and subsequent blame of political leaders are functions of anticipated job benefits that do not ultimately materialize, we might also expect the effects to be stronger among those in the working age population compared to older respondents. In tables A.15–A.18, we compare those in the oldest quartile, above age 46, to the same number of respondents just below that cutoff,[24] limiting the analyses to projects established within one year of surveys for legibility. As anticipated, those still in the workforce experience greater excitement around the economy and their political leaders upon project announcements, especially in terms of job creation (table A.18 cols. 3 and 4 vs. cols. 9 and 10). In proximity to active projects, however, their perceptions are again negative.

Comparative effects of Chinese foreign aid

For comparative purposes, we rerun our main analyses using proximity to Chinese foreign aid projects instead of FDI.[25] Our intuition is that aid typically supports either one-off infrastructure projects or poverty reduction efforts through the provision of goods and services (see Briggs 2017). Neither of these would produce the expectation for sustained job creation that comes with FDI-supported manufacturing and resource extraction sites (in particular), so we do not anticipate the same inflated expectations and subsequent political blame in proximity to aid.

To analyze the effects of proximity to Chinese foreign aid projects, we rely on the AidData data set version 1.1.1.[26] Those data include information on official global Chinese aid financing from 2000 to 2012. Subsetting the data to ODA-type projects with precise location codes and start years,[27] we are left with 227 cases of official Chinese aid projects. We then restrict the sample to the 11 countries with both Chinese aid and FDI, which helps to mitigate concerns that aid and FDI locate in very different types of countries and result in different individual-level outcomes for that reason and not owing to differential expectations in proximity to each. See table A.19 for information on the number of respondents in each category of proximity to Chinese foreign aid projects and Chinese FDI projects by country. Table A.20 shows the balance of covariates for Chinese FDI and aid in the 11 included countries. We replicate the model specifications from our main findings, again using 50 km buffers around respondent clusters to denote proximity.

22. In the data set, service projects are often headquarters, retail stores, and similar investments with fewer or more diffuse visible, sustainable jobs for community members.

23. We use proximity to at least one manufacturing or resource project and compare to respondents proximate only to service projects because we theorize that manufacturing and resource projects have a particularly strong effect even if service projects exist nearby.

24. The sampled population is very young. This strategy allows us to compare older or retired workers to active workers, while minimizing other differences.

25. 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 colocations).

26. The same data are widely used in recent studies focusing explicitly on Chinese aid.

27. Exact locations (code 1) or "in the area of" or within 25 km of an exact location (code 2).

Figure 4 illustrates the comparative effects of proximity to announced and active aid projects versus announced and active FDI projects (see tables A.21–A.24 for regression results). As is clear, the pattern of inflated expectations and political blame does not hold in the context of aid: perceptions of the economy and of political competence upon the announcement of new aid projects do not consistently rise above the baseline, and in most models views of the economy and political leaders are higher, rather than lower, when projects become operational. The findings are consistent with research suggesting that political leaders stand to gain from the geographically targeted distribution of aid (Dreher et al. 2019) but counter to studies suggesting that aid can come with a political price (Briggs 2019). They also lend support to our argument that the job touting that comes with FDI projects produces different outcomes, first inflating expectations and then generating disappointment and political blame.

ROBUSTNESS TESTS

We subject the main findings to a number of robustness tests. First, some countries have Chinese FDI projects only at the announced stage at the time of the Afrobarometer surveys, while in other countries, all Chinese FDI projects have already begun operating at the time of the surveys. As a result, different perceptions in proximity to announced versus active projects could be driven by model extrapolation that does not reflect the true effects in some countries. We thus rerun the analyses restricting the sample to respondents from the 10 countries that have projects at all three stages: eventual (as a baseline), announced, and active. The results in tables A.25 (average effects) and A.26 (using time intervals) confirm that the findings are robust to this change, as economic outlooks are positive upon project announcements but negative after project implementation. Perceptions of political competence upon project announcements are again positive for the first year before declining, and reactions following project implementation are consistently negative. Only the results for job creation are somewhat weaker, although we note that service projects are included in the analysis, which depresses the overall effects.

Second, we rerun the analyses using subnational 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 subnational regions where Afrobarometer survey data exist for the variables of announced, active, and the reference category (eventual), dropping respondents not close to any project.[28] Using 50 km spatial buffers, this leaves us with data from 74 out of 601 subnational regions, comprising 31,706 respondents after we drop those respondents not close to any project. We maintain survey round fixed effects and the individual-level controls. The patterns in both economic outlook and perceived political competence remain consistent with the main findings. See table A.27 for average effects and table A.28 for effects using time intervals, which again captures the importance of the first year after project announcements.

Third, in our main analyses, we assume that the timing of projects as eventual, announced, and active is random. To address the potential nonrandom timing of project status, we present results with the baseline of eventual projects restricted to only those project locations that will be announced within three and within five years of surveys. Combined with the restricted time intervals we use for announced and active projects (one, two, and three to five years), this creates relatively narrow time windows that guard against bias due to systematically different timing in the comparisons of announced and active projects to eventual ones. The results for economic outlook and perceptions of political competence are again in keeping with our main findings: views of the economic condition are positive in proximity to announced projects but turn negative in proximity to active projects. Perceptions of political competence are initially positive upon project announcements before declining, while proximity to active projects consistently results in poorer evaluations of political leadership. The (active − announced) difference is statistically significant at the one-year mark for all outcomes except job creation in the dummy variable model ($p = .121$ for the three-year window and .102 for the five-year window). See tables A.29 and A.31 for average effects and tables A.30 and A.32 for effects with time intervals for announced and active projects.

Fourth, we run the analyses using country fixed effects along with country specific linear time trends, which accounts for country-specific changes over time in the effects of both announced and active projects in each country that could result in spurious findings. As the results in table A.33 (average effects) and table A.34 (using time intervals) indicate, the findings hold under this condition: economic conditions are positive in proximity to announced projects and negative in proximity to active projects. Views of political competence are initially positive upon announcements but decline after one year in the announcement phase and are negative upon project operation.

28. Doing so results not just in more fixed effects but in a different sample, because we drop the subnational regions in which no variation in project type exists, just as we drop countries with no variation when we employ country fixed effects.

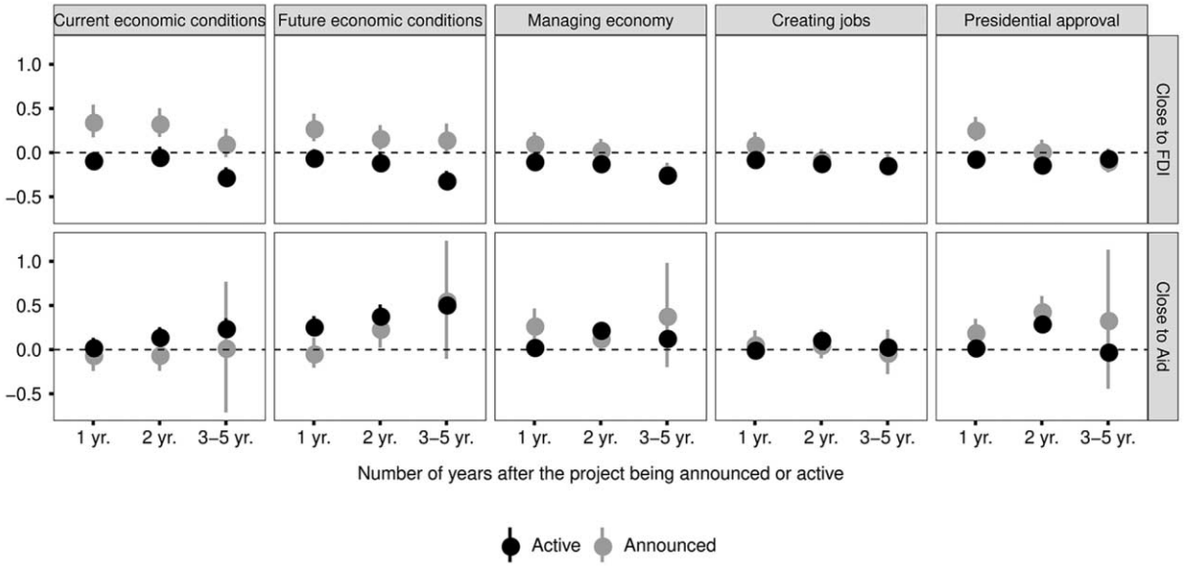

Figure 4. Effects by time after announced or active: Chinese FDI versus Chinese aid. Dependent variables are in ordinal form. The sample is restricted to 11 countries that have both Chinese FDI and aid projects. Respondents living close to announced or active projects for over five years are dropped. We include six dummy variables indicating announced within one year ($n = 451$ for FDI; $n = 488$ for aid), announced in the second year ($n = 568$ for FDI; $n = 216$ for aid), announced in the third year or above ($n = 284$ for FDI; $n = 24$ for aid), active within one year ($n = 5{,}600$ for FDI; $n = 4{,}628$ for aid), active in the second year ($n = 2{,}432$ for FDI; $n = 3{,}356$ for aid), and active in the third year or above ($n = 2{,}621$ for FDI; $n = 7{,}311$ for aid). All models include individual controls, country fixed effects, and survey round fixed effects. Standard errors are clustered at the village level.

To further address possible country-specific time-varying confounders, we run the analyses with presidential fixed effects.[29] In doing so, we ensure that respondents' evaluations of project effects at different stages occur under the same president and also that patterns in the selection of project locations do not change.[30] As tables A.36 (average effects) and A.37 (with time intervals) indicate, the results are largely robust to this change, with similar patterns as time passes. Referring to the effects of projects announced and active within one year of surveys, the coefficients for presidential approval at the active stage have the wrong sign (although they are small in size and statistically insignificant). Other outcomes are as expected, and the (active − announced) difference is significant for all outcomes.

Next, we run the analyses using project fixed effects, which represents a more stringent estimation strategy than using country fixed effects. To do so, we subset the data to only those projects for which Afrobarometer data exist both before and after the project's announcement and implementation, which allows for within-project variation for the variables of announced, active, and eventual. Using our 50 km cutoff and dropping cases in which respondents are close to multiple projects,[31] this leaves 62 Chinese FDI projects. We cluster standard errors at both the village level (see table A.38 for average effects and A.39 with time intervals) and the project level (tables A.40 and A.41); we favor the former specification given that our survey data are sampled from village clusters and everyone in the village is either close or not close to a Chinese FDI project (see Abadie et al. 2017). The standard errors are indeed larger when we cluster at the project level, but the results are otherwise consistent.

Finally, we subject the data to a matching analysis.[32] We match respondents on all individual covariates (urban location, age, education, and gender) from within the same country and under the same president, one of whom lives close to an announced or active Chinese FDI project and the other of whom lives near an eventual project. We restrict the baseline of proximity to eventual projects to a period of three years, and we again analyze proximity to announced and

29. See table A.35 for projects that are active, announced, or eventual under each president in power during the survey period, dropping those presidential terms with no variation on the project stages. This leaves 24 presidential terms across 14 countries.

30. We note that 12% of survey respondents in proximity to announced projects and 3% of those in proximity to active projects evaluate different presidents at the stages of project announcement and operation. We drop those observations.

31. When duplication occurs, we keep only the projects closest to respondents in space and time.

32. 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 results are derived from the subtraction of two coefficients. The matching helps to overcome this challenge.

active projects using windows of one, two, and three to five years.[33] Again, the results suggest a pattern of inflated expectations followed by political blame: respondents living near announced Chinese FDI projects have better views of the economy and greater confidence in their political leaders for the first year (see table A.42). In proximity to active projects, those perceptions are consistently negative and statistically significant for nearly all of the models and outcomes.

CONCLUSION

FDI from Chinese firms is increasingly contributing to China's reputation as a robust promoter of development in Africa. Given the potential appeal of that model and the tendency for political leaders to also covet FDI as a source of jobs and a signal of their own 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 on the basis of 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 more positive views of their political leaders for about one year. 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 note that the effects are particularly strong in proximity to manufacturing and resource projects, where job opportunities for low-skilled workers are most anticipated. 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.

ACKNOWLEDGMENTS

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