Beyond Borders: Shaping public opinion to power international investments

Contents

01. Foreword

How do public attitudes to foreign investment vary internationally?

War in Europe, global inflation, the soaring cost of living and the aftermath of the pandemic. We are living through a series of 'once-in-a-generation' crises. At this fragile time, multinational companies face unique reputational challenges globally, tasked with navigating everything from rising geopolitical tensions to managing local opposition to foreign investment.

Our teams at Hanbury Strategy and Stack Data Strategy have combined to conduct public opinion research across four countries in four continents - the UK, US, Argentina and Nigeria - into how levels of receptiveness and hostility to FDI vary, and attitudes to foreign investment are shaped by different forces.

Our analysis of polling and focus groups, based on over 6,000 interviews across the four countries, incorporates cutting-edge methodology to develop a comprehensive understanding of public priorities that helps inform how businesses can seek to influence public opinion when investing overseas.

As well as examining broad trends on attitudes to FDI, we also focus on a case study applicable across industry sectors where foreign investment is critical to achieving national goals, yet facing serious challenges in attempts to gain public acceptance: energy infrastructure investment in the UK. Here we have identified a major gap between wants and needs, where public resistance to local construction clashes with demands for energy security and decarbonisation.

Foreign investment often evokes strong visceral reactions based on historical associations or geopolitical tensions. To surmount these challenges we propose five reputation levers businesses can pull to build trust and support, connect more closely with the public, and achieve communications cut-through.

02. Executive summary

Globally, governments and their citizens face huge choices in the years ahead to invest in infrastructure to meet the demands of the future. Governments have different strategies to answer these questions, many of which can only be achieved with the expertise and resources of foreign investors. As we have seen in the case of foreign investments globally, most controversially with Chinese investment overseas in telecommunications and energy infrastructure, for example Huawei and China General Nuclear, the influence of public opinion on such long-term projects can be a major factor in determining success or failure.

Our research identifies five forces in international public opinion shaping the prospects of overseas investment:

1. **Contrasting Western and middle-income attitudes to foreign investors.** Argentina (60%) and Nigeria (61%) are largely optimistic about the prospects of a foreign buyer taking control of a domestic company, in stark contrast to people in the UK (27%) and US (22%) where resistance to foreign ownership is common.

2. **Shifting political attitudes have implications for how FDI is received.** Traditional right-wing business allies are today less dependable for foreign investors. British Labour and US Democrat voters are now more positive about foreign investors than Conservatives and Republicans, by 4 and 11 points respectively. The trend reflects changes in party composition post-2016, with the electoral coalition of right-wing parties shifting left on economic issues and right on social values, fuelling investment nationalism.

3. **Investors' country of origin impacts public perceptions, with Anglosphere investors benefiting.** Perceptions of investors from Anglosphere markets are generally strong across regions, driven by positive cultural associations, coupled with the US and UK's position as leading proponents of international trade and investment.

4. **Chinese investors face a reputation deficit in spite of massive investment.** Anti-Chinese sentiment is most prevalent in the US and UK, where a company's status as Chinese has the strongest negative effect of any single investor characteristic. More surprisingly, Chinese investors still lag behind their US counterparts in popularity for the Argentinian and Nigerian publics in spite of cheap loans and major public benefit infrastructure projects established through China's Belt and Road Initiative.

5. **Tangible commitments on core 'bread and butter' issues are a crucial step towards gaining public acceptance.** Across the four countries, commitments to preventing job losses and reinvesting profit have the largest effect on investor popularity - companies who make those commitments gain a 14% and 12% boost in support when compared to peers who do not.

How do these trends play out in practice? A case study on energy investment in the UK demonstrates the difficulty of navigating tensions: between the resistances against foreign investment and local construction of infrastructure on the one hand, and the public need for energy security at a reasonable price on the other.

03. Key findings: 5 forces in international public opinion shaping FDI prospects'

Force 1: Contrasting Western and middle-income attitudes to foreign investors

Foreign investors face fundamentally different challenges in the West compared to those in middle-income countries. An attitude of investment protectionism permeates the UK and US markets, with hostility to international investors in these higher-income countries. Foreign buyouts of domestic companies poll at net -9% and -17% in the UK and US respectively, contrasted with the optimism of countries such as Argentina and Nigeria where publics embrace foreign ownership (both net +37% positive). (Fig. 1)

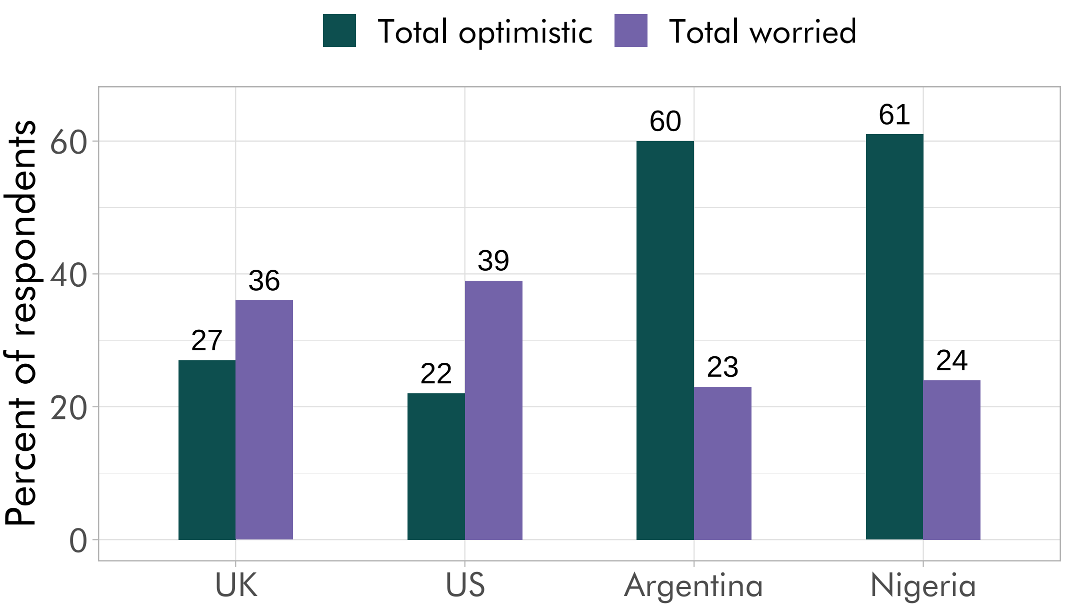

Fig 1: Response to foreign investors buying a company in respondent's country of origin.

“In higher income countries, ideological opposition to FDI is stronger and cultural considerations take priority over potential benefits”

In the US and UK, overseas investors are more likely to be perceived as a driver of economic instability, cutting jobs in the pursuit of profit. The opposition to foreign investors isn’t just practical, but principled: the most popular argument against foreign investment for the FDI-sceptic American public was that foreign companies should not own domestic companies on principle (41%), with concerns around foreign impact on the culture of US and UK business also ranking in the most frequent concerns for respondents who were opposed to international investors (30% and 35%). (Fig 2.)

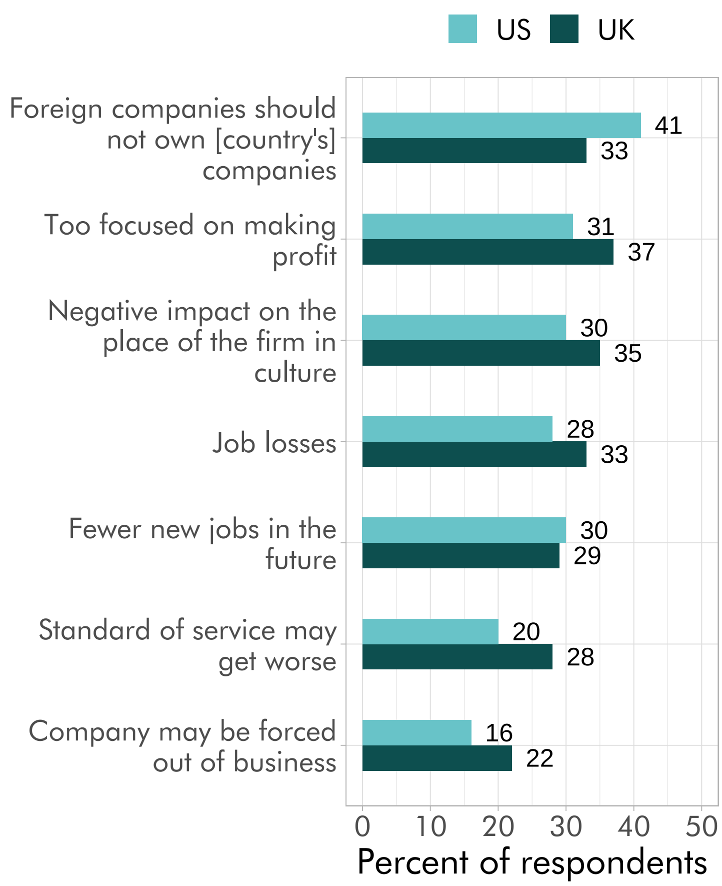

Fig 2: Which of the following best describes why you are pessimistic about the prospect of a domestic company being bought by an overseas firm? Respondents in the US and UK who had answered they were pessimistic about foreign ownership selected as many of these they felt applied.

In contrast, we find 'pragmatic enthusiasm' for foreign investment in Argentina and Nigeria, where the public put more emphasis on the economic opportunities created by foreign investment. In these countries, foreign companies are predominantly seen as drivers of innovation and modernisation, rather than disrupting culture and displacing domestic labour and business. The economic opportunities of investment were the most common reason for optimism given by pro-FDI Argentinians and Nigerians (70% and 62%). (Fig. 3)

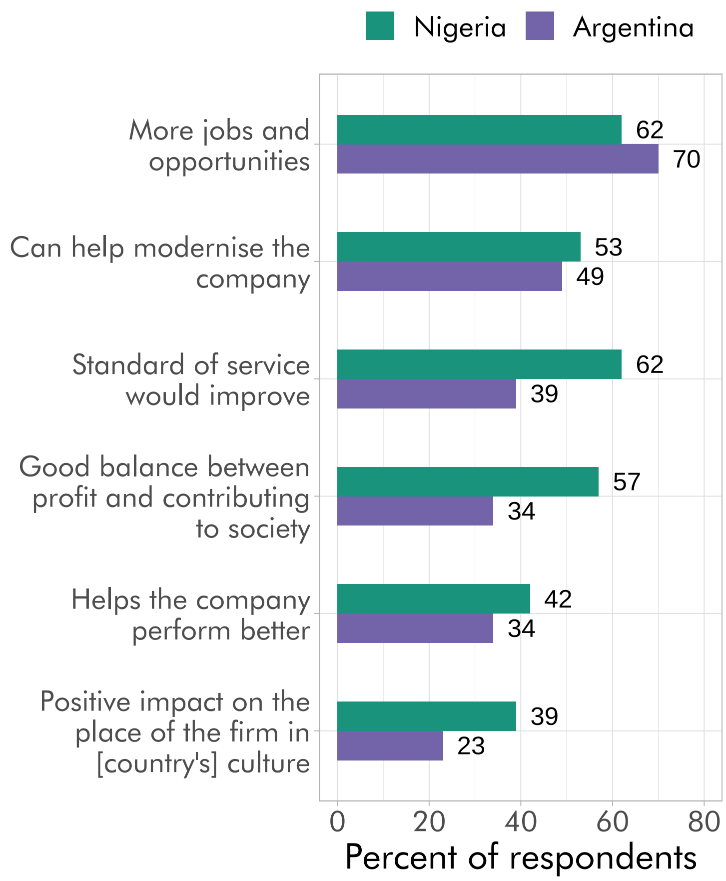

Fig 3: Which of the following best describes why you are optimistic about the prospect of a domestic company being bought by an overseas firm? Select as many as apply. Respondents in Argentina and Nigeria who had answered they were optimistic about foreign ownership selected as many of these they felt applied.

Different economic conditions across countries therefore give rise to variation in public priorities. In higher income countries, principled opposition to foreign investment on ideological grounds becomes stronger, and cultural considerations take priority over potential benefits to the local economy.

Force 2: Shifting political attitudes have implications for how FDI is received

While baseline protectionist attitudes are much higher in the UK and US, political preferences also correlate with attitudes towards investors, with right-wing voters in the West more resistant to foreign investment. (Fig. 4)

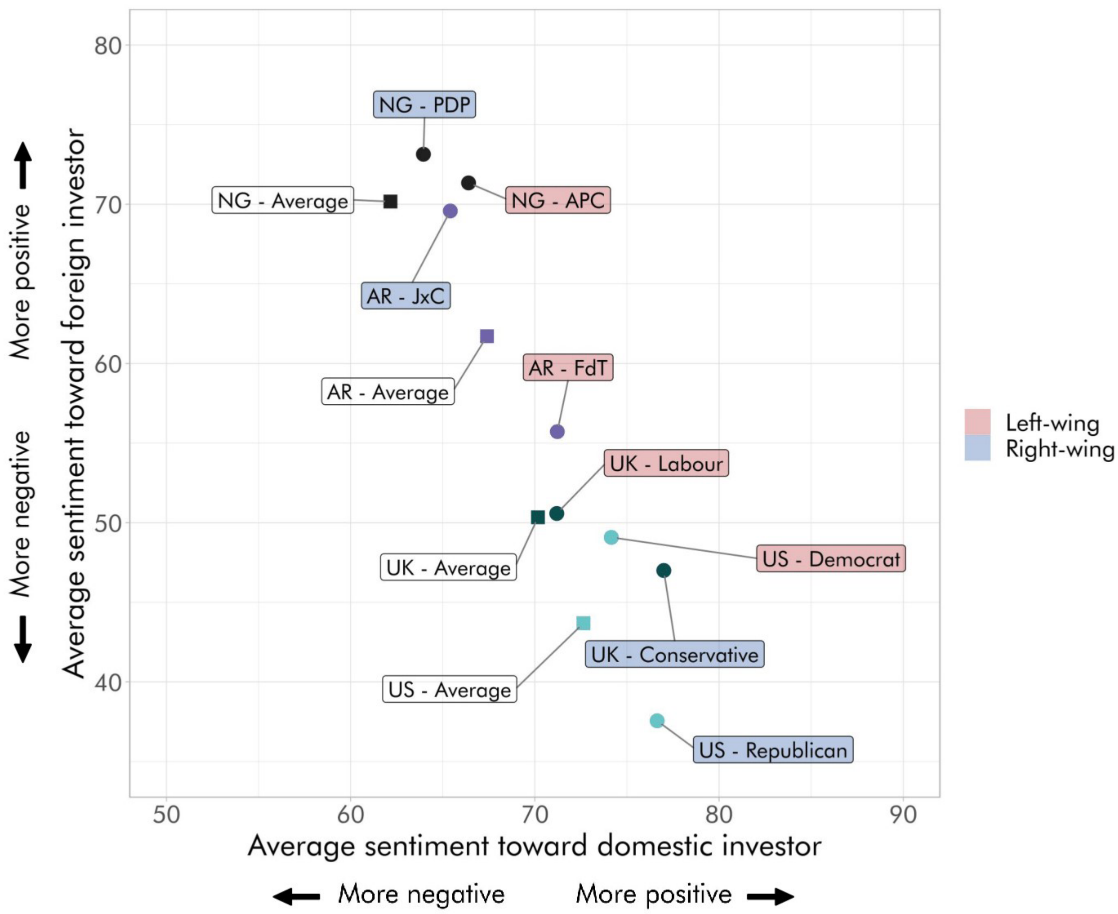

Fig 4: Sentiment toward a foreign or domestic company investing in a company in respondent's country of origin (where 0 is 'extremely negatively' and 100 is 'extremely positively'), by respondent's political affiliation.

Once considered the parties of business and international investment, Conservatives and Republicans have become increasingly sceptical about foreign investment relative to Labour and Democrat voters. 2019 Conservative voters were on average four points less positive about a foreign buyout than Labour voters, when asked to rate their response to the buyout out of 100 (47 to 51), with an even greater gap between the sentiments of 2020 Republicans and Democrats (38 to 49).

The realignment of politics in the US and UK has had implications for foreign businesses. With the Conservatives and Republicans courting economically left-wing, culturally nationalistic voters in recent years, support from the right for FDI cannot be taken for granted on either side of the Atlantic.

Force 3: Investors' country of origin impacts public perceptions, with Anglosphere investors benefiting

When we break the data down further, from a foreign vs. domestic paradigm to comparing individual investor nationality, we see that a companies' specific market of origin is an important consideration in positioning and messaging. Whether your status as an investor from a given country should be leveraged or mitigated depends on the perception of that country in the recipient market.

Among the four surveyed geographies, publics had the most positive view of American and British investors out of a list of 16 nationalities spanning six continents. For over a quarter (27%) of respondents across the UK, Nigeria, and Argentina, US investors were most appealing of all foreign countries of origin. UK investors were chosen as the top foreign nationality of choice the second most often, selected first by 14% of respondents across the US, Nigeria and Argentina. This Anglosphere sentiment extends to Canadian and Australian investors too, who are generally seen preferentially by international audiences, named as a top three foreign investor the second (40%) and sixth (25%) most frequently of all national identities.

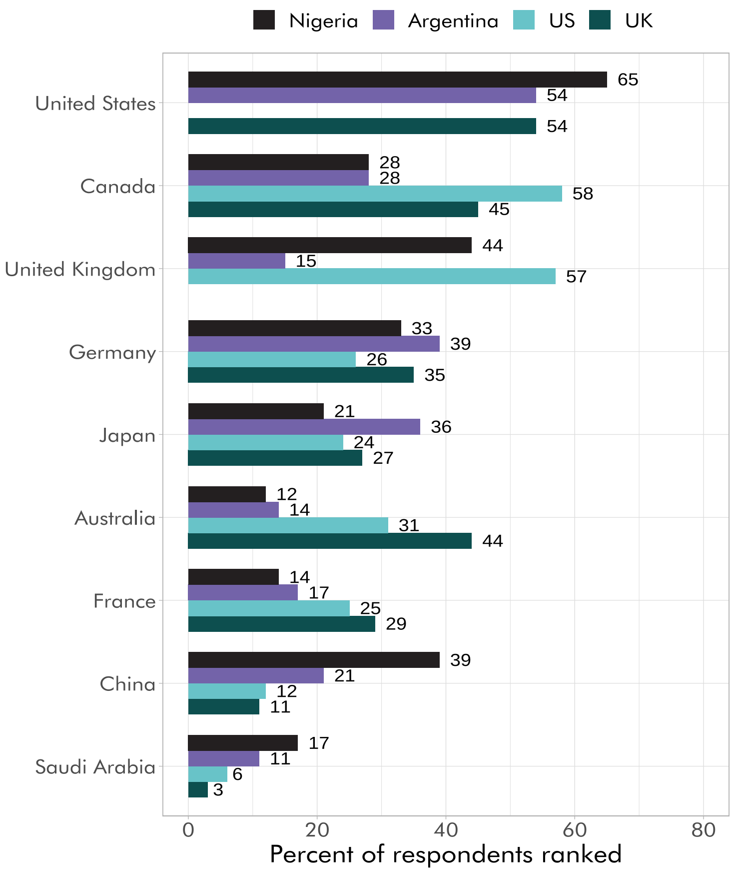

Fig 5: Imagine a foreign company was going to buy a company in your country. Which of the following countries would you prefer that foreign company came from? Please rank your top three. (Total percentage ranked in top three).

“International publics had the most positive view of American and British investors out of a list of 16 nationalities spanning six continents”

The polling demonstrates the influence of country of origin cultural ties in how a company is perceived. Long-standing cultural and geopolitical bonds among the Anglosphere manifest in nearly one quarter (24%) of US respondents selecting British as a preferred nationality of investors. Similarly, Canadian investors are also regarded highly among a US audience – the top investor nationality pick for 28% of US respondents.

In Nigeria, American investors are considered most favourable, with nearly one in three (29%) Nigerian respondents selecting the US as the top pick for investor nationality. British investors are, by contrast, thought of as the best investor by just 13% of Nigerians.

National histories are crucial in understanding how investors’ culture shapes perceptions: in Argentina, the United States and Canada remain popular, but the legacy of the Falklands War results in tensions leading to overwhelming scepticism of the UK and some other Anglosphere countries – just 3% of respondents showed a top preference for British companies setting up shop in their country, and 4% for Australia. We see that countries with close historic, cultural and linguistic ties to Argentina, such as Spain, tend to receive a reputational bonus here too, with 24% of Argentinians naming it as a top-three investor.

Public perception is often influenced by how the public perceives the origin nation. From an investor’s perspective, understanding how these complex socio-cultural factors manifest in attitudes to FDI and national brands can limit reputational risk in new and unknown markets.

Force 4: Chinese investors face a reputation deficit in spite of massive investment

In contrast to the positive associations of the Anglosphere, China's international reputation problem tarnishes the brands of Chinese companies. The effect is strongest in the US and UK, where the average American or Brit is a third less likely to choose investment from a Chinese company compared to a domestic firm. Chinese investors are seen as predominantly untrustworthy and secretive in both the US (31% and 29%) and UK (29% and 32%).

A generally negative sentiment towards Chinese investment is not limited to the US and UK. The reputational penalty for Chinese investors can be found to a lesser extent in Argentina and Nigeria, where Chinese companies have invested in major infrastructure projects under the Belt and Road Initiative (BRI).

Argentina joined the BRI in February 2022 after two decades of increased economic alignment between the two countries, but the Argentinian public prefer American, French, Australian and Japanese investors to their Chinese counterparts, who are tied with the British as their least preferred of all major investment partners. Over a quarter of Argentinian respondents view US-headquartered companies as the best investors. Chinese investors, by contrast, are the top pick for just 7% of Argentinians.

Argentinians most commonly describe Chinese companies as extractive (28%) and secretive (24%) when asked for the three most negative words or phrases they associate with them, pointing to an established narrative in which Chinese firms in the region take more from local communities than they give back, and struggle to communicate the benefits of their business.

"To receive a good reputational ROI, companies need to focus on communicating the benefits they bring as well as actually delivering them"

Nigeria became a signatory to the BRI in 2018, with a ramp-up of Chinese-Nigerian cooperation over the last decade. Major infrastructure projects such as the Lagos-Ibadan railway - financed by $1.5 billion USD in Chinese loans - have yielded a more positive relationship, but Nigerians still prefer US and UK investors to the Chinese. Of Nigerians' top-three favoured inward investing nations, the US (65%) and UK (44%) remain ahead of China (39%).

While China is making the substantial investments needed to win influence and popularity in Argentina and Nigeria, it has not received the expected positive association. In order to receive a good reputational return on investment, delivering tangible outcomes is not enough - companies need to communicate the benefits they bring too.

Force 5: Tangible commitments on core 'bread and butter' issues are a crucial step towards gaining public acceptance

What can foreign investors do to best improve their reputation by building trust and support with the public?

We showed respondents pairs of foreign investor profiles, with each investor given random characteristics such as their nationality, ESG reputation or public commitments. We then asked respondents to pick their preferred investor of the two.

By analysing the characteristics of the selected investors we are able to see the impact of each individual trait, and calculate the reputational dividend or penalty: how likely a company is to gain or lose public support as a result. (Fig. 6)

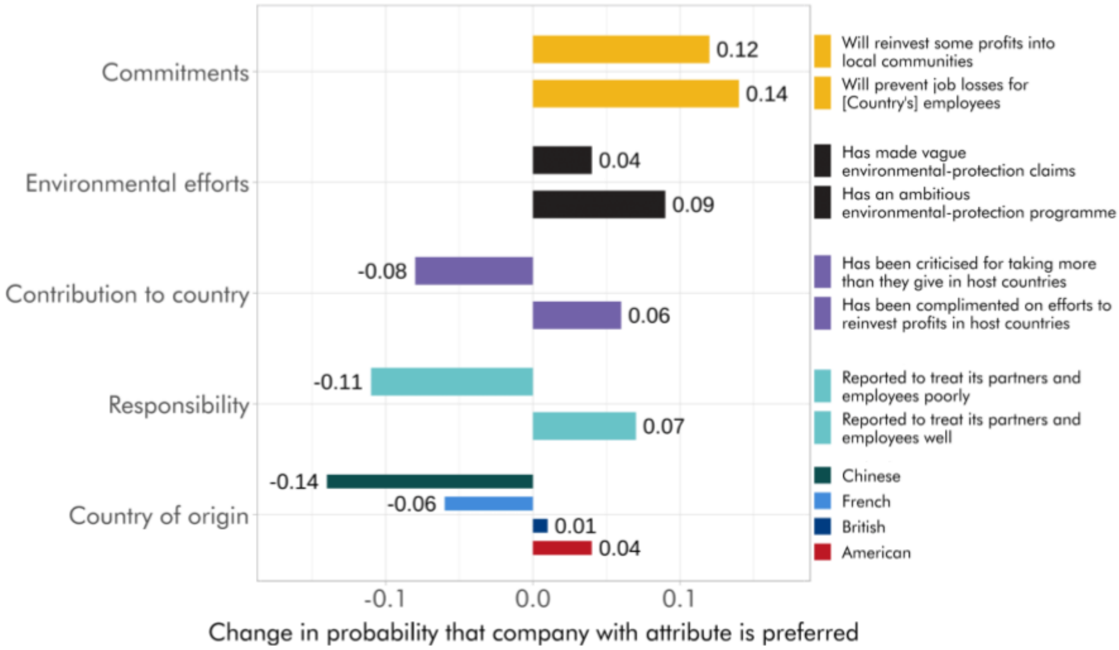

Fig 6: The effect of each individual characteristic on how likely a company is to gain or lose public support as a result of that trait.

The evidence shows that tangible commitments on core 'bread and butter' issues is a crucial step towards gaining public acceptance. Across the four countries, a commitment to preventing job losses has the largest average effect, with companies who do make the promise gaining a 14% reputational dividend, with companies who commit to reinvesting profit into local communities gaining 12%.

Companies that treat employees well and reinvest profits boost their probability of being preferred by 6%. The penalty for being seen as extractive and treating employees poorly, however, is much stronger: -8% and -12% respectively.

04. Case study: Energy investment in the UK

Taking one example from the UK, what is the gap between critical energy infrastructure investment needs, and what the public wants around building new capacity and reaching net zero?

The UK's energy ambitions are substantial. Sir John Armitt, chair of the UK's National Infrastructure Commission, recently described the pace of new infrastructure construction required for the UK to achieve net zero by 2050 'mind-boggling'.[1] Experts fear, however, that the required rapid development of green infrastructure, including new wind farms, nuclear plants, and large-scale batteries will be held back by slow grid connections, planning permits, skills shortages and inadequate supply chains.[2]

Amongst the UK public, we find that the price of energy, as well as perceived over-reliance on foreign actors, is driving public calls for reliable and independent homegrown energy. 87% of Britons express concern about the country's dependency on energy from abroad. Similarly, 86% recognise the war in Ukraine as having impacted energy supply and bills. Concerns over energy security and independence from imports is therefore cited more than any other factor as a reason for supporting UK-based energy projects, with 25% of the British public thinking it the best justification, ahead of lowering energy costs (21%) and tackling climate change (15%).

These concerns, however, do not translate into an enthusiasm for local energy infrastructure construction. Respondents were net +16% positive towards the construction of a new nuclear power plant in the UK for instance, but this figure fell to just +1% when told the construction would be in their local area.

Southern England proved most opposed to local construction compared to the national average. Southerners' support for nuclear power plant construction in the UK dropped by nearly 25 percentage points when respondents were told that the plant would be built in their local area.

This NIMBY effect is heightened among certain socio-economic groups. Respondents with a university degree were more supportive of a nuclear power plant being built anywhere in the UK compared to those without one. However this does not always translate. Degree-educated Brits' support for nuclear developments dropped by a significant 22 percentage points when told projects would take place in their local area. Nuclear support from non-degree educated individuals, by contrast, only dropped by 12 percentage points when told the same.

Similarly, over 65s proved to be most resistant to local developments, despite reasonable support of nuclear energy in principle. Living in a rural area also affects a community's outlook on local energy developments – countryside residents saw higher levels of NIMBYism, with support for nuclear energy dropping by 20 percentage points if it were to be located in these respondents' areas.

"Between Hinkley and TikTok, we're doomed"

- UK focus group participant

Anti-Chinese sentiment cuts through

Chinese investment in UK energy infrastructure has been a politically salient issue, with investments made in nuclear power plants Hinkley Point C and Sizewell C coming under intense scrutiny. China General Nuclear was eventually bought out of the Sizewell development in late 2022.

In focus groups we see UK suspicions of China vocalised. Respondents' negative narrative regarding Chinese companies' country of origin compounded cross-sector concerns in energy. In the words of one: 'Between Hinckley and TikTok, we're doomed.' The close relationship between Chinese enterprises and the Chinese Government also drew concern, with the country characterised as 'ruthless' and 'after world domination'.

Political consensus in UK, divide in US

Climate change is historically seen as an archetypal issue dividing the pro-environment left and pro-business right in the UK. Our research finds the extent to which this is politically charged is hugely dependent on cultural context, serving as a case study for companies navigating complex politically-charged issues across borders.

Political actors in different countries approach issues differently, both influencing and influenced by public views, which vary widely across markets as a result of different political pressures. As a result of proactive positioning by the Conservatives, there is much more of a green consensus in the UK and the risk of energy polarisation is lower. A majority of voters are in favour of expanding eco-friendly subsidies across political divides, with 2019 Conservative voters (63% for, 24% against), Labour voters (59% for, 24% against), and Liberal Democrats (64% for, 28% against) all deciding in favour of the plans.

The consensus contrasts with the US picture which is polarised along partisan lines: 2020 Biden voters approve of an increase in green subsidies (70% in favour, 21% against) while 2020 Trump voters are more likely to oppose the policy (36% in favour, 49% against).

Despite Government rhetoric, over a third (37%) of Brits are very or extremely concerned that companies in green sectors will leave the UK for the US and EU. A majority (55%) of Brits approve of tax breaks for such companies to help keep them in the UK.

Brits are also concerned that the UK will lose out as the EU and US ramp up green funding, and want to see similar tax breaks for UK companies. The US' Inflation Reduction Act, intended to create an investment-friendly environment for green companies operating stateside, has seen support from green businesses across Europe. Chancellor Jeremy Hunt has since defended UK green policy, arguing that the country requires 'security, not subsidy' to maintain its position as a green leader.

Political actors in different countries have approached issues like the green transition differently. In turn this has had an effect on public views, which vary widely across markets as a result of different political pressures, and should be considered by investors seeking to build an international narrative around the public benefits of their investments.

[1] *Financial Times, 'UK electricity network faces 'mind-boggling' scale of change over net zero', 25 June 2023, available at: https://www.ft.com/content/c0731316-6872-4764-9843-22a673039886*

[2] *Financial Times, 'UK clean power targets are unfeasible, experts warn', 18 June 2023, available at: https://www.ft.com/content/cd177c4b-6724-4194-879e-c27b88449e71*

05. Recommendations

How can corporate leaders navigate different levels of hostility and receptiveness to foreign direct investment?

How can corporate leaders navigate different levels of hostility and receptiveness to foreign direct investment? From our findings in this report, we propose five reputation levers businesses can pull to help win support:

1. **Know your audiences**

   Companies need to understand the priorities of the public, and the complex regional, intergenerational and demographic factors that influence them most keenly, as well as the contradictions. The value of your brand and what it means to the public will not be uniform across regions and markets, so knowing how these audiences vary is critical to tailoring your message and commitments accordingly.

   Segmenting audiences into key groups of supporters, detractors and the all-important persuadables enables businesses to differentiate between key audiences and create tailored initiatives and communications to influence them.

2. **Communicate the benefits of the core business**

   Companies should prioritise storytelling around the tangible 'bread and butter' benefits that business is delivering. You may not be able to change where your company comes from, but you can still tell a compelling story about what you stand for. Being known as a good place to work, job creator, and committing to reinvestment in local communities are all effective in boosting support across markets.

3. **Demonstrate wider impact beyond the core business**

   Businesses have the power and investment to deliver impactful solutions on major issues like training workers, addressing inequality issues and combating climate change. Understand how the expertise and resources of your business can be harnessed to benefit society in tangible ways beyond your core products, and which social issues can unite your markets.

4. Connect with people in ways they understand

Unless you are a company dealing in desirable consumer goods, one of the hardest things for companies is to find emotive ways to connect with the public, and to avoid dry empirical messaging.

Communicating practical plans for how your company can drive a positive impact, being transparent about the trade-offs involved, will help you get your message across and bolster your reputation. If businesses can do this on a platform that shows they are solving, not creating, society's biggest problems, then they will build trust and ultimately create a more favourable operating environment.

How a company sets out its argument for investment and development is critical to success. Achieving a cross-cutting positive reputation means articulating the economic benefits you can bring to markets in terms that are tangible and meaningful to communities, such as job creation or price incentives, rather than as part of a vague improvement to the national economy. Understand the creative communication and emotive messaging that best resonates with your local audiences, and tailor content to match their preferred media channels.

5. Find ways to support national priorities

While companies need to be mindful of unnecessary politicisation, aligning your messaging and commitments with Government priorities can tap into an established campaign and provide further opportunities to raise your profile on issues of relevance to both your company and the public, where the business has a credible or differentiated role to play.

To avoid politicisation while still gaining the benefits of alignment, understand which issues are politically divisive and which have achieved consensus. Being vocal in regions where a Net Zero consensus has been achieved, such as the UK, can be paired with a tailored approach in regions where climate measures are a partisan issue, such as the US. This approach maximises the messaging impact of ESG commitments while not alienating key audiences.

06. Methodology

Stack Data Strategy conducted a total of 6,103 online interviews across Argentina, Nigeria, the UK, and the US between 23rd February and 7th March, 2023. This included 1,513 interviews in Argentina, 1,515 interviews in Nigeria, 1,550 interviews in the UK and 1,525 interviews in the US. Respondents in Argentina, the UK and the US were weighted to be representative of respective national adult populations by age-gender (interlocked), level of educational attainment, geographic region and past political voting behaviour. In Nigeria respondents were weighted to be representative of regular internet users by age-gender (interlocked), educational attainment levels, and geographic region. Due to weighting and rounding, percentages may not always add up to 100%.

With regard to the methods used in the analysis, the forced-choice conjoint experiment was conducted as follows. In the survey, each respondent was shown several pairs of randomly generated and artificial profiles of a foreign investor. Each foreign investor was given randomly generated characteristics (e.g. “Is French”, “Has been complimented on its sustainability efforts”, “Has committed to providing 1,000 new jobs in the area of investment”). We then asked respondents to pick their preferred investor of the pair. By analysing the characteristics of the selected investors, we were able to understand the relative importance of the characteristics and the magnitude of their effect on the public popularity of an investor.

For more detail, please use the following links to the datatables (UK, US, Argentina, Nigeria).

07.

About Reputation Impact

This white paper coincides with the launch of Hanbury and Stack's Reputation Impact consulting service which helps global business leaders enhance social licence and navigate change while keeping the public onside. We also partner with Topham Guerin, a team combining digital expertise with bold creativity to tell stories that shift attitudes and change behaviour. Together, we are a unique alliance of three best-in-class, independent, founder-led companies, with experience working seamlessly together on clients' most complex challenges.

Better communications helps clients solve business challenges - whether rebuilding trust after a major setback, changing the course of a critical debate, mitigating political risk, or securing a better operating environment. This starts with understanding public opinion - who are your target audiences, what do they look like, and what do they care about? - and communicating in ways that connect with them.

About Hanbury Strategy

Hanbury Strategy is a communications and political consultancy that turns insight into impact. Whether you face a communications challenge or have a policy goal, our exceptional team uses our understanding of public opinion, the press, and politics to create campaigns that work. We have a relentless focus on achieving great results for our clients.

About Stack Data Strategy

Stack Data Strategy is an opinion research and data analytics firm based in London. We offer data-driven advice on communications and campaigning to governments, political parties, investors, and companies all over the world. We combine deep research expertise with cutting-edge data science to help our clients understand, persuade and mobilise their audiences. Stack is an accredited member of the British Polling Council and the Market Research Society.

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